A SUMMARY APPRAISAL REPORT

OF

LAND AS VACANT

FOR ACQUISITION OF A PERMANENT UTILITY EASEMENT ON A PORTION OF THE EXISTING SAN JOAQUIN ROAD RIGHT OF WAY

LOCATED WEST OF PURPLE SKY TRAIL, EAST OF URSA WAY, INCLUDING THE SAN JOAQUIN ROAD RIGHT OF WAY IN A PORTION OF SECTION 24, TOWNSHIP 14 SOUTH, RANGE 11 EAST G&SRB&M, PIMA COUNTY, ARIZONA

FOR

SIERRITA GAS PIPELINE, L.L.C.,
A DELAWARE LIMITED LIABILITY COMPANY
(SIERRITA GAS PIPELINE PROJECT, EPNG LINE 2177)

C/o MR. DOUGLAS G. MARTIN, ATTORNEY
MARTIN, KERRICK & BELL, LLC
365 EAST CORONADO STREET
PHOENIX, ARIZONA 85004

OWNERSHIP: PIMA COUNTY

EFFECTIVE DATE OF APPRAISAL

APRIL 16, 2014

BAKER, PETERSON, BAKER & ASSOCIATES, INC.
Tucson, Arizona

BAKER, PETERSON, BAKER & ASSOCIATES, INC.
REAL ESTATE APPRAISERS - CONSULTANTS
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May 5, 2014

Sierrita Gas Pipeline, L.L.C., a Delaware limited liability company
C/o Mr. Douglas G. Martin, Attorney
Martin, Kerrick & Bell, LLC
365 East Coronado Road
Phoenix, Arizona 85004

RE: An appraisal report of land as vacant for the acquisition of a permanent utility easement on a portion of the existing San Joaquin Road right of way, located west of Purple Sky Trail and east of Ursa Way, including the San Joaquin Road right of way, in a portion of Section 24, Township 14 South, Range 11 East, G&SRB&M, Pima County, Arizona.

Project:	Sierrita Gas Pipeline Project, EPNG Line 2177
Ownership:	Pima County
Tax Parcel No.:	Not applicable
Effective Date of Appraisal:	April 16, 2014
Date of Report:	May 5, 2014

Dear Mr. Martin:

In response to your authorization, I have conducted the required inspection, gathered the necessary data, and made certain analyses that have enabled me to form an opinion of the market value of the fee simple interest and easement interest in the above-named property, both before and after the acquisition of a permanent utility easement for the construction, operation and maintenance of a subterranean gas transmission pipeline.

The intended users of this appraisal report are Sierrita Gas Pipeline, L.L.C., a Delaware limited liability company, and its designees and agents. Use of this report by others is not intended by the appraiser. This report is intended only for use in assisting the intended users in the determination of the just compensation due for the acquisition of a permanent utility easement for a gas pipeline on a portion of the subject property. It is not intended for any other use.

I have formed the opinion that, as of the effective date of appraisal, April 16, 2014, and subject to the assumptions and hypothetical (*No. 22 - Subject Larger Parcel Size and Valuation Method and No. 23 - Value of the Remainder Land, After)* limiting conditions set forth herein, based on a 6 to 12 month marketing period, the just compensation due to the property owner for the acquisition of the easement interest from the subject property is:

Market Value of Property, Before Acquisition	$68,500
Market Value of Property Rights To Be Acquired	$7,200
Market Value of Remainder Property, Before	$61,300
Market Value of Remainder Property, After	$61,300
Severance Damages	-0-
Special Benefits	-0-
TOTAL COMPENSATION:	
Market Value of Property Rights To Be Acquired	$7,200
Severance Damages	0
Special Benefits	0
TOTAL COMPENSATION	**$7,200**

Hypothetical Condition - Subject Larger Parcel Size and Valuation Method (No. 22). Based on a Right-of-Way Use Permit submitted by Sierrita Gas Pipeline, LLC to the Pima County Department of Transportation, the proposed permanent utility easement for the gas pipeline is entirely within the 160 foot width of the San Joaquin Road right of way. The adjacent land surrounding the location of the proposed easement is developed with residential lots improved predominantly with manufactured houses. To estimate the market value of the subject property for this appraisal a variation of the sales comparison approach has been used. The variation is known as the "across the fence" or "ATF" valuation method. The "ATF" method is based on the premise that the identified subject property which is a part of the existing San Joaquin Road right of way is valued based on the value of the adjacent land through which the right of way passes. The "ATF" subject larger parcel is concluded to be a hypothetical single residential lot containing 68,500 square feet contiguous to and inclusive of a portion of San Joaquin Road located in the adjacent residential subdivision known as San Joaquin Estates in Section 24, Township 14 South, Range 11 East, G&SRB&M, Pima County, Arizona. The concluded value of the "ATF" larger parcel will be used to estimate the just compensation due to the property owner for the acquisition of the permanent utility easement.

Hypothetical Condition - Value of the Remainder Land, After (No. 23). This appraisal report includes the appraisal of the market value of the remainder land, as if the pipeline project was complete. As the pipeline project is not complete as of the effective date of value, the appraisal of the market value of the remainder land, after, is based upon the hypothetical

condition that the project was completed based upon the plans provided to the appraiser by Sierrita Gas Pipeline, L.L.C., a Delaware limited liability company (hereinafter referred to as Sierrita Gas Pipeline, LLC). If the pipeline project is not completed as indicated by the plans provided by Sierrita Gas Pipeline, LLC, to the appraiser, then the conclusions in this report are subject to change. Per USPAP, the use of this hypothetical condition might have affected the assignment results.

This is an appraisal report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice for an Appraisal Report (USPAP) and the guidelines of the client. As such, it presents only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the intended user and for the intended use stated above. The appraiser is not responsible for unauthorized use of this report.

Respectfully submitted,

Jeff Teplitsky
Certified General Real Estate Appraiser
Certificate Number 30151

C146874 - San Joaquin

TABLE OF CONTENTS

PART I - CERTIFICATION . . . . . Page 1
PART II - GENERAL INFORMATION . . . . . Page 3
Intended Users . . . . . Page 3
Subject Larger Parcel Property . . . . . Page 3
Tax Parcel Number . . . . . Page 3
Real Estate Taxes . . . . . Page 4
Full Cash Value . . . . . Page 4
Intended Use of Report . . . . . Page 4
Intended Users of Report . . . . . Page 4
Interest Appraised . . . . . Page 4
Market Value Definition . . . . . Page 5
Project Influence . . . . . Page 5
Effective Date of Appraisal . . . . . Page 5
Legal Description . . . . . Page 5
Ownership . . . . . Page 6
PART III - SCOPE OF THE APPRAISAL . . . . . Page 8
PART IV - DESCRIPTION OF REAL ESTATE APPRAISED . . . . . Page 11
SECTION A - THE LAND BEFORE ACQUISITION . . . . . Page 11
Subject Site (Larger Parcel Description . . . . . Page 18
Zoning . . . . . Page 19
Exposure/Marketing Time . . . . . Page 20
Market Profile - Residential Land . . . . . Page 21
Highest and Best Use, Before, As Vacant . . . . . Page 29
SECTION B - VALUATION OF THE LAND, BEFORE . . . . . Page 32
Table of Comparable Land Sales, Before . . . . . Page 33
SECTION C - THE PROPERTY TO BE ACQUIRED . . . . . Page 36
Description . . . . . Page 36
Land Value, Part To Be Acquired (Permanent Easement) . . . . . Page 36
SECTION D - VALUATION OF THE REMAINDER "ATF" PARCEL, BEFORE . . . . . Page 38
SECTION E - THE REMAINDER "ATF" PARCEL, AFTER ACQUISITION . . . . . Page 39
Highest and Best Use, After . . . . . Page 40
Land Value after Acquisition . . . . . Page 40
Market Value Conclusion, After . . . . . Page 41
SECTION F - SEVERANCE DAMAGES . . . . . Page 42
Description of Severance Damages . . . . . Page 42
Conclusion of Severance Damages . . . . . Page 42
SECTION G - SUMMARY OF VALUE CONCLUSIONS . . . . . Page 43
PART V - ASSUMPTIONS AND LIMITING CONDITIONS . . . . . Page 44
PART VI - EXHIBITS . . . . . Page 42

PART I - CERTIFICATION

I CERTIFY THAT, TO THE BEST OF MY KNOWLEDGE AND BELIEF:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.

4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. My reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

8. My reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of The Appraisal Foundation, and any other specifications submitted by the Client, including Title XI, FIRREA.

9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

10. In accord with the Uniform Standards of Professional Appraisal Practice, I have the experience and knowledge to complete this assignment in a credible and competent manner.

11. As of the date of this report, I have completed requirements of the continuing education program of the State of Arizona .

12. The effective date (date of valuation) of this appraisal is April 16, 2014.

13. I have made a personal inspection of the property that is the subject of this report.

14. No one provided significant real property appraisal assistance to the person signing this certification.

15. This firm has not appraised the subject property in the three years prior to this appraisal.

16. I am a Certified General Real Estate Appraiser in the State of Arizona.

Jeff Teplitsky
Certified General Real Estate Appraiser
Certificate Number 30151

PART II - GENERAL INFORMATION

INTENDED USERS:
Sierrita Gas Pipeline, L.L.C., a Delaware limited liability company, and its designees and agents (hereinafter referred to as Sierrita Gas Pipeline, LLC)

APPRAISER:
Jeff Teplitsky
Certified General Real Estate Appraiser
Certificate Number 30151 (Arizona)

SUBJECT LARGER PARCEL PROPERTY:
The subject larger parcel property is identified as being a portion of the San Joaquin Road right of way being a portion of Section 24, Township 14 South, Range 11 East, G&SRB&M, Pima County, Arizona. It is located west of Ursa Way and east of Purple Sky Trail. The "ATF" parcel valued for this appraisal report is a hypothetical single residential lot containing 68,500 square feet (including the San Joaquin Road right of way) contiguous to and inclusive of a portion of San Joaquin Road located in the adjacent residential subdivision known as San Joaquin Estates in Section 24, Township 14 South, Range 11 East, G&SRB&M, Pima County, Arizona.

LAND AREA:

Before:	68,500 square feet -	(fee simple) - "ATF" parcel
Acquisition:	8,000 square feet -	(permanent utility easement)
Remainder:	60,500 square feet -	(fee simple unencumbered)
	8,000 square feet -	(permanent utility easement)
	68,500 square feet -	(encumbered/unencumbered with permanent utility easement)

According to information provided by Sierrita Pipeline, LLC, the proposed permanent utility easement acquisition for this pipeline will be fifty (50) feet in width and will be used for the construction, operation and maintenance of a subterranean transmission pipeline (36 inch diameter).

ZONING:
SH (Suburban Homestead) - Pima County

PIMA COUNTY COMPREHENSIVE PLAN:
RT - Resource Transition

TAX PARCEL NUMBER:
Not applicable

REAL ESTATE TAXES:
Not applicable

DELINQUENT TAXES:
Not applicable

FULL CASH VALUE:
Not applicable

INTENDED USE OF REPORT:
This report is intended only for use in assisting the intended users in the determination of the just compensation due for the acquisition of a permanent utility easement for a gas pipeline on a portion of the subject property. It is not intended for any other use.

INTENDED USERS OF REPORT:
The intended users of this appraisal report are Sierrita Gas Pipeline, L.L.C., a Delaware limited liability company, and its designees and agents. Use of this report by others is not intended by the appraiser.

INTEREST APPRAISED:
Fee simple interest in the property before the acquisition; permanent easement interest in the property to be acquired; and fee simple and easement interest in the remainder property after the acquisition.

Fee Simple Interest, as defined in the Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, 2010, page 78, is "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

Easement, as defined in the Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, 2010, page 246, is "Nonpossessory (incorporeal) interest in landed property conveying use, but not ownership, of a portion of that property."

PURPOSE:
To estimate the market value of the fee simple and permanent easement interest in the subject property as of the effective date of the appraisal, April 16, 2014.

DEFINITION OF JUST COMPENSATION:
Kirby Forest Industries v. United States, 467 US 1 (1984) holds that "Just compensation means the fair market value of the property on the date it is appropriated."

MARKET VALUE DEFINITION:
Market value, as utilized in this appraisal, and pursuant to Arizona Revised Statutes Sec. 3, Section 12-1122, C, is defined as follows:

"Value shall be determined by ascertaining the most probable price estimated in terms of cash in United States dollars or comparable market financial arrangements that the property would bring if exposed for sale in the open market, with reasonable time allowed in which to find a purchaser, buying with knowledge of all of the uses and purposes to which it was adapted and for which it was capable."

The terms "market value" and "value", as used in this report, refer to market value as described herein.

PROJECT INFLUENCE:
City of Phoenix v. Clauss, 177Ariz.566; 869 P.2d 1219 (1994) holds that under the "project influence doctrine" a property may not be charged with a lesser or greater value at the time of taking, when the change in value is caused by the taking itself or by anticipation of appreciation or depreciation arising from the planned project. The doctrine applies only to properties that were "probably within the scope of the project from the time the government was committed to it." The doctrine also excludes evidence of "comparable" sales that reflect an enhanced or reduced value due to the governmental plan or project that occasioned the taking of the property in question.

All steps in the appraisal process, including the selection of comparable sales and analysis of market data, were completed disregarding any influence from the project for which this appraisal is being completed.

EFFECTIVE DATE OF APPRAISAL:
April 16, 2014

DATE OF INSPECTION:
April 16, 2014. The appraiser inspected the subject property from the existing right of way. There were no Pima County representatives present for the inspection.

TITLE REPORT INFORMATION:
The appraiser has not been provided with a title report of the subject property by the client as of the date of this report. The appraiser assumes that there would not be any impact on the market value of the subject parcel by items found in any future title reports for the subject parcel if any are completed.

LEGAL DESCRIPTION:
The existing San Joaquin Road right of way is located in a portion of Section 24, Township 14 South, Range 11 East, G&SRB&M, Pima County, Arizona. Because an "ATF" valuation methodology is being utilized to estimate the market value of the subject property as if it is a hypothetical single residential lot containing 68,500 square feet contiguous to and inclusive

of a portion of San Joaquin Road located in the adjacent residential subdivision known as San Joaquin Estates in Section 24, Township 14 South, Range 11 East, G&SRB&M, Pima County, Arizona, no legal description was provided to the appraiser by the client for purposes of this report.

OWNERSHIP:
According to public records of the Pima County Department of Transportation GIS system, title to the subject property is in the name of the Pima County Department of Transportation (no recording information available) and is identified by the Pima County GIS mapping system as having a road ID number of 29316.

SALES HISTORY:
No known sales of the subject property have occurred within the last five years. No current listings, options, or agreements of sale of the subject property were discovered in the course of this analysis.

ASSUMPTIONS AND LIMITING CONDITIONS:
Subject to those assumptions and limiting and hypothetical conditions contained in the "*Assumptions and Limiting Conditions*" section of this report.

HYPOTHETICAL CONDITIONS:
Subject Larger Parcel Size and Valuation Method (No. 22). Based on a Right-of-Way Use Permit submitted by Sierrita Gas Pipeline, LLC to the Pima County Department of Transportation, the proposed permanent utility easement for the gas pipeline is entirely within the 160 foot width of the San Joaquin Road right of way. The adjacent land surrounding the location of the proposed easement is developed with residential lots improved predominantly with manufactured houses. To estimate the market value of the subject property for this appraisal a variation of the sales comparison approach has been used. The variation is known as the "across the fence" or "ATF" valuation method. The "ATF" method is based on the premise that the identified subject property which is a part of the existing San Joaquin Road right of way is valued based on the value of the adjacent land through which the right of way passes. The "ATF" subject larger parcel is concluded to be a hypothetical single residential lot containing 68,500 square feet contiguous to and inclusive of a portion of San Joaquin Road located in the adjacent residential subdivision known as San Joaquin Estates in Section 24, Township 14 South, Range 11 East, G&SRB&M, Pima County, Arizona. The concluded value of the "ATF" larger parcel will be used to estimate the just compensation due to the property owner for the acquisition of the permanent utility easement.

Value of the Remainder Land, After (No. 21). This appraisal report includes the appraisal of the market value of the remainder land, as if the pipeline project was complete. As the pipeline project is not complete as of the effective date of value, the appraisal of the market value of the remainder land, after, is based upon the hypothetical condition that the project was completed based upon the plans provided to the appraiser by Sierrita Gas Pipeline, L.L.C., a Delaware limited liability company (hereinafter referred to as Sierrita Gas Pipeline, LLC). If the pipeline project is not completed as indicated by the plans provided by Sierrita

Gas Pipeline, LLC, to the appraiser, then the conclusions in this report are subject to change. Per USPAP, the use of this hypothetical condition might have affected the assignment results.

HIGHEST AND BEST USE:

Before the Acquisition, As Vacant:	Development of a residential lot
After the Acquisition, As Vacant:	Development of a residential lot

ESTIMATE OF JUST COMPENSATION:

Market Value of Property Rights To Be Acquired	$7,200
Severance Damages	0
Special Benefits	0
TOTAL JUST COMPENSATION	**$7,200**

PART III - SCOPE OF THE APPRAISAL

Scope of work is identified by USPAP as the "amount and type of information researched and the analysis applied in an assignment." According to the scope of work rule as defined by USPAP, "For each appraisal, appraisal review, and appraisal consulting assignment, an appraiser must:

1) identify the problem to be solved;
2) determine and perform the scope of work necessary to develop credible assignment results; and
3) disclose the scope of work in the report."

This appraisal assignment has been completed in response to written authorization by Mr. William Biggs, for Sierrita Pipeline, LLC, provided to Mr. Jeff Teplitsky for Baker, Peterson, Baker and Associates, Inc on April 11, 2014. The assignment includes estimating the market value of (1) the subject property before the acquisition, (2) the part of the property to be acquired, and (3) the remainder property, in order to ascertain the "just compensation" to which the owner may be entitled. The appraisal is prepared and reported according to the Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation, the Code of Ethics, the Standards of Professional Practice of the Appraisal Institute, and requirements of the client.

The intended users of this appraisal report are Sierrita Gas Pipeline, L.L.C., a Delaware limited liability company, and its designees and agents. Use of this report by others is not intended by the appraiser. This report is intended only for use in assisting the intended users in the determination of the just compensation due for the acquisition of a permanent utility easement for a gas pipeline on a portion of the subject property. It is not intended for any other use. The purpose of the appraisal is to estimate the market value in fee simple and easement interests of a specific property which has been previously identified in this report, and is referred to as the subject property, the subject, or the property.

According to information provided by Sierrita Pipeline, LLC, the proposed permanent utility easement acquisition for the subject pipeline known as the Sierrita Gas Pipeline Project, EPNG Line 2177, will be fifty (50) feet in width to be used for the construction, operation and maintenance of a subterranean transmission pipeline (36 inch diameter).

The exact nature of, and interest in, the subject property is defined elsewhere in this report. The appraisal estimates the market value of the subject property utilizing the sales comparison approach which is defined in the report. In completing this assignment, the appraiser inspected and photographed the subject property, reviewed and confirmed data relative to metropolitan Tucson (from economic and demographic data, including COMPS® Commercial Property Information Services, Tucson Multiple Listing Service (MLS), Swango

Land Sales, CoStar Group, Inc., Loopnet, Metropolitan Tucson Land Use Study (MTLUS), and the Pima County Real Estate Research Council), the neighborhood and the site.

An opinion of the "highest and best use" of the property was formed, utilizing resources to identify such factors as land use, supply and demand, governmental requirements, environmental concerns, and economic elements, present and anticipated, which may impact upon the marketability of the property.

In the sales comparison approach, a thorough search was made for sale and listing data regarding properties considered directly competitive to the subject property. This data was confirmed with one or more parties related to the transaction and (in the case of sales) by review of deeds and records of the Pima County Assessor. Each sale and listing chosen as a reliable indicator of the value of the subject property was then compared to the subject in terms of those factors which were superior to the subject, inferior to the subject, and equal or offsetting. This data was correlated and an opinion of the market value of the subject property was estimated by the sales comparison approach to value to arrive at a final opinion of market value. To develop the opinion of value, the appraiser performed an appraisal process as defined by the Uniform Standards of Professional Appraisal Practice. This appraisal report is a brief recapitulation of the appraiser's data, analyses, and conclusions. Supporting documentation is retained in the appraiser's file.

Hypothetical Condition - Subject Larger Parcel Size and Valuation Method (No. 22). Based on a Right-of-Way Use Permit submitted by Sierrita Gas Pipeline, LLC to the Pima County Department of Transportation, the proposed permanent utility easement for the gas pipeline is entirely within the 160 foot width of the San Joaquin Road right of way. The adjacent land surrounding the location of the proposed easement is developed with residential lots improved predominantly with manufactured houses. To estimate the market value of the subject property for this appraisal a variation of the sales comparison approach has been used. The variation is known as the "across the fence" or "ATF" valuation method. The "ATF" method is based on the premise that the identified subject property which is a part of the existing San Joaquin Road right of way is valued based on the value of the adjacent land through which the right of way passes. The "ATF" subject larger parcel is concluded to be a hypothetical single residential lot containing 68,500 square feet contiguous to and inclusive of a portion of San Joaquin Road located in the adjacent residential subdivision known as San Joaquin Estates in Section 24, Township 14 South, Range 11 East, G&SRB&M, Pima County, Arizona. The concluded value of the "ATF" larger parcel will be used to estimate the just compensation due to the property owner for the acquisition of the permanent utility easement.

Hypothetical Condition - Value of the Remainder Land, After (No. 23). This appraisal report includes the appraisal of the market value of the remainder land, as if the pipeline project was complete. As the pipeline project is not complete as of the effective date of value, the appraisal of the market value of the remainder land, after, is based upon the hypothetical condition that the project was completed based upon the plans provided to the appraiser by

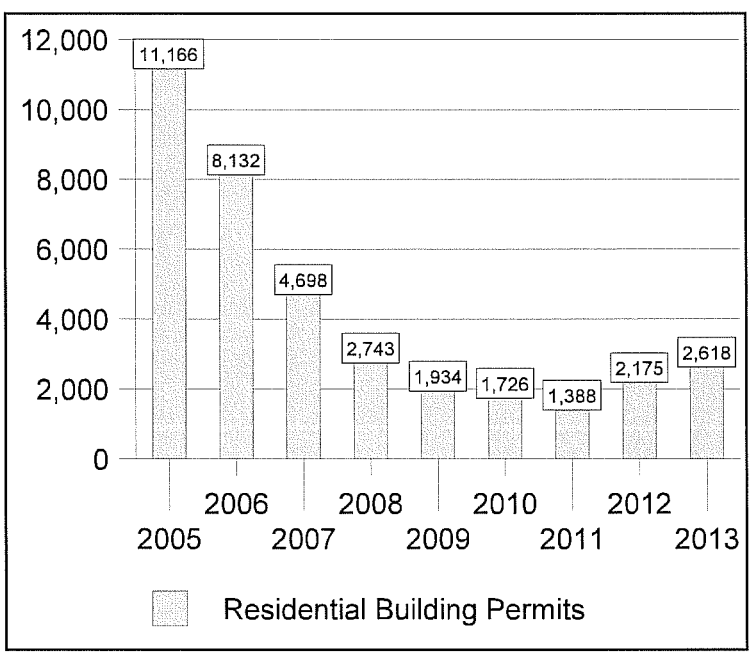
Sierrita Gas Pipeline, L.L.C., a Delaware limited liability company (hereinafter referred to as Sierrita Gas Pipeline, LLC). If the pipeline project is not completed as indicated by the plans provided by Sierrita Gas Pipeline, LLC, to the appraiser, then the conclusions in this report are subject to change. Per USPAP, the use of this hypothetical condition might have affected the assignment results.

PART IV - DESCRIPTION OF REAL ESTATE APPRAISED

SECTION A - THE LAND BEFORE ACQUISITION

TUCSON OVERVIEW:
Tucson is Arizona's second largest city and the "hub" of commerce in southeastern Arizona. According to the Pima Association of Governments, in July, 2010, the estimated population of all of Pima County (including Tucson) was 981,168 persons while the population of Tucson alone was estimated to be 520,795 persons.

Starting in 2006, fewer single-family residential permits were issued due to the current oversupply of lots and residential homes on the market. According to the United States Census Bureau, Building Permits Survey, the number of single-family residential permits declined through 2012. There was limited new single-family construction since 2008, with the decline continuing through 2011, with a small increase in 2012 and continuing through 2013.



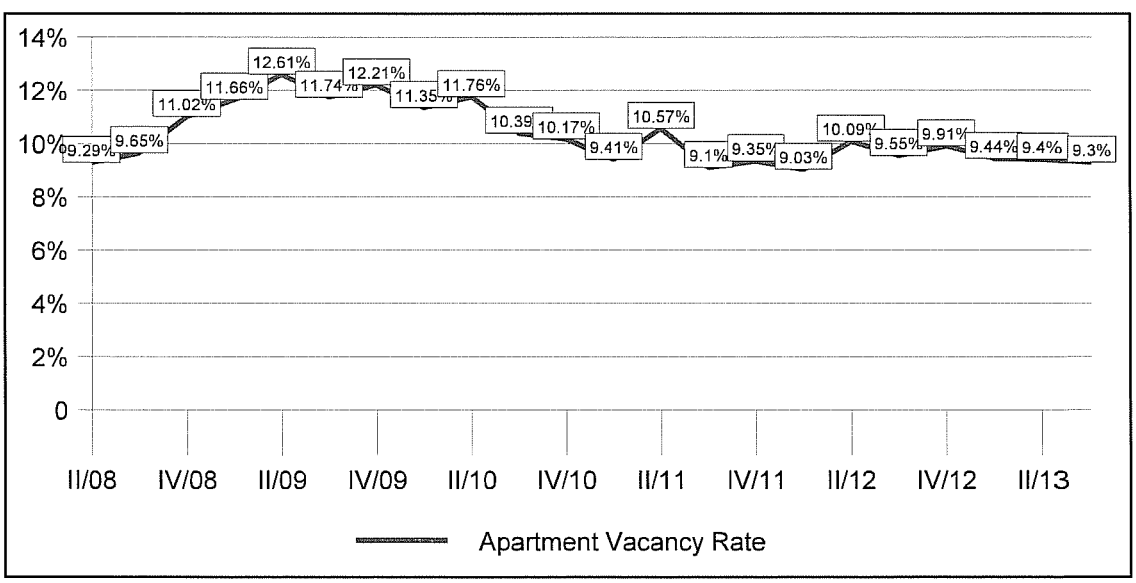
Overall, housing permits and sales had been increasing and a period of substantial growth occurred during 2004 and 2005 with unprecedented price increases having been experienced for most areas of Tucson. Building permit activity declined steadily in the Tucson Metropolitan area from a peak in 2005 of 11,166 to 1,388 in 2011 for all new single-family residential construction residential building permits, according to the United States Census Bureau, Building Permits Survey. This was due in part to the difficulty in obtaining financing and, to a larger extent, a decrease in demand from primary home buyers and

speculative home purchases by out of state buyers and an oversupply of available homes on the market, resulting in declining home prices. The slow down in sales has resulted in an increase in the inventory of available houses and a decrease in housing prices in the Tucson Metropolitan area. There has been a 56 percent increase in residential permits in 2012 from the bottom in 2011. This is an indication that the new home residential market is beginning to recover. The number of permits for 2013 shows a continued improvement in the market, but new home sales are still well below peak or stabilized levels seen in the past.

Multi-Family Market

Vacancy rates for apartment properties in the Tucson Metropolitan area continued to remain high into 2011. Figure 2 shows vacancy rates in metropolitan Tucson between Second Quarter 2008 and Third Quarter 2013, according to Apartment Insights' *Statistics/Trends Summary*.

The vacancy rate peaked in the Second Quarter 2009 and generally declined through early 2012. However, vacancy rates for apartment properties typically increase in the second quarter of each year due to seasonal changes in population. In 2012, the vacancy rate began to increase slightly again, although there was a small decline in the First Quarter 2013. The current rent levels for multi-family properties have remained generally stable. There is limited demand for new construction, with the exception of student housing projects and some larger high-end Class A apartment complexes with many amenities.

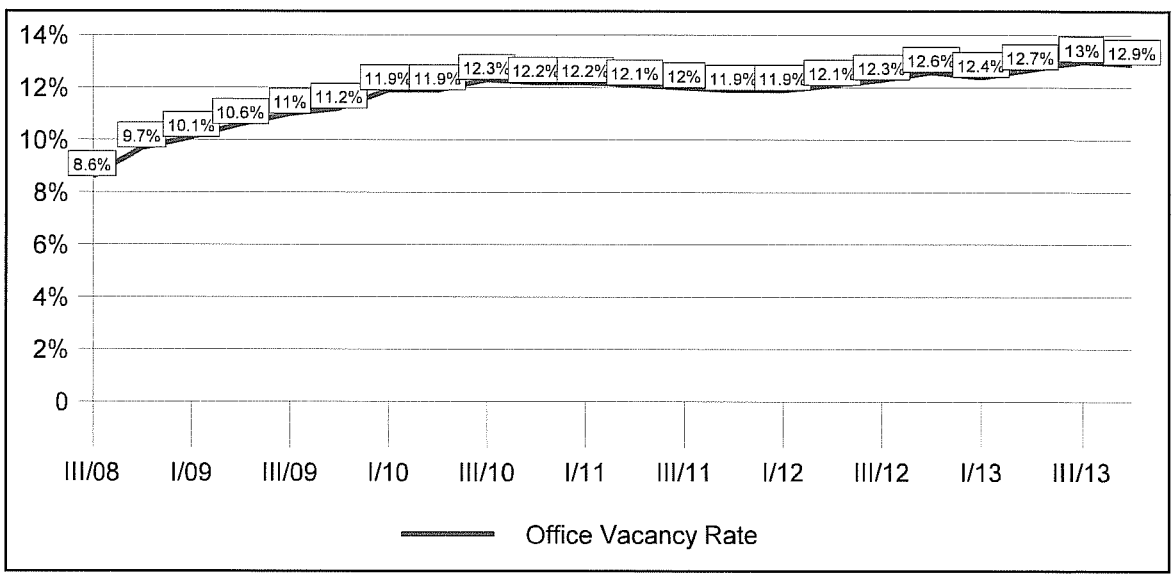


Office Market

Overall, the leasable *office market* experienced net positive absorption of 34,021 square feet in the Fourth Quarter 2013, according to *The CoStar Office Report, Tucson Office Market, Year-End 2013.* This compares to net negative absorption of 69,286 square feet in Third Quarter 2013, net negative absorption of 83,063 square feet in Second Quarter 2013, and net positive absorption of 52,318 square feet in First Quarter 2013.

One new office building containing 6,313 square feet in the Fourth Quarter 2013. No new office buildings were completed in the Third, Second, and First Quarters 2013. One office building containing 15,067 square feet was completed in the Fourth Quarter 2012.

Figure 3 shows trends in the vacancy rates for office properties in Tucson between Third Quarter 2008 and Fourth Quarter 2013. The vacancy rate increased until late 2010 and then remained mostly stable with a slight decline through mid 2012. The vacancy rate has increased since that time.



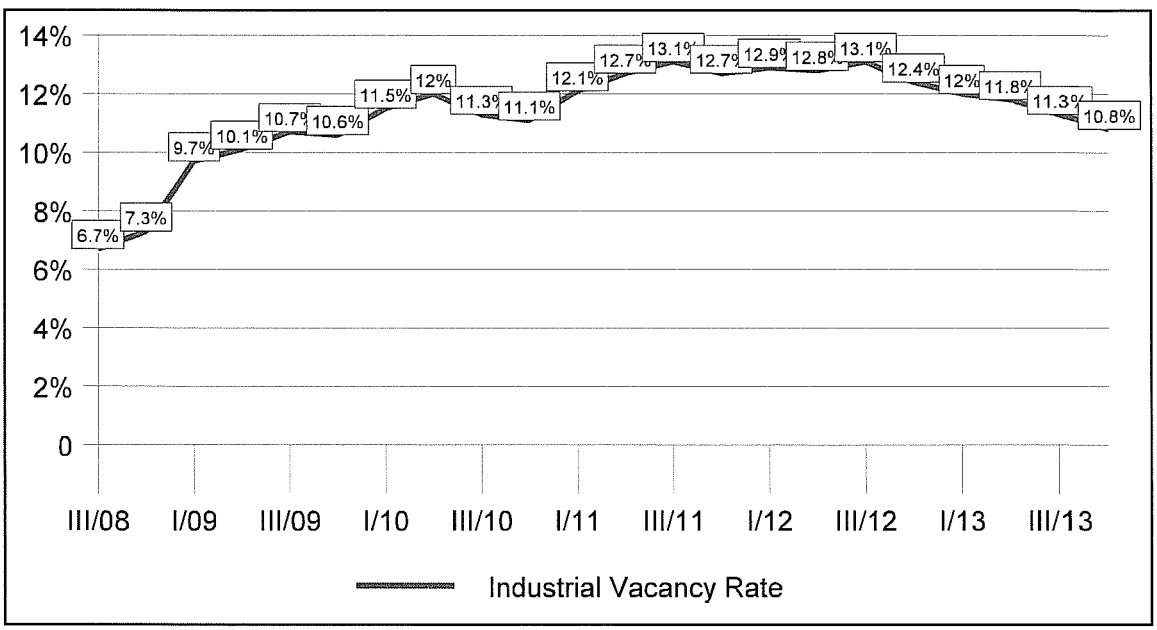
The slight increased overall annual vacancy rate indicates an office market which is coupled to the overall declining real estate market. There has been a decline in demand for owner/user office buildings which had made up a majority of office sales in 2006 and 2007. Market conditions stabilized in 2013. Market conditions for office properties are expected to remain stable and will improve slowly.

Industrial Market

Tucson experienced rapid *industrial* growth from the late 70's to the mid-80's. There has been limited new industrial space constructed recently in Tucson, no new buildings completed in Fourth Quarter 2013, one new building containing 3,947 square feet completed in Third Quarter 2013, one new building containing 15,000 square feet completed in the Second Quarter 2013, and no new industrial buildings completed in First Quarter 2013.

There was net positive absorption of 186,096 square feet of industrial space in the Fourth Quarter 2013. This compares to net positive absorption of 204,392 square feet of industrial space in the Third Quarter 2013, net positive absorption of 111,199 square feet of industrial space in the Second Quarter 2013, and net positive absorption of 137,903 square feet of industrial space in the First Quarter 2013, according to *The CoStar Industrial Report, Tucson Industrial Market, Year-End 2013.*

Figure 4 shows trends in the industrial vacancy rate in Tucson between Third Quarter 2008 and the Fourth Quarter 2013, according to *The CoStar Industrial Report, Tucson Industrial Market, Year-End 2013.*



Overall, the industrial vacancy rate increased through 2011, peaking in the Third Quarter 2011 and Third Quarter 2012. The vacancy rate has declined since late 2012. There are some indications of stabilization in the industrial market. There continues to be a large supply of fully zoned and improved industrial lots available in the Tucson market with limited demand in the current market. The overall decline in the economy is affecting many potential industrial users and a slowing of demand for industrial zoned land is being experienced in the market.

Retail Market

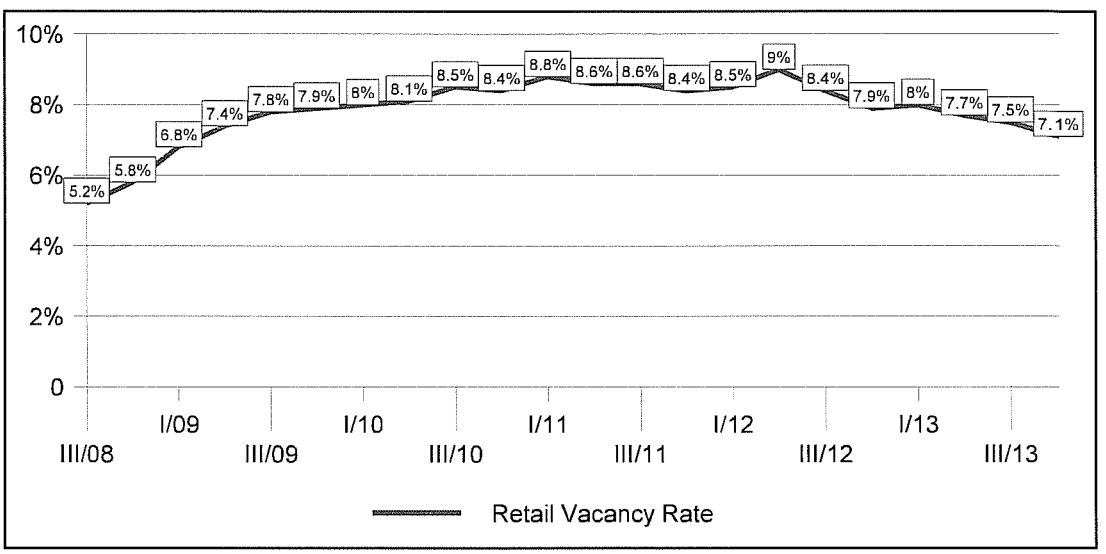
Retail space had maintained more constant levels of growth and absorption, with decreasing vacancy rates observed prior to mid-2007. In general, the market turned down starting at the end of 2007. Some reasons for a decline in market conditions includes contracts cancelled, development projects put on hold with reasons including reduced demand and increased competition of other developments coming out of the ground, offers and counter offers at considerably below the listing price, listings being repriced at lower levels, existing tenants looking for rental relief, businesses closing their stores and vacating the premises, and excess developed land without demand. Several large retail developments appear to be on hold.

