

APPRAISAL REPORT

COPPER VALLEY PROJECTS
(FORMER CASTLE & COOKE PORTFOLIO)
CALAVERAS COUNTY, CA
“AS-IS,” “AS OF COMPLETION,”
AND “AS OF FULL DEVELOPMENT”

AS OF DECEMBER 1, 2019
AGI FILE NO: 19-11-017D

PREPARED FOR

GREAT WESTERN FINANCE, INC.

PREPARED BY

AGI VALUATIONS

A·G·I

VALUATIONS

December 19, 2019

Great Western Finance, Inc.
1420 South Filbert Way
Denver, CO 80222

Attention: Gary Greenberg, President

Re: Former Castle & Cooke Copper Valley Portfolio
AGI File No.: 19-11-017D

Gentlemen:

In accordance with your request, I have conducted the required investigation, gathered the necessary data, and made certain analyses that have enabled me to form various opinions of the market value of the above-captioned portfolio.

This appraisal report is prepared in compliance with the Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of the Appraisal Foundation.

Focusing on the active adult market, the projects consist of The Golf Club at Copper Valley (formerly named Saddle Creek Resort), Town Square, Sawmill Lake, Vineyard Estates, and Copper Valley Ranch, as well as 12 miscellaneous lots in the Lake Tulloch development area in Calaveras County, CA. For the purposes of this report, the place name "Copper Valley" will be used to refer to these projects in aggregate. The valuation involves a golf club, residential lots with infrastructure, residential lots without infrastructure but with an approved maps, a neighborhood shopping center partially built-out with an approved condo map, and vacant, unentitled potential development land.

The business plan is an evolving plan and the appraisal assumes that the developer will make improvements and changes. The portfolio is summarized below from data provided to the appraiser:

1. **The Golf Club at Copper Valley** – Formerly named Saddle Creek Resort, this is approximately 890 acres and is the most developed of the subject properties, having an 18-hole golf course, clubhouse, sports center, with approximately 550 lots developed and around 470 houses already built-out. It also has a small bungalow rental project of 17 buildings that can be rented as 37 units that are owned by individual owners within a mandatory rental pool. The project has an approved specific plan and development agreement that allows 1,650 residential units, however Castle & Cooke only planned on doing around 1,150. The current lots range between 8,500 square feet to over an acre in size. The remainder will be developed with 752 lots ranging from 4,000 to 12,000 square foot as well as 48 condominium units. The housing will be designed for an active adult project to meet the demand requirements of today's market. Most, if not all, of the residents of The Golf Club at Copper Valley today are over 55, although it is not age restricted.

In addition to the undeveloped portion of the property, there are approximately 105 finished lots averaging about 8,500 square feet.

2. **Town Square** – A commercial center of retail, restaurants, offices, and residential condominiums, it is approved for an additional 150,485 square feet with 56,150 square feet already built out. All of the infrastructure is completed and in place to build out the remainder of the project. The product can be mixed-use with a new residential component. A market and medical center are ready to go into the center now, the conversion of some existing space to a hotel is in progress, and development of additional residential condominiums is planned. Castle & Cooke reportedly spent \$53 million on developing Town Square, including land acquisition, entitlements, infrastructure, and vertical development. The center also has an approved condo map so that the pads or individual pads or store fronts could be sold if desired. There are 15 residential lofts that were developed and sold when this project was built, ranging in price from \$240,000 to \$640,000.
3. **Sawmill Lake** - Is approximately 247 acres and is immediately adjacent to the Town Square. This project is currently undeveloped with no infrastructure. This property includes an existing man-made lake. The recently adopted general plan resulted in changes to allowable land uses and densities from what previously existed; accordingly, pre-existing development plans for this project are obsolete. Revised plans are in process which plan to maximize the allowable density of this property which permits 696 residential units, including a density bonus for the inclusion of senior and workforce housing. The plans include a portion of the units to be part of a continuing care retirement community (CCRC). The plan also includes a 15-acre commercial use area.
4. **Vineyard Estates** - This property is 42 acres and is located on the northern border of The Golf Club at Copper Valley and will be the new northern entrance to that project for the active adult section. The concept is to plant vineyards and olive trees on it and maybe have some estate lots or clustered product. It could also be a location for the development of amenities for the active adult, such as a community center, 18-hole putting course and community gardens. It has approvals for 17 lots, however the recent general plan update designated the property for a maximum of 6 units per acre.
5. **Copper Valley Ranch** - Is 1,770 acres and is adjacent to the 1,100+ acres of Tuscany Hills. This property has an allowable density based on the recently adopted general plan of a 20-acre minimum lot size, which will permit development of up to 88 total units on this project. It is currently undeveloped, with no infrastructure in place. This parcel has lake frontage of nearly two miles. Approximately 300 acres of the property are suitable to support permanent plantings. Recreational uses, including hiking, biking, and equestrian trails are potential uses of much of the property, as is an equestrian facility. The beachfront portion of the property is considered for a future beach club / waterfront recreational use. Another possible use of this property is to develop a 4,000-foot landing strip on it that would serve the project. Castle & Cooke paid \$15 million for this property in 2006, and had reportedly spent \$3.5 million on entitlements (now obsolete) and environmental studies.