There was net positive absorption of 226,340 square feet in the Fourth Quarter 2013, according to *The CoStar Retail Report, Tucson Retail Market, Year-End 2013.* This compares to net positive absorption of 224,701 square feet in the Third Quarter 2013, net

positive absorption of 196,012 square feet in the Second Quarter of 2013, and net positive absorption of 81,458 square feet in the First Quarter of 2013.

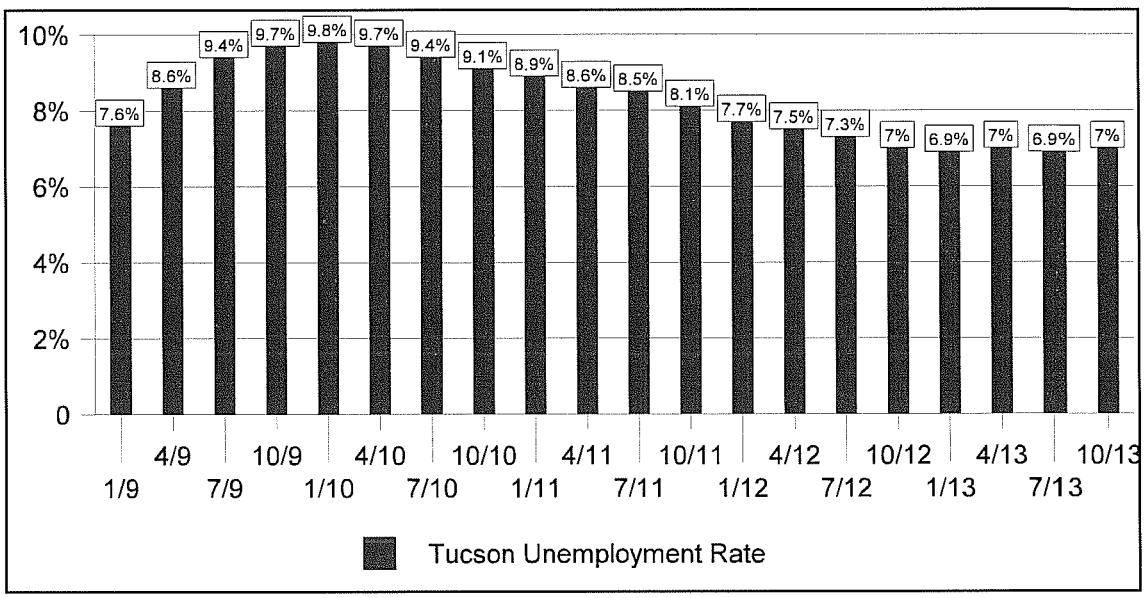
In the Fourth Quarter 2013, five buildings totaling 44,860 square feet were completed. This compares to seven buildings totaling 173,193 square feet in the Third Quarter 2013, seven buildings totaling 49,284 square feet in the Second Quarter 2013, and six retail buildings totaling 129,833 square feet in the First Quarter 2013.

Figure 5 shows trends in the vacancy rate for retail properties in the Tucson market between Third Quarter 2008 and Fourth Quarter 2013, according to *The CoStar Retail Report, Tucson Retail Market, Year-End 2013.*



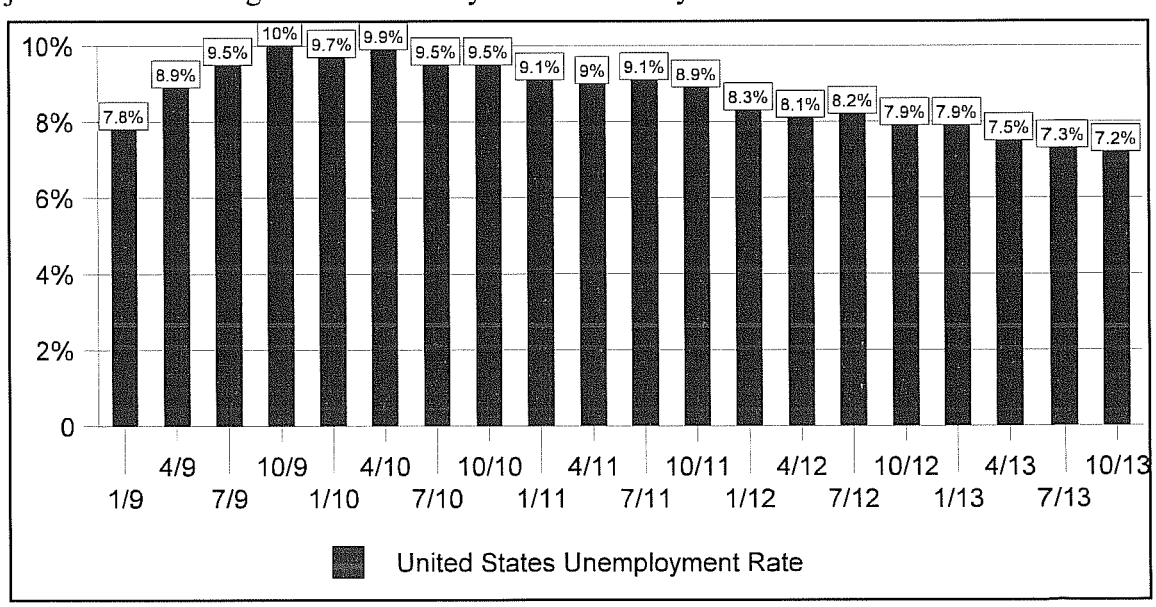
The vacancy rate for retail properties increased starting through early 2011. The retail vacancy rate remained mostly stable in 2011 but peaked in the Second Quarter 2012. The retail vacancy rate declined since that time, with the decline continuing through 2013. This indicates that the retail market is starting to stabilize.

According to Arizona Department of Administration, Office of Employment and Population Statistics, the seasonally adjusted unemployment rate for metropolitan Tucson was as follows:



The previous data shows that the unemployment rate in the Tucson metropolitan area increased and peaked in early 2010. The unemployment rate has slowly been declining since early 2010 but remains elevated above 2008 levels. It remained stable in 2013.

According to the United States Department of Labor, Bureau of Labor Statistics, the national seasonally adjusted unemployment rate has also increased since 2008 through late 2009. The unemployment rate remained high and started to decline slowly in late 2010. The unemployment rate has declined but remains higher than in 2008. The unemployment rate is projected to remain high as the economy recovers slowly from the recession.



Overall, the commercial real estate markets reveal that most investors hold a cautionary outlook for early 2014 due to the slow drop in unemployment, the tight credit that adversely affects tenants, owners and investors, the sequester of 2013, the government shutdown of late 2013, and the continuing uncertainty of the government conditions. The stabilizing supply and demand fundamentals will result in stable to slowly improving values. In the short term, limited growth is projected for Tucson over the next one to two years, with market conditions expected to stabilize and slowly start to improve during this time. The long term result should be a more balanced level of supply and demand - more conducive to steady long-term development. Factors such as climate, health and educational facilities, and the availability of housing are positive influences which will result in long-term economic growth for metropolitan Tucson.

NEIGHBORHOOD DESCRIPTION:

The subject neighborhood is that area located west and south of the City of Tucson. It includes the southern portion of Avra Valley south and west of the Tucson Mountains, south of Mile Wide Road, east of the Rockridge Mountains and portions of the Roskruge Mountains and portions of the Tohono O'Odham Nation north of State Route 86 (Ajo Highway) and it includes Altar Valley that is south of State Route 86 (Ajo Highway), west of the Sierrita Mountains, north of the U.S.-Mexican Border and east of the Baboquivari Mountains.

The portion of the neighborhood west of Ryan Airfield is predominately rural with numerous ranches, ranchettes, and low density single family and manufactured housing interspersed throughout the neighborhood. The area east of Ryan Airfield has more residential subdivision development with subdivisions ranging from one residence per acre to four residences per acre and it has large parcels of land with planned developments. Ranches in the neighborhood typically include leased forest land, Bureau of Land Management (BLM) land, and/or state owned land.

Access to the neighborhood is adequate considering its rural nature. Major east-west roads within the neighborhood include State Route 86 (Ajo Highway), Valencia Road, and Kinney Road. Major north-south roads include State Route 286 (Sasabe Highway), Sandario Road, and San Joaquin Road. The topography ranges from level to sloping hilly foothill land. The western portion of the neighborhood is generally flood prone and lacks infrastructure for sewer and water which results in low density development or no development.

The neighborhood is interspersed with public and reservation lands including Tucson Mountain Park, Ironwood Forest National Monument, Saguaro National Park West, Buenos Aires National Wildlife Refuge, Coronado National Forest, and the Tohono O'Odham Nation Reservation, and the Pascua Yaqui Tribe Reservation. Other significant uses within the neighborhood include Ryan Airfield which is owned and operated by the City of Tucson. It is used for general aviation, law enforcement, and military helicopter aviation. The Casino Del Sol Resort, Spa and Conference Center is located within the eastern portion of the neighborhood and is owned and operated by the Pascua Yaqui Tribe.

There is a substantial supply of available undeveloped vacant land zoned and infrastructured for residential and commercial development in the eastern portion of the neighborhood with limited demand due to the negative impact of the recent great recession, continuing overall market condition, and a substantial supply of foreclosed and bank owned properties. The western portion of the neighborhood is rural in nature with very limited residential and commercial development due to the low density development resulting in limited population growth. The supply of land is ample, however, the demand is limited due to the lingering effect of the recession. Due to the large supply of vacant land in the east and west portions of the neighborhood, new development is not expected to occur in the foreseeable future (5 to 15 years) in the east portion of the neighborhood and 15 to 30 years in the western portion of the neighborhood. The western portion of neighborhood land use will likely continue operating as working ranches for the next 25 to 50 years because of the lack of demand for residential development.

SUBJECT SITE (LARGER PARCEL DESCRIPTION):
The following subject site description is based on a hypothetical larger parcel that consists of a 68,500 (1.57 acre) residential lot being a part of the existing San Joaquin Road right of way. The subject site has a hypothetical irregular shape and is located west of Purple Sky Trail and east of Ursa Way, including the San Joaquin Road right of way, in a portion of Section 24, Township 14 South, Range 11 East, G&SRB&M, Pima County, Arizona (see Exhibits). The conclusion of the subject larger parcel is based on its location adjacent to a residential subdivision known as San Joaquin Estates to the south. This subdivision has been developed with 1.0 acre (43,560 square feet) or larger SH zoned residential lots predominantly used for manufactured homes. Based on the adjacent uses, the subject larger parcel is concluded to be a hypothetical SH zoned residential lot containing 68,500 square feet (inclusive of the San Joaquin Road right of way).

San Joaquin Road is a two-lane, asphalt-paved street at the subject property. The terrain of the subject property is level. Public utilities currently available to the subject property include electric (Tucson Electric Power Company), telephone (CenturyLink, formerly Qwest), water (City of Tucson), and natural gas (Southwest Gas).

According to FEMA Flood Insurance Rate Map 04019C2250L, dated June 16, 2011, the property is identified as being located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain (see Exhibits). The property is not in a seismic zone. There are no known easements or encumbrances that adversely affect the subject property.

The subject property is identified as being located within the Buffer Overlay Zone according to the Pima County Zoning Code. The Buffer Overlay Zone establishes one mile buffer zones around public parks, national forests, and wildlife refuges as directed by the Pima County Board of Supervisors. The purpose of the Buffer Overlay Zone is to:

1. Preserve and protect the open space characteristics of those lands in the vicinity of the public preserves while at the same time permitting the economically reasonable use of lands;
2. Protect and enhance existing public preserves in Pima County as a limited and valuable resource;

3. Establish mechanisms that will protect the public preserves and result in an ecologically sound transition between the preserves and more urbanized development;

4. Assure the continued existence of adequate wildlife habitat and foster the unimpeded movement of wildlife in the vicinity of Pima County's public preserves;

5. Provide for an aesthetic visual appearance from and to Pima County's public preserves;

6. Promote a continued economic benefit to the region by protecting the public preserves for the enjoyment of residents and visitors alike; and

7. Neither promote nor discourage changes in underlying zoning, but rather provide continuing performance standards for the unique lands within the buffer overlay zone.

ZONING:
Zoning of the subject site is SH (Suburban Homestead), according to the Pima County Zoning Code. The Pima County Zoning Code indicates that this zone permits uses which include trailers, duplexes and single family residences with a guest house and horses on large lots; professional offices, motion picture, radio and television uses and cemeteries are allowed under special conditions. The minimum lot width is 100 feet. Additional building requirements include the following:

SH ZONING REQUIREMENTS

Min. Lot Area (SF)	Min. Area per Unit (SF)	Minimum Yards (feet)			Bldg. Height
		Front	Side	Rear	
36,000	18,000	30	10	40	34 feet

PIMA COUNTY COMPREHENSIVE PLAN:
According to the Pima County Comprehensive Plan, the subject property is located in an area identified as Resource Transition (RT) - see Exhibits. The purpose of this designation is to preserve "*private land with environmentally sensitive characteristics that include wildlife corridors, natural washes, floodplains, peaks and ridges, buffers to public preserves, and other environmentally sensitive areas. Development of such land shall emphasize design that blends with the natural landscape and supports environmentally sensitive linkages in developing areas.*" Only land area zoned and planned for residential use, or natural or cluster open space areas shall be included in gross density calculations. The maximum residential

gross density is 0.3 residences per acre (RAC). Allowable zonings under the RT designation are RH, SR, and MR.

EXPOSURE/MARKETING TIME:
Exposure time is defined as "the length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based upon an analysis of past events assuming a competitive and open market." Exposure time varies for different types of real estate and under varying market conditions. Reasonable exposure time assumes both adequate, sufficient, and reasonable time and effort.

Marketing time is defined as "the amount of time it would probably take to sell a property interest in real estate at the concluded market value level during the period immediately after the effective date of the appraisal." Marketing time differs from exposure time, which is assumed to always precede the effective date of the appraisal.

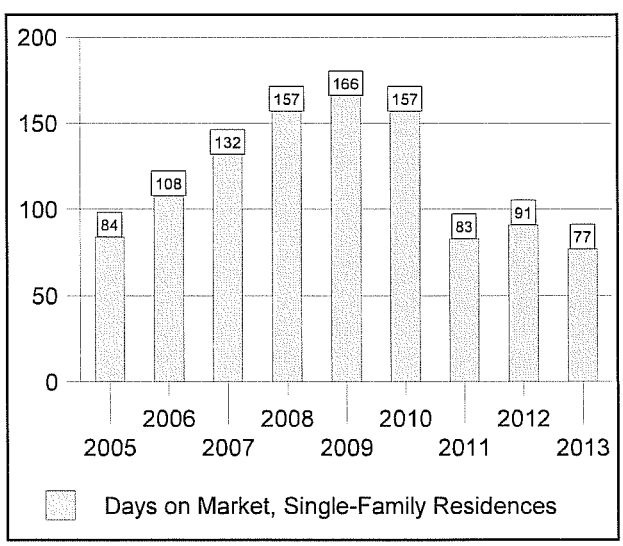
The reasonable exposure and marketing time is estimated to be 6 to 12 months based on the sales used in this report and based on conversations with brokers familiar with properties similar to the subject property.

On the following pages is the Market Profile for residential land.

MARKET PROFILE - RESIDENTIAL LAND:
The residential market conditions in the Tucson area improved dramatically starting in 2004, with market prices for single family residences and residential lots increasing at a rapid rate. This trend continued throughout 2005 and into the start of 2006, with prices increasing most rapidly in 2005. This increase in sales activity and property values led to an increase in the demand for large parcels of land for development of subdivisions, with prices of land increasing rapidly, and the planning of many new subdivisions throughout the Tucson area and Pima County. Purchases of large parcels of land for large scale subdivisions were especially common in Marana and in the area southeast of Tucson. The number of permits issued in Pima County increased as an increasing number of subdivisions provided more lots and residential homes for the growing market. In 2005, properties were sold quickly, and the time spent on the market for a residential home or lot decreased.

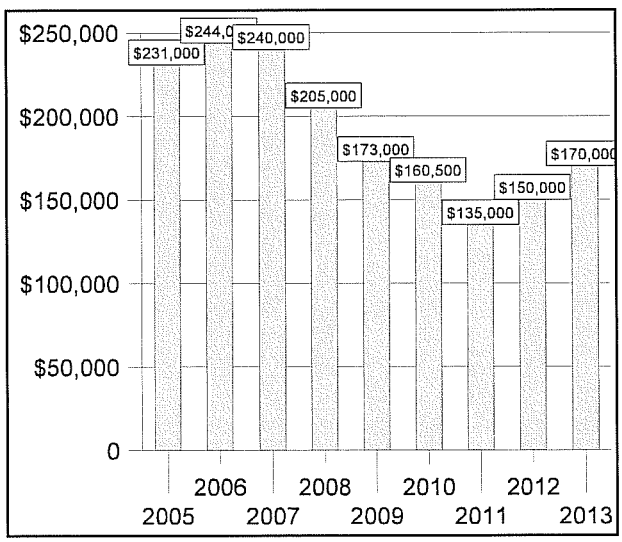
Starting in mid-2006, the market began to slow, and this trend continued into 2007, with a further slowdown in 2008 through 2010. Prices for residential properties leveled off and then decreased in all market areas. The demand for homes began to decline and fewer homes were purchased. The median price for homes also declined during this time. Over the past year there has been the beginning of a market recovery.

According to Multiple Listing Service (MLS), the days on market for sales of single-family residences in the Tucson area had increased as properties have taken longer to sell. This data indicates that the days on market for single-family increased significantly from 2005, peaking in 2009. The days on market remained mostly stable in 2010. Beginning in 2011, the days on market dropped significantly with results remaining stable from 2011 through 2013.



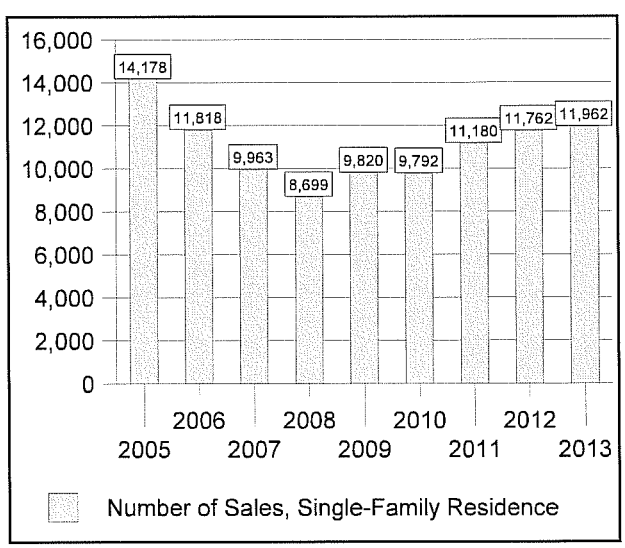
The following is the median sale price for single-family residences for the Tucson area, according to MLS. There was a significant decline in the median sale price for single-family residences starting in 2007. The median sale price declined through 2011. The decline in median sale prices is due to the oversupply of available properties, decline in demand, and

the increasing number of bank-owned properties available in the market. The median sales price began to slowly increase starting in 2012, continuing through 2013. The median sales price still remains well below peak market levels.



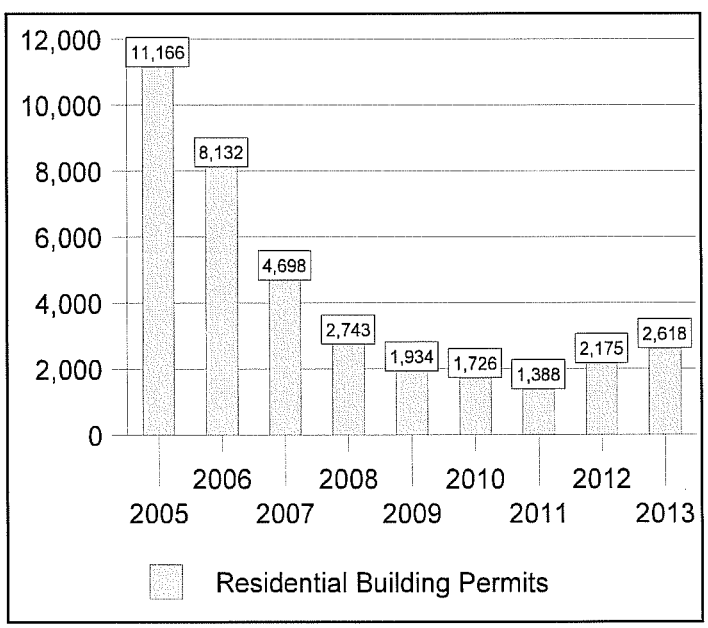
Median Sale Price, Single-Family Residences

The number of sales of single-family residences in the Tucson area has also declined as fewer homes are purchased. The number of sales declined through 2008 and has gradually increased through 2013, which may be an indication that market conditions are stabilizing. However, the number of sales remains low compared to the peak of the market in 2005.

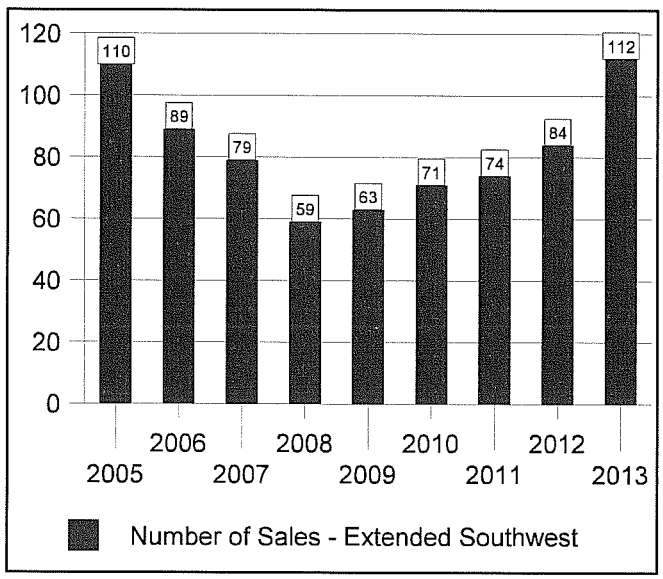


Starting in 2006, fewer single-family residential permits were issued due to the current oversupply of lots and residential homes on the market. According to the United States Census Bureau, Building Permits Survey, the number of single-family residential permits declined through 2012. There was limited new single-family construction since 2008, with the decline continuing through 2011, with a small increase in 2012 and continuing through 2013.

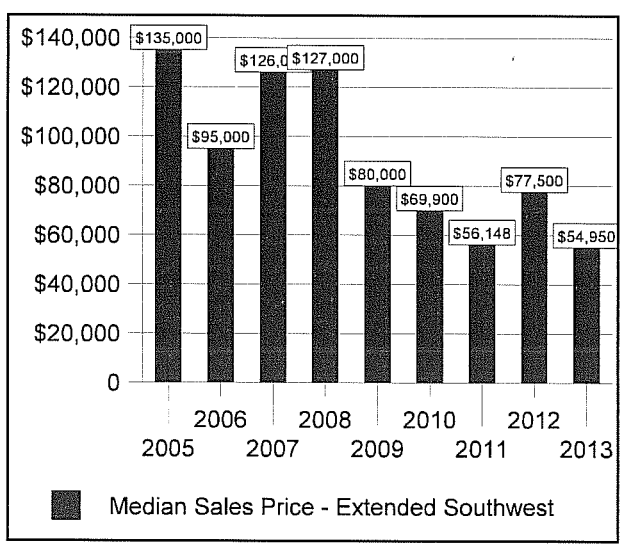
Overall, housing permits and sales had been increasing and a period of substantial growth occurred during 2004 and 2005 with unprecedented price increases having been experienced for most areas of Tucson. Building permit activity declined steadily in the Tucson Metropolitan area from a peak in 2005 of 11,166 to 1,388 in 2011 for all new single-family residential construction residential building permits, according to the United States Census Bureau, Building Permits Survey. This was due in part to the difficulty in obtaining financing and, to a larger extent, a decrease in demand from primary home buyers and speculative home purchases by out of state buyers and an oversupply of available homes on the market, resulting in declining home prices. The slow down in sales has resulted in an increase in the inventory of available houses and a decrease in housing prices in the Tucson Metropolitan area. There has been a 56 percent increase in residential permits in 2012 from the bottom in 2011. This is an indication that the new home residential market is beginning to recover. The number of permits for 2013 shows a continued improvement in the market, but new home sales are still well below peak or stabilized levels seen in the past.



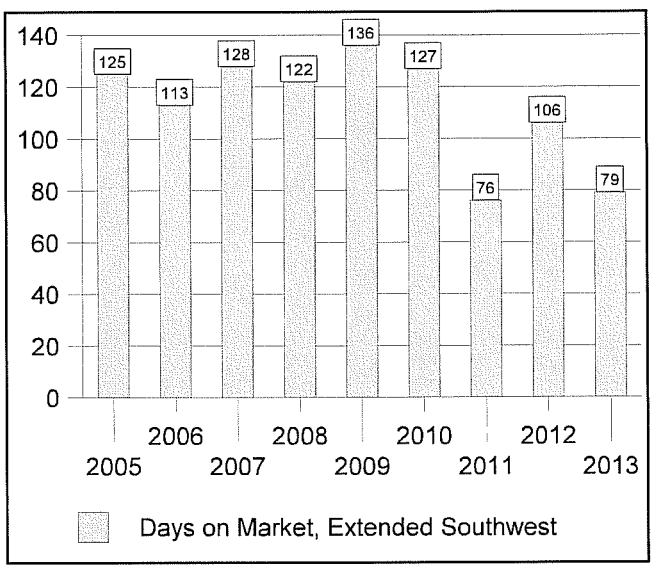
The following is the number of sales of residential properties in the subject sector, Extended Southwest, through 2013, according to MLS. This data indicates that the number of sales declined through 2008, then steadily began increasing through 2012, with a larger increase in 2013. Overall sales are starting to return to the peak market levels of 2005.



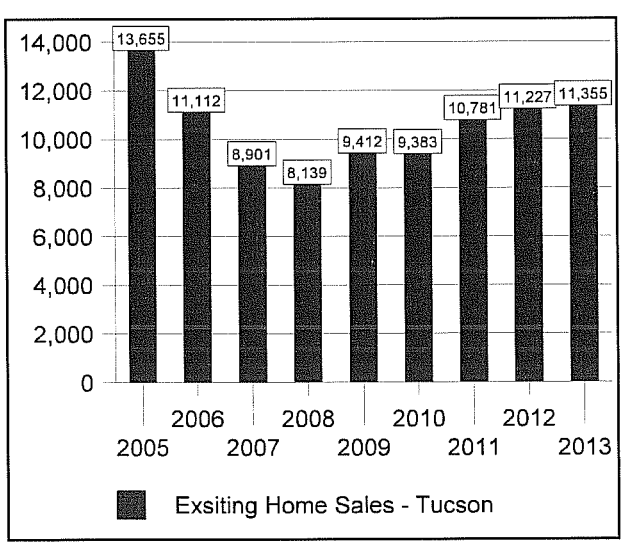
The following is the median sale price for residential properties in the subject Extended Southwest sector through 2013, according to MLS. This data indicates that the median sale price peaked in 2005, and had declined significantly in 2009. This decline stabilized in 2010, with an increase occurring in 2012 before decreasing in 2013. The median sales price in the Extended Southwest sector remains well below peak market levels.



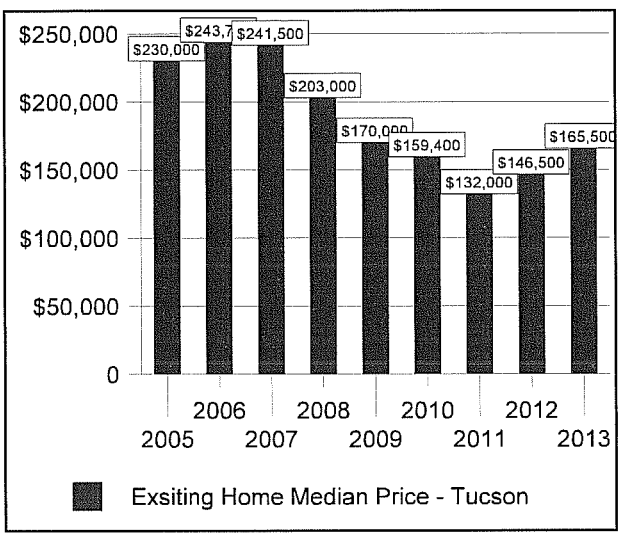
According to Multiple Listing Service (MLS), the days on market for sales of residences in the subject area, Extended Southwest had increased as properties have taken longer to sell. This data indicates that the days on market for residences remaining fairly high between 2005 through 2010, peaking in 2009. Beginning in 2011, the days on market dropped significantly in 2011 with an increase in 2012 before going back down again in 2013.



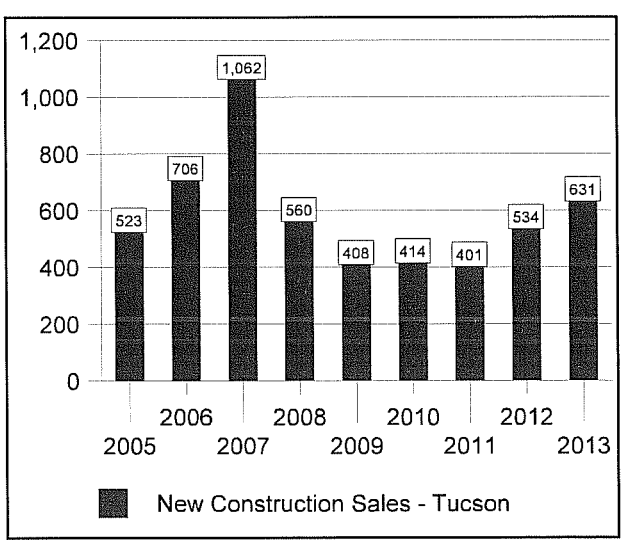
The following is the number of sales of existing single-family residences in the Tucson market through 2013, according to MLS. This data indicates that the number of sales declined from the peak in 2005 through 2008. The number of existing home sales in the Tucson market has steadily increased through 2013. Overall sales of existing homes sales in the Tucson market is approximately 17% below peak levels in 2005.



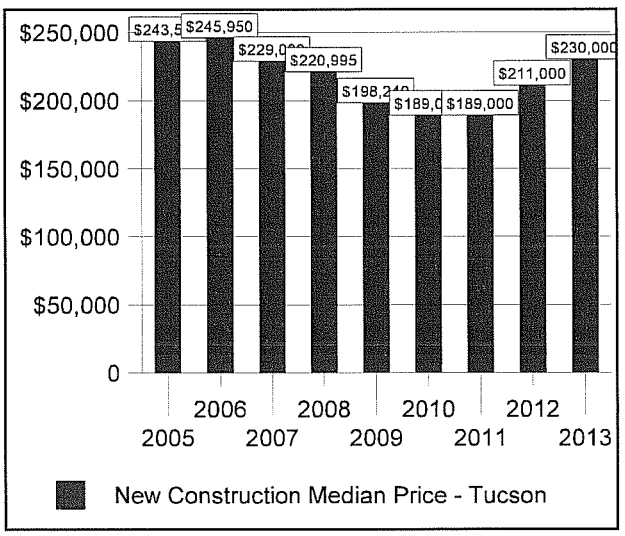
The following is the median sale price for existing single-family residences in the Tucson market through 2013, according to MLS. This data indicates that the median sale price peaked in 2006 and had declined significantly starting in 2008. This decline stabilized in 2012, with an increase in 2013. The median sales price of existing homes in the Tucson market is approximately 28% below peak market levels in 2005.



The following is the number of sales of new construction single-family residences in the Tucson market through 2013, according to MLS. This data indicates that the number of sales peaked in 2007. The number of new construction sales in the Tucson market declined significantly in 2008, then dropping further in 2009. Sales of new construction remained relatively stable through 2011. Sales began to increase in 2012, continuing through 2013. In 2013, the vast majority of new construction sales took place in the Northwest sector with 263 of the 631 new construction sales.



The following is the median sale price for new construction single-family residences in the Tucson market through 2013, according to MLS. This data indicates that the median sale price peaked in 2006 and had declined through 2011. Median sales price of new construction began to increase in 2012, continuing through 2013. The median sales price of new construction single-family residences in the Tucson market is approximately 7% below peak market levels in 2006.



There are some early indications that the decline in residential real estate market conditions are stabilizing and signs of an increase in some market areas. Over the past year there has been the beginning of a market recovery for single-family residences, specifically in homes priced below $250,000. Homes in this price range are in higher demand and there is currently limited inventory of this type of home, causing homes in this price range to rise faster than more expensive single-family residences. There is an oversupply of single-family residences that exceed $250,000, causing values for this type of product to rise more slowly than the less expensive homes.

In the short term, limited growth is projected for Tucson over the next one to two years, with market conditions expected to continue to stabilize and slowly improve during this time. The long term result should be a more balanced level of supply and demand - more conducive to steady long-term development. Factors such as climate, health and educational facilities, and the availability of housing are positive influences which will result in long-term economic growth for metropolitan Tucson.

Land Market Data - Paired Sales

The following sale and resale of large undeveloped residential parcels demonstrate the decline in the residential real estate market conditions since the peak of the residential market in mid 2006.

1. A 37.34 acre parcel located near Colossal Cave Road was purchased as raw land in January 2006 for $1,725,000, or $46,197 per acre. The property owner platted the

property with a 43-lot subdivision and obtained all necessary surveys, construction plans, etc. The property owner has approximately $1,850,000 invested in the property. This property has been listed since December 2007 and has not been purchased. The property was re-listed in September 2008 for $1,300,000 for the platted subdivision with all surveys, etc., and did not sell at this price. This property was re-listed again in 2009 at a price of $752,500. In September, 2009, the price was reduced to $688,000. Thereafter, the price was reduced to $538,350. This property sold in December 2010 for $517,500. This represents a 72 percent decline from the investment in the property by the owner.

2. An SR zoned property containing 185 acres of land and located on Sweetwater Drive sold for $4,629,225 in April 2006. The buyers spent $100,000 to $150,000 on platting and engineering for the property, for a total investment of $4,750,000. The property has been platted as a 46-lot subdivision. This property sold for $1,600,000 in March 2011. This represents a decline of approximately 67 percent since the peak of the market.

3. An SR zoned property containing 16.5 acres was purchased as raw land in March of 2006 for $865,000. The buyer split the property into five lots and provided utilities and access to each of the lots at a cost of approximately $350,000 to $400,000. This buyer spent approximately $1,215,000 to $1,265,000 on the property. This property resold in September 2011 for $737,500. This indicates a decline of 40% to 42% between the two dates of value. However, market conditions improved between the date of the first sale in March 2006 to the peak of the market at the end of 2007, indicating that the decline in market conditions as indicated by this sale is likely greater than 40% to 42%.

4. A 516-acre parcel located on the south side of Ajo Highway, east side of Continental Road alignment near the intersection of Ajo Highway and Valencia Road sold in September, 2012, for $5,500 per acre. This property sold as part of a larger parcel (containing a total of 738 acres) at a reported price of $22,500 per acre in July, 2006. This was an auction with the University of Arizona as the seller and only one bidder. This indicates a decline of close to 76%.

Market Participant Comments - Land Market
The comments of market participants were solicited by the appraiser as to the state of the vacant land market in Tucson, Arizona. The market participants contacted include Mr. Jim Marion and Mr. Aaron Mendenhall from Chapman, Lindsey Commercial Real Estate, Mr. Ben Becker from CBRE, and Mr. Will White from Land Advisors.

Jim Marion commented that the sale of investor grade land without any entitlements in the Tucson market are rare and that most investors do not currently view land as a reasonable investment. The costs associated with holding the land and the outlook for increases in the land prices keep investors from purchasing land listings. Mr. Marion indicated that he has had parcels of land listed for extended periods of time without any activity occurring. He

further indicated that many land owners have removed properties from the market and are waiting for an improvement in market conditions which will only occur when residential lot prices exceed the cost of new lot development.

Aaron Mendenhall commented that there is very limited demand for investment land in the Tucson market. He also stated that the cost to develop new lots exceeds the current prices that finished lots are selling for in most location in the Tucson market. He indicated that there are two active areas for residential development (northwest and southeast sectors) and that these areas area seeing some increases in finished lot prices. He stated that the existing inventory of lots in Starr Valley and Camino Verde areas are more than sufficient to meet the existing demand from builders active in the southwest market sector. Finally, he stated that there are approved specific plans for two major developments (Pomegranate and Sendero) and that when these developments start there will be a more than adequate supply of residential lots for the southwest sector of the Tucson market.

Ben Becker commented that in the southwest sector of the Tucson land market is the weakest sector for investor land purchases. He stated that he had a parcel of land listed for sale that was located adjacent to Ryan Airfield and that he offered to Pima County as part of an open space purchase. He indicated that the potential sale to the county was the only activity for the listing over an extended period of time.

Will White commented that he has sold two properties known as Sendero Pass and Pomgranate Farms. These properties sold with approved specific plans (land entitlements) but no infrastructure was in-place as of the date of sale. He indicated that properties that have entitlements or partial entitlement attract more potential purchasers in the current market. He also commented that he had sold properties in the northwest Tucson (Marana/Sanders Grove) that also had approved specific plans and that these properties are showing signs of increasing prices.

There are some early indications that the decline in residential market conditions is starting to stabilize and even increase in some market areas. However, market participants recognize that the residential home and residential vacant land market will remain stable with some increases for a time before starting to substantially improve, and that this will be a slow, long-term recovery. The same market participants indicated that purchases of large vacant investment properties are few and this trend will continue for the near future as the market regains balance and value begin to stabilize and increase.

HIGHEST AND BEST USE, BEFORE, AS VACANT:
The 5th edition of *The Dictionary of Real Estate Appraisal* (Appraisal Institute, Chicago, 2010), defines highest and best use as follows:

> "The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial

feasibility, and maximum productivity. Alternatively, the probable use of land or improved property - specific with respect to the user and timing of the use - that is adequately supported and results in the highest present value."

The subject larger parcel is a hypothetical "ATF" lot totaling 68,500 square feet (1.57 acres) in size. It is adjacent to San Joaquin Road and has a hypothetical irregular shape. It is located in Section 24, Township 14 South, Range 11 East, G&SRB&M, Pima County, Arizona. The conclusion of the subject larger parcel is based on its location adjacent to a residential subdivision known as San Joaquin Estates to the south. This subdivision has been developed with 1.0 acre or larger SH zoned residential lots predominantly used for manufactured homes. Based on the adjacent uses, the subject "ATF" larger parcel is concluded to be a hypothetical SH zoned residential lot containing 68,500 square feet (inclusive of the San Joaquin Road right of way).

The highest and best use of a property must meet four criteria. The highest and best use must be legally permissible, physically possible, financially feasible, and maximally productive. These criteria are usually considered in order; however, the four criteria interact and may be considered together.

Legally Permissible Use. Zoning of the subject "ATF" larger parcel is SH (Suburban Homestead), according to the Pima County Zoning Code. The Pima County Zoning Code indicates that this zone permits uses which include trailers, duplexes and single family residences with a guest house and horses on large lots; professional offices, motion picture, radio and television uses and cemeteries are allowed under special conditions. According to the Pima County Comprehensive Plan, the subject property is located in an area identified as Resource Transition (RT) whose purpose is to preserve "private land with environmentally sensitive characteristics that include wildlife corridors, natural washes, floodplains, peaks and ridges, buffers to public preserves, and other environmentally sensitive areas. Development of such land shall emphasize design that blends with the natural landscape and supports environmentally sensitive linkages in developing areas." The entire parcel is identified as being located within the Buffer Overlay Zone according to the Pima County Zoning Code. The legally permissible uses include any of the uses indicated by the SH zoning code.

Physically Possible Use. The second area of concern is a highest and best use being physically possible. From among the uses of the subject property which are legally permissible, certain uses would also be physically possible. The potential physical use of the hypothetical subject site could include development of a residential use which could include either a site built home or a manufactured home. The subject property is not located within a designated FEMA floodplain. Development of a residential lot for use with a manufactured residence or a site built residence is concluded to be physically possible.

Financially Feasible. The market conditions indicate that there is a segment of the market seeking lots for the placement of manufactured homes. The most financially feasible use for the subject property is the development of either a manufactured residence or a site built residence.

Maximally Productive. Once a potential use is considered financially feasible, the test of maximum productivity will decide to what specific use the property should be put. Based on market evidence the most maximally productive highest and best use of the subject property is for either development of a manufactured residence or a site built residence on the subject lot.

SECTION B - VALUATION OF THE LAND, BEFORE

VALUATION PROCESS:
In arriving at the market value of the subject property, the appraiser utilized the sales comparison approach to value. The sales comparison approach to value considers what a typical well-informed purchaser would pay for a property, based on an analysis of similar properties. This approach reflects the application of the principle of substitution, which affirms that when a property can be replaced, its value tends to be set by the cost of acquiring an equally desirable substitute property.

In this approach, sales and listings of properties considered comparable are reviewed, and those considered most relevant as indicators of value of the subject property are chosen to be compared to the subject, making adjustments for dissimilarities such as terms of sale, market conditions, location, site size, zoning, and site utility. For a sale to be utilized in this approach, it must contain these elements: 1) both parties are typically motivated; 2) both parties are well-informed; 3) a reasonable market exposure time is allowed; 4) payment is made in cash or its equivalent; and 5) financing reflects terms typically available, and not affected by special or unusual terms.

Hypothetical Condition - Subject Larger Parcel Size and Valuation Method (No. 22). Based on a Right-of-Way Use Permit submitted by Sierrita Gas Pipeline, LLC to the Pima County Department of Transportation, the proposed permanent utility easement for the gas pipeline is entirely within the 160 foot width of the San Joaquin Road right of way. The adjacent land surrounding the location of the proposed easement is developed with residential lots improved predominantly with manufactured houses. To estimate the market value of the subject property for this appraisal a variation of the sales comparison approach has been used. The variation is known as the "across the fence" or "ATF" valuation method. The "ATF" method is based on the premise that the identified subject property which is a part of the existing San Joaquin Road right of way is valued based on the value of the adjacent land through which the right of way passes. The "ATF" subject larger parcel is concluded to be a hypothetical single residential lot containing 68,500 square feet contiguous to and inclusive of a portion of San Joaquin Road located in the adjacent residential subdivision known as San Joaquin Estates in Section 24, Township 14 South, Range 11 East, G&SRB&M, Pima County, Arizona. The concluded value of the "ATF" larger parcel will be used to estimate the just compensation due to the property owner for the acquisition of the permanent utility easement.

Because the subject property is the right of way for San Joaquin Road, an "ATF" methodology will be used to value the hypothetical subject property. The analysis will estimate a market value of similar SH zoned residential lots and the concluded value will then be used to estimate the market value of the subject property. The "ATF" parcel has a hypothetical size of 68,500 square feet (1.57 acres) inclusive of the right of way for San Joaquin Road.

LAND VALUE BEFORE ACQUISITION:
Following is a table of comparable sales used to value the subject property before the acquisition (see the following pages for the specific adjustments made to each comparable).

Table of Comparable Land Sales, Before

Sale No.	Sale Date	Property Location	Sale Price	Site Size (Sq. Ft.)	Price/ Sq. Ft.	Zoning
1.	6/2012	Northeast corner of La Cholla Boulevard and Suburban Drive	$38,500	43,798	$0.88	SH
2.	2/2014	North of Irvington Road, west of Cactus Wren Avenue	$48,159	44,431	$1.08	SH
3.	4/2014	East side of Hildreth Avenue, north of Los Reales Road	$44,500	48,223	$0.92	SH(H)
		"ATF" Parcel		**68,500**		**SH**

Adjustment Summary of Comparable Land Sales, Before

	Subject	Comp 1	Comp 2	Comp 3
Sale Date		6/2012	2/2014	4/2014
Site Size (Sq. Ft.)	68,500 (*)	43,798	44,431	48,223
Zoning	SH	SH	SH	SH
Utility	Average	Average	Average	Average
Access	Paved	Paved	Graded Dirt	Paved
Available Utilities	W, E, T, G	W, E, T, G, S	W, E, T, G	W, E, T, G, S
Sale Price		$38,500	$48,159	$44,500
Price per Sq. Ft.		$0.88	$1.08	$0.92

(*) = "ATF" Parcel

Summary of Adjustments

Unadjusted Price / Sq. Ft.	$0.88	$1.08	$0.92
Property Rights	0	0	0
Adjusted Price	$0.88	$1.08	$0.92
Financing	0	0	0
Adjusted Price	$0.88	$1.08	$0.92
Conditions of Sale	10%	0	0
Adjusted Price	$0.97	$1.08	$0.92
Date/Market Conditions	0	0	0
Adjusted Price	$0.97	$1.08	$0.92
Physical Adjustments (%)			
Location/Views	0	-10	-5
Zoning	0	0	0
Site Size	5	5	5
Available Public Utilities	0	0	0
Site Utility	-5	0	-5
Net Adjustment	0%	-5%	-5%
Indicated Value / Sq. Ft.	**$0.97**	**$1.03**	**$0.88**

Three sales of similar land were analyzed on the basis of price per square foot. This is the sale price divided by the total square footage of the site. Sale prices range from $0.88 to $1.08 per square foot before adjustment. The reflected adjustments have been indicated in the preceding adjustment grid. An upward adjustment indicates that the comparable is inferior to the subject; a downward adjustment indicates that the comparable is superior to the subject; and no adjustment (0) indicates the comparable is similar or equal to the subject.

Comparable Sale One is adjusted upward for conditions of sale to reflect that the property had older improvements that needed to be removed by the purchaser at their expense. Physical adjustments include an upward adjustment for size as the market demonstrates that a higher price is paid for larger lots. A downward adjustment is indicated for superior site utility (shape) as compared to the subject. After adjustments this sale price per square foot is adjusted upward in comparison to the subject property.

Comparable Sale Two indicates physical adjustments including a downward adjustment for superior location/views as compared with the subject. An upward adjustment is indicated for size as the market demonstrates that a higher price is paid for larger lots. The site utility adjustment recognizes that the comparable sale has inferior access (unpaved roadway) which is a downward adjustment and this is offset by a superior shape as compared to the subject. After adjustments this sale price per square foot is adjusted downward in comparison to the subject property.

Comparable Sale Three indicates a single physical adjustment for superior overall location/views in comparison to the subject property. An upward adjustment is indicated for size as the market demonstrates that a higher price is paid for larger lots. A downward adjustment is indicated for superior site utility (shape) as compared to the subject. After adjustments this sale price per square foot is adjusted downward in comparison to the subject property.

SALES COMPARISON APPROACH SUMMARY, BEFORE:

	Sale 1	Sale 2	Sale 3
Adjusted Sale Price/Sq. Ft.	$0.97	$1.03	$0.88

SALES COMPARISON APPROACH CONCLUSION, BEFORE ACQUISITION:
The three comparable sales indicate a price range of $0.88 to $1.03 per square foot after adjustment. Comparable Sale One has the oldest date of sale and reflects an adjusted price of $0.97 per square foot. Due to the age of this sale it is given less weight in the final value conclusion for the subject property. Comparable Sales Two and Three recently occurred and reflect adjusted prices of $1.03 and $0.83 per square foot respectively. Each sale reflects a limited amount of adjusting and after analyzing the comparable sales and making adjustments for differences and subject to the assumptions and hypothetical (*No. 22 - Subject Larger Parcel Size and Valuation Method and No. 23 - Value of the Remainder Land After)* limiting conditions contained in this report, the estimated market value of the "ATF" parcel of land by the sales comparison approach, as of April 16, 2014, is $1.00 per square foot. After analyzing the comparable sales, the estimated market value of the "ATF" parcel of land by the sales comparison approach, based on a hypothetical size of 1.57 acres, is 68,500 square feet times $1.00 per square foot, equaling $68,500.

MARKET VALUE OF "ATF" PARCEL, BEFORE,
AS OF APRIL 16, 2014
$68,500

SECTION C - THE PROPERTY TO BE ACQUIRED

DESCRIPTION:
Sierrita Gas Pipeline, LLC is seeking to acquire a portion of the subject property for a permanent utility easement as part of the Sierrita Gas Pipeline Project. According to information provided by the client, the proposed permanent utility easement acquisition for this pipeline will be fifty (50) feet in width to be used for the construction, operation and maintenance of a subterranean transmission pipeline (36 inch diameter). The permanent utility easement acquisition crosses San Joaquin Road in a traverses the subject property in a northeast-southwest direction (see Exhibits). The easement width is 50 feet and the existing right of way for San Joaquin Road is 160 feet wide. The land area being acquired as a permanent utility easement from the San Joaquin Road right of way totals 8,000 square feet (50 feet x 160 feet equals 8,000 square feet), according to a Right-of-Way Use Permit Application provided to the appraiser by the client (see Exhibits).

SITE PREPARATION AND PROJECT DESCRIPTION:
The project is scheduled to commence construction as of April or May of 2014. The installation of the pipeline will require site preparation of the easement area. The contractor will bore under the existing San Joaquin Road right of way to install the pipeline. The pipeline will be placed at a minimum of between 3.5 and 5 feet underground. The contractor will assure that vehicular traffic on San Joaquin Road is uninterrupted during construction of the pipeline.

PERMANENT EASEMENT ACQUISITION:
The portion of the land to be acquired will be acquired as a permanent utility easement, with a portion of property rights transferring to Sierrita Gas Pipeline, LLC. The acquisition area totals 8,000 square feet in size (50 feet x 160 feet). The easement rights to be acquired for the permanent utility easement are considered to be ninety percent (90%) of the bundle of property rights which the owner had prior to the acquisition. Therefore, the market value of the bundle of rights being acquired of the easement is equal to ninety percent (90%) of the fee simple rights typically associated with ownership.

LAND VALUE, PART TO BE ACQUIRED (PERMANENT EASEMENT):
The value of the part to be acquired is based on the "part of the whole" theory which states that the sum of the value of the parts equals, but does not exceed the value of the whole. Therefore, the value per square foot applicable to the land before the acquisition is applicable to the easement area being acquired. The estimated market value of the subject property before the acquisition is $1.00 per square foot. The market value of the permanent utility easement area to be acquired is $1.00 per square foot times 8,000 square feet, equaling $8,000, times 90 percent, equaling $7,200.

LAND VALUE, PART TO BE ACQUIRED (PERMANENT UTILITY EASEMENT):

8,000 square feet x $1.00 per square foot =	$8,000	
Percentage of rights to be acquired (90%) =	x 0.90	
		$7,200

MARKET VALUE OF PART TO BE ACQUIRED

$7,200

SECTION D - VALUATION OF THE REMAINDER "ATF" PARCEL, BEFORE

REMAINDER PROPERTY BEFORE:
The market value of the remainder property before the acquisition is the difference between the value of the entire property before the acquisition less the value of the part to be acquired. This step reflects the value of the remainder property without recognizing any increase or decrease in value as the result of any special benefits or severance damages.

Value of Property Before Acquisition:	$68,500
Value of Property Rights To Be Acquired:	(7,200)
Value of Remainder Property Before:	$61,300

MARKET VALUE OF REMAINDER "ATF" PARCEL, BEFORE

$61,300

SECTION E - THE REMAINDER "ATF" PARCEL, AFTER ACQUISITION

DESCRIPTION:
After the acquisition, the remainder "ATF" parcel will consist of an irregular shaped parcel undiminished in size by the land to be acquired. The gross area of the property is 68,500 square feet, of which 8,000 square feet will be encumbered with a permanent utility easement. Therefore, a total of 60,500 square feet will be unencumbered fee simple land and 8,000 square feet will be encumbered with a permanent utility easement. After the acquisition, the shape of the remainder "ATF" land will be unchanged from that which existed before the acquisition. The site will have the same access to the subject property that existed in the before condition. The subject property maintains the same highest and best use, after the acquisition.

The potential future development of the subject is impacted by many public constraints; however, all of the public constraints allow potential development by adjusting the location of the residence that may be placed on the subject site. Specifically, regarding the proposed gas pipeline easement, there is no indication that the subject site cannot be fully developed in the future with the pipeline completed.

Hypothetical Condition - Subject Larger Parcel Size and Valuation Method (No. 22). Based on a Right-of-Way Use Permit submitted by Sierrita Gas Pipeline, LLC to the Pima County Department of Transportation, the proposed permanent utility easement for the gas pipeline is entirely within the 160 foot width of the San Joaquin Road right of way. The adjacent land surrounding the location of the proposed easement is developed with residential lots improved predominantly with manufactured houses. To estimate the market value of the subject property for this appraisal a variation of the sales comparison approach has been used. The variation is known as the "across the fence" or "ATF" valuation method. The "ATF" method is based on the premise that the identified subject property which is a part of the existing San Joaquin Road right of way is valued based on the value of the adjacent land through which the right of way passes. The "ATF" subject larger parcel is concluded to be a hypothetical single residential lot containing 68,500 square feet contiguous to and inclusive of a portion of San Joaquin Road located in the adjacent residential subdivision known as San Joaquin Estates in Section 24, Township 14 South, Range 11 East, G&SRB&M, Pima County, Arizona. The concluded value of the "ATF" larger parcel will be used to estimate the just compensation due to the property owner for the acquisition of the permanent utility easement.

Hypothetical Condition - Value of the Remainder Land, After (No. 23). This appraisal report includes the appraisal of the market value of the remainder land, as if the pipeline project was complete. As the pipeline project is not complete as of the effective date of value, the appraisal of the market value of the remainder land, after, is based upon the hypothetical condition that the project was completed based upon the plans provided to the appraiser by Sierrita Gas Pipeline, L.L.C., a Delaware limited liability company (hereinafter referred to as

Sierrita Gas Pipeline, LLC). If the pipeline project is not completed as indicated by the plans provided by Sierrita Gas Pipeline, LLC, to the appraiser, then the conclusions in this report are subject to change. Per USPAP, the use of this hypothetical condition might have affected the assignment results.

HIGHEST AND BEST USE, AFTER, AS VACANT:
After the acquisition, the subject has a highest and best use that is the same as in the before condition. That use is for development of a site built residence or the placement of a manufactured home on the site. This use is considered to be the most feasible use based on the location, the zoning, surrounding development, and the supply of SH zoned land in the subject neighborhood.

LAND VALUE AFTER ACQUISITION:
The remainder land is being appraised using the same comparable sales, the same adjustments, and the same value conclusion used to value the property in the before condition. After the acquisition, the shape of the parcel remains irregular and the site size is unchanged. The highest and best use of the property is considered to be the same as in the before condition.

LAND VALUE AFTER ACQUISITION, CONCLUSION:
Based on the same highest and best use for the subject property after the acquisition of the easement the same comparable sales are utilized for the estimate of land value as vacant after the acquisition. The comparable sales indicate a fee value of $1.00 per square foot for the land. Property rights remaining to the property owner include a ten percent (10%) interest in the permanent utility easement area. Therefore, the estimated market value of the property after the acquisition is estimated as follows:

Land Value, After, Unencumbered (Fee Simple):		
60,500 square feet x $1.00 per square foot =		$60,500
Land Value, After, Encumbered with Utility Easement:		
8,000 square feet x 1.00 per square foot =	$8,000	
Percentage of rights remaining (10%) =	x 0.10	
		800
Land Value, After, Unencumbered and Encumbered Land:		$61,300

MARKET VALUE CONCLUSION, AFTER:
Therefore, based on the above analysis and subject to the assumptions and hypothetical (*No. 22 - Subject Larger Parcel Size and Valuation Method and No. 23 - Value of the Remainder Land, After)* limiting conditions contained in this report, the opinion of market value of the "ATF" parcel, after the acquisition, "as is", as of the effective date of the appraisal, April 16, 2014, is $61,300.

MARKET VALUE OF SUBJECT PROPERTY, AFTER, AS OF APRIL 16, 2014

$61,300

SECTION F - SEVERANCE DAMAGES

DESCRIPTION OF SEVERANCE DAMAGES:
Severance damages are a loss in value to the remainder property not acquired which arises as the result of a partial acquisition or construction of public improvements which have a negative impact on the remaining property. Severance damages are typically estimated by deducting the value of the remainder property after the acquisition from the value of the remainder property before the acquisition.

CONCLUSION OF SEVERANCE DAMAGES:
The market value of the land, before the acquisition is $68,500. The market value of the property rights to be acquired of $7,200 is deducted from the market value of $68,500 to arrive at the market value of the remainder, before, of $61,300. The market value of the remainder, after, is estimated at $61,300. Therefore, there are no severance damages reflected to the subject property.

Value of Remainder Property, Before:	$61,300
Value of Remainder Property, After:	(61,300)
Severance Damages:	-0-

SECTION G - SUMMARY OF VALUE CONCLUSIONS

Market Value of Land, Before Acquisition	$68,500
Market Value of Property Rights To Be Acquired	$7,200
Market Value of Remainder Property, Before	$61,300
Market Value of Remainder Property, After	$61,300
Severance Damages	-0-
Special Benefits	-0-
TOTAL COMPENSATION:	
Market Value of Property Rights To Be Acquired	$7,200
Severance Damages	0
Special Benefits	0
TOTAL COMPENSATION	**$7,200**

Hypothetical Condition - Subject Larger Parcel Size and Valuation Method (No. 22). Based on a Right-of-Way Use Permit submitted by Sierrita Gas Pipeline, LLC to the Pima County Department of Transportation, the proposed permanent utility easement for the gas pipeline is entirely within the 160 foot width of the San Joaquin Road right of way. The adjacent land surrounding the location of the proposed easement is developed with residential lots improved predominantly with manufactured houses. To estimate the market value of the subject property for this appraisal a variation of the sales comparison approach has been used. The variation is known as the "across the fence" or "ATF" valuation method. The "ATF" method is based on the premise that the identified subject property which is a part of the existing San Joaquin Road right of way is valued based on the value of the adjacent land through which the right of way passes. The "ATF" subject larger parcel is concluded to be a hypothetical single residential lot containing 68,500 square feet contiguous to and inclusive of a portion of San Joaquin Road located in the adjacent residential subdivision known as San Joaquin Estates in Section 24, Township 14 South, Range 11 East, G&SRB&M, Pima County, Arizona. The concluded value of the "ATF" larger parcel will be used to estimate the just compensation due to the property owner for the acquisition of the permanent utility easement.

Hypothetical Condition - Value of the Remainder Land, After (No. 23). This appraisal report includes the appraisal of the market value of the remainder land, as if the pipeline project was complete. As the pipeline project is not complete as of the effective date of value, the appraisal of the market value of the remainder land, after, is based upon the hypothetical condition that the project was completed based upon the plans provided to the appraiser by Sierrita Gas Pipeline, L.L.C., a Delaware limited liability company (hereinafter referred to as Sierrita Gas Pipeline, LLC). If the pipeline project is not completed as indicated by the plans provided by Sierrita Gas Pipeline, LLC, to the appraiser, then the conclusions in this report are subject to change. Per USPAP, the use of this hypothetical condition might have affected the assignment results.

PART V - ASSUMPTIONS AND LIMITING CONDITIONS

1. ***Definitions***. "Appraisal," as herein defined, is the process of completing a service; namely, a valuation assignment. "Subject property" refers to the property which is the subject of the assignment. "Appraisers" are those persons, whether one or more, who have accepted the assignment and who have participated in the analyses, opinions, and conclusions formed in the appraisal. "Company" refers to Baker, Peterson, Baker & Associates, Inc. "Report" refers to this written document containing the analyses, opinions, and conclusions which constitute the appraisal.

2. ***Liability***. The liability of Baker, Peterson, Baker & Associates, Inc., including any or all of its employees, and including the appraisers responsible for this report, is limited to the Client only, and to the fee actually received by the Company. Further, there is no accountability, obligation or liability to any third party. If this report is placed in the hands of any person other than the Client, the Client is responsible for making such party aware of all assumptions and limiting conditions related thereto. The appraisers are in no way responsible for any costs incurred to discover or correct any deficiencies of any type present in the subject property, whether physical, financial, or legal.

3. ***Title***. No opinion as to title is rendered. Data related to ownership and legal description was provided by the Client or was obtained from available public records and is considered reliable. Unless acknowledged in this report, no title policy or preliminary title report were provided. Title is assumed to be marketable and free and clear of all liens, encumbrances, and restrictions except those specifically discussed in the report. The property is appraised assuming responsible ownership, competent management and ready availability for its highest and best use.

4. ***Survey or Engineering***. No survey or engineering analysis of the subject property has been made by the appraisers. It is assumed that the existing boundaries are correct and that no encroachments exist. The appraisers assume no responsibility for any condition not readily observable from customary investigation and inspection of the premises which might affect the value thereof, excepting those items which are specifically mentioned in the report.

5. ***Data Sources***. The report is based, in part, upon information assembled from a wide range of sources and, therefore, the incorporated data cannot be guaranteed. An impractical and uneconomic expenditure of time would be required in attempting to furnish unimpeachable verification in all instances, particularly as to engineering and market-related information. It is suggested that the Client consider independent verification within these categories prior to any transaction involving a sale, lease, or other significant commitment of the subject property, and that such verification be performed by appropriate recognized specialists.

6. ***Subsequent Events***. The date of valuation to which the conclusions and opinions expressed in this report apply is set forth in the letter of transmittal. The appraisers assume no responsibility for economic or physical factors occurring after the date of valuation which may affect the opinions in this report. Further, in any prospective valuation assignment, the appraisers cannot be held responsible for unforeseeable events that alter market conditions prior to the date of valuation. Such prospective value estimates are intended to reflect the expectations and perceptions of market participants along with available factual data, and should be judged on the market support for the forecasts when made, not whether specific items in the forecasts are realized.

7. ***Adjustments***. The appraisers reserve the right to make such adjustments to the analyses, opinions, and conclusions set forth in this report as may be required by consideration of additional data or more reliable data which may become available subsequent to issuance of the report.

8. ***Special Rights***. No opinion is expressed as to the value of any subsurface (oil, gas, mineral) or aerial rights or whether the property is subject to surface entry for the exploration or removal of materials except where expressly stated in the report.

9. ***Value Distribution***. The distribution of total value in this report between land and improvements applies only under the specified highest and best use of the subject property as herein described. The allocations of value among the land and improvements do not apply to any other property other than the property which is the subject of this report.

10. ***Legal or Special Opinions***. No opinion is intended to be expressed for matters which require legal expertise, specialized investigation, or a level of professional or technical knowledge beyond that customarily employed by real estate appraisers.

11. ***Personal Property***. Unless expressly stated within this report, no consideration has been given as to the value of any personal property located on the premises, or to the cost of moving or relocating such personal property. Only the real property has been considered.

12. ***Soil Conditions***. Unless expressly stated within this report, no detailed soil studies covering the subject property were available to the appraisers. Therefore, it is assumed that existing soil conditions are capable of supporting development of the subject property in a manner consistent with its highest and best use without extraordinary foundation or soil remedial expense. Further, it is assumed that there are no hidden or unapparent matters (hazardous materials, toxic substances, etc.) related to the soil or subsoil which would render the subject more or less valuable by knowledge thereof.

13. ***Court Testimony***. Testimony or attendance in court or at any other hearing (including depositions) is not required by reason of rendering this appraisal or issuing this report, unless such arrangements have previously been made and are part of a contract for services.

14. ***Exhibits***. Maps, floor plans, photographs, and any other exhibits contained in this report are for illustration only, and are provided as an aid in visualizing matters discussed within the report. They should not be considered as surveys or scale renderings, or relied upon for any other purpose.

15. ***Statute, Regulation, and License***. Unless otherwise stated within the report, the subject property is assumed to be in full and complete compliance with all applicable federal, state, and local laws related to zoning, building codes, fire, safety, permits, and environmental regulations. Further, it is assumed that all required licenses, certificates of occupancy, consents or other legislative or administrative authorizations have been, or can be, readily obtained or renewed as related to any use of the subject property on which the value estimate contained herein is based.

16. ***Hidden or Unapparent Conditions***. It is assumed that there are no hidden or unapparent conditions which, if known, would affect the analyses, opinions or conclusions contained in this report. This includes, but is not limited to, electrical, mechanical, plumbing, and structural components.

17. ***Hazardous/Toxic Substances***. In this appraisal assignment, no observation was made of the existence of potentially hazardous material used in the construction and/or maintenance of the improvements, or from any other source, whether borne by land or air, including, but not limited to, asbestos, lead, toxic waste, radon, and urea formaldehyde. While not observed, and while no information was provided to confirm or deny the existence of such substances (unless expressly stated herein), it is emphasized that the appraisers are not qualified to detect or analyze such substances. Unless otherwise stated, no consideration has been given to the presence of, nature of, or extent of such conditions, nor to the cost to "cure" such conditions or to remove any toxic or hazardous substances which could potentially affect the value or marketability of the property. Any such conclusions must be based upon the professional expertise of persons qualified to make such judgments. Thus, any person or other entity with an interest in the subject property is urged to retain an expert if so desired. This value estimate assumes that there is no such material on or in the property.

18. ***Americans with Disabilities Act of 1990***. The ADA became effective on January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could

have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in estimating the value of the property.

19. ***Disclosure***. Disclosure of the contents of this report is governed by the By-Laws and Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report, including the value estimate, the identity of the appraisers or their professional designations, or the company with which the appraisers are associated, shall be used for any purpose by anyone other than the Client as herein stated, without the prior written consent of the appraisers. Nor shall it be conveyed, in whole or in part, in the public through advertising, news, sales, listings, or any other media without such prior written consent. Possession of this report does not carry with it any right of public distribution.

20. ***Type of Report***. This is an appraisal report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice for an Appraisal Report. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

21. ***Endangered and Threatened Species***. The appraisers have not made a specific survey of the subject property to determine whether or not it has any plant or wildlife which are identified as an endangered or threatened species by the U. S. Fish and Wildlife Service. While not observed and while no information was provided to confirm or deny the existence of any endangered or threatened species on the subject property (unless expressly stated herein), it is emphasized that the appraisers are not qualified to detect or analyze such plants or wildlife. Any such conclusions must be based upon the professional expertise of persons qualified to make such judgments. Thus, any person or other entity with an interest in the subject property is urged to retain an expert if so desired. It is possible that a survey of the property could reveal that the site contains endangered or threatened plants or wildlife. If so, this fact could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible endangered or threatened species in estimating the value of the property.

22. ***Subject Larger Parcel Size and Valuation Method.*** Based on a Right-of-Way Use Permit submitted by Sierrita Gas Pipeline, LLC to the Pima County Department of Transportation, the proposed permanent utility easement for the gas pipeline is entirely within the 160 foot width of the San Joaquin Road right of way. The adjacent land surrounding the location of the proposed easement is developed with residential lots improved predominantly with manufactured houses. To estimate the market

value of the subject property for this appraisal a variation of the sales comparison approach has been used. The variation is known as the "across the fence" or "ATF" valuation method. The "ATF" method is based on the premise that the identified subject property which is a part of the existing San Joaquin Road right of way is valued based on the value of the adjacent land through which the right of way passes. The "ATF" subject larger parcel is concluded to be a hypothetical single residential lot containing 68,500 square feet contiguous to and inclusive of a portion of San Joaquin Road located in the adjacent residential subdivision known as San Joaquin Estates in Section 24, Township 14 South, Range 11 East, G&SRB&M, Pima County, Arizona. The concluded value of the "ATF" larger parcel will be used to estimate the just compensation due to the property owner for the acquisition of the permanent utility easement.

23. ***Value of the Remainder Land, After.*** This appraisal report includes the appraisal of the market value of the remainder land, as if the pipeline project was complete. As the pipeline project is not complete as of the effective date of value, the appraisal of the market value of the remainder land, after, is based upon the hypothetical condition that the project was completed based upon the plans provided to the appraiser by Sierrita Gas Pipeline, L.L.C., a Delaware limited liability company (hereinafter referred to as Sierrita Gas Pipeline, LLC). If the pipeline project is not completed as indicated by the plans provided by Sierrita Gas Pipeline, LLC, to the appraiser, then the conclusions in this report are subject to change. Per USPAP, the use of this hypothetical condition might have affected the assignment results.

24. ***Acceptance of Report.*** Acceptance and/or use of this Report by the Client or any third party constitutes acceptance of all of the above conditions.