6. **Miscellaneous Lots** - There are also 12 miscellaneous lots along Little John Road that are included in the sale, appraised with the Vineyard Estates.

The ability to add a lake component to the overall masterplan will add considerable value and boost marketing. As of now, The Golf Club at Copper Valley has no lake access at all or exposure to the lake. Its recreational amenities are limited to golf, swimming, tennis, fitness, biking, and hiking. Having the lake component with boating, fishing and other lake activities would enhance the whole atmosphere of Copper Valley. Castle & Cooke had invested well over \$100 million since its involvement in 1998 in the various projects.

The values stated herein are based on my understanding of the sites and their permitted uses as represented to me by the client and/or the client's representatives and professional consultants, as well as other available sources. I direct your attention to the three "Executive Summary" valuation scenarios of this project, which follow this letter of transmittal. Please read the report and inform the appraiser of any errors or omissions you are aware of prior to utilizing it and making it available to any authorized user.

Based on an inspection of the property and the investigation and analyses undertaken, I have formed the opinions, subject to the general assumptions, extraordinary assumptions, limiting conditions, and hypothetical conditions as set forth in this report that the market value of the subject portfolio, by parts, as of December 1, 2019 and other dates ("as of completion" of stated scenarios), are as follows:

"AS-IS" MARKET VALUE:

EIGHTY-SIX MILLION TWO HUNDRED THIRTY THOUSAND DOLLARS
(\$86,230,000)

"AS OF COMPLETION OF INFRASTRUCTURE AND PROPOSED IMPROVEMENTS"

ONE HUNDRED THIRTY-NINE MILLION THIRTY THOUSAND DOLLARS
(\$139,030,000)


"AS OF COMPLETION OF THE FULL PROJECT"

EIGHT HUNDRED NINETY-TWO MILLION
ONE HUNDRED FIFTY THOUSAND DOLLARS
(\$892,150,000)

The narrative appraisal report that follows sets forth the identification of the portfolio, property rights appraised, general assumptions, limiting conditions, extraordinary assumptions, hypothetical conditions, pertinent facts about the proposed project, comparable project data, results of my investigation and analyses and the reasoning leading to the conclusions set forth.

Respectfully submitted,

AGI VALUATIONS

A handwritten signature in black ink, appearing to read "David M. Harding". The signature is written in a cursive, flowing style.

David M. Harding, MAI
State Certificate No. AG027868

EXECUTIVE SUMMARY – I

CONCLUSIONS OF “AS IS” MARKET VALUE

The Copper Valley portfolio is a complicated property involving a variety of residential and commercial components ranging from retail store space in the Town Square to individual residential lots that are ready to be built on to acreage parcels with no entitlements. It also includes a fully operating country club and revenue from lodging units/bungalows that are owned by individual investors but part of a rental pool. There are no comparable sales of properties with similar characteristics.