PART VI - EXHIBITS

Exhibit A	Assessor's Map of Subject Property
Exhibit B	Aerial Photograph
Exhibit C	Zoning Map
Exhibit D	Pima County Comprehensive Plan Map
Exhibit E	FEMA Flood Plain Map
Exhibit F	Right-of-Way Use Permit Application, Pima County Road Crossing Aerial Overview and Drawing
Exhibit G	Subject Photographs
Exhibit H	Acquisition Photographs
Exhibit I	Comparable Land Sales Location Map
Exhibit J	Comparable Land Sales, Maps, and Aerial Photographs
Exhibit K.1	Qualifications of Jeff Teplitsky
Exhibit K.2	Qualifications of Company

EXHIBIT A - SUBJECT MAP

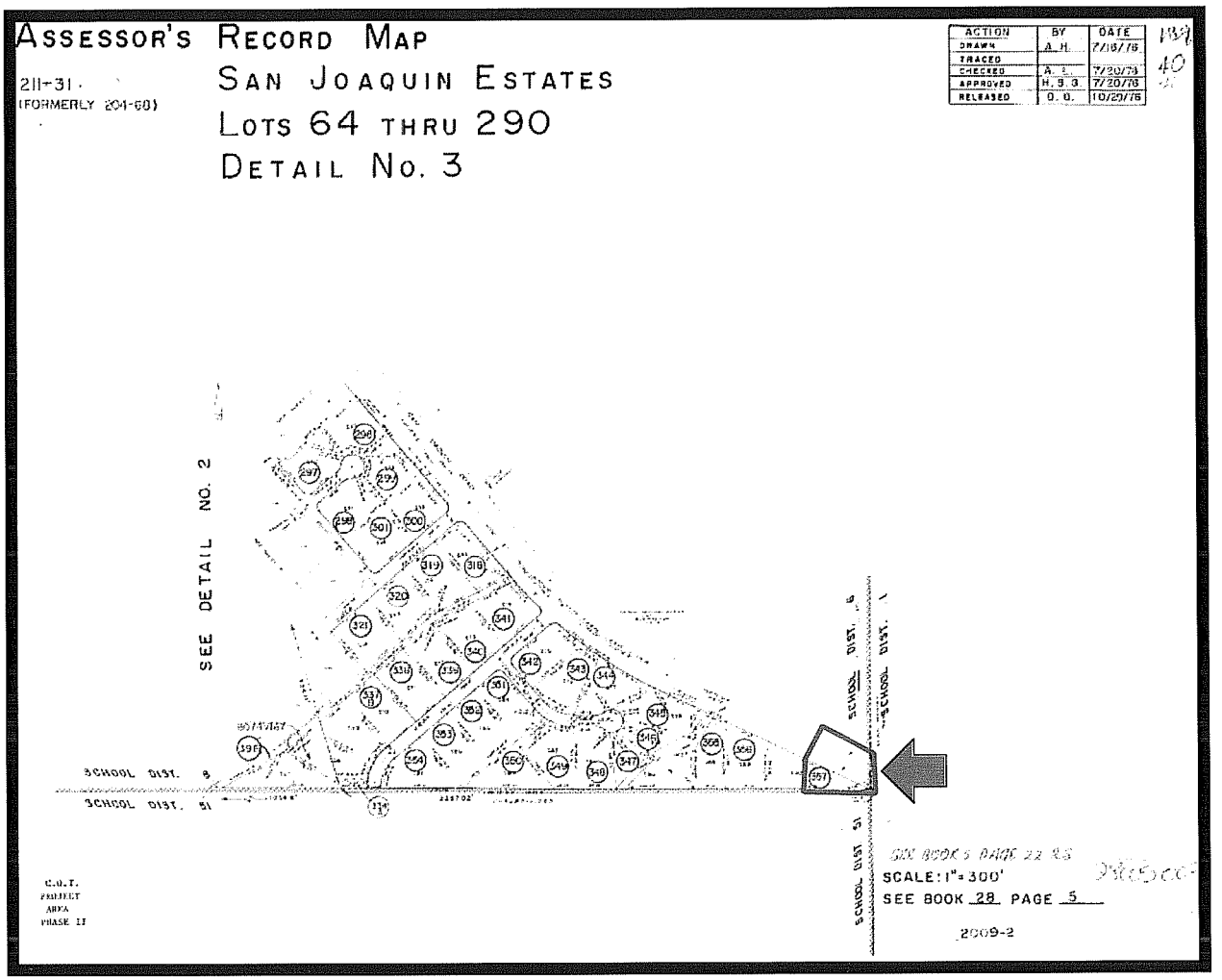


EXHIBIT B - AERIAL PHOTOGRAPH

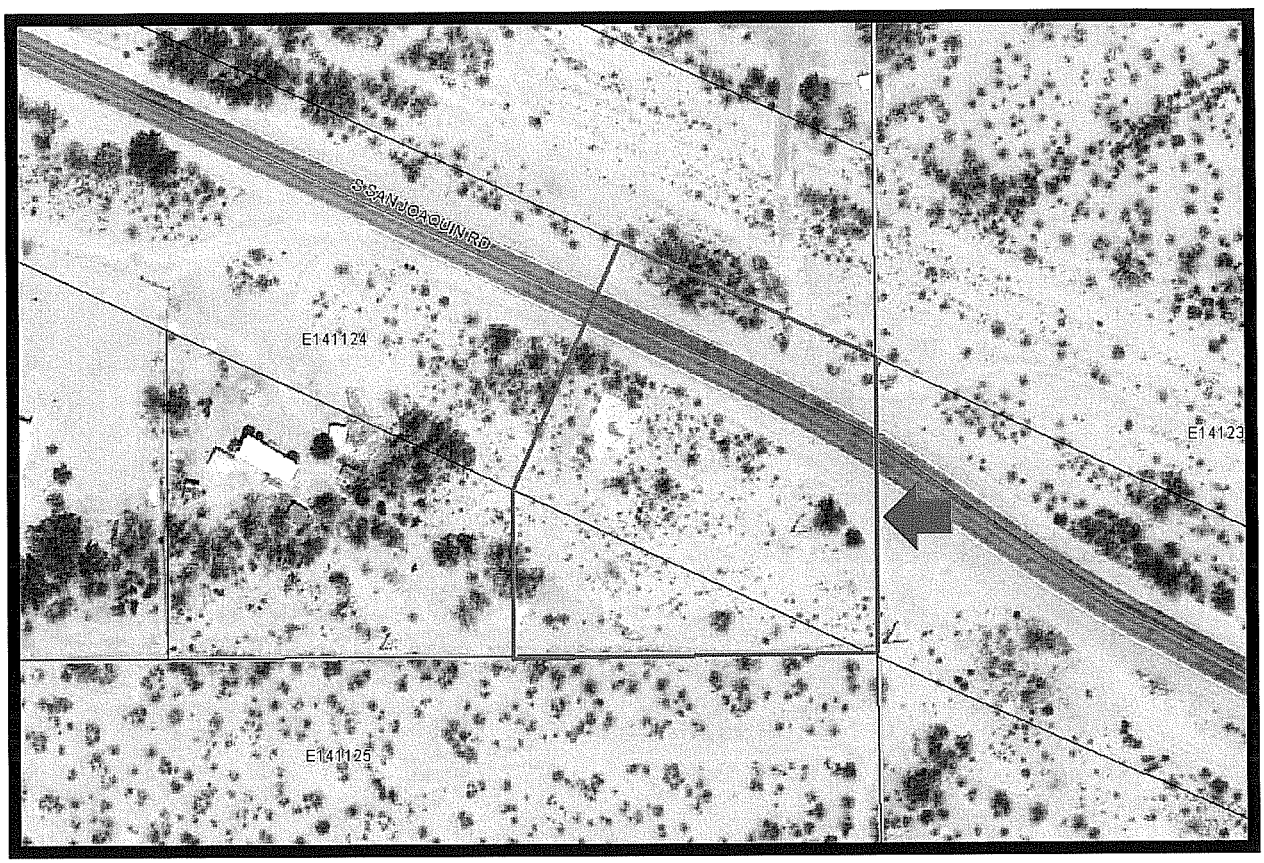


EXHIBIT C - ZONING MAP

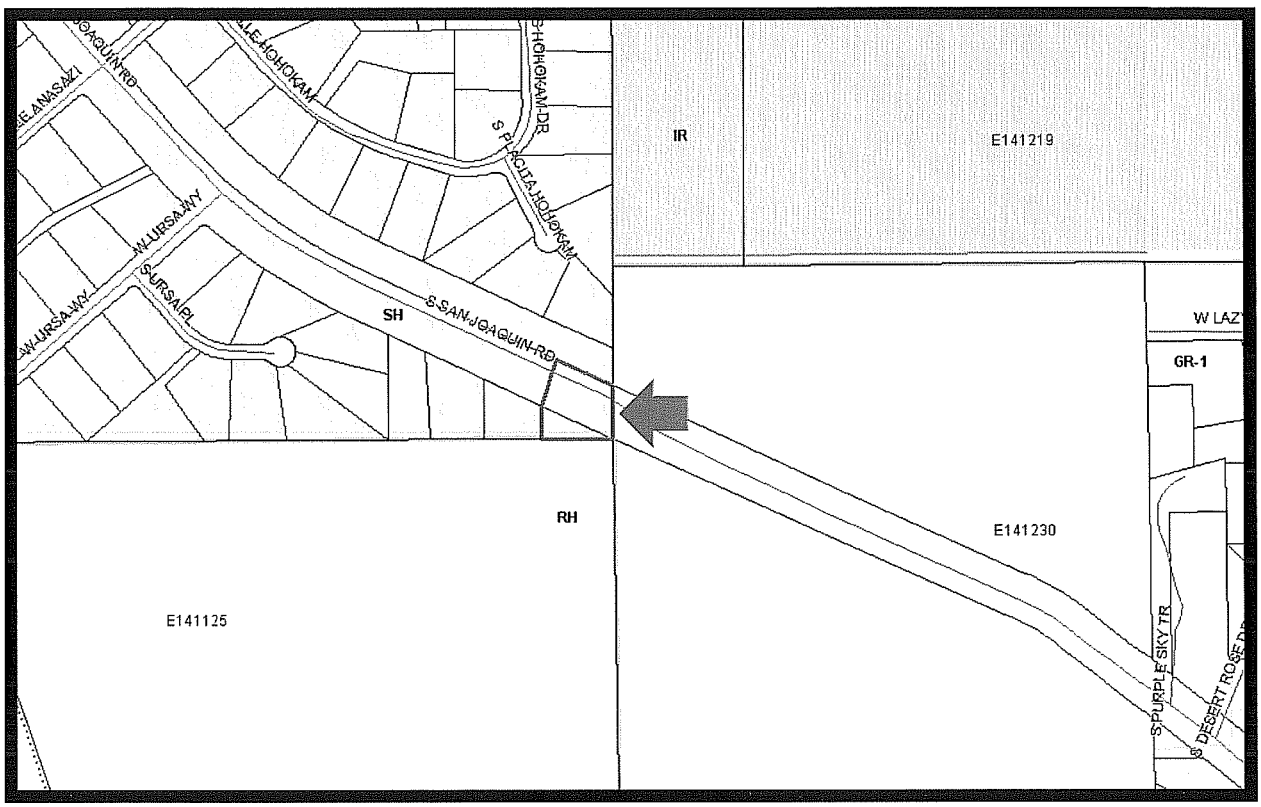
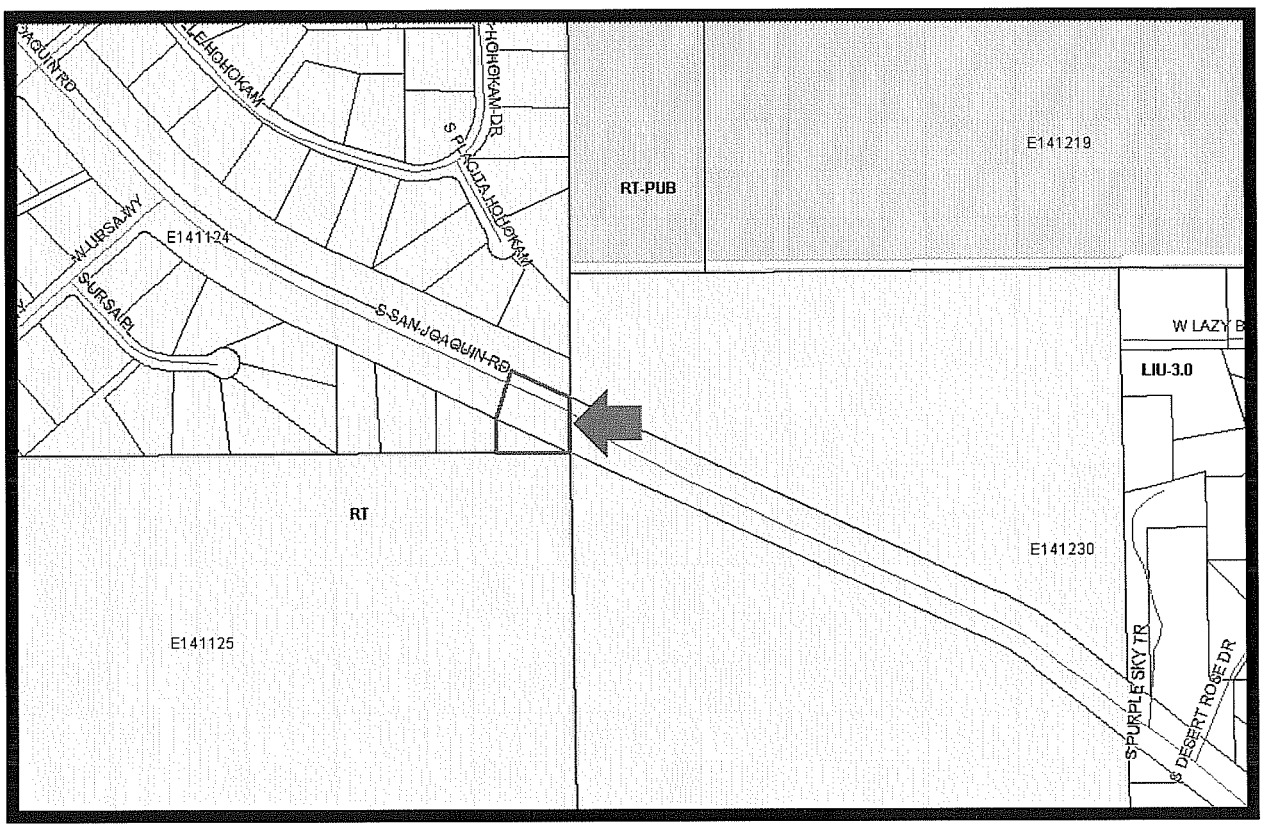


EXHIBIT D - PIMA COUNTY COMPREHENSIVE LAND USE PLAN MAP



- Land Use Intensity
  - REAC - Regional Activity Center
  - CAC - Community Activity Center
  - MFC - Multifunctional Corridor
  - NAC - Neighborhood Activity Center
  - HIU - High Intensity Urban
  - MHIU - Medium High Intensity Urban
  - MIU - Medium Intensity Urban
  - MA - Military Airport
  - LIU-3.0 - Low Intensity Urban 3.0
  - LIU-1.2 - Low Intensity Urban 1.2
  - LIU-0.5 - Low Intensity Urban 0.5
  - LIU-0.3 - Low Intensity Urban 0.3
  - RFV - Rural Forest Village
  - RUAC - Rural Activity Center
  - RX - Rural Crossroads
  - MIR - Medium Intensity Rural
  - LIR - Low Intensity Rural
  - RT - Resource Transition
  - DR - Development Reserve
  - I - Urban Industrial
  - HI - Heavy Industrial
  - RC - Resource Conservation
  - RP - Resource Productive
  - P-Y FEE - Pascua Yaqui Fee Lands
  - No Plan

EXHIBIT E - FEMA FLOODPLAIN MAP

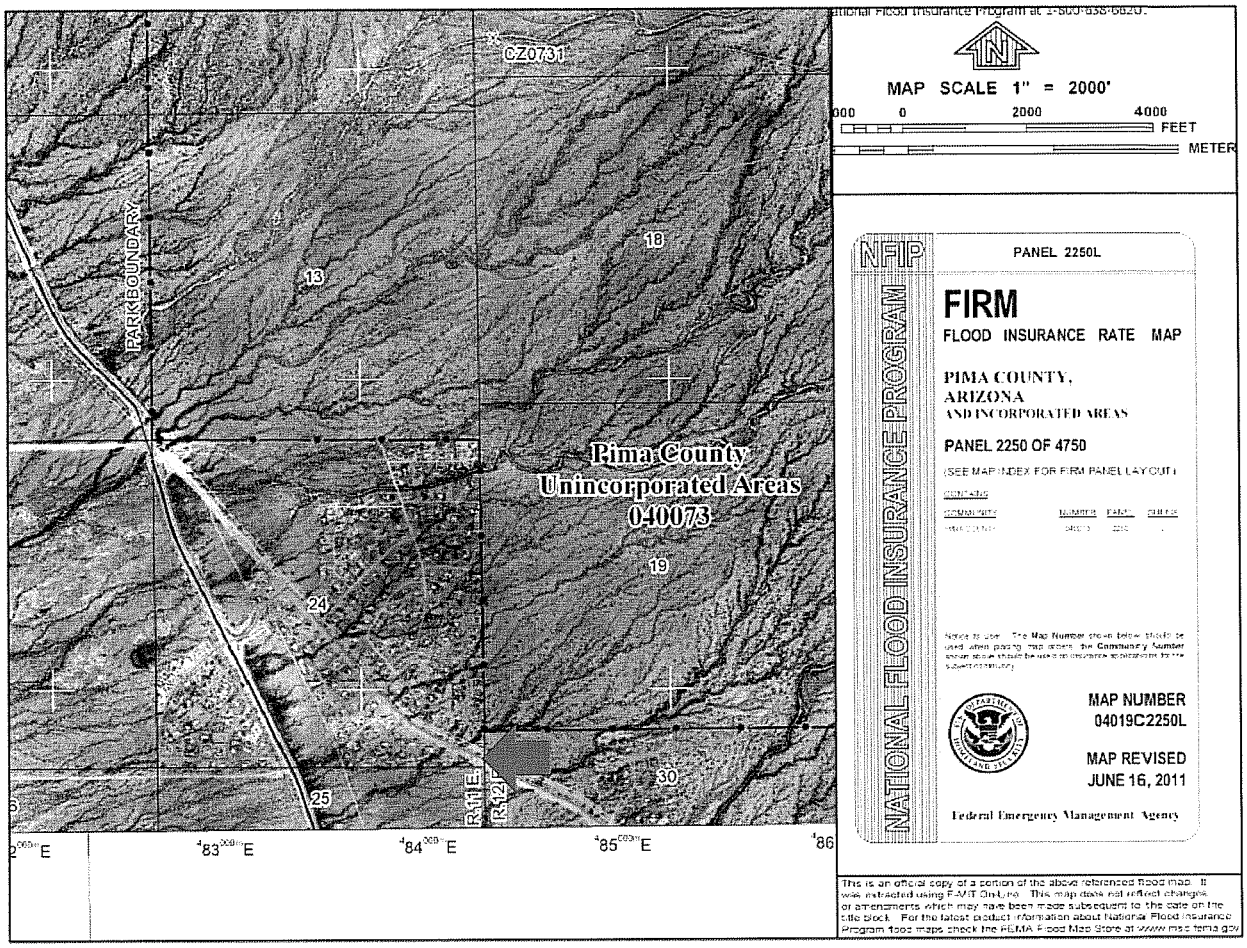


EXHIBIT F - RIGHT-OF-WAY USE PERMIT APPLICATION, PIMA COUNTY ROAD CROSSING AERIAL OVERVIEW AND DRAWING (4 Pages)

FORM **A**
2/1/2013

Right-of-Way Use Permit Application

Pima County Department of Transportation

PIMA COUNTY DOT

◀ ◀ ◀ Click here for Instructions on Completing the Permit Application ▶ ▶ ▶

1 Applicant: Sierrita Gas Pipeline LLC Contractor: Price Gregory International Inc

2 Address: 5151 E Broadway Blvd, Ste 1680 Address: 920 Memorial City Way

3 City: Tucson ST: AZ Zip 85711 City: Houston ST: TX Zip: 77024

4 Contact Name: Bill Biggs Contact Name: Tommy Jones

5 Email: William_Biggs@kindermorgan.com Email: TJones@pricegregory.com

6 Phone: 520-663-4260 Phone: 713-780-7500

7 ROC #: 82927

8 Owner: Sierrita Gas Pipeline LLC Phone: 520-663-4260 Email: William_Biggs@kindermorgan.com

9 Work Location: San Joaquin Road

10 Nearest Cross Street: Bopp Rd - 1.58mi to East Township 14 Range 11E Section 24

11 Work Start Date: July 1 - Sept 30, 2014 Work Duration (working days M – F): 3 days

12 Utility Work: Aerial/Underground: _____ lf Trench Pavement: 160' Bore lf Trench Dirt: _____ lf

13 Construction Cost $: $60,000 (Provide itemized cost breakdown)

14 Is work within a county project or disturbs one or more acres of land? (If yes, provide ADEQ Notice of Intent AZCON Permit No.: _____) ☐ YES ☑ NO

15 Is length of work more than 500 lf? (If yes, provide Arizona State Museum Record Search) ☐ YES ☑ NO

16 Is there vegetation disturbance? (If yes, provide photographs showing disturbance area) ☑ YES ☐ NO

17 Is land stripping or earthmoving over 1 acre; trenching over 300 feet; road construction over 50 feet; or blasting required? (If yes, provide copy of PDEQ Fugitive Dust Permit) ☐ YES ☑ NO

18 Is work within a regulatory floodplain, drainageway, erosion hazard area, or mapped riparian habitat? (If yes, provide written authorization from the Regional Flood Control District) ☑ YES ☐ NO

19 Is a public sewer located within the work area? Only applicable to municipalities, water companies and utility companies. (If yes, provide RWRD Utility Coordination Letter of Clearance) ☐ YES ☑ NO

20 Description of Work:

Utility bore across right of way for installation of 36" O.D. natural gas pipeline.

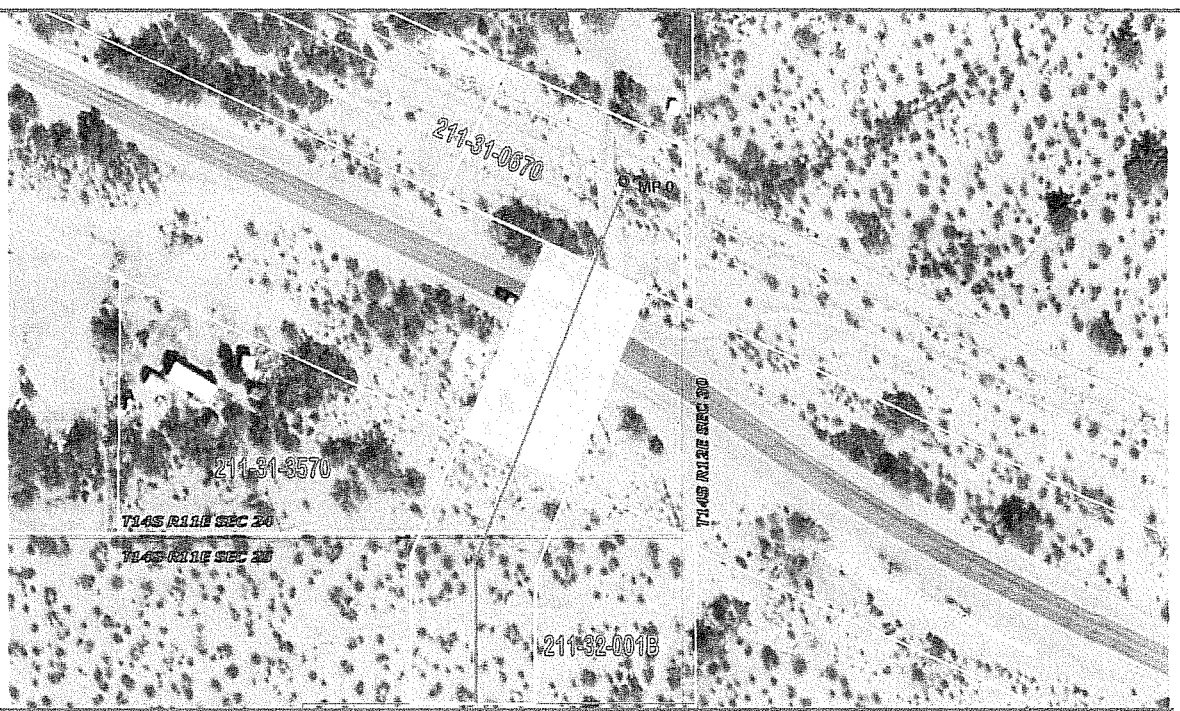
NOTE NO. 18: SGP Application with Regional Flood Control District in review process.

21 **Payment By:** Applicant ☑ Contractor ☐ Owner ☐ **Method:** Check ☑ Bank Card ☐ APA ☐

22 **Applicant Signature:** _____ **Date:** _____

*****All requested information must be provided. If not applicable enter "NA". *****

23 **Office Use Only:** **Permit No:**



REFERENCE: EMS Engineering Plan and Profile Drawing No: 56173001 and Sierrita Gas Pipeline Alignment Sheet 2177.0-1

PROPOSED SIERRITA GAS PIPELINE 2177 : PIMA COUNTY ROAD CROSSING AERIAL OVERVIEW

LEGEND:

- L2177 PROPOSED LINE
- L2177 MILE POST
- WORK AREA LIMITS (Adjacent)
- WORK AREA IN ROADWAY
- PARCEL LINES
- SECTION LINE

MP 0.1: San Joaquin Road

160' County Right of Way

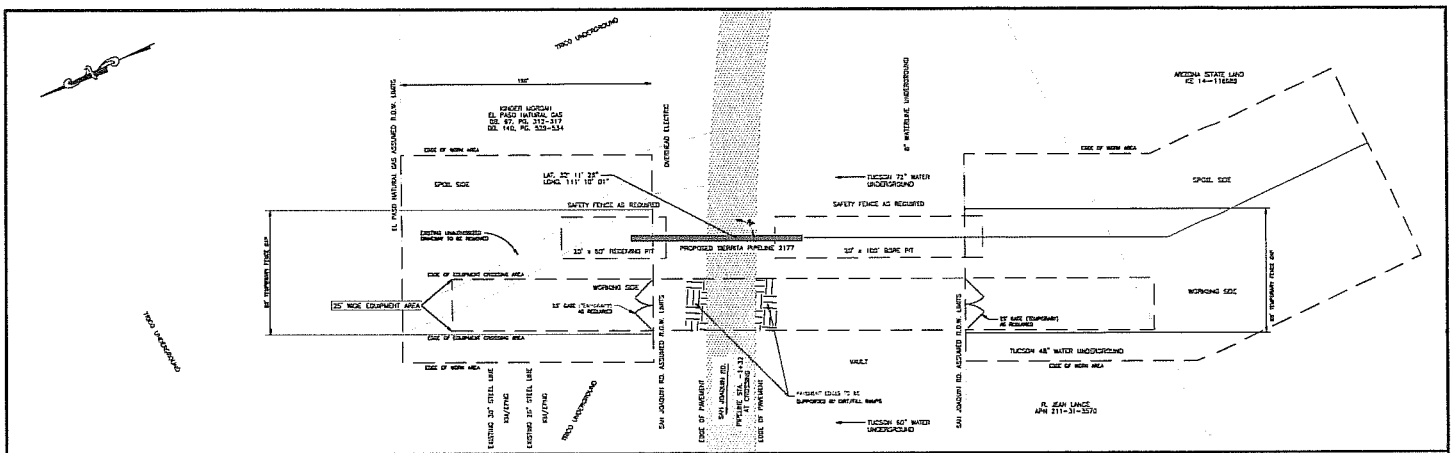
36" Pipe Auger Bore and Construction Equipment Crossing

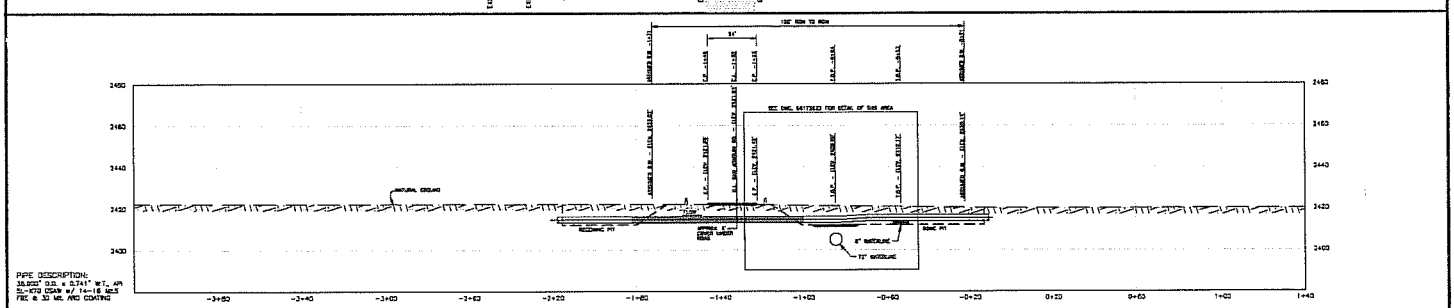
T14S, R11E, Section 24

Pima County Arizona

NORTH (NTS)

Sierrita Gas Pipeline LLC





PIPE DESCRIPTION:
36.000" O.D. x 0.741" WT, API 5L-X70 DSAW w/ 14-16 WS3 FBE @ 30 MIL ARO COATING

PROFILE
SCALE: 1" = 20'

NOTES:

1. CROSSING METHOD TO BE AUGER BORE.
2. LOCATIONS REFLECTED ON THE DRAWINGS SHALL BE VERIFIED IN THE FIELD BY THE CONTRACTOR PRIOR TO CONSTRUCTION BY THE FOLLOWING METHODS:
   a) CONTRACTOR SHALL CALL ARIZONA BLUE STAKE AT 811 AND COMPLY WITH STATE OF ARIZONA BLUE STAKE LAW ARS CHAPTER 3, ARTICLE 8.1 SECTIONS 40-360.21 THROUGH 40-360.33.
   b) CONTRACTOR SHALL POTHOLE EXISTING UTILITIES TO DETERMINE THEIR LOCATIONS AND ELEVATIONS.
3. WORK SPACE ACROSS 1103/BKY FOR MOVING EQUIPMENT ACROSS ROAD. ROAD SURFACE COVERED WITH 1" PLYWOOD AND TIRES FOR TRACKED EQUIPMENT.
4. CONTRACTOR WILL INSTALL A TEMPORARY GATE FOR ACCESS AS REQUIRED.
5. WHERE TRENCH WILL NOT BE ENTERED BY EMPLOYEES, TRENCH WIDTH SHALL BE A MINIMUM OF 4 FT. WHERE EMPLOYEES MUST ENTER THE TRENCH FOR ANY REASON, TRENCH WALLS SHALL BE SLOPED, BENCHED OR SHORED, FOR TYPE C SOIL IN ACCORDANCE WITH OSHA 29 CFR 1926 SUBPART-P.
6. ALL WORK SHALL BE PERFORMED IN ACCORDANCE WITH PIMA CO. DOT "PROCEDURES FOR THE ISSUANCE OF RIGHT-OF-WAY PERMITS AND REGULATIONS OF WORK UNDER PERMIT" AND CITY OF TUCSON AND PIMA COUNTY "STANDARD DETAILS FOR PUBLIC IMPROVEMENTS".
7. RESTORATION OF ROADWAY SHALL SATISFY REQUIREMENTS OF PIMA CO. DOT "PROCEDURES FOR THE ISSUANCE OF RIGHT-OF-WAY PERMITS AND REGULATIONS OF WORK UNDER PERMIT" AND CITY OF TUCSON AND PIMA COUNTY "STANDARD DETAILS FOR PUBLIC IMPROVEMENTS".

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BRANCH OFFICES
PHOENIX, AZ • TUCSON, AZ
MESA, AZ • PRESCOTT, AZ
www.pinnacle.com

SCALE & PROJECTION

22 16 0 22 42

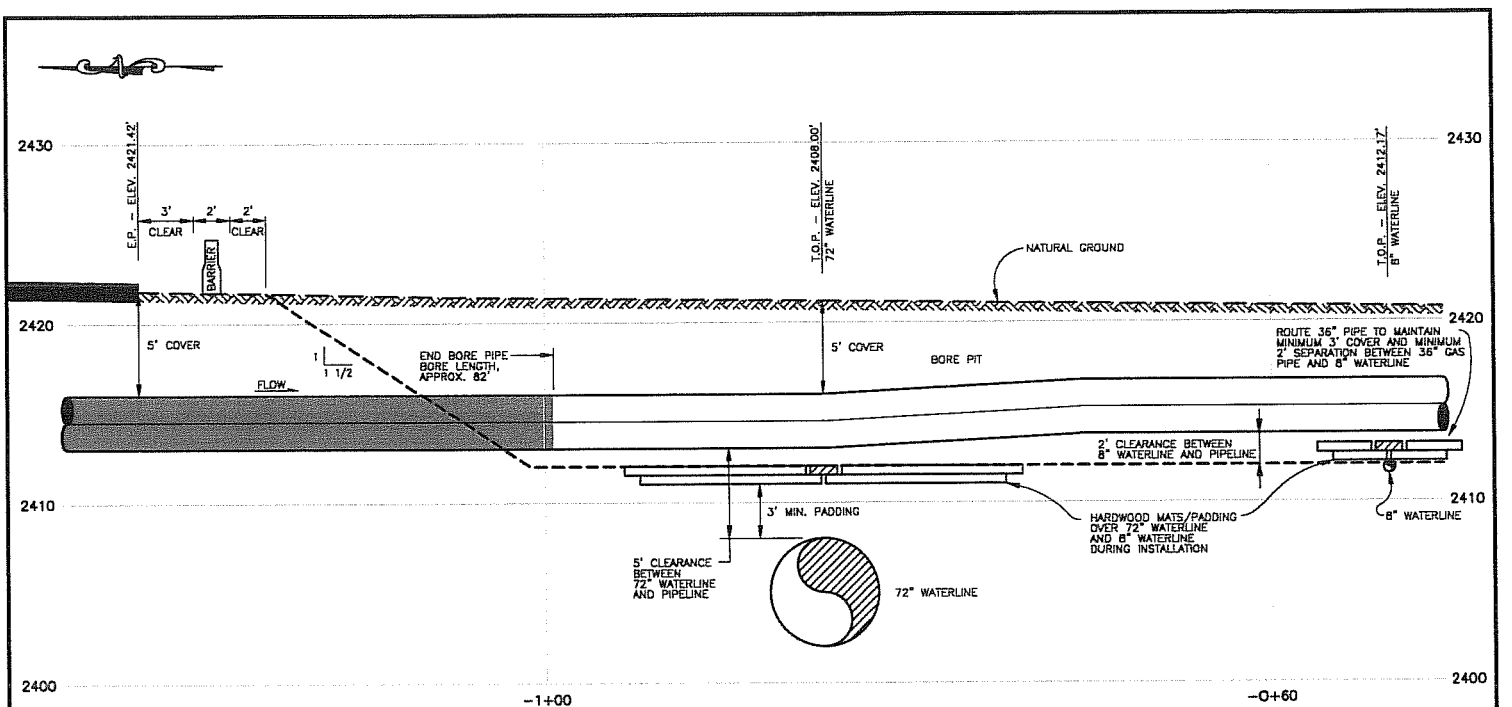
PROJECTION: UTM, NAD83, ZONE 12, US FOOT

REVISIONS			
3	05/30/14	DWG	ISSUED FOR PERMIT	56173	DWG
2	01/10/14	DWG	ISSUED FOR PERMIT	56173	DWG
1	10/09/13	DWG	ISSUED FOR PERMIT	56173	DWG
0	07/17/13	DWG	ISSUED FOR REVIEW	56173	DWG
NO.	DATE	BY	DESCRIPTION	PROJ. NO.	DWG.

SIERRITA PIPELINE LLC

SIERRITA PIPELINE NO. 2177
PROPOSED 36" NATURAL GAS PIPELINE
CROSSING SAN JOAQUIN RD.
PLAN AND PROFILE

Drawn	TUCSON	Ex. Area	TUCSON
Checked	ARIZONA	Ex./Pw.:	PIMA
Section		Range	
Drafter CAD	Date 02/28/14	Project ID 56173	Type
Chk'd CAD	Date 02/28/14	Scale AS SHOWN	Unit_ft
Appr CAD	Date 02/28/14	Filename 56173SH1.DWG	
56173001		Sheet No. 1 of 1	



PROFILE
SCALE: 1" = 5'

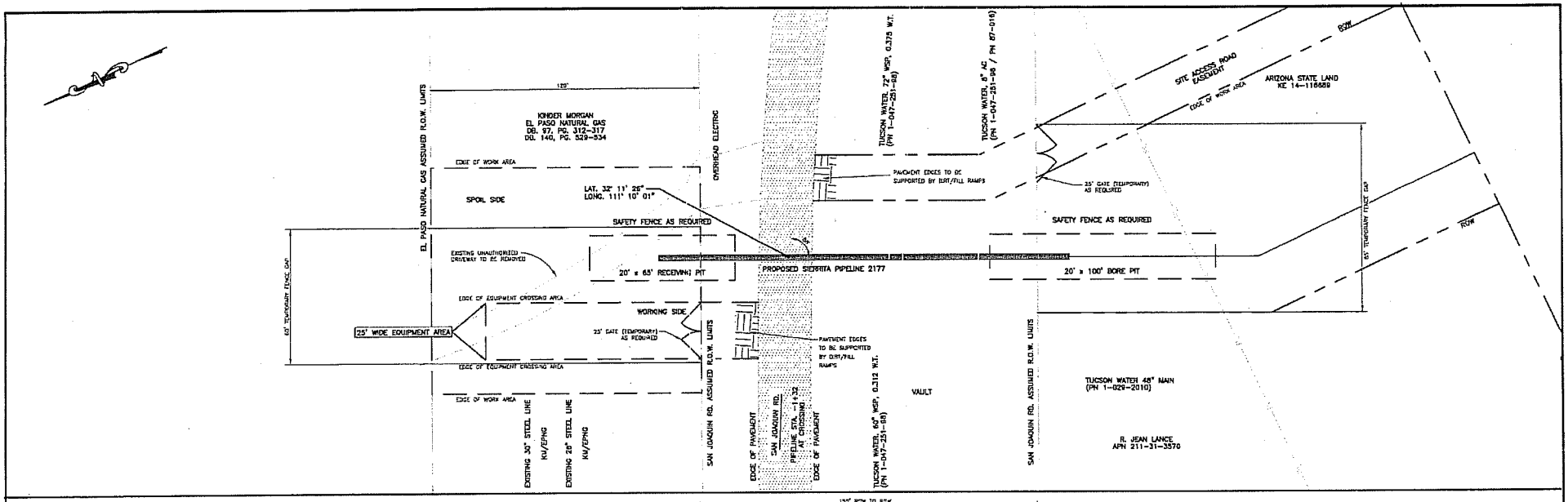
CORPORATE OFFICE:
BRANCH OFFICES:
www.amsenj.com

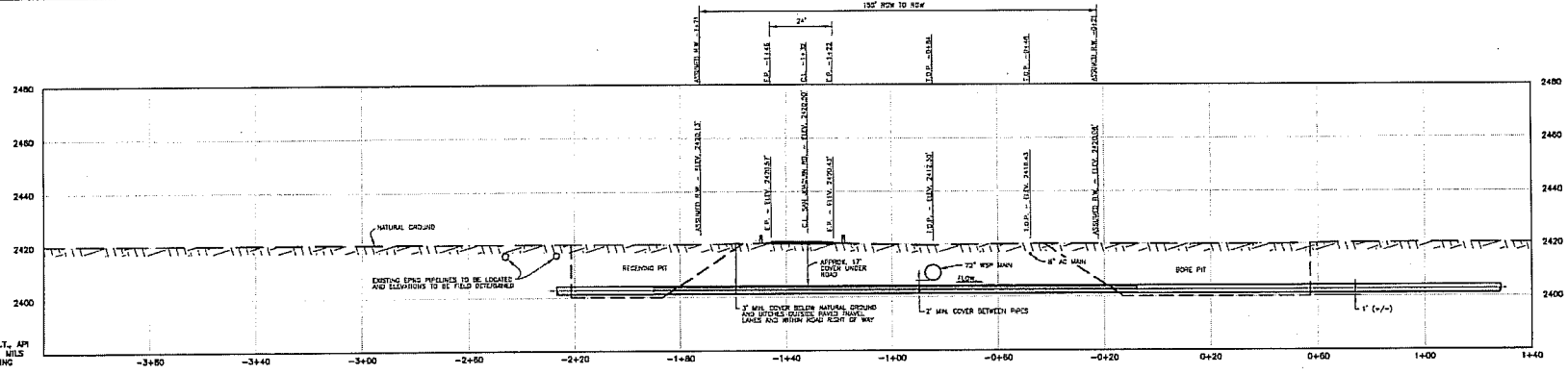
SIERRITA GAS PIPELINE LLC

SIERRITA PIPELINE NO. 2177
PROPOSED 36" NATURAL GAS PIPELINE
CROSSING SAN JOAQUIN RD.
CONSTRUCTION DETAIL

NO. 56173032

REV. B





PIPE DESCRIPTION:
36.000" O.D. x 0.741" W.T., API 5L-X70 DSAW w/ 14-18 MILS FBE & 30 MIL ARO COATING

PROFILE
"D" SIZE, 24"x36" - SCALE = 1" = 20'
TABLOID, 11"x17" & OTHER = GRAPHIC

NOTES:
1. CROSSING METHOD TO BE JACK & AUGER BORE.
2. LOCATIONS REFLECTED ON THE DRAWINGS SHALL BE VERIFIED IN THE FIELD BY THE CONTRACTOR PRIOR TO CONSTRUCTION BY THE FOLLOWING METHODS:
   a) CONTRACTOR SHALL CALL ARIZONA BLUE STAKE AT 811 AND COMPLY WITH STATE OF ARIZONA BLUE STAKE LAW ARS CHAPTER 2, ARTICLE 6.3, SECTIONS 40-360.21 THROUGH 40-360.32.
   b) LOCATIONS AND ELEVATIONS OF TUCSON WATER 72" WSP MAIN AND 8" AC MAIN DETERMINED BY POTHOLE METHOD, 4/24/14.
3. WORK SPACE ACROSS HIGHWAY FOR MOVING EQUIPMENT ACROSS ROAD. ROAD SURFACE COVERED WITH 1" PLYWOOD AND TIRES FOR TRACKED EQUIPMENT.
4. CONTRACTOR WILL INSTALL A TEMPORARY GATE FOR ACCESS AS REQUIRED.
5. WHERE TRENCH WILL NOT BE ENTERED BY EMPLOYEES, TRENCH WIDTH SHALL BE A MINIMUM OF 4 FT. WHERE EMPLOYEES MUST ENTER THE TRENCH FOR ANY REASON, TRENCH WALLS SHALL BE SLOPED, BENCHED OR SHORED, FOR TYPE C SOIL IN ACCORDANCE WITH OSHA 29 CFR 1929 SUBPART-P.
6. ALL WORK SHALL BE PERFORMED IN ACCORDANCE WITH PIMA CO. DOT "PROCEDURES FOR THE ISSUANCE OF RIGHT-OF-WAY PERMITS AND REGULATIONS OF WORK UNDER PERMIT" AND CITY OF TUCSON AND PIMA COUNTY "STANDARD DETAILS FOR PUBLIC IMPROVEMENTS".
7. RESTORATION OF ROADWAY SHALL SATISFY REQUIREMENTS OF PIMA CO. DOT "PROCEDURES FOR THE ISSUANCE OF RIGHT-OF-WAY PERMITS AND REGULATIONS OF WORK UNDER PERMIT" AND CITY OF TUCSON AND PIMA COUNTY "STANDARD DETAILS FOR PUBLIC IMPROVEMENTS".

5/9/2014
Scott D. Cole
EXPIRES 6/30/2016

CORPORATE OFFICE
BRANCH OFFICES:
HOUSTON, TX · DETROIT, MI
CHARLESTON, WV · PITTSBURGH, PA
WWW.MYRONG.COM

SCALE & PROJECTION
30 10 0 20 40
PROJECTION: UTM, NAD83, ZONE 12, US FOOT

NO.	DATE	BY	DESCRIPTION	PROJ. ID	APPR.
E	04/28/14	DJS	ISSUED FOR PERMIT	8417	DJS
D	02/25/14	DJS	ISSUED FOR PERMIT	8417	DJS
C	01/16/14	DJS	ISSUED FOR PERMIT	8417	DJS
B	12/20/13	DJS	ISSUED FOR PERMIT	8417	DJS

REVISIONS

SIERRITA GAS PIPELINE LLC

SIERRITA PIPELINE NO. 2177
PROPOSED 36" NATURAL GAS PIPELINE
CROSSING SAN JOAQUIN RD.
PLAN AND PROFILE

Division: TUCSON		Op. Area: TUCSON	
State: ARIZONA		Co./Parj: PIMA	
Section:	Township:	Range:	
Drafter: DJS	Date: 02/25/14	Project No: 8417	Type: MAP_3D
Chk'd: DJS	Date: 02/25/14	Scale: AS SHOWN	
Apvd: DJS	Date: 02/25/14	Filename: 56173001.DWG	

56173001 — Sheet 1 of 1 — Rev E

EXHIBIT G - SUBJECT PHOTOGRAPHS OF AREA TO BE ACQUIRED AND <u>LARGER PARCEL</u>

PHOTO 1 - VIEW SOUTH OF SUBJECT PROPERTY FROM SAN JOAQUIN ROAD

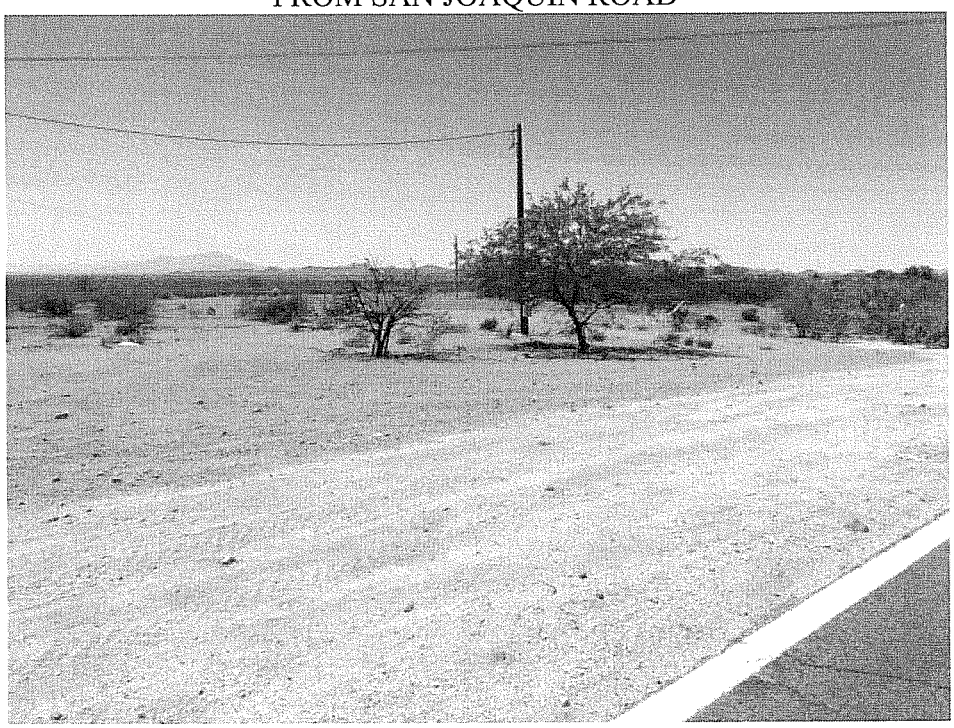


PHOTO 2 - VIEW SOUTHWEST OF SUBJECT PROPERTY FROM SAN JOAQUIN ROAD

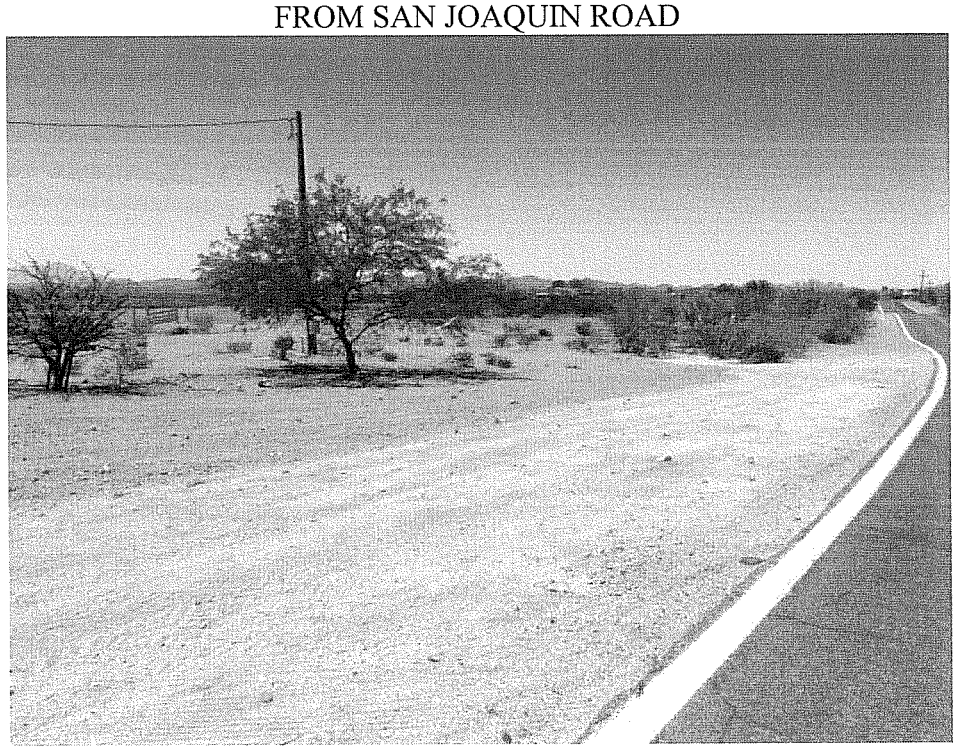


PHOTO 3 - VIEW NORTHWEST ALONG SAN JOAQUIN ROAD

PHOTO 4 - VIEW SOUTHEAST ALONG SAN JOAQUIN ROAD

EXHIBIT H - SUBJECT PHOTOGRAPHS OF <u>AREA TO BE ACQUIRED</u> AND LARGER PARCEL

PHOTO 5 - VIEW SOUTH OF EASEMENT TO BE ACQUIRED

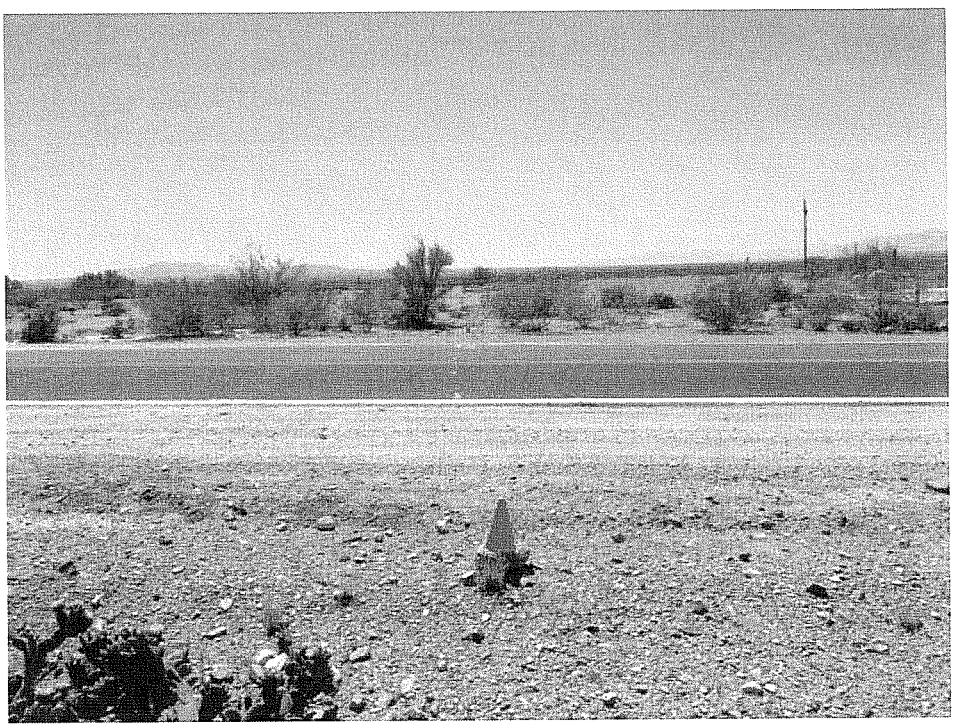


PHOTO 6 - VIEW NORTH OF EASEMENT TO BE ACQUIRED

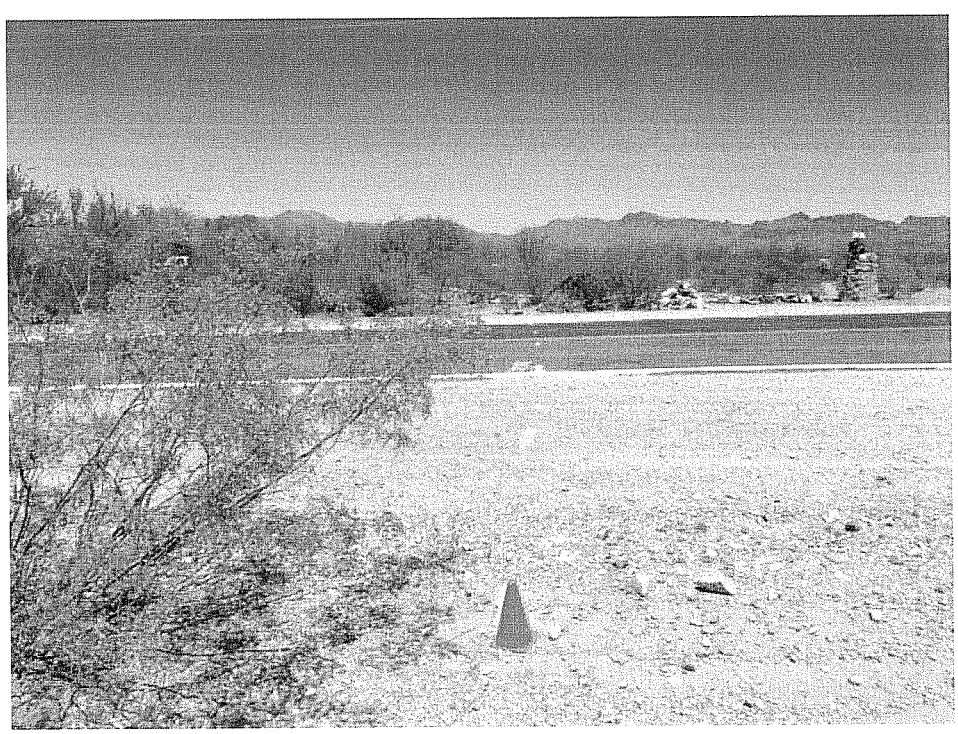
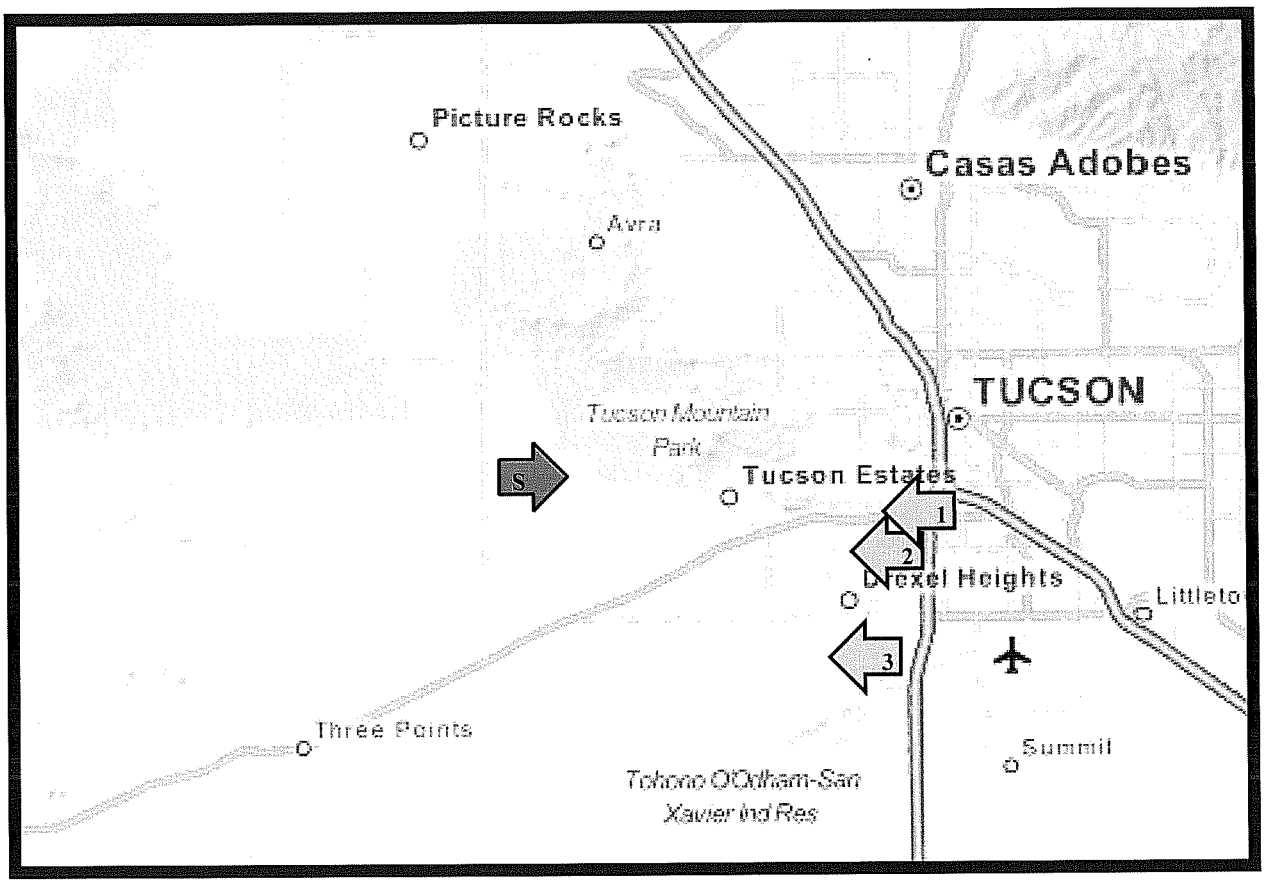


EXHIBIT I - COMPARABLE LAND SALES LOCATION MAP



Subject: **Under a portion of the existing San Joaquin Road right of way, located west of Purple Sky Trail and east of Ursa Way, including the San Joaquin Road right of way, Pima County**

Sale 1: Northeast corner of La Cholla Boulevard and Suburban Drive

Sale 2: North of Irvington Road, west of Cactus Wren Avenue

Sale 3: East side of Hildreth Avenue, north of Los Reales Road

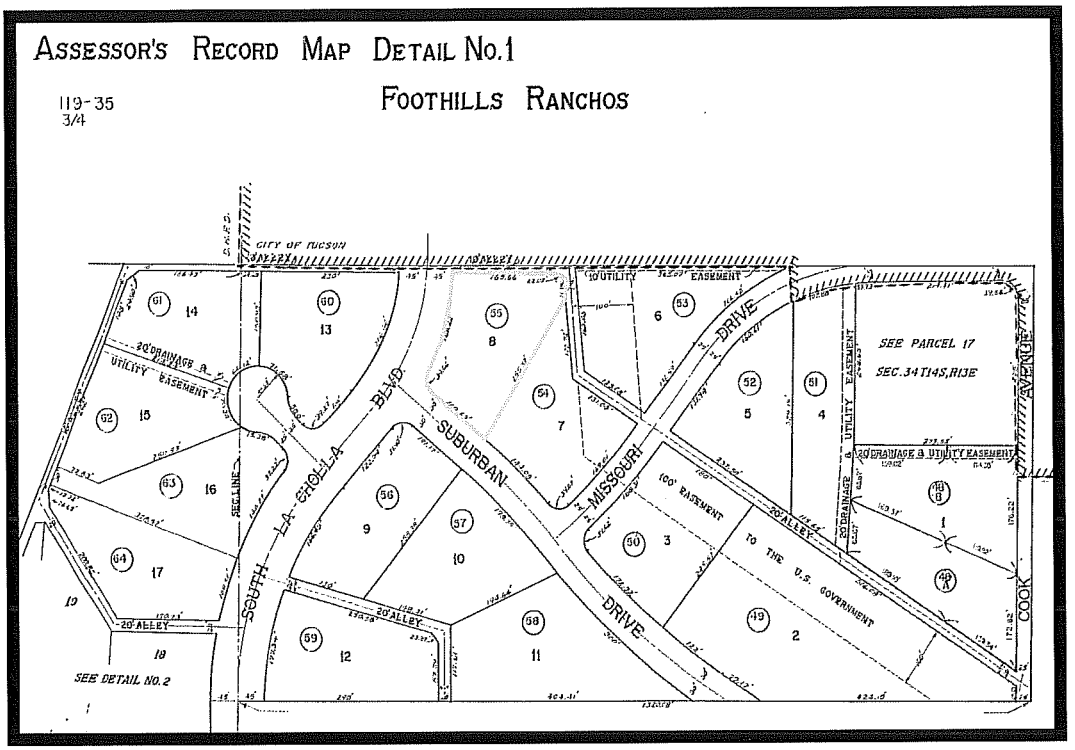
EXHIBIT J - COMPARABLE LAND SALES, MAPS, AND PHOTOGRAPHS

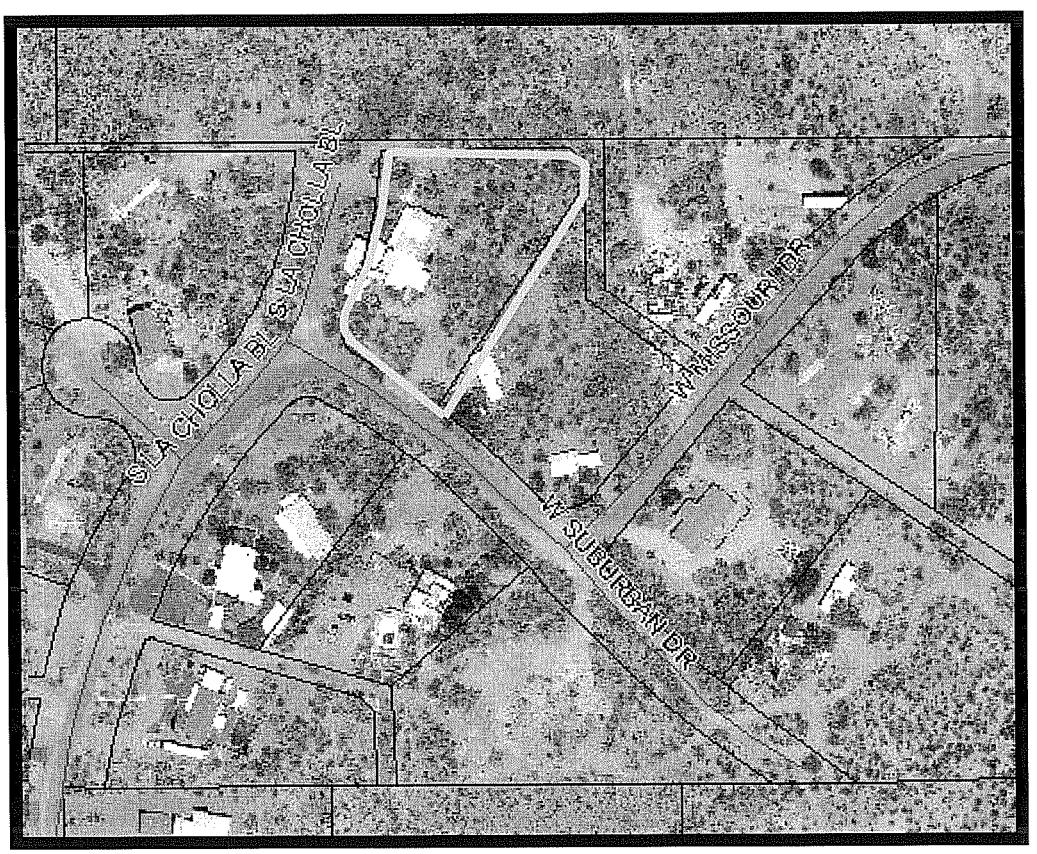
LAND COMPARABLE NUMBER ONE (SALE) ID: SH 0074 6874

LOCATION:	Northeast corner of La Cholla Boulevard and Suburban Drive
LEGAL DESCRIPTION:	Lot 8, Foothills Ranchos, Pima County, Arizona
STATE TAX PARCEL:	119-35-0550
RECORD DATA:	Fee Number 2012-1700449
DATE OF SALE:	June 18, 2012
SELLER:	Joseph C. Lieto
BUYER:	Arielle Walker
CONFIRMED BY:	Stephen Marshall, selling agent (520-918-515s) JT; April 15, 2014
LAND DESCRIPTION:	This site is an irregular shaped corner property with about 190 feet of frontage on La Cholla Boulevard and about 135 front feet on Suburban Drive. Both streets are two-lane, asphalt-paved roadways with no curbs, sidewalks or streetlights in the vicinity of this property. The topography is level to gently rolling, sloping in a southeasterly direction. All utilities except sewer are available to the property. There is a private septic system on the site. According to FEMA Flood Insurance Rate Map 04019C2270L, dated June 16, 2011, the land is identified as being located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain.
LAND SIZE:	43,798 square feet or 1.01 acres
ZONING:	SH - Pima County (Buffer Overlay Zone - see comments)
REPORTED SALE PRICE:	$38,500
PRICE PER SQ. FT.:	$0.88

MARKETING TIME:	11 days
TERMS OF SALE:	This was an all cash to the seller transaction.
PRIOR SALE:	Records of the Pima County Assessor indicate that no transaction has occurred within three years of the date of valuation.
CONDITIONS OF SALE:	This sale is reported to have occurred under normal market conditions.
INTENDED USE:	Develop a single family residence.
COMMENTS:	There was an old house in poor condition, a mobile home and debris on the site at the time of sale. The lot is identified as being located within the Buffer Overlay Zone according to the Pima County Zoning Code. The Buffer Overlay Zone establishes one mile buffer zones around public parks, national forests, and wildlife refuges as directed by the Pima County Board of Supervisors.

COMPARABLE LAND SALE ONE - PLAT MAP AND AERIAL PHOTO





LAND COMPARABLE NUMBER TWO (SALE) ID: SH 0075 6874

LOCATION:	North of Irvington Road, west of Cactus Wren Avenue
LEGAL DESCRIPTION:	A portion of the West half of Lot 4 in Section 4, Township 15 South, Range 13 East, G&SRB&M, Pima County, Arizona
STATE TAX PARCEL:	137-12-049T
RECORD DATA:	Fee Number 2014-0450339
DATE OF SALE:	February 14, 2014
SELLER:	Rogelio Rojo
BUYER:	Armando Cornidez
CONFIRMED BY:	Affidavit of Value/Public Records JT; April 15, 2014
LAND DESCRIPTION:	This site is a rectangular shaped backage property with access to the site from a graded dirt easement south to Irvington Road. The site has a length of 332.88 feet and a width of 134 feet. Irvington Road is a two-lane, asphalt-paved roadway with no curbs, sidewalks or streetlights in the vicinity of this property. Irvington Road has a 2011 traffic count of 11,000 vehicles per day near this site. The topography is level to rolling, sloping in a southeasterly direction. All utilities except sewer are available to the property. Waste removal would be by a private septic system. According to FEMA Flood Insurance Rate Map 04019C2270L, dated June 16, 2011, the land is identified as being located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain.
LAND SIZE:	44,431 square feet or 1.02 acres
ZONING:	SH (Pima County)
REPORTED SALE PRICE:	$48,159
PRICE PER SQ. FT.:	$1.08

MARKETING TIME:	6 months
TERMS OF SALE:	This was an all cash to the seller transaction.
PRIOR SALE:	Records of the Pima County Assessor indicate that no transaction has occurred within three years of the date of valuation.
CONDITIONS OF SALE:	This sale is reported to have occurred under normal market conditions.
INTENDED USE:	Develop a single family residence
COMMENTS:	The property is part of a 5 lot split and is located on an unpaved road.

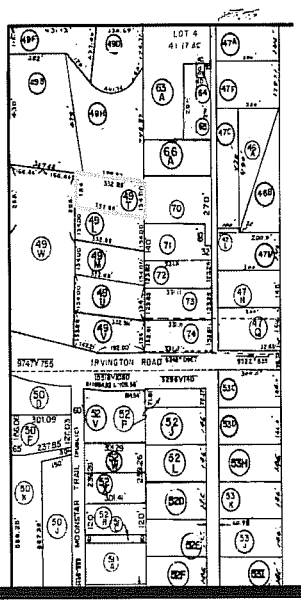
COMPARABLE LAND SALE TWO - PLAT MAP AND AERIAL PHOTO

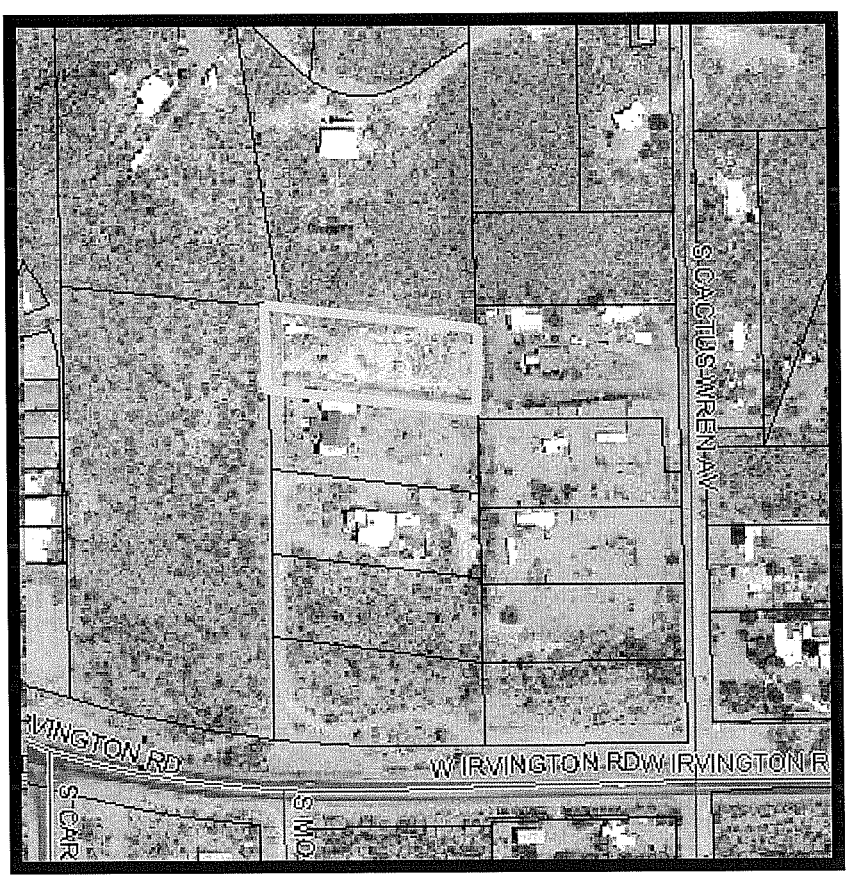
ASSESSOR'S RECORD MAP

137-12
4/4

SECTION 4, TOWNSHIP 15 SOUTH, RANGE 13 EAST

DETAIL NO. 3 W 1/2, NW 1/4



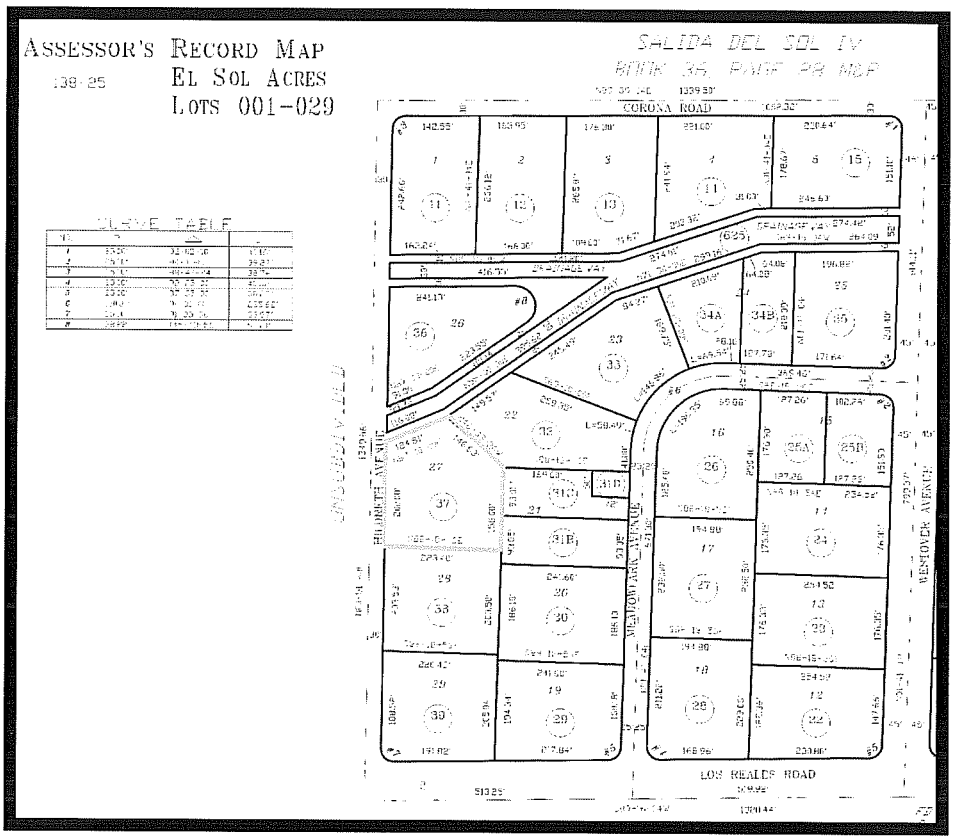


LAND COMPARABLE NUMBER THREE (SALE) ID: SH 0076 6873

LOCATION:	East side of Hildreth Avenue, north of Los Reales Road
LEGAL DESCRIPTION:	Lot 27, El Sol Acres, Pima County, Arizona
STATE TAX PARCEL:	138-25-0370
RECORD DATA:	Fee Number 2014-0940177
DATE OF SALE:	April 4, 2014
SELLER:	Lani Salazar
BUYER:	Marco Octavio Diaz Morell
CONFIRMED BY:	Patti Scanlon, listing agent (520-906-7632) JT; April 15, 2014
LAND DESCRIPTION:	This site is an irregular shaped interior property with 200 feet of frontage on Hildreth Avenue. The site has a depth of 223.4 feet along the south property line. Hildreth Avenue is a two-lane, asphalt-paved roadway with no curbs, sidewalks or streetlights in the vicinity of this property. The topography is level, sloping in a northeasterly direction. All utilities except sewer are available to the property. There is an older private septic system on the site. The property has perimeter chain link fencing. According to FEMA Flood Insurance Rate Map 04019C2860L, dated June 16, 2011, the land is identified as being located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain. There is a drainageway along the property's north property line.
LAND SIZE:	48,223 square feet or 1.11 acres
ZONING:	SH (H); San Xavier Mission Historic Zone) - Pima County
REPORTED SALE PRICE:	$44,500
PRICE PER SQ. FT.:	$0.92
MARKETING TIME:	9 months

TERMS OF SALE:	This was an all cash to the seller transaction.
PRIOR SALE:	Records of the Pima County Assessor indicate that no transaction has occurred within three years of the date of valuation.
CONDITIONS OF SALE:	This sale is reported to have occurred under normal market conditions.
INTENDED USE:	Develop a single family residence
COMMENTS:	The site is located in the Avigation Easement and Disclosure Area for Tucson International Airport.