An argument can be made that there should be some type of bulk sale discount, however there is no data for a similar situation. My investigation and analysis revealed that unit prices for the various aspects of Copper Valley were mostly data from a market that has not been promoted for years. Thus, these estimates do not project an upward trajectory in prices that would have taken place if the subject portfolio had been managed in the past based on its highest and best use.

Thus, in my opinion, the conclusions set forth below represent the market value to a buyer who has experience in the development of communities with a variety of entities.

The Golf Club at Copper Valley		
Golf Course/Country Club	\$5,850,000	
Land/Lots	<u>\$28,650,000</u>	
Total, The Golf Club at CV		\$34,500,000
Town Square		\$20,025,000
Sawmill Lake		\$14,485,000
Copper Valley Ranch		\$14,300,000
Vineyard Estates, House, and 12 Lots		<u>\$2,920,000</u>
Total Value		\$86,230,000

Based on the foregoing considerations, the “as is” market value of the components (with the Copper Valley branding) is \$86,230,000.

EXECUTIVE SUMMARY – II

VALUATION “AS OF COMPLETION OF INFRASTRUCTURE”

The difference between the valuation of the property “as is” and the valuation of the property “as improved” is the investment in infrastructure; Town Square and The Golf Club at Copper Valley already have most of their infrastructure in place; Sawmill Lake, Copper Valley Ranch and the Vineyard Estates are appraised “as is” with reference to comparables of a similar nature. The only estimate of infrastructure is for the 800 lots and includes the “Spine Road” that connects the planned northern entrance at the roundabout to the existing road system on the north side of the existing neighborhood of The Golf Club at Copper Valley known as Copper Highlands. The estimated costs are summarized below:

Category	# of Lots	Cost per Lot	Total Cost
Lots	800	\$35,000	\$28,000,000
Spine Road			\$2,000,000
		Total	\$30,000,000

As a result of completing the subdivision work on the 800 lots, the value as of completion for The Golf Club at Copper Valley would average about \$90,000 per lot (consistent with concluded value estimate herein of the average value of the existing 105 finished lots), or a total of \$72,000,000. This will result in an increase in land valuation “as of completion of infrastructure” for The Golf Club at Copper Valley to an average of \$90,000 per lot/unit, summarized as follows:

The Golf Club at Copper Valley		
Finished Lots (105 @ \$90,000)	\$9,450,000	
Former Paper Lots (800 @ \$90,000)	<u>\$72,000,000</u>	
Total		\$81,450,000
Golf Course/Country Club		\$5,850,000
Town Square		\$20,025,000
Sawmill Lake		\$14,485,000
Copper Valley Ranch		\$14,300,000
Vineyard Estates, House and 12 Lots		<u>\$2,920,000</u>
Total Value		\$139,030,000

EXECUTIVE SUMMARY – III

HYPOTHETICAL PROSPECTIVE VALUATION “AS OF COMPLETION OF THE FULL PROJECT”

The hypothetical estimate in this chapter is provided to the reader with an understanding of the totality of the future investment value when all the property has been developed, recognizing, at that theoretical point in time in the future, that much of the product would have been sold to third-party occupants (owners/users/investors). The other components of Copper Valley such as the golf course/country club and Town Square could be sold or placed under the ownership or control of different entities. At that point in time there could be a large number of additional homeowner's associations (HOA) involved with the various categories and locations of finished lots (e.g., in The Golf Club at Copper Valley, Sawmill Lake, and Vineyard Estates). Copper Valley Ranch would have been sold off to a third party as its development potential is relatively long term and the proceeds of sale could be used to reduce debt and future holding costs.

The Golf Club at Copper Valley, Sawmill Lake, and Vineyard Estates

These three properties involve a total potential of 105 existing lots plus 800 (48 of which are condo units), or a total of 905 lots at The Golf Club at Copper Valley, plus 696 lots at Sawmill Lake, and 29 lots at Vineyard Estates (which includes 12 lots along Little John Road).