COMPARABLE LAND SALE THREE - PLAT MAP AND AERIAL PHOTO



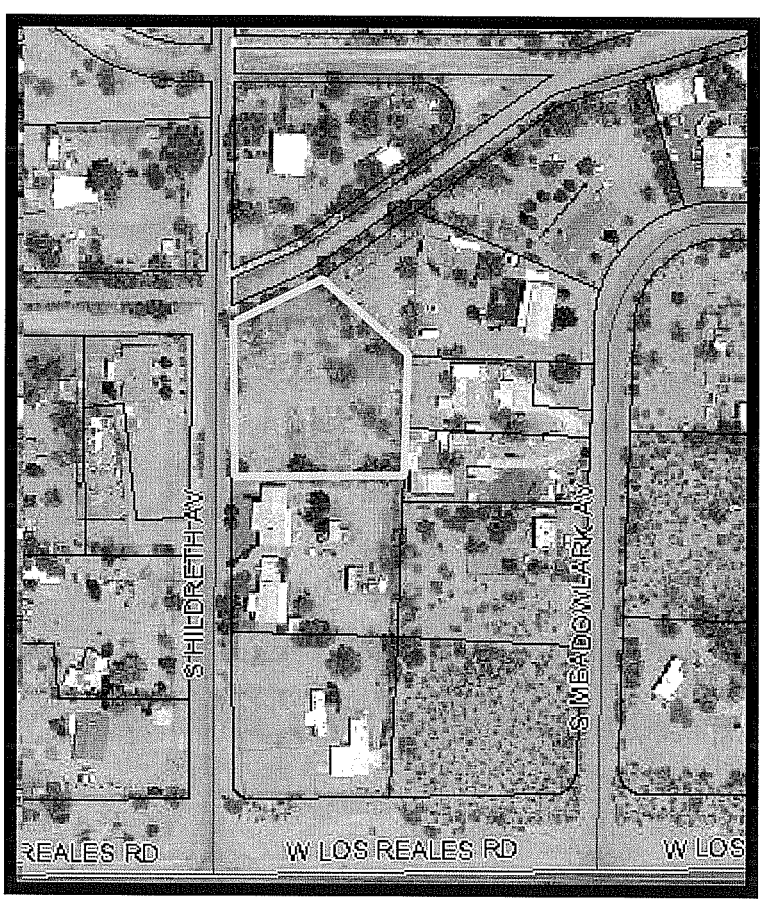


EXHIBIT K.1 - QUALIFICATIONS OF JEFF TEPLITSKY

EDUCATION:

Bachelor of Arts in Political Science
University of Arizona, 1979

Appraisal Institute - Courses and/or Examinations
(Formerly American Institute of Real Estate Appraisers)

- Real Estate Appraisal Principles (1A1) - Tucson, 1983
- Basic Valuation Procedures (1A2) - Tucson, 1989
- Capitalization Theory and Techniques (1BA, 1BB) - Tucson, 1989
- Standards of Professional Practice (SPP) - Phoenix, 1990
- Case Studies in Real Estate Valuation (2-1) - Austin, TX, 1991
- Report Writing and Valuation Analysis (2-2) - Denver, CO, 1992
- Demonstration Report - Tucson, 1994
- Standards of Professional Practice - Parts A & B (SPP) - Phoenix, 1995
- Standards of Professional Practice - Part C (SPP) - Tucson, 2009
- Fundamentals of Separating Real Property, Personal Property, and Intangible Business Assets - Tucson, 2012

Seminars and Conferences[1]

"Americans with Disabilities Act", AI, 1993
"FIRREA - Overview & Practical Application", FIRREA Seminars, 1993
"Overview of Evaluations & Limited Scope Appraisals", Nelson-Hummel, 1994
"Market Overview", AI, 1994
"Litigation Skills for the Appraiser", AI, 1997
"Analyzing Operating Expenses", AI, 1998
"Partial Interest Valuation", AI, 2000
"Subdivision Analysis", AI, 2001
"Appraisal Consulting", AI, 2003
"Appraising Manufactured Housing", AI, 2004
"The Cloaked Lease Clause - Unveiled!", AI, 2004
"Full Disclosure and How Stigmas Affect Value", 2004
"Pima County Commercial Real Estate Market Forecast", 2005
"National USPAP Update", AI, 2005
"Practical Issues in Fair Housing", 2006
"Eminent Domain", 2007
"National USPAP Update", AI, 2008, 2009
"Uniform Appraisal Standards for Federal Land Acquisitions", AI, 2009
"Online Business Practices and Ethics", AI, 2010
"Commercial Appraisal Engagement and Review", AI, 2011
"Complex Litigation Appraisal Case Studies", AI, 2013

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1. *AI refers to the Appraisal Institute.*

LICENSURE:

Certified General Real Estate Appraiser, State of Arizona
Certificate #30151

Licensed Real Estate Broker, State of Arizona
No. SE019639000

PROFESSIONAL ASSOCIATIONS:

Practicing Affiliate, Appraisal Institute

EXPERIENCE:

Licensed Real Estate Broker, State of Arizona

Expert Witness, Qualified in Superior Court, Pima, Santa Cruz, and Yuma Counties

Experience in appraisal of all types of real estate since 1987, including right-of-way condemnation, residential, residential income, commercial, industrial, acreage, subdivision, planned communities and special-purpose properties in Pima, Yuma, Pinal, Santa Cruz, Graham, and Cochise Counties.

EXHIBIT K.2 - QUALIFICATIONS OF COMPANY

BAKER, PETERSON, BAKER & ASSOCIATES, INC. serves a wide variety of clients in Southeastern Arizona, providing real estate appraisal and consultation services relating both to residential and to commercial properties. These clients include governmental agencies, banks, savings and loan associations, credit unions, mortgage brokers, relocation services, developers, real estate brokers, corporate and legal professionals, and numerous individuals. More than fifty years of such services are represented by those presently associated with the firm, founded by Don M. Baker and William D. Peterson in 1974, with Thomas A. Baker becoming an owner in 1984.

WILLIAM D. PETERSON, MAI, is a principal of the Company, and specializes in valuation and consultation services related to commercial and income-producing properties. He is a Certified General Real Estate Appraiser in the State of Arizona (Certificate 30216). He is a graduate of the University of Arizona in Business and Public Administration. He holds the MAI Designation of the Appraisal Institute. He is a licensed real estate broker in the State of Arizona and a Graduate of the Realtor Institute (GRI). He qualifies as an expert witness in the Superior Court of Pima and Cochise Counties. He is a past President of the Arizona Chapter of the American Institute of Real Estate Appraisers, and of the Tucson Chapter of the Society of Real Estate Appraisers.

THOMAS A. BAKER, MAI, SRA, is a principal of the Company, and specializes in valuation and consultation services related to commercial, income-producing, and residential properties. He is a Certified General Real Estate Appraiser in the State of Arizona (Certificate 30139). He is a graduate of the University of Arizona, with a Master's Degree in Business Administration (MBA) with a specialty in Real Estate Finance. He holds the MAI and SRA Designations of the Appraisal Institute. He qualifies as an expert witness in the Superior Court of Pima County, is Past President of the Tucson Chapter of the Society of Real Estate Appraisers, and is Past President of the Southern Arizona Chapter of the Appraisal Institute.

JEFF TEPLITSKY is a staff appraiser in commercial valuation. He specializes in valuation and consultation services related to commercial and income-producing properties. He is a Certified General Real Estate Appraiser in the State of Arizona (Certificate 30151). He is a graduate of the University of Arizona, with a Bachelor of Arts degree in Political Science. He is a Practicing Affiliate of the Appraisal Institute. He is a licensed real estate broker in the State of Arizona. He qualifies as an expert witness in the Superior Court of Pima, Santa Cruz, and Yuma Counties.

SARA R. BAKER, MAI, SRA, is a staff appraiser in commercial valuation. She specializes in valuation and consultation services related to commercial, income-producing, and residential properties. She is a Certified General Real Estate Appraiser in the State of Arizona (Certificate 31679). She holds the MAI and SRA Designations of the Appraisal Institute. Sara is on the 2014 Board of Directors of the Appraisal Institute, Southern Arizona Chapter and serves as the chapter President and Chair of Continuing Education. She graduated from Washington University in St. Louis with a Bachelor's Degree in Comparative Literature and earned a Master's Degree at the University of California at Los Angeles.

DAN F. ORLOWSKI is an appraiser trainee in commercial valuation. He graduated from San Diego State University with a Bachelor's Degree in Business Administration and also received a Master's Degree from the University of Phoenix in Accountancy.

ROBERT A. PARKER, SUSAN A. CLEVELAND and **PAM VERRY** are production coordinators and support technicians.

A SUMMARY APPRAISAL REPORT

OF

LAND AS VACANT

FOR ACQUISITION OF A PERMANENT UTILITY EASEMENT ON A PORTION OF THE EXISTING PRESUMIDO ROAD RIGHT OF WAY

LOCATED WEST OF SR 286 (SASABE HIGHWAY),
NORTH OF THE U.S - MEXICO INTERNATIONAL BORDER
IN A PORTION OF
SECTION 7, TOWNSHIP 21 SOUTH, RANGE 8 EAST
G&SRB&M, PIMA COUNTY, ARIZONA

FOR

SIERRITA GAS PIPELINE, L.L.C.,
A DELAWARE LIMITED LIABILITY COMPANY
(SIERRITA GAS PIPELINE PROJECT, EPNG LINE 2177)

C/o MR. DOUGLAS G. MARTIN, ATTORNEY
MARTIN, KERRICK & BELL, LLC
365 EAST CORONADO STREET
PHOENIX, ARIZONA 85004

OWNERSHIP: PIMA COUNTY

EFFECTIVE DATE OF APPRAISAL

APRIL 16, 2014

BAKER, PETERSON, BAKER & ASSOCIATES, INC.
Tucson, Arizona

BAKER, PETERSON, BAKER & ASSOCIATES, INC.
REAL ESTATE APPRAISERS - CONSULTANTS
4547 E. FT. LOWELL ROAD • SUITE 401 • TUCSON, AZ 85712
(520) 881-1700 • 1-800-204-1700
FAX (520) 325-3108
admin@bakerpeterson.com

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April 28, 2014

Sierrita Gas Pipeline, L.L.C., a Delaware limited liability company
C/o Mr. Douglas G. Martin, Attorney
Martin, Kerrick & Bell, LLC
365 East Coronado Road
Phoenix, Arizona 85004

RE: An appraisal report of land as vacant for the acquisition of a permanent utility easement on a portion of the existing Presumido Road right of way, located west of SR 286 (Sasabe Highway), north of the U.S. - Mexico international border, in a portion of Section 7, Township 21 South, Range 8 East, G&SRB&M, Pima County, Arizona.

Project:	Sierrita Gas Pipeline Project, EPNG Line 2177
Ownership:	Pima County
Tax Parcel No.:	Not applicable
Effective Date of Appraisal:	April 16, 2014
Date of Report:	April 28, 2014

Dear Mr. Martin:

In response to your authorization, I have conducted the required inspection, gathered the necessary data, and made certain analyses that have enabled me to form an opinion of the market value of the fee simple interest and easement interest in the above-named property, both before and after the acquisition of a permanent utility easement for the construction, operation and maintenance of a subterranean gas transmission pipeline.

The intended users of this appraisal report are Sierrita Gas Pipeline, L.L.C., a Delaware limited liability company, and its designees and agents. Use of this report by others is not intended by the appraiser. This report is intended only for use in assisting the intended users in the determination of the just compensation due for the acquisition of a permanent utility easement for a gas pipeline on a portion of the subject property (Presumido Road right of way). It is not intended for any other use.

Mr. Douglas G. Martin, Attorney
Martin, Kerrick & Bell, LLC

I have formed the opinion that, as of the effective date of appraisal, April 16, 2014, and subject to the assumptions and hypothetical (*No. 22 - Subject Larger Parcel Size and Valuation Method; No. 23 - Value of the Remainder Land, After; and No. 24 - Grazing Leases)* limiting conditions set forth herein, based on a 6 to 12 month marketing period, the just compensation due to the property owner for the acquisition of the easement interest from the subject property is:

Market Value of Property, Before Acquisition	$1,536,000
Market Value of Property Rights To Be Acquired	$100
Market Value of Remainder Property, Before	$1,535,900
Market Value of Remainder Property, After	$1,535,900
Severance Damages	-0-
Special Benefits	-0-
TOTAL COMPENSATION:	
Market Value of Property Rights To Be Acquired	$100
Severance Damages	0
Special Benefits	0
TOTAL COMPENSATION	**$100**

Hypothetical Condition - Subject Larger Parcel Size and Valuation Method (No. 22). Based on a Right-of-Way Use Permit submitted by Sierrita Gas Pipeline, LLC to the Pima County Department of Transportation, the proposed permanent utility easement for the gas pipeline is entirely within the 30 foot width of the Presumido Road right of way. The contiguous land surrounding the location of the proposed easement is owned by the State of Arizona. To estimate the market value of the subject property for this appraisal a variation of the sales comparison approach has been used. The variation is known as the "across the fence" or "ATF" valuation method. The "ATF" method is based on the premise that the identified subject property which is a part of the existing Presumido Road right of way is valued based on the value of the adjacent land through which the right of way passes. The "ATF" subject larger parcel is concluded to be the land contiguous to and inclusive of Presumido Road in Section 7, Township 21 South, Range 8 East (640 acres). The concluded value of the "ATF" larger parcel will be used to estimate the just compensation due to the property owner for the acquisition of the permanent utility easement.

Hypothetical Condition - Value of the Remainder Land, After (No. 23). This appraisal report includes the appraisal of the market value of the remainder land, as if the pipeline project was complete. As the pipeline project is not complete as of the effective date of value, the appraisal of the market value of the remainder land, after, is based upon the hypothetical condition that the project was completed based upon the plans provided to the appraiser by Sierrita Gas Pipeline, L.L.C., a Delaware limited liability company (hereinafter referred to as

Sierrita Gas Pipeline, LLC). If the pipeline project is not completed as indicated by the plans provided by Sierrita Gas Pipeline, LLC, to the appraiser, then the conclusions in this report are subject to change. Per USPAP, the use of this hypothetical condition might have affected the assignment results.

Hypothetical Condition - Grazing Leases (No. 24). The subject parcel may be encumbered with Arizona State Land Department grazing leases. For purposes of this report, it is a hypothetical condition of this appraisal report that the land is appraised as fee simple land unencumbered by any leases.

This is an appraisal report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice for an Appraisal Report (USPAP) and the guidelines of the client. As such, it presents only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the intended user and for the intended use stated above. The appraiser is not responsible for unauthorized use of this report.

Respectfully submitted,

Jeff Teplitsky
Certified General Real Estate Appraiser
Certificate Number 30151

C146884 - Presumido

TABLE OF CONTENTS

PART I - CERTIFICATION ..... Page 1
PART II - GENERAL INFORMATION ..... Page 3
Intended Users ..... Page 3
Subject Larger Parcel Property ..... Page 3
Tax Parcel Number ..... Page 3
Real Estate Taxes ..... Page 3
Full Cash Value ..... Page 4
Intended Use of Report ..... Page 4
Intended Users of Report ..... Page 4
Interest Appraised ..... Page 4
Market Value Definition ..... Page 4
Project Influence ..... Page 5
Effective Date of Appraisal ..... Page 5
Legal Description ..... Page 5
Ownership ..... Page 5
PART III - SCOPE OF THE APPRAISAL ..... Page 8
PART IV - DESCRIPTION OF REAL ESTATE APPRAISED ..... Page 11
SECTION A - THE LAND BEFORE ACQUISITION ..... Page 11
Subject Site: (Larger Parcel Description ..... Page 18
Zoning ..... Page 19
Pima County Comprehensive Plan: ..... Page 20
Exposure/Marketing Time ..... Page 20
Market Profile - Residential Land ..... Page 21
Highest and Best Use, Before, As Vacant ..... Page 30
SECTION B - VALUATION OF THE "ATF" PARCEL, BEFORE ..... Page 33
SECTION C - THE PROPERTY TO BE ACQUIRED ..... Page 39
Description ..... Page 39
Land Value, Part To Be Acquired (Permanent Easement) ..... Page 39
SECTION D - VALUATION OF THE REMAINDER "ATF"
PARCEL, BEFORE ..... Page 41
SECTION E - THE REMAINDER "ATF" PARCEL, AFTER
ACQUISITION ..... Page 42
Highest and Best Use, After ..... Page 43
Land Value after Acquisition ..... Page 43
Market Value Conclusion, After ..... Page 44
SECTION F - SEVERANCE DAMAGES ..... Page 45
Description of Severance Damages ..... Page 45
Conclusion of Severance Damages ..... Page 45
SECTION G - SUMMARY OF VALUE CONCLUSIONS ..... Page 46
PART V - ASSUMPTIONS AND LIMITING CONDITIONS ..... Page 47
PART VI - EXHIBITS ..... Page 42

PART I - CERTIFICATION

I CERTIFY THAT, TO THE BEST OF MY KNOWLEDGE AND BELIEF:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.

4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. My reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

8. My reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of The Appraisal Foundation, and any other specifications submitted by the Client, including Title XI, FIRREA.

9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

10. In accord with the Uniform Standards of Professional Appraisal Practice, I have the experience and knowledge to complete this assignment in a credible and competent manner.

11. As of the date of this report, I have completed requirements of the continuing education program of the State of Arizona .

12. The effective date (date of valuation) of this appraisal is April 16, 2014.

13. I have made a personal inspection of the property that is the subject of this report.

14. No one provided significant real property appraisal assistance to the person signing this certification.

15. This firm has not appraised the subject property in the three years prior to this appraisal.

16. I am a Certified General Real Estate Appraiser in the State of Arizona.

Jeff Teplitsky
Certified General Real Estate Appraiser
Certificate Number 30151

PART II - GENERAL INFORMATION

INTENDED USERS:
Sierrita Gas Pipeline, L.L.C., a Delaware limited liability company, and its designees and agents (hereinafter referred to as Sierrita Gas Pipeline, LLC)

APPRAISER:
Jeff Teplitsky
Certified General Real Estate Appraiser
Certificate Number 30151 (Arizona)

SUBJECT LARGER PARCEL PROPERTY:
The subject larger parcel property is identified as a portion of the Presumido Road right of way being Section 7, Township 21 South, Range 8 East, G&SRB&M, Pima County, Arizona. The land adjacent to the Presumido Road right of way owned by the State of Arizona will be valued for this appraisal report as the "ATF" parcel. The "ATF" parcel has a total size of 640 acres according to the Pima County Assessor records.

"ATF" PARCEL LAND AREA:

Before:	640.000 acres	- (fee simple) - "ATF" parcel
Acquisition:	0.034 acres	- (permanent utility easement)
Remainder:	639.966 acres	- (fee simple unencumbered)
	0.034 acres	- (permanent utility easement)
	640.000 acres	- (encumbered/unencumbered with permanent utility easement)

According to information provided by Sierrita Pipeline, LLC, the proposed permanent utility easement acquisition for this pipeline will be fifty (50) feet in width and will be used for the construction, operation and maintenance of a subterranean transmission pipeline (36 inch diameter).

ZONING:
RH (Rural Homestead) - Pima County

PIMA COUNTY COMPREHENSIVE PLAN:
LIR (Low Intensity Rural)

TAX PARCEL NUMBER:
Not applicable

REAL ESTATE TAXES:
None - government exemption

DELINQUENT TAXES:
Not applicable

FULL CASH VALUE:
Not applicable

INTENDED USE OF REPORT:
This report is intended only for use in assisting the intended users in the determination of the just compensation due for the acquisition of a permanent utility easement for a gas pipeline on a portion of the subject property. It is not intended for any other use.

INTENDED USERS OF REPORT:
The intended users of this appraisal report are Sierrita Gas Pipeline, L.L.C., a Delaware limited liability company, and its designees and agents. Use of this report by others is not intended by the appraiser.

INTEREST APPRAISED:
Fee simple interest in the property before the acquisition; permanent easement interest in the property to be acquired; and fee simple and easement interest in the remainder property after the acquisition.

Fee Simple Interest, as defined in the Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, 2010, page 78, is "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

Easement, as defined in the Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, 2010, page 246, is "Nonpossessory (incorporeal) interest in landed property conveying use, but not ownership, of a portion of that property."

PURPOSE:
To estimate the market value of the fee simple and permanent easement interest in the subject property as of the effective date of the appraisal, April 16, 2014.

DEFINITION OF JUST COMPENSATION:
Kirby Forest Industries v. United States, 467 US 1 (1984) holds that "Just compensation means the fair market value of the property on the date it is appropriated."

MARKET VALUE DEFINITION:
Market value, as utilized in this appraisal, and pursuant to Arizona Revised Statutes Sec. 3, Section 12-1122, C, is defined as follows:

"Value shall be determined by ascertaining the most probable price estimated in terms of cash in United States dollars or comparable market financial arrangements that the property would bring if exposed for sale in the open market, with reasonable time allowed in which to find a

purchaser, buying with knowledge of all of the uses and purposes to which it was adapted and for which it was capable."

The terms "market value" and "value", as used in this report, refer to market value as described herein.

PROJECT INFLUENCE:
City of Phoenix v. Clauss, 177Ariz.566; 869 P.2d 1219 (1994) holds that under the "project influence doctrine" a property may not be charged with a lesser or greater value at the time of taking, when the change in value is caused by the taking itself or by anticipation of appreciation or depreciation arising from the planned project. The doctrine applies only to properties that were "probably within the scope of the project from the time the government was committed to it." The doctrine also excludes evidence of "comparable" sales that reflect an enhanced or reduced value due to the governmental plan or project that occasioned the taking of the property in question.

All steps in the appraisal process, including the selection of comparable sales and analysis of market data, were completed disregarding any influence from the project for which this appraisal is being completed.

EFFECTIVE DATE OF APPRAISAL:
April 16, 2014

DATE OF INSPECTION:
April 16, 2014. The appraiser inspected the subject property from the existing right of way. There were no Pima County representatives present for the inspection.

TITLE REPORT INFORMATION:
The appraiser has not been provided with a title report of the subject property by the client as of the date of this report. The appraiser assumes that there would not be any impact on the market value of the subject parcel by items found in any future title reports for the subject parcel if any are completed.

LEGAL DESCRIPTION:
A portion of Section 7, Township 21 South, Range 8 East, G&SRB&M, Pima County, Arizona. Because an "ATF" valuation methodology is being utilized to estimate the market value of the subject property as if it is a hypothetical parcel of land (640 acres being Section 7, Township 21 South, Range 8 East GSRB&M), no legal description was provided to the appraiser by the client for purposes of this report.

OWNERSHIP:
According to a Resolution document, dated March 8, 1940, Camino del Quivari Road (AKA Road No. 433) was condemned and appropriated to public use as and for a "county Highway" by the Pima County Board of Supervisors. Camino del Quivari Road is currently known as Presumido Road and will be referred to as such for purposes of this appraisal. Title to the

subject property is in the name of the Pima County based on this information provided by the client (see Exhibits).

SALES HISTORY:
No known sales of the subject property have occurred within the last five years. No current listings, options, or agreements of sale of the subject property were discovered in the course of this analysis.

ASSUMPTIONS AND LIMITING CONDITIONS:
Subject to those assumptions and limiting and hypothetical conditions contained in the "*Assumptions and Limiting Conditions*" section of this report.

HYPOTHETICAL CONDITIONS:
Subject Larger Parcel Size and Valuation Method (No. 22). Based on a Right-of-Way Use Permit submitted by Sierrita Gas Pipeline, LLC to the Pima County Department of Transportation, the proposed permanent utility easement for the gas pipeline is entirely within the 30 foot width of the Presumido Road right of way. The contiguous land surrounding the location of the proposed easement is owned by the State of Arizona. To estimate the market value of the subject property for this appraisal a variation of the sales comparison approach has been used. The variation is known as the "across the fence" or "ATF" valuation method. The "ATF" method is based on the premise that the identified subject property which is a part of the existing Presumido Road right of way is valued based on the value of the adjacent land through which the right of way passes. The "ATF" subject larger parcel is concluded to be the land contiguous to and inclusive of Presumido Road in Section 7, Township 21 South, Range 8 East (640 acres). The concluded value of the "ATF" larger parcel will be used to estimate the just compensation due to the property owner for the acquisition of the permanent utility easement.

Value of the Remainder Land, After (No. 23). This appraisal report includes the appraisal of the market value of the remainder land, as if the pipeline project was complete. As the pipeline project is not complete as of the effective date of value, the appraisal of the market value of the remainder land, after, is based upon the hypothetical condition that the project was completed based upon the plans provided to the appraiser by Sierrita Gas Pipeline, L.L.C., a Delaware limited liability company (hereinafter referred to as Sierrita Gas Pipeline, LLC). If the pipeline project is not completed as indicated by the plans provided by Sierrita Gas Pipeline, LLC, to the appraiser, then the conclusions in this report are subject to change. Per USPAP, the use of this hypothetical condition might have affected the assignment results.

Hypothetical Condition - Grazing Leases (No. 24). The subject parcel may be encumbered with Arizona State Land Department grazing leases. For purposes of this report, it is a hypothetical condition of this appraisal report that the land is appraised as fee simple land unencumbered by any leases.

HIGHEST AND BEST USE:

Before the Acquisition, As Vacant:	Land Investment
After the Acquisition, As Vacant:	Land Investment

ESTIMATE OF JUST COMPENSATION:

Market Value of Property Rights To Be Acquired	$100
Severance Damages	0
Special Benefits	0
TOTAL JUST COMPENSATION	**$100**

PART III - SCOPE OF THE APPRAISAL

Scope of work is identified by USPAP as the "amount and type of information researched and the analysis applied in an assignment." According to the scope of work rule as defined by USPAP, "For each appraisal, appraisal review, and appraisal consulting assignment, an appraiser must:

1) identify the problem to be solved;
2) determine and perform the scope of work necessary to develop credible assignment results; and
3) disclose the scope of work in the report."

This appraisal assignment has been completed in response to written authorization by Mr. William Biggs, for Sierrita Pipeline, LLC, provided to Mr. Jeff Teplitsky for Baker, Peterson, Baker and Associates, Inc on April 11, 2014. The assignment includes estimating the market value of (1) the subject property before the acquisition, (2) the part of the property to be acquired, and (3) the remainder property, in order to ascertain the "just compensation" to which the owner may be entitled. The appraisal is prepared and reported according to the Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation, the Code of Ethics, the Standards of Professional Practice of the Appraisal Institute, and requirements of the client.

The intended users of this appraisal report are Sierrita Gas Pipeline, L.L.C., a Delaware limited liability company, and its designees and agents. Use of this report by others is not intended by the appraiser. This report is intended only for use in assisting the intended users in the determination of the just compensation due for the acquisition of a permanent utility easement for a gas pipeline on a portion of the subject property. It is not intended for any other use. The purpose of the appraisal is to estimate the market value in fee simple and easement interests of a specific property which has been previously identified in this report, and is referred to as the subject property, the subject, or the property.

According to information provided by Sierrita Pipeline, LLC, the proposed permanent utility easement acquisition for the subject pipeline known as the Sierrita Gas Pipeline Project, EPNG Line 2177, will be fifty (50) feet in width to be used for the construction, operation and maintenance of a subterranean transmission pipeline (36 inch diameter).

The exact nature of, and interest in, the subject property is defined elsewhere in this report. The appraisal estimates the market value of the subject property utilizing the sales comparison approach which is defined in the report. In completing this assignment, the appraiser inspected and photographed the subject property, reviewed and confirmed data relative to metropolitan Tucson (from economic and demographic data, including COMPS® Commercial Property Information Services, Tucson Multiple Listing Service (MLS), Swango Land Sales, CoStar Group, Inc., Loopnet, Metropolitan Tucson Land Use Study (MTLUS), and the Pima County Real Estate Research Council), the neighborhood and the site.

An opinion of the "highest and best use" of the property was formed, utilizing resources to identify such factors as land use, supply and demand, governmental requirements, environmental concerns, and economic elements, present and anticipated, which may impact upon the marketability of the property.

In the sales comparison approach, a thorough search was made for sale and listing data regarding properties considered directly competitive to the subject property. This data was confirmed with one or more parties related to the transaction and (in the case of sales) by review of deeds and records of the Pima County Assessor. Each sale and listing chosen as a reliable indicator of the value of the subject property was then compared to the subject in terms of those factors which were superior to the subject, inferior to the subject, and equal or offsetting. This data was correlated and an opinion of the market value of the subject property was estimated by the sales comparison approach to value to arrive at a final opinion of market value. To develop the opinion of value, the appraiser performed an appraisal process as defined by the Uniform Standards of Professional Appraisal Practice. This appraisal report is a brief recapitulation of the appraiser's data, analyses, and conclusions. Supporting documentation is retained in the appraiser's file.

Hypothetical Condition - Subject Larger Parcel Size and Valuation Method (No. 22). Based on a Right-of-Way Use Permit submitted by Sierrita Gas Pipeline, LLC to the Pima County Department of Transportation, the proposed permanent utility easement for the gas pipeline is entirely within the 30 foot width of the Presumido Road right of way. The contiguous land surrounding the location of the proposed easement is owned by the State of Arizona. To estimate the market value of the subject property for this appraisal a variation of the sales comparison approach has been used. The variation is known as the "across the fence" or "ATF" valuation method. The "ATF" method is based on the premise that the identified subject property which is a part of the existing Presumido Road right of way is valued based on the value of the adjacent land through which the right of way passes. The "ATF" subject larger parcel is concluded to be the land contiguous to and inclusive of Presumido Road in Section 7, Township 21 South, Range 8 East (640 acres). The concluded value of the "ATF" larger parcel will be used to estimate the just compensation due to the property owner for the acquisition of the permanent utility easement.

Hypothetical Condition - Value of the Remainder Land, After (No. 23). This appraisal report includes the appraisal of the market value of the remainder land, as if the pipeline project was complete. As the pipeline project is not complete as of the effective date of value, the appraisal of the market value of the remainder land, after, is based upon the hypothetical condition that the project was completed based upon the plans provided to the appraiser by Sierrita Gas Pipeline, L.L.C., a Delaware limited liability company (hereinafter referred to as Sierrita Gas Pipeline, LLC). If the pipeline project is not completed as indicated by the plans provided by Sierrita Gas Pipeline, LLC, to the appraiser, then the conclusions in this report are subject to change. Per USPAP, the use of this hypothetical condition might have affected the assignment results.

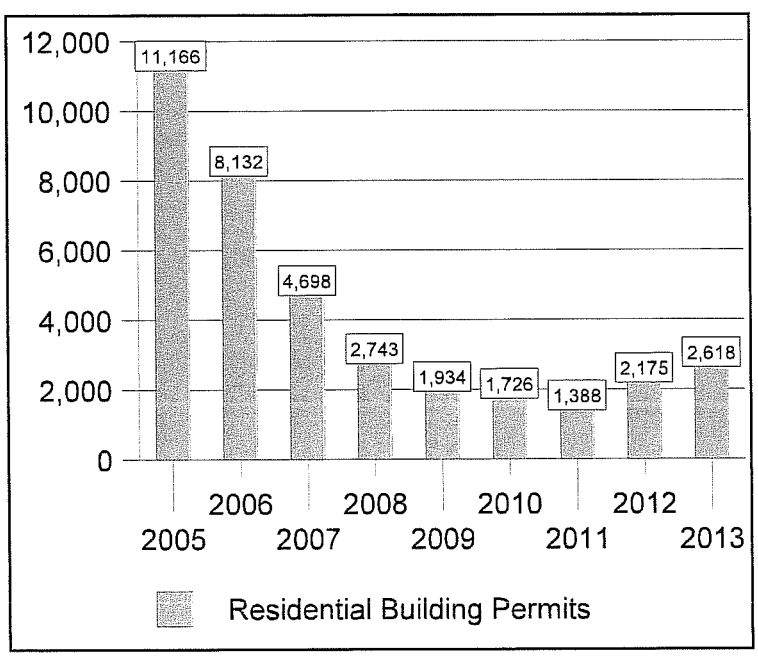
Hypothetical Condition - Grazing Leases (No. 24). The subject parcel may be encumbered with Arizona State Land Department grazing leases. For purposes of this report, it is a hypothetical condition of this appraisal report that the land is appraised as fee simple land unencumbered by any leases.

PART IV - DESCRIPTION OF REAL ESTATE APPRAISED

SECTION A - THE LAND BEFORE ACQUISITION

TUCSON OVERVIEW:
Tucson is Arizona's second largest city and the "hub" of commerce in southeastern Arizona. According to the Pima Association of Governments, in July, 2010, the estimated population of all of Pima County (including Tucson) was 981,168 persons while the population of Tucson alone was estimated to be 520,795 persons.

Starting in 2006, fewer single-family residential permits were issued due to the current oversupply of lots and residential homes on the market. According to the United States Census Bureau, Building Permits Survey, the number of single-family residential permits declined through 2012. There was limited new single-family construction since 2008, with the decline continuing through 2011, with a small increase in 2012 and continuing through 2013.



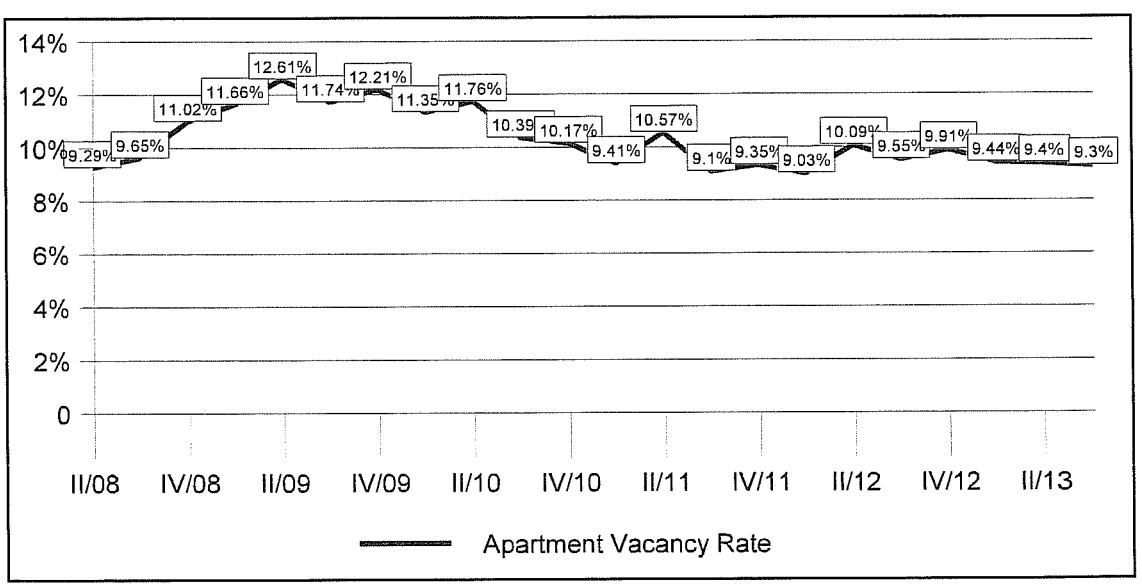
Overall, housing permits and sales had been increasing and a period of substantial growth occurred during 2004 and 2005 with unprecedented price increases having been experienced for most areas of Tucson. Building permit activity declined steadily in the Tucson Metropolitan area from a peak in 2005 of 11,166 to 1,388 in 2011 for all new single-family residential construction residential building permits, according to the United States Census Bureau, Building Permits Survey. This was due in part to the difficulty in obtaining financing and, to a larger extent, a decrease in demand from primary home buyers and

speculative home purchases by out of state buyers and an oversupply of available homes on the market, resulting in declining home prices. The slow down in sales has resulted in an increase in the inventory of available houses and a decrease in housing prices in the Tucson Metropolitan area. There has been a 56 percent increase in residential permits in 2012 from the bottom in 2011. This is an indication that the new home residential market is beginning to recover. The number of permits for 2013 shows a continued improvement in the market, but new home sales are still well below peak or stabilized levels seen in the past.

Multi-Family Market

Vacancy rates for apartment properties in the Tucson Metropolitan area continued to remain high into 2011. Figure 2 shows vacancy rates in metropolitan Tucson between Second Quarter 2008 and Third Quarter 2013, according to Apartment Insights' *Statistics/Trends Summary.*

The vacancy rate peaked in the Second Quarter 2009 and generally declined through early 2012. However, vacancy rates for apartment properties typically increase in the second quarter of each year due to seasonal changes in population. In 2012, the vacancy rate began to increase slightly again, although there was a small decline in the First Quarter 2013. The current rent levels for multi-family properties have remained generally stable. There is limited demand for new construction, with the exception of student housing projects and some larger high-end Class A apartment complexes with many amenities.

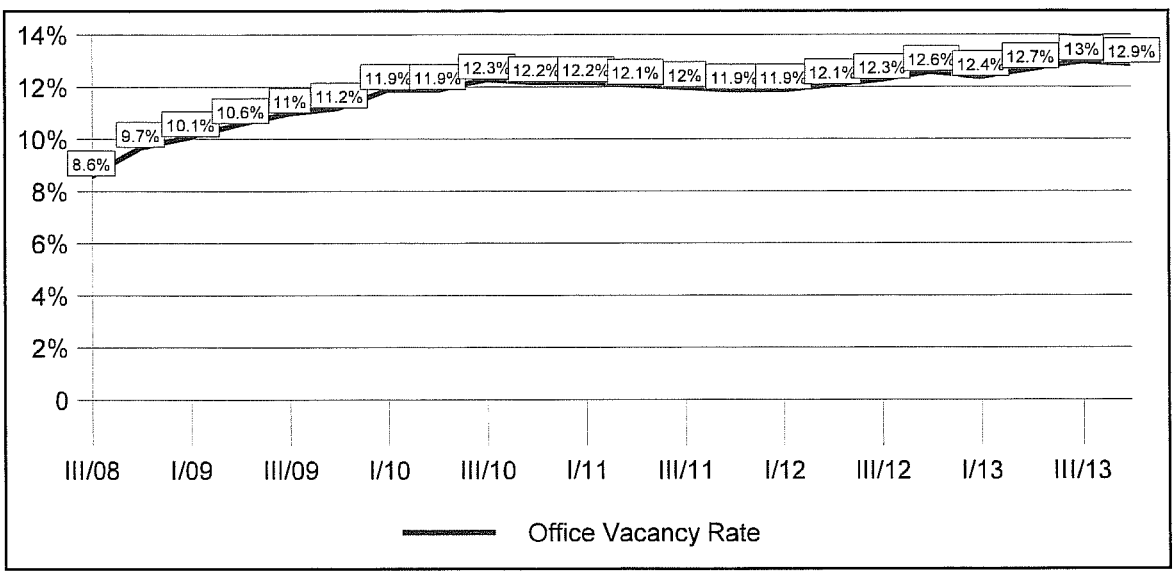


Office Market

Overall, the leasable *office market* experienced net positive absorption of 34,021 square feet in the Fourth Quarter 2013, according to *The CoStar Office Report, Tucson Office Market, Year-End 2013.* This compares to net negative absorption of 69,286 square feet in Third Quarter 2013, net negative absorption of 83,063 square feet in Second Quarter 2013, and net positive absorption of 52,318 square feet in First Quarter 2013.

One new office building containing 6,313 square feet in the Fourth Quarter 2013. No new office buildings were completed in the Third, Second, and First Quarters 2013. One office building containing 15,067 square feet was completed in the Fourth Quarter 2012.

Figure 3 shows trends in the vacancy rates for office properties in Tucson between Third Quarter 2008 and Fourth Quarter 2013. The vacancy rate increased until late 2010 and then remained mostly stable with a slight decline through mid 2012. The vacancy rate has increased since that time.



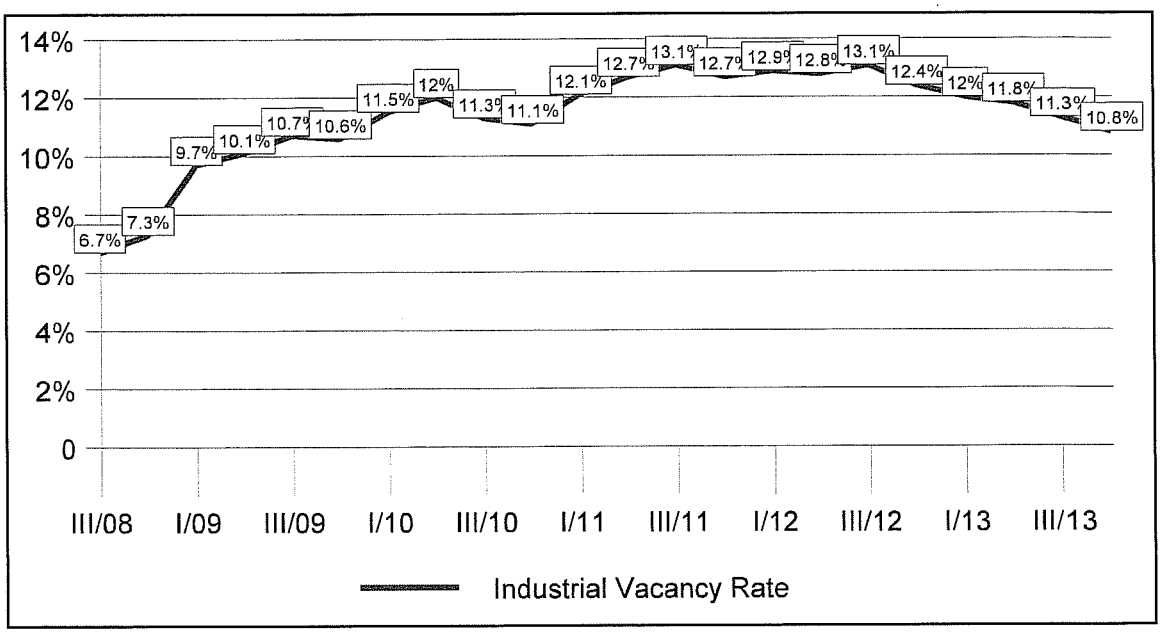
The slight increased overall annual vacancy rate indicates an office market which is coupled to the overall declining real estate market. There has been a decline in demand for owner/user office buildings which had made up a majority of office sales in 2006 and 2007. Market conditions stabilized in 2013. Market conditions for office properties are expected to remain stable and will improve slowly.

Industrial Market

Tucson experienced rapid *industrial* growth from the late 70's to the mid-80's. There has been limited new industrial space constructed recently in Tucson, no new buildings completed in Fourth Quarter 2013, one new building containing 3,947 square feet completed in Third Quarter 2013, one new building containing 15,000 square feet completed in the Second Quarter 2013, and no new industrial buildings completed in First Quarter 2013.

There was net positive absorption of 186,096 square feet of industrial space in the Fourth Quarter 2013. This compares to net positive absorption of 204,392 square feet of industrial space in the Third Quarter 2013, net positive absorption of 111,199 square feet of industrial space in the Second Quarter 2013, and net positive absorption of 137,903 square feet of industrial space in the First Quarter 2013, according to *The CoStar Industrial Report, Tucson Industrial Market, Year-End 2013.*

Figure 4 shows trends in the industrial vacancy rate in Tucson between Third Quarter 2008 and the Fourth Quarter 2013, according to *The CoStar Industrial Report, Tucson Industrial Market, Year-End 2013.*



Overall, the industrial vacancy rate increased through 2011, peaking in the Third Quarter 2011 and Third Quarter 2012. The vacancy rate has declined since late 2012. There are some indications of stabilization in the industrial market. There continues to be a large supply of fully zoned and improved industrial lots available in the Tucson market with limited demand in the current market. The overall decline in the economy is affecting many potential industrial users and a slowing of demand for industrial zoned land is being experienced in the market.

Retail Market

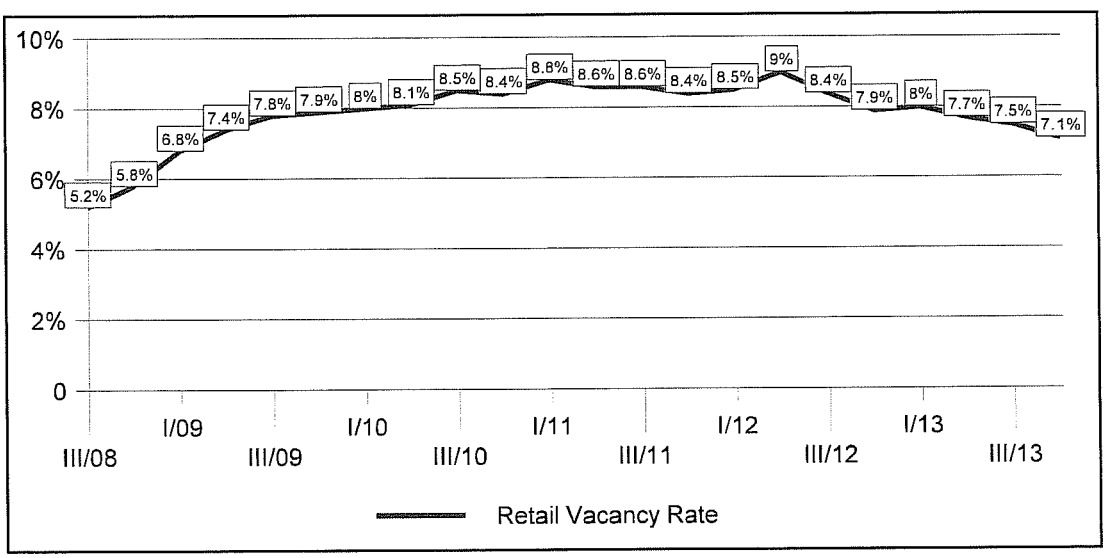
Retail space had maintained more constant levels of growth and absorption, with decreasing vacancy rates observed prior to mid-2007. In general, the market turned down starting at the end of 2007. Some reasons for a decline in market conditions includes contracts cancelled, development projects put on hold with reasons including reduced demand and increased competition of other developments coming out of the ground, offers and counter offers at considerably below the listing price, listings being repriced at lower levels, existing tenants looking for rental relief, businesses closing their stores and vacating the premises, and excess developed land without demand. Several large retail developments appear to be on hold.

There was net positive absorption of 226,340 square feet in the Fourth Quarter 2013, according to *The CoStar Retail Report, Tucson Retail Market, Year-End 2013.* This compares to net positive absorption of 224,701 square feet in the Third Quarter 2013, net

positive absorption of 196,012 square feet in the Second Quarter of 2013, and net positive absorption of 81,458 square feet in the First Quarter of 2013.

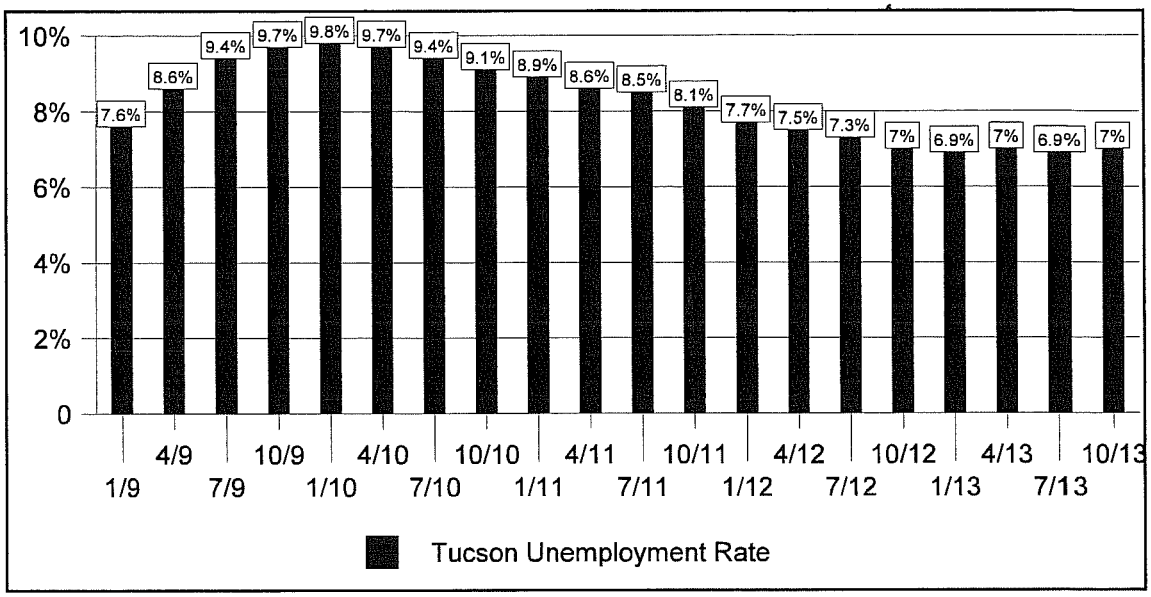
In the Fourth Quarter 2013, five buildings totaling 44,860 square feet were completed. This compares to seven buildings totaling 173,193 square feet in the Third Quarter 2013, seven buildings totaling 49,284 square feet in the Second Quarter 2013, and six retail buildings totaling 129,833 square feet in the First Quarter 2013.

Figure 5 shows trends in the vacancy rate for retail properties in the Tucson market between Third Quarter 2008 and Fourth Quarter 2013, according to *The CoStar Retail Report, Tucson Retail Market, Year-End 2013.*



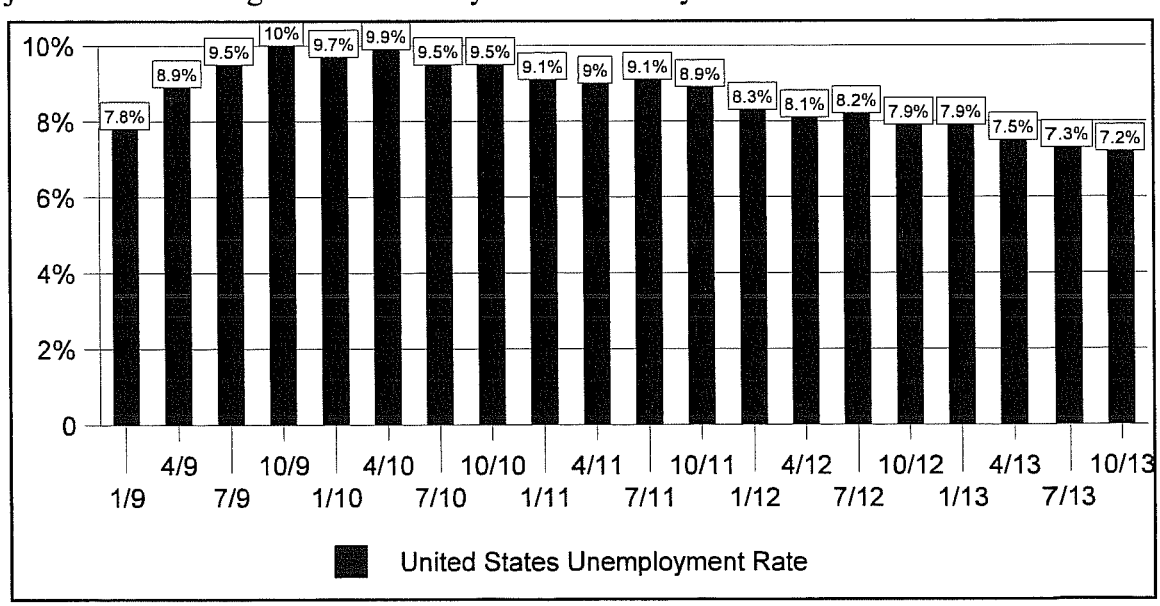
The vacancy rate for retail properties increased starting through early 2011. The retail vacancy rate remained mostly stable in 2011 but peaked in the Second Quarter 2012. The retail vacancy rate declined since that time, with the decline continuing through 2013. This indicates that the retail market is starting to stabilize.

According to Arizona Department of Administration, Office of Employment and Population Statistics, the seasonally adjusted unemployment rate for metropolitan Tucson was as follows:



The previous data shows that the unemployment rate in the Tucson metropolitan area increased and peaked in early 2010. The unemployment rate has slowly been declining since early 2010 but remains elevated above 2008 levels. It remained stable in 2013.

According to the United States Department of Labor, Bureau of Labor Statistics, the national seasonally adjusted unemployment rate has also increased since 2008 through late 2009. The unemployment rate remained high and started to decline slowly in late 2010. The unemployment rate has declined but remains higher than in 2008. The unemployment rate is projected to remain high as the economy recovers slowly from the recession.



Overall, the commercial real estate markets reveal that most investors hold a cautionary outlook for early 2014 due to the slow drop in unemployment, the tight credit that adversely affects tenants, owners and investors, the sequester of 2013, the government shutdown of late 2013, and the continuing uncertainty of the government conditions. The stabilizing supply and demand fundamentals will result in stable to slowly improving values. In the short term, limited growth is projected for Tucson over the next one to two years, with market conditions expected to stabilize and slowly start to improve during this time. The long term result should be a more balanced level of supply and demand - more conducive to steady long-term development. Factors such as climate, health and educational facilities, and the availability of housing are positive influences which will result in long-term economic growth for metropolitan Tucson.

NEIGHBORHOOD DESCRIPTION:

The subject neighborhood is that area located west and south of the City of Tucson. It includes the southern portion of Avra Valley south and west of the Tucson Mountains, south of Mile Wide Road, east of the Rockridge Mountains and portions of the Roskruge Mountains and portions of the Tohono O'Odham Nation north of State Route 86 (Ajo Highway) and it includes the Altar Valley that is south of State Route 86 (Ajo Highway), west of the Sierrita Mountains, north of the U.S.-Mexican Border and east of the Baboquivari Mountains.

The portion of the neighborhood west of Ryan Airfield is predominately rural with numerous ranches, ranchettes, and low density single family and manufactured housing interspersed throughout the neighborhood. The area east of Ryan Airfield has more residential subdivision development with subdivisions ranging from one residence per acre to four residences per acre and it has large parcels of land with planned developments. Ranches in the neighborhood typically include leased forest land, Bureau of Land Management (BLM) land, and/or state owned land.

Access to the neighborhood is adequate considering its rural nature. Major east-west roads within the neighborhood include State Route 86 (Ajo Highway), Valencia Road, and Kinney Road. Major north-south roads include State Route 286 (Sasabe Highway), Sandario Road, and San Joaquin Road. The topography ranges from level to sloping hilly foothill land. The western portion of the neighborhood is generally flood prone and lacks infrastructure for sewer and water which results in low density development or no development.

The neighborhood is interspersed with public and reservation lands including Tucson Mountain Park, Ironwood Forest National Monument, Saguaro National Park West, Buenos Aires National Wildlife Refuge, Coronado National Forest, and the Tohono O'Odham Nation Reservation, and the Pascua Yaqui Tribe Reservation. Other significant uses within the neighborhood include Ryan Airfield which is owned and operated by the City of Tucson. It is used for general aviation, law enforcement, and military helicopter aviation. The Casino Del Sol Resort, Spa and Conference Center is located within the eastern portion of the neighborhood and is owned and operated by the Pascua Yaqui Tribe.

The Buenos Aires National Wildlife Refuge is a major feature of the subject neighborhood. This wildlife refuge is part of the National Wildlife Refuge System, a national network of public lands and waters set aside for the benefit of wildlife and the public. It consists of 117,464 acres of open range land covered with native desert habitat including local fauna and animals. It is located in southwestern Pima County starting at the U.S.-Mexico International Border and extending north for several miles on both the east and west sides of State Route 286 (Sasabe Road).

The neighborhood is influenced by its proximity to the U.S.-Mexico International Border. The border crossing at Sasabe, Arizona provides access to Mexico for vehicular traffic, however, it is seldom used by travelers. Sasabe is a small unincorporated border community in the Altar Valley area of southern Pima County. There are only about 50 permanent residents living in the Sasabe area according to the 2010 Census data.

There is a substantial supply of available undeveloped vacant land zoned and infrastructured for residential and commercial development in the eastern portion of the neighborhood with limited demand due to the negative impact of the recent great recession, continuing overall market condition, and a substantial supply of foreclosed and bank owned properties. The western portion of the neighborhood is rural in nature with very limited residential and commercial development due to the low density development resulting in limited population growth. The supply of land is ample, however, the demand is limited due to the lingering effect of the recession. Due to the large supply of vacant land in the east and west portions of the neighborhood, new development is not expected to occur in the foreseeable future - 5 to 15 years in the east portion of the neighborhood and 15 to 30 years in the western portion of the neighborhood. The western portion of neighborhood land use will likely continue operating as working ranches for the next 25 to 50 years because of the lack of demand for residential development.

SUBJECT SITE: (LARGER PARCEL DESCRIPTION):
The following subject site description is based on a hypothetical larger parcel that consists of 640 acres of range land adjacent to the existing right of way for Presumido Road. The subject parcel is rectangular in shape. It is located 2.0 miles west of SR 286 (Sasabe Highway) and 8.0 miles north of the U.S - Mexico International Border in Section 7, Township 21 South, Range 8 East, in Pima County, Arizona (see Exhibits).

Presumido Road is a two-lane, dirt road at the subject property. Presumido Road is accessed from SR 286 (Sasabe Highway). The terrain of the subject property is level to rolling. There is natural desert vegetation on the subject property. Public utilities currently available to a portion of the subject property include electric (Tucson Electric Power Company) and telephone (CenturyLink, formerly Qwest). Any building development would require waste removal by septic system and water by drilling a private or shared well. Any development of the site would require an engineering study to determine the availability and adequacy of public utilities.

FEMA Map 04019C4600L, dated June 16, 2011, a small portion of the south end of this parcel is located in Zone A which is a Special Flood Hazard Area subject to inundation by the 1% annual chance flood with no base flood elevations determined (as seen in the map in Exhibit E). The majority of the parcel is located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain. There are numerous wash areas and arroyos transversing the parcel. There are areas of the parcel which are located within the Riparian Habitat designation of Xeroriparian B (as seen in the map in Exhibit F).

The parcel is not in a seismic zone. There are no known easements or encumbrances that adversely affect the subject parcel.

The subject property is identified as being located within the Buffer Overlay Zone according to the Pima County Zoning Code. The Buffer Overlay Zone establishes one mile buffer zones around public parks, national forests, and wildlife refuges as directed by the Pima County Board of Supervisors. The purpose of the Buffer Overlay Zone is to:

1. Preserve and protect the open space characteristics of those lands in the vicinity of the public preserves while at the same time permitting the economically reasonable use of lands;

2. Protect and enhance existing public preserves in Pima County as a limited and valuable resource;

3. Establish mechanisms that will protect the public preserves and result in an ecologically sound transition between the preserves and more urbanized development;

4. Assure the continued existence of adequate wildlife habitat and foster the unimpeded movement of wildlife in the vicinity of Pima County's public preserves;

5. Provide for an aesthetic visual appearance from and to Pima County's public preserves;

6. Promote a continued economic benefit to the region by protecting the public preserves for the enjoyment of residents and visitors alike; and

7. Neither promote nor discourage changes in underlying zoning, but rather provide continuing performance standards for the unique lands within the buffer overlay zone.

ZONING:
Zoning of the subject is RH (Rural Homestead), according to the Pima County Zoning Code. The principal uses allowed by this zoning designation are low density residential, limited commercial use, agriculture use, and governmental uses. (See Exhibit C)

Specific allowable uses include RH uses such as single family residences, manufactured or mobile homes and trailers, and some commercial agriculture uses. According to the Pima

County zoning code, RH zoning is "intended to preserve the character and encourage orderly growth of rural areas lacking facilities for urban development."

Specific development requirements include the following:

RH ZONING REQUIREMENTS

Min. Lot Area (SF)	Min. Area per Unit (SF)	Minimum Yards (feet)			Bldg. Height
		Front	Side	Rear	
180,000	180,000	50	20	50	34 feet

PIMA COUNTY COMPREHENSIVE PLAN:
The subject parcel is located in an area identified as Low Intensity Rural (LIR) according to the Pima County Comprehensive Plan (see Exhibits). The purpose of this designation is to "designate areas for residential uses at densities consistent with rural and resource-based characteristics." The maximum residential gross density is 0.3 residences per acre (RAC). Allowable zonings under the LIR designation are RH, SR, SR-2, GR-1, and MR. In the LIR designation, a minimum of 30 percent of natural open space is required within areas zoned MR (Major Resort Zone). The existing RH zoning is consistent with the comprehensive plan designation of LIR.

EXPOSURE/MARKETING TIME:
Exposure time is defined as "the length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based upon an analysis of past events assuming a competitive and open market." Exposure time varies for different types of real estate and under varying market conditions. Reasonable exposure time assumes both adequate, sufficient, and reasonable time and effort.

Marketing time is defined as "the amount of time it would probably take to sell a property interest in real estate at the concluded market value level during the period immediately after the effective date of the appraisal." Marketing time differs from exposure time, which is assumed to always precede the effective date of the appraisal.

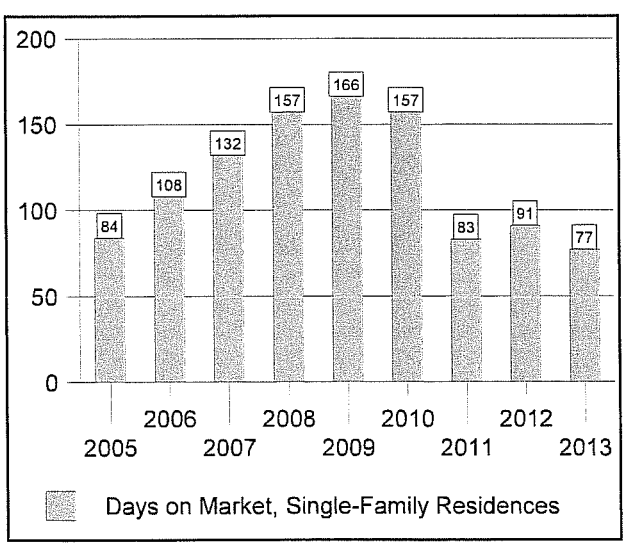
The reasonable exposure and marketing time is estimated to be 6 to 12 months based on the sales used in this report and based on conversations with brokers familiar with properties similar to the subject property.

On the following pages is the Market Profile for residential land.

MARKET PROFILE - RESIDENTIAL LAND:
The residential market conditions in the Tucson area improved dramatically starting in 2004, with market prices for single family residences and residential lots increasing at a rapid rate. This trend continued throughout 2005 and into the start of 2006, with prices increasing most rapidly in 2005. This increase in sales activity and property values led to an increase in the demand for large parcels of land for development of subdivisions, with prices of land increasing rapidly, and the planning of many new subdivisions throughout the Tucson area and Pima County. Purchases of large parcels of land for large scale subdivisions were especially common in Marana and in the area southeast of Tucson. The number of permits issued in Pima County increased as an increasing number of subdivisions provided more lots and residential homes for the growing market. In 2005, properties were sold quickly, and the time spent on the market for a residential home or lot decreased.

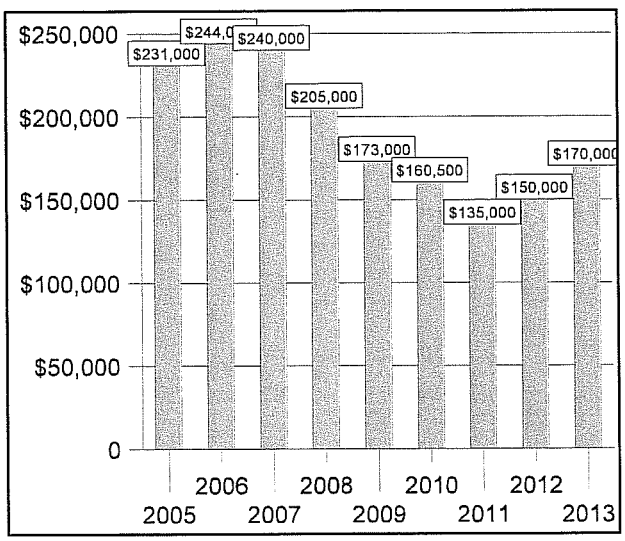
Starting in mid-2006, the market began to slow, and this trend continued into 2007, with a further slowdown in 2008 through 2010. Prices for residential properties leveled off and then decreased in all market areas. The demand for homes began to decline and fewer homes were purchased. The median price for homes also declined during this time. Over the past year there has been the beginning of a market recovery.

According to Multiple Listing Service (MLS), the days on market for sales of single-family residences in the Tucson area had increased as properties have taken longer to sell. This data indicates that the days on market for single-family increased significantly from 2005, peaking in 2009. The days on market remained mostly stable in 2010. Beginning in 2011, the days on market dropped significantly with results remaining stable from 2011 through 2013.



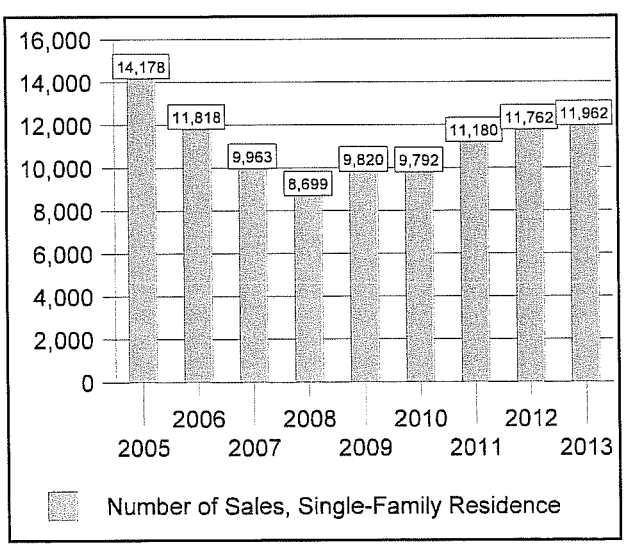
The following is the median sale price for single-family residences for the Tucson area, according to MLS. There was a significant decline in the median sale price for single-family residences starting in 2007. The median sale price declined through 2011. The decline in median sale prices is due to the oversupply of available properties, decline in demand, and

the increasing number of bank-owned properties available in the market. The median sales price began to slowly increase starting in 2012, continuing through 2013. The median sales price still remains well below peak market levels.



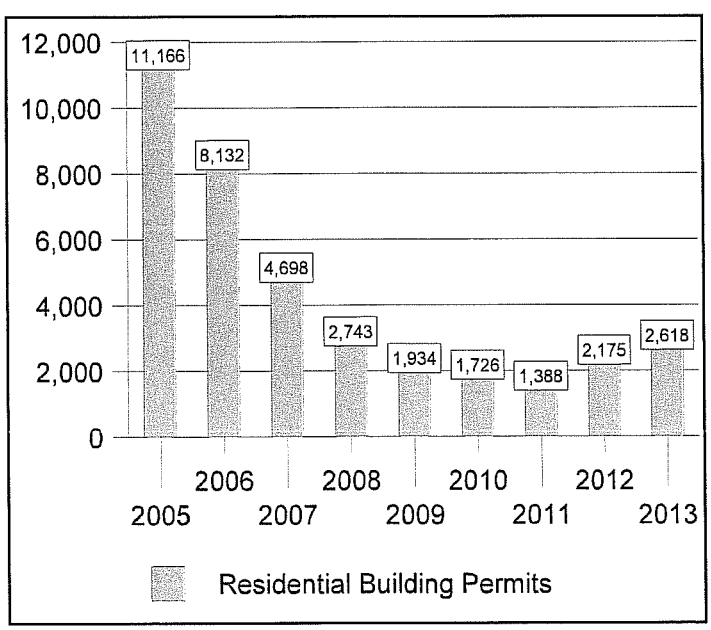
Median Sale Price, Single-Family Residences

The number of sales of single-family residences in the Tucson area has also declined as fewer homes are purchased. The number of sales declined through 2008 and has gradually increased through 2013, which may be an indication that market conditions are stabilizing. However, the number of sales remains low compared to the peak of the market in 2005.

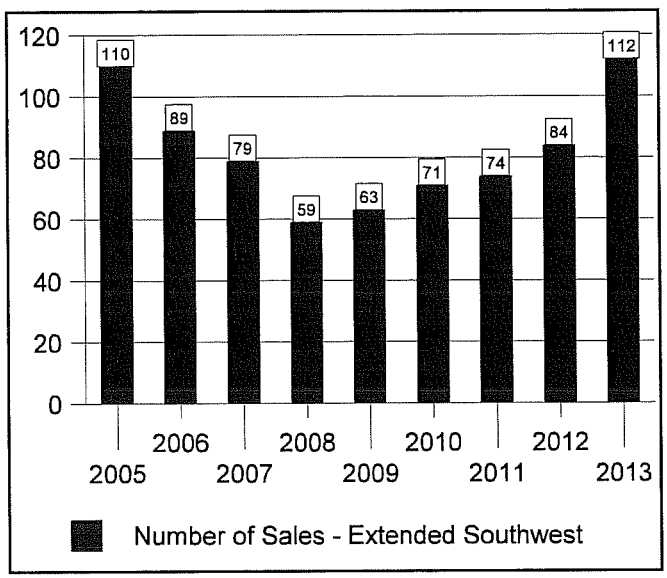


Starting in 2006, fewer single-family residential permits were issued due to the current oversupply of lots and residential homes on the market. According to the United States Census Bureau, Building Permits Survey, the number of single-family residential permits declined through 2012. There was limited new single-family construction since 2008, with the decline continuing through 2011, with a small increase in 2012 and continuing through 2013.

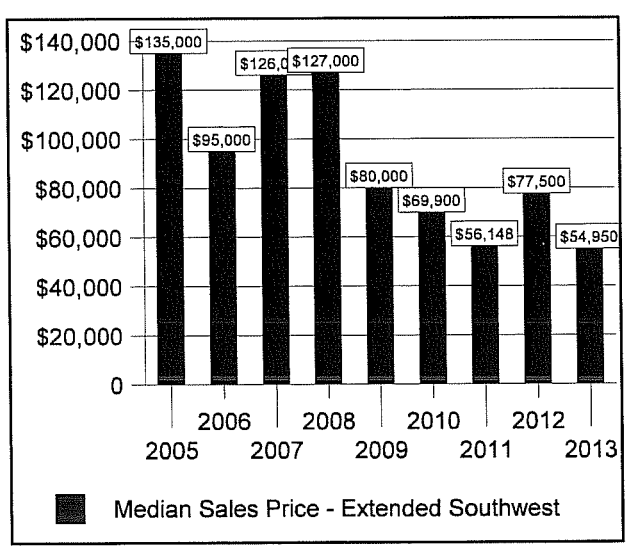
Overall, housing permits and sales had been increasing and a period of substantial growth occurred during 2004 and 2005 with unprecedented price increases having been experienced for most areas of Tucson. Building permit activity declined steadily in the Tucson Metropolitan area from a peak in 2005 of 11,166 to 1,388 in 2011 for all new single-family residential construction residential building permits, according to the United States Census Bureau, Building Permits Survey. This was due in part to the difficulty in obtaining financing and, to a larger extent, a decrease in demand from primary home buyers and speculative home purchases by out of state buyers and an oversupply of available homes on the market, resulting in declining home prices. The slow down in sales has resulted in an increase in the inventory of available houses and a decrease in housing prices in the Tucson Metropolitan area. There has been a 56 percent increase in residential permits in 2012 from the bottom in 2011. This is an indication that the new home residential market is beginning to recover. The number of permits for 2013 shows a continued improvement in the market, but new home sales are still well below peak or stabilized levels seen in the past.



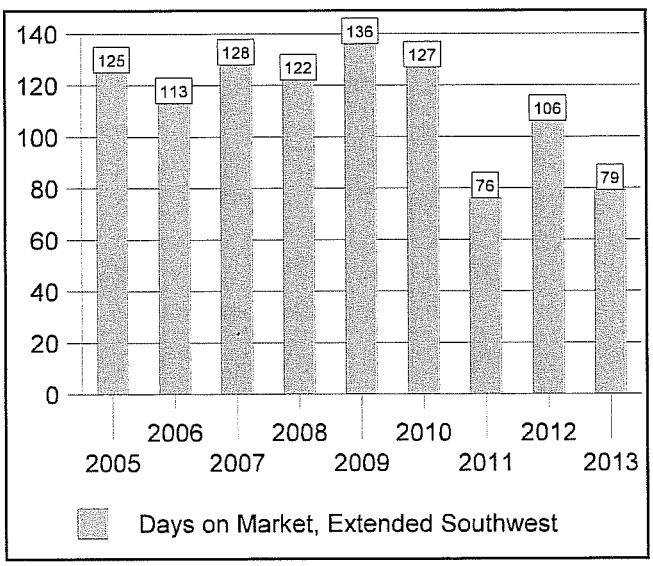
The following is the number of sales of residential properties in the subject sector, Extended Southwest, through 2013, according to MLS. This data indicates that the number of sales declined through 2008, then steadily began increasing through 2012, with a larger increase in 2013. Overall sales are starting to return to the peak market levels of 2005.