Plans for Sawmill Lake include a continuing care retirement community (CCRC), the feasibility of which is currently being studied. Any CCRC units would be part of the 696 potential lots of Sawmill Lake. CCRCs typically involve complex pricing structures, which include a substantial buy-in / entrance fee as well as monthly payments for services. Given that there are many unknowns regarding the specifics of a potential CCRC as part of Sawmill Lake, including number of units, entrance fees, monthly fees, operating expenses, etc., any attempt to value a CCRC on this property at this time would require too many assumptions to provide confidence in any value conclusion. Alternatively, any potential CCRC units are included in the overall total potential number of lots, and are valued in this scenario as-if completed with single-family residences. This is considered a less speculative alternative than attempting to value a potential CCRC on the property with the application of so many assumptions, and effectively equates the value of a single-family home to a CCRC unit, which is the most reasonable alternative in this case.

A total number of 1,630 lots with houses in place at an average current price of \$500,000 (a figure well-supported by the sales summarized on a following page, which indicate a mean of \$510,944 and a median of \$492,500; the range is \$365,000 to \$699,500) would be prospectively valued at \$815,000,000.

House price data from The Golf Club at Copper Valley is summarized on a following page.

Town Square

Town Square is commercial center of retail, restaurants, offices, and residential condominiums. The 56,150 square feet of this which has been developed has been valued herein at about \$231.50 per square foot. To value this project as if completed, this \$231.50 per square foot figure is applied to the total entitled square footage of 206,635, less 10,275 square feet of the existing Building 3 (entire ground floor), which is valued as a 29-room hotel (this space was included in the valuation of the 56,150 square feet in the as-is valuation, but is valued separately in this prospective value analysis), and less 39,996 square feet, which is the total area of the planned 44 residential condominiums, which are also valued separately. Total entitled square footage of 206,635 less 10,275 for Building 3 and 39,996 square feet attributable to the condos equates to 156,364 square feet; multiplication of this figure by \$231.50 per square foot equates to a value of $(156,364 \times \$231.50 = \$36,198,266, \text{ rounded to } \$36,200,000$.

To value the hotel which will encompass the ground floor of Building 3, the feasibility analysis for the proposed hotel performed by HVS Consulting dated September 4, 2019 is referenced. Specifically, this detailed analysis projects a stabilized net operating income (NOI) figure of \$624,000. This number is somewhat conservative, as HVS acknowledges that their estimates “do not take into consideration the seasonality of the market, where the proposed subject hotel is expected to generate significantly more revenue in the peak summer months.” Furthermore, the estimates do not consider the impact that golf packages, golf tournaments, and weddings that are held at The Golf Club at Copper Valley could have on occupancy. Finally, the operating expenses are based on a typical small hotel operation and do not take into consideration that the portfolio ownership already has a general manager at Copper Valley that will be able to handle the operation with only an on-site assistant manager which could effectively reduce operating costs.

To estimate an appropriate capitalization rate to apply to the stabilized NOI estimate, the Q3 2019 PwC Real Estate Investor Survey is referenced. Survey responses indicate a range in overall cap rates for limited-service lodging facilities of 7.50% to 12.0%, with an average response of 9.15%. In selecting an appropriate rate for the capitalization of the forecasted stabilized NOI of the subject hotel, the conservative nature of that estimate is considered, as is the quality and condition of the improvements (new construction); accordingly, a rate below the average is warranted. Accordingly, a rate of 8.0% is concluded, which results in a prospective valuation of the subject hotel of $(\$624,000 / .08 =) \$7,800,000$.

The 44 residential condominiums will encompass 39,996 and are project to sell in the low \$300's per square foot. A figure of \$325 per square foot equates to a value of \$12,998,700, rounded to \$13,000,000. The overall prospective value conclusion for Town Square is $(\$36,200,000 + \$7,800,000 + \$13,000,000 =) \$57,000,000$.

Other

Additional valuation components for the prospective valuation “as of completion of the full project” would be the current value of Copper Valley ranch at \$14,300,000 (highest and best use to be sold to a third party).

Total Valuation

Based on the above factors, the total valuation of the project as of full build-out but at current prices is \$892,150,000, as shown below:

Golf Course & Amenities:	\$5,850,000
Residential Component:	\$815,000,000
Town Square:	\$57,000,000
Copper Valley Ranch:	<u>\$14,300,000</u>
Total	\$892,150,000