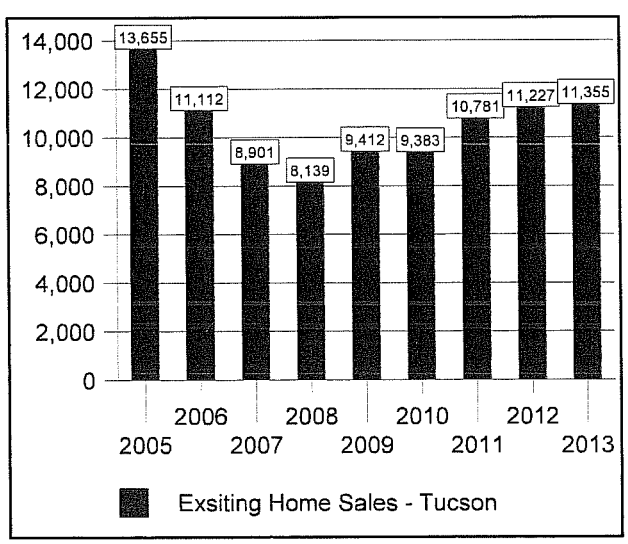
The following is the median sale price for residential properties in the subject Extended Southwest sector through 2013, according to MLS. This data indicates that the median sale price peaked in 2005, and had declined significantly in 2009. This decline stabilized in 2010, with an increase occurring in 2012 before decreasing in 2013. The median sales price in the Extended Southwest sector remains well below peak market levels.



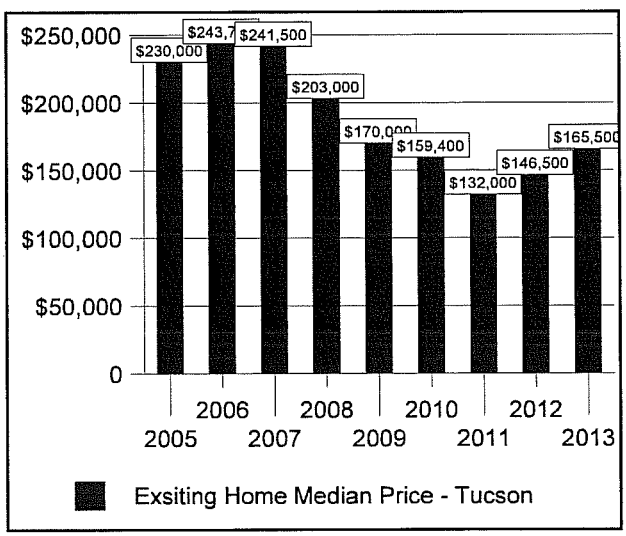
According to Multiple Listing Service (MLS), the days on market for sales of residences in the subject area, Extended Southwest had increased as properties have taken longer to sell. This data indicates that the days on market for residences remaining fairly high between 2005 through 2010, peaking in 2009. Beginning in 2011, the days on market dropped significantly in 2011 with an increase in 2012 before going back down again in 2013.



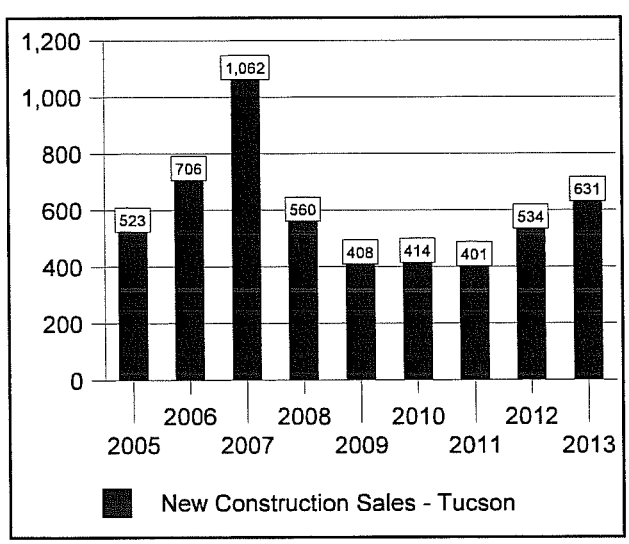
The following is the number of sales of existing single-family residences in the Tucson market through 2013, according to MLS. This data indicates that the number of sales declined from the peak in 2005 through 2008. The number of existing home sales in the Tucson market has steadily increased through 2013. Overall sales of existing homes sales in the Tucson market is approximately 17% below peak levels in 2005.



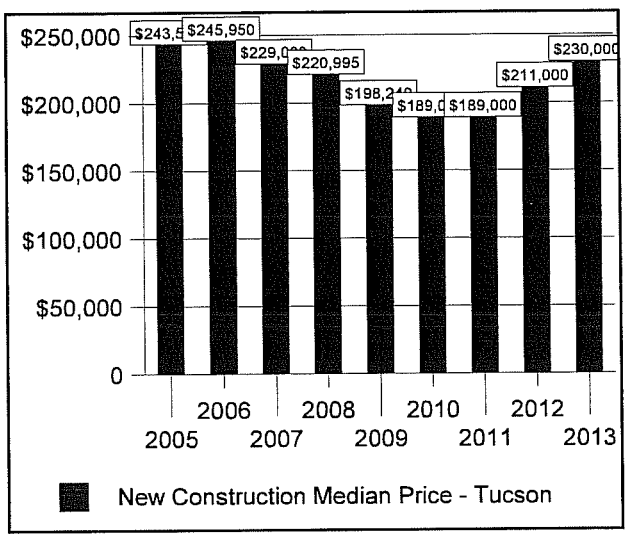
The following is the median sale price for existing single-family residences in the Tucson market through 2013, according to MLS. This data indicates that the median sale price peaked in 2006 and had declined significantly starting in 2008. This decline stabilized in 2012, with an increase in 2013. The median sales price of existing homes in the Tucson market is approximately 28% below peak market levels in 2005.



The following is the number of sales of new construction single-family residences in the Tucson market through 2013, according to MLS. This data indicates that the number of sales peaked in 2007. The number of new construction sales in the Tucson market declined significantly in 2008, then dropping further in 2009. Sales of new construction remained relatively stable through 2011. Sales began to increase in 2012, continuing through 2013. In 2013, the vast majority of new construction sales took place in the Northwest sector with 263 of the 631 new construction sales.



The following is the median sale price for new construction single-family residences in the Tucson market through 2013, according to MLS. This data indicates that the median sale price peaked in 2006 and had declined through 2011. Median sales price of new construction began to increase in 2012, continuing through 2013. The median sales price of new construction single-family residences in the Tucson market is approximately 7% below peak market levels in 2006.



There are some early indications that the decline in residential real estate market conditions are stabilizing and signs of an increase in some market areas. Over the past year there has been the beginning of a market recovery for single-family residences, specifically in homes priced below $250,000. Homes in this price range are in higher demand and there is currently limited inventory of this type of home, causing homes in this price range to rise faster than more expensive single-family residences. There is an oversupply of single-family residences that exceed $250,000, causing values for this type of product to rise more slowly than the less expensive homes.

In the short term, limited growth is projected for Tucson over the next one to two years, with market conditions expected to continue to stabilize and slowly improve during this time. The long term result should be a more balanced level of supply and demand - more conducive to steady long-term development. Factors such as climate, health and educational facilities, and the availability of housing are positive influences which will result in long-term economic growth for metropolitan Tucson.

Land Market Data - Paired Sales

The following sale and resale of large undeveloped residential parcels demonstrate the decline in the residential real estate market conditions since the peak of the residential market in mid 2006.

1. A 37.34 acre parcel located near Colossal Cave Road was purchased as raw land in January 2006 for $1,725,000, or $46,197 per acre. The property owner platted the

property with a 43-lot subdivision and obtained all necessary surveys, construction plans, etc. The property owner has approximately $1,850,000 invested in the property. This property has been listed since December 2007 and has not been purchased. The property was re-listed in September 2008 for $1,300,000 for the platted subdivision with all surveys, etc., and did not sell at this price. This property was re-listed again in 2009 at a price of $752,500. In September, 2009, the price was reduced to $688,000. Thereafter, the price was reduced to $538,350. This property sold in December 2010 for $517,500. This represents a 72 percent decline from the investment in the property by the owner.

2. An SR zoned property containing 185 acres of land and located on Sweetwater Drive sold for $4,629,225 in April 2006. The buyers spent $100,000 to $150,000 on platting and engineering for the property, for a total investment of $4,750,000. The property has been platted as a 46-lot subdivision. This property sold for $1,600,000 in March 2011. This represents a decline of approximately 67 percent since the peak of the market.

3. An SR zoned property containing 16.5 acres was purchased as raw land in March of 2006 for $865,000. The buyer split the property into five lots and provided utilities and access to each of the lots at a cost of approximately $350,000 to $400,000. This buyer spent approximately $1,215,000 to $1,265,000 on the property. This property resold in September 2011 for $737,500. This indicates a decline of 40% to 42% between the two dates of value. However, market conditions improved between the date of the first sale in March 2006 to the peak of the market at the end of 2007, indicating that the decline in market conditions as indicated by this sale is likely greater than 40% to 42%.

4. A 516-acre parcel located on the south side of Ajo Highway, east side of Continental Road alignment near the intersection of Ajo Highway and Valencia Road sold in September, 2012, for $5,500 per acre. This property sold as part of a larger parcel (containing a total of 738 acres) at a reported price of $22,500 per acre in July, 2006. This was an auction with the University of Arizona as the seller and only one bidder. This indicates a decline of close to 76%.

Market Participant Comments - Land Market

The comments of market participants were solicited by the appraiser as to the state of the vacant land market in Tucson, Arizona. The market participants contacted include Mr. Jim Marion and Mr. Aaron Mendenhall from Chapman, Lindsey Commercial Real Estate, Mr. Ben Becker from CBRE, Mr. Will White from Land Advisors, Mr. Ted DeSpain with Harley Hendricks Realty, and Mr. Walter Armer, Jr., with Walt Armer and Associates.

Jim Marion with Chapman, Lindsey Commercial Real Estate commented that the sale of investor grade land without any entitlements in the Tucson market are rare and that most investors do not currently view land as a reasonable investment. The costs associated with holding the land and the outlook for increases in the land prices keep investors from

purchasing land listings. Mr. Marion indicated that he has had parcels of land listed for extended periods of time without any activity occurring. He further indicated that many land owners have removed properties from the market and are waiting for an improvement in market conditions which will only occur when residential lot prices exceed the cost of new lot development.

Aaron Mendenhall with Chapman, Lindsey Commercial Real Estate commented that there is very limited demand for investment land in the Tucson market. He also stated that the cost to develop new lots exceeds the current prices that finished lots are selling for in most location in the Tucson market. He indicated that there are two active areas for residential development (northwest and southeast sectors) and that these areas area seeing some increases in finished lot prices. He stated that the existing inventory of lots in Starr Valley and Camino Verde areas are more than sufficient to meet the existing demand from builders active in the southwest market sector. Finally, he stated that there are approved specific plans for two major developments (Pomegranate and Sendero) and that when these developments start there will be a more than adequate supply of residential lots for the southwest sector of the Tucson market.

Ben Becker with Chapman, Lindsey Commercial Real Estate commented that in the southwest sector of the Tucson land market is the weakest sector for investor land purchases. He stated that he had a parcel of land listed for sale that was located adjacent to Ryan Airfield and that he offered to Pima County as part of an open space purchase. He indicated that the potential sale to the county was the only activity for the listing over an extended period of time.

Will White with Land Advisors commented that he has sold two properties known as Sendero Pass and Pomgranate Farms. These properties sold with approved specific plans (land entitlements) but no infrastructure was in-place as of the date of sale. He indicated that properties that have entitlements or partial entitlement attract more potential purchasers in the current market. He also commented that he had sold properties in the northwest Tucson (Marana/Sanders Grove) that also had approved specific plans and that these properties are showing signs of increasing prices.

Ted DeSpain with Harley Hendricks Realty commented that the market for ranch land and open range land has not recovered yet from the effects of the great recession. He indicated that he had several ranches for sale in Arizona and New Mexico and that the inquires for information was limited and the marketing times have been extended. Mr. DeSpain indicated that the Arivaca Ranch which sold on December 31, 2012 had resold the headquarters portion to the Arizona Boys Ranch for $1,300,000 on March 3, 2014. The transaction included no money down, approximately 18,000 square feet of building improvements and horse and cattle facilities. Mr. DeSpain further indicated that the balance of the Arivaca Ranch minus the headquarters is listed for sale at a price of $2,500,000 for 364 deeded acres of land and cattle and ranch improvements, 30,000 acres of USFS, BLM, State and private grazing leases. There have been no offers to purchase to date. The list price is equal to $6,868 per deeded acre.

Walter Armer, Jr. with Walt Armer and Associates is a farm and ranch appraiser and an active cattle rancher in Pima, County. Mr. Armer indicated that he has recently seen more activity in the farm and ranch market which he attributed to sellers finally realizing that their asking prices were to high and needed to be reduced to sell their properties. Mr. Armer commented that he was very familiar with the Altar Valley ranching properties and that there was limited demand from purchasers seeking properties in the valley. He commented that there was limited potential for the ranch properties to have a change of use in the immediate future and that the ranching use was the highest and best use for these properties.

There are some early indications that the decline in residential market conditions is starting to stabilize and even increase in some market areas. However, market participants recognize that the residential home and residential vacant land market will remain stable with some increases for a time before starting to substantially improve, and that this will be a slow, long-term recovery. The same market participants indicated that purchases of large vacant investment properties are few and this trend will continue for the near future as the market regains balance and value begin to stabilize and increase.

HIGHEST AND BEST USE, BEFORE, AS VACANT:
The Fifth Edition of *The Dictionary of Real Estate Appraisal* (Appraisal Institute, Chicago, 2010), defines highest and best use as follows:

> "The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property - specific with respect to the user and timing of the use - that is adequately supported and results in the highest present value."

The subject larger parcel is a part of the hypothetical "ATF" parcel of land that is Section 7, Township 21 South, Range 8 East, G&SRB&M. The "ATF" parcel has a size of 640 acres according to the Pima County Assessor records. The "ATF" parcel is traversed by the Presumido Road right of way. The conclusion of the larger parcel is based on the location of the subject property in an area where the contiguous land is owned by the State of Arizona. Based on the contiguous land uses the subject larger parcel is concluded to be RH zoned range land with a size of 640 acres. It is located 2.0 miles west of SR 286 (Sasabe Highway) and 8.0 miles north of the U.S.-Mexico International Border, Pima County, Arizona. The topography of the parcel ranges from level areas to rolling terrain. A small portion of the parcel is located in Special Flood Hazard Area Zone A, however, the majority of the parcel is not identified as being flood prone. The subject is transversed by numerous wash areas and arroyos. Portions of the subject are located within the Riparian Habitat designation of Xeroriparian B. The subject parcel is identified as being located within the Buffer Overlay Zone according to the Pima County Zoning Code and is located in an area identified as Low Intensity Rural (LIR) according to the Pima County Comprehensive Plan. The existing RH zoning is consistent with the comprehensive plan designation of LIR.

The highest and best use of a property must meet four criteria. The highest and best use must be legally permissible, physically possible, financially feasible, and maximally productive. These criteria are usually considered in order; however, the four criteria interact and may be considered together.

Legally Permissible Use. Zoning of the subject larger parcel is RH (Rural Homestead), according to the Pima County Zoning Code. The principal uses allowed by this zoning designation are low density residential, limited commercial use, agriculture use, and governmental uses.

Specific allowable uses include RH uses such as single family residences, manufactured or mobile homes and trailers, and some commercial agriculture uses. According to the Pima County zoning code, RH zoning is "intended to preserve the character and encourage orderly growth of rural areas lacking facilities for urban development."

Development is prohibited within wash setback areas. The subject parcel is transversed by numerous wash areas and arroyos and portions of the parcel is located within the Riparian Habitat designation of Xeroriparian B.

The subject parcel is located in an area identified as Low Intensity Rural (LIR) according to the Pima County Comprehensive Plan. The purpose of this designation is to "designate areas for residential uses at densities consistent with rural and resource-based characteristics." The maximum residential gross density is 0.3 residences per acre (RAC). Allowable zonings under the LIR designation are RH, SR, SR-2, GR-1, and MR. In the LIR designation, a minimum of 30 percent of natural open space is required within areas zoned MR (Major Resort Zone). The existing RH zoning is consistent with the comprehensive plan designation of LIR.

Physically Possible Use. The second area of concern is a highest and best use being physically possible. From among the uses of the subject parcel which is legally permissible, certain uses would also be physically possible. The primary physical use is for part of a cattle ranching operation. The potential physical use of the parcel could include development of residential uses or those uses allowed to be developed in a RH zone.

There is electric and telephone available to portions of the subject parcel. Any building development would require waste removal by septic system and water by drilling a private or shared well. Any development of the site would require an engineering study to determine the availability and adequacy of public utilities.

A small portion of the south end of the subject parcel is located in Zone A which is a Special Flood Hazard Area subject to inundation by the 1% annual chance flood with no base flood elevations determined, however, a majority of the subject is identified as having no major flood prone areas. There are numerous wash areas and arroyos traversing the subject. The physically possible uses include the previously listed legally permissible uses however the

remote location and lack of available public utilities create barriers to development of the property with more intensive uses.

Financially Feasible. The current market conditions for range land combined with high development costs of the subject parcel make the subject financially suitable for investment. Over the long term, as more of the area is developed and land becomes more scarce in this area, the subject may become feasible for development. However, this potential change of use is not considered to be feasible in the immediate future. Thus, the most financially feasible use of the subject parcel, as vacant, would be for long term investment coupled with the continued use of the land as part of a cattle grazing operation.

Maximally Productive. Once a potential use is considered financially feasible, the test of maximum productivity will decide to what specific use the property should be put. Due to market evidence, the highest and best use of the subject parcel is for land investment and for continued cattle grazing use over the entire site for the foreseeable future.

SECTION B - VALUATION OF THE "ATF" PARCEL, BEFORE

VALUATION PROCESS:
In arriving at the market value of the subject property, the appraiser utilized the sales comparison approach to value. The sales comparison approach to value considers what a typical well-informed purchaser would pay for a property, based on an analysis of similar properties. This approach reflects the application of the principle of substitution, which affirms that when a property can be replaced, its value tends to be set by the cost of acquiring an equally desirable substitute property.

In this approach, sales and listings of properties considered comparable are reviewed, and those considered most relevant as indicators of value of the subject property are chosen to be compared to the subject, making adjustments for dissimilarities such as terms of sale, market conditions, location, site size, zoning, and site utility. For a sale to be utilized in this approach, it must contain these elements: 1) both parties are typically motivated; 2) both parties are well-informed; 3) a reasonable market exposure time is allowed; 4) payment is made in cash or its equivalent; and 5) financing reflects terms typically available, and not affected by special or unusual terms.

Hypothetical Condition - Subject Larger Parcel Size and Valuation Method (No. 22). Based on a Right-of-Way Use Permit submitted by Sierrita Gas Pipeline, LLC to the Pima County Department of Transportation, the proposed permanent utility easement for the gas pipeline is entirely within the 30 foot width of the Presumido Road right of way. The contiguous land surrounding the location of the proposed easement is owned by the State of Arizona. To estimate the market value of the subject property for this appraisal a variation of the sales comparison approach has been used. The variation is known as the "across the fence" or "ATF" valuation method. The "ATF" method is based on the premise that the identified subject property which is a part of the existing Presumido Road right of way is valued based on the value of the adjacent land through which the right of way passes. The "ATF" subject larger parcel is concluded to be the land contiguous to and inclusive of Presumido Road in Section 7, Township 21 South, Range 8 East (640 acres). The concluded value of the "ATF" larger parcel will be used to estimate the just compensation due to the property owner for the acquisition of the permanent utility easement.

Because the subject property is the actual right of way for Presumido Road an "ATF" methodology will be used to value the hypothetical subject property. The analysis will estimate a market value of similar RH zoned range land and the concluded value will then be used to estimate the market value of the subject property.

Table of Comparable Land Sales, Before

Sale No.	Sale Date	Property Location/ County	Sale Price	Land Size (Acres)	Price Per Acre	Zoning
1.	6/2009	East and west sides of the Santa Cruz River, east of Interstate 19/ Santa Cruz County	$1,628,970	548.39	$2,970	GR
2.	1/2010	Santa Rita Road, east of Interstate 19/ Pima County	$1,566,320	779.33	$2,010	RH
3.	12/2010	Near the south side of Ragged Top Road, west of Waterman Road, south of Silverbell Road/ Pima County	$900,000	602.00	$1,495	RH
4.	Escrow 8/2012	North of Santa Rita Road, east of Interstate 19/ Pima County	$1,440,000	450.00	$3,200	RH
5.	12/2012	Arivaca Ranch Road/ Pima County	$1,500,000 (*)	599.12	$2,504	RH
		"ATF" Parcel/ Pima County		640 Acres		RH

(*) = Allocated price for deeded land

SUMMARY OF COMPARABLE SALES ADJUSTMENTS

	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5
Sale Date		6/2009	1/2010	12/2010	Escrow	12/2012
Site Size (Acres)	640.00 (*)	548.39	779.33	602.00	450.00	599.12
Zoning	RH		RH	RH	RH	RH
Land Use	Open Range	Open Range	Open Range	Open Range	Open Range	Open Range
Sale Price		$1,628,970	$1,566,320	$900,000	$1,440,000	$1,500,000
Price per Acre		$2,970	$2,010	$1,495	$3,200	$2,504

(*) = "ATF" Parcel

Summary of Adjustments

Unadjusted Price / Acre	$2,970	$2,010	$1,495	$3,200	$2,504
Property Rights	0	0	0	0	-13.75%
Adjusted Price	$2,970	$2,010	$1,495	$3,200	$2,159
Financing	0	0	0	0	0
Adjusted Price	$2,970	$2,010	$1,495	$3,200	$2,159
Conditions of Sale	-20%	-10%	0	-25%	0
Adjusted Price	$2,376	$1,809	$1,495	$2,400	$2,159
Date/Market Conditions	-15%	-10%	-5%	0	0
Adjusted Price	$2,020	$1,628	$1,420	$2,400	$2,159
Physical Adjustments (%)					
Location/Access	-10	10	20	10	0
Zoning	0	0	0	0	0
Site Size	0	0	0	0	0
Land Use	0	0	0	0	0
Net Adjustment	-10%	10%	20%	10%	0%
Indicated Value / Acre	**$1,818**	**$1,791**	**$1,704**	**$2,640**	**$2,159**

Four comparable sales and one current escrow for purchase of similar land have been analyzed on a price per acre basis (see Exhibits). This is the total sale price divided by the total acreage of the site. The sale prices range from $1,495 to $3,200 per acre before adjustment.

The reflected adjustments have been indicated in the preceding adjustment grid. An upward adjustment indicates that the comparable is inferior to the subject; a downward adjustment indicates that the comparable is superior to the subject; and no adjustment (0) indicates the comparable is similar or equal to the subject.

Comparable Sale One indicates no adjustments for property rights conveyed or terms of sale (financing) when compared to the subject property. A downward adjustment is indicated for conditions of sale to reflect that the purchaser was the adjacent property owner and paid a premium to acquire the property, according to the listing agent. A downward adjustment is

indicated for date and market conditions as market conditions have declined since the date of this sale. Based on observation of sales and conversations with market participants prices have declined approximately 15 percent since the date of sale for this type of property and have stabilized as of the date of this appraisal.

Physical adjustments include a downward adjustment for superior overall location and access. The comparable sale is located approximately 30 miles south of Tucson, Arizona, in an area with greater overall development, and proximate to Interstate 19, and a downward adjustment is warranted for superior location. Based on the market sales used in this report and conversations with market participants, there is no indicated adjustment for parcel size. No other physical adjustments are indicated. Overall this comparable sale is adjusted downward in comparison to the subject property.

Comparable Sale Two indicates no adjustments for property rights conveyed or terms of sale (financing) when compared to the subject property. A downward adjustment is indicated for conditions of sale to reflect that the purchaser acquired this property as part of an assemblage of required buffer open space for the adjacent Rosemont open pit mine. A downward adjustment is indicated for date and market conditions as market conditions have declined since the date of this sale. Based on observation of sales and conversations with market participants prices have declined approximately 10 percent since the date of sale for this type of property and have stabilized as of the date of this appraisal.

Physical adjustments include an upward adjustment for inferior overall location and access. The comparable sale is located approximately 30 miles southeast of Tucson, Arizona, in a remote area with access by dirt roads and private easements and an upward adjustment is warranted for inferior location/access. Based on the market sales used in this report and conversations with market participants, there is no indicated adjustment for parcel size. No other physical adjustments are indicated. Overall this comparable sale is adjusted downward in comparison to the subject property.

Comparable Sale Three indicates no adjustments for property rights conveyed, terms of sale (financing), or conditions of sale when compared to the subject property. A downward adjustment is indicated for date and market conditions as market conditions have declined since the date of this sale. Based on observation of sales and conversations with market participants prices have declined approximately 5 percent since the date of sale for this type of property and have stabilized as of the date of this appraisal.

Physical adjustments include an upward adjustment for inferior overall location and access. The comparable sale is located approximately 20 miles northwest of Tucson, Arizona, in a remote area with access by dirt roads and private easements and an upward adjustment is warranted for inferior location/access. Based on the market sales used in this report and conversations with market participants, there is no indicated adjustment for parcel size. No other physical adjustments are indicated. Overall this comparable sale is adjusted upward in comparison to the subject property.

Comparable Escrow Four is a pending sale in escrow. This requires a downward adjustment for conditions of sale to reflect that the purchaser was willing to pay a premium to purchase the property. The comparable sale is the last piece of land assembled by the purchaser for a required buffer open space for the adjacent Rosemont open pit mine. The purchaser acquired other larger parcels of land for the same purpose (buffer open space) in January and July, 2010, at approximately $2,000 per acre. The previous purchases indicate that the buyer overpaid by at least 25% above the market value previously paid to obtain this final parcel. No adjustments are indicated for market conditions when compared to the subject property.

Physical adjustments include an upward adjustment for inferior overall location and access. The comparable sale is located approximately 30 miles southeast of Tucson, Arizona, in a remote area with access by dirt roads and private easements and an upward adjustment is warranted for inferior location/access. Based on the market sales used in this report and conversations with market participants, there is no indicated adjustment for parcel size. No other physical adjustments are indicated. Overall the comparable sale is adjusted downward in comparison to the subject property.

Comparable Sale Five indicates a downward adjustment for property rights conveyed as there were non-realty components included in the sale. These non-realty items included adult cattle, equipment, home furnishings, farm equipment, and vehicles, totaling $206,250. No adjustments are indicated from terms of sale (financing), conditions of sale, or market conditions when compared to the subject property.

Based on the market sales used in this report and conversations with market participants, there is no indicated adjustment for parcel size. No physical adjustments are indicated. Overall this comparable sale is adjusted downward in comparison to the subject property.

SALES COMPARISON APPROACH SUMMARY, BEFORE:

	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
Adjusted Sale Price/Acre	$1,818	$1,791	$1,704	$2,640	$2,159

SALES COMPARISON APPROACH CONCLUSION, BEFORE ACQUISITION:
The four comparable sales and the current escrow for sale indicate a range of price from $1,704 to $2,640 per acre after adjustment. Comparable Sales One and Two reflect significant adjustments for both conditions of sale and market conditions and these sales are given less weight in the final conclusion of value for these reasons. Comparable Sale Three sets the lower limit of price for the subject at $1,704 per acre and reflects a minor adjustment for market conditions but includes a significant adjustment for location. Comparable Escrow Four has a significant conditions of sale adjustment as well as a location adjustment and sets the upper limit of price for the subject property. Comparable Sale Five is concluded to reflect a reasonable price for the subject, based on the limited number of adjustments.

After analyzing the comparable sales, the estimated market value of the subject parcel of land by the sales comparison approach, as of the effective date of appraisal, April 16, 2014, and subject to the assumptions and hypothetical for differences and subject to the assumptions and hypothetical (*No. 22 - Subject Larger Parcel Size and Valuation Method; No. 23 - Value of the Remainder Land After; and, No. 24 - Grazing Leases*) limiting conditions contained in this report, the estimated market value of the "ATF" parcel of land by the sales comparison approach, is as follows.

640.00 acres times $2,400 per acre = $1,536,000

MARKET VALUE OF "ATF" PARCEL, BEFORE, AS OF APRIL 16, 2014

$1,536,000

SECTION C - THE PROPERTY TO BE ACQUIRED

DESCRIPTION:
Sierrita Gas Pipeline, LLC is seeking to acquire a portion of the Presumido Road right of Way for a permanent utility easement as part of the Sierrita Gas Pipeline Project. According to information provided by the client, the proposed permanent utility easement acquisition for this pipeline will be fifty (50) feet in width to be used for the construction, operation and maintenance of a subterranean transmission pipeline (36 inch diameter). The permanent utility easement acquisition traverses the "ATF" parcel in a northeast-southwest direction (see Exhibits). Presumido Road is identified as a 30 foot wide right of way where the permanent utility easement crosses it according to a Right-of-Way Use Permit Application provided to the appraiser by the client. The land area being acquired as a permanent utility easement from the Presumido Road right of Way totals 0.034 acres (30 feet times 50 feet equals 1,500 square feet; 1,500 square feet divided by 43,560 square feet equals 0.034 acres) (see Exhibits).

SITE PREPARATION AND PROJECT DESCRIPTION:
The project is scheduled to commence construction as of April or May of 2014. The installation of the pipeline will require site preparation of the easement areas. The contractor will use an open cut trench to install the pipeline in the Presumido Road right of way. The contractor will close the open cut trench and leave the roadway surface at the same elevation that existed prior to the installation of the pipeline. The pipeline will be placed at a minimum of between 3.5 and 5 feet under the existing Presumido Road surface. The contractor will assure that vehicular traffic on Presumido Road is available during the construction of the pipeline.

PERMANENT EASEMENT ACQUISITION:
The portion of the land to be acquired will be acquired as a permanent utility easement, with a portion of property rights transferring to Sierrita Gas Pipeline, LLC. The acquisition area totals 0.034 acres in size. The easement rights to be acquired for the permanent utility easement are considered to be ninety percent (90%) of the bundle of property rights which the owner had prior to the acquisition. The percentage of rights acquired reflect that Presumido Road is currently a public right of way established in 1940 and that the potential for the land use as a right of way to change or modify is concluded to be limited. Therefore, the market value of the bundle of rights being acquired of the easement is equal to ninety percent (90%) of the fee simple rights typically associated with ownership.

LAND VALUE, PART TO BE ACQUIRED (PERMANENT EASEMENT):
The value of the part to be acquired is based on the "part of the whole" theory which states that the sum of the value of the parts equals, but does not exceed the value of the whole. Therefore, the value per acre applicable to the land before the acquisition is applicable to the easement area being acquired. The estimated market value of the subject property before the acquisition is $2,400 per acre. The market value of the permanent utility easement area to be

acquired is $2,400 per acre times 0.034 acres, equaling $82, times 90 percent, equaling $74, rounded to $100.

LAND VALUE, PART TO BE ACQUIRED (PERMANENT UTILITY EASEMENT):

0.034 acres x $2,400 per acre =	$82	
Percentage of rights to be acquired (90%) =	x 0.90	
		$74
	Rounded to:	$100

MARKET VALUE OF PART TO BE ACQUIRED

$100

SECTION D - VALUATION OF THE REMAINDER "ATF" PARCEL, BEFORE

REMAINDER PROPERTY BEFORE:
The market value of the remainder property before the acquisition is the difference between the value of the entire property before the acquisition less the value of the part to be acquired. This step reflects the value of the remainder property without recognizing any increase or decrease in value as the result of any special benefits or severance damages.

Value of Property Before Acquisition:	$1,536,000
Value of Property Rights To Be Acquired:	(100)
Value of Remainder Property Before:	$1,535,900

MARKET VALUE OF REMAINDER "ATF" PARCEL, BEFORE

$1,535,900

SECTION E - THE REMAINDER "ATF" PARCEL, AFTER ACQUISITION

DESCRIPTION:
After the acquisition, the remainder "ATF" parcel will consist of a rectangular shaped parcel undiminished in size by the land to be acquired. The gross area of the "ATF" parcel is 640 acres of which 0.034 acres will be encumbered with a permanent utility easement. Therefore, a total of 639.966 acres will be unencumbered fee simple land and 0.034 acres will be encumbered with a permanent utility easement. After the acquisition, the shape of the remainder "ATF" parcel will be unchanged from that which existed before the acquisition. The "ATF" parcel will have the same access that existed in the before condition. The "ATF" parcel maintains the same highest and best use, after the acquisition.

The potential future development of the "ATF" parcel is impacted by many public constraints; however, all of the public constraints allow potential development by adjusting the location of the residence that may be placed on the subject site. Specifically, regarding the proposed gas pipeline easement, there is no indication that the subject site cannot be fully developed in the future with the pipeline completed.

Hypothetical Condition - Subject Larger Parcel Size and Valuation Method (No. 22). Based on a Right-of-Way Use Permit submitted by Sierrita Gas Pipeline, LLC to the Pima County Department of Transportation, the proposed permanent utility easement for the gas pipeline is entirely within the 30 foot width of the Presumido Road right of way. The contiguous land surrounding the location of the proposed easement is owned by the State of Arizona. To estimate the market value of the subject property for this appraisal a variation of the sales comparison approach has been used. The variation is known as the "across the fence" or "ATF" valuation method. The "ATF" method is based on the premise that the identified subject property which is a part of the existing Presumido Road right of way is valued based on the value of the adjacent land through which the right of way passes. The "ATF" subject larger parcel is concluded to be the land contiguous to and inclusive of Presumido Road in Section 7, Township 21 South, Range 8 East (640 acres). The concluded value of the "ATF" larger parcel will be used to estimate the just compensation due to the property owner for the acquisition of the permanent utility easement.

Hypothetical Condition - Value of the Remainder Land, After (No. 23). This appraisal report includes the appraisal of the market value of the remainder land, as if the pipeline project was complete. As the pipeline project is not complete as of the effective date of value, the appraisal of the market value of the remainder land, after, is based upon the hypothetical condition that the project was completed based upon the plans provided to the appraiser by Sierrita Gas Pipeline, LLC. If the pipeline project is not completed as indicated by the plans provided by Sierrita Gas Pipeline, LLC to the appraiser, then the conclusions in this report are subject to change. Per USPAP, the use of this hypothetical condition might have affected the assignment results.

Hypothetical Condition - Grazing Leases (No. 24). The subject parcel may be encumbered with Arizona State Land Department grazing leases. For purposes of this report, it is a hypothetical condition of this appraisal report that the land is appraised as fee simple land unencumbered by any leases.

HIGHEST AND BEST USE, AFTER, AS VACANT:
After the acquisition, the "ATF" parcel has a highest and best use that is the same as in the before condition. That use is for land investment and for continued cattle grazing use over the entire site for the foreseeable future. This use is considered to be the most feasible use based on the location, the zoning, surrounding development, and the supply of RH zoned land in the subject neighborhood.

LAND VALUE AFTER ACQUISITION:
The remainder "ATF" parcel is being appraised using the same comparable sales, the same adjustments, and the same value conclusion used to value the property in the before condition. After the acquisition, the shape of the "ATF" parcel remains rectangular in shape and the size is unchanged. The highest and best use of the "ATF" parcel is considered to be the same as in the before condition.

LAND VALUE AFTER ACQUISITION, CONCLUSION:
Based on the same highest and best use for the "ATF" parcel after the acquisition of the easement the same comparable sales are utilized for the estimate of land value as vacant after the acquisition. The comparable sales indicate a fee value of $2,400 per acre for the "ATF" parcel. Property rights remaining to the property owner include a ten percent (10%) interest in the permanent utility easement area. Therefore, the estimated market value of the "ATF" parcel after the acquisition is estimated as follows:

Land Value, After, Unencumbered (Fee Simple):		
639.966 acres x $2,400 per acre =		$1,535,918
Land Value, After, Encumbered with Utility Easement:		
0.034 acres x $2,400 per acre =	$82	
Percentage of rights remaining (10%) =	x 0.10	
		8
Land Value, After, Unencumbered and Encumbered Land:		$1,535,926
	Rounded to:	$1,535,900

MARKET VALUE CONCLUSION, AFTER:
Therefore, based on the above analysis and subject to the assumptions and hypothetical (*No. 22 - Subject Larger Parcel Size and Valuation Method; No. 23 - Value of the Remainder Land, After; and No. 24 - Grazing Leases)* limiting conditions contained in this report, the opinion of market value of the "ATF" parcel, after the acquisition, "as is", as of the effective date of the appraisal, April 16, 2014, is $1,535,900.

MARKET VALUE OF "ATF" PARCEL, AFTER
AS OF APRIL 16, 2014

$1,535,900

SECTION F - SEVERANCE DAMAGES

DESCRIPTION OF SEVERANCE DAMAGES:
Severance damages are a loss in value to the remainder property not acquired which arises as the result of a partial acquisition or construction of public improvements which have a negative impact on the remaining property. Severance damages are typically estimated by deducting the value of the remainder property after the acquisition from the value of the remainder property before the acquisition.

CONCLUSION OF SEVERANCE DAMAGES:
The market value of the "ATF" parcel, before the acquisition is $1,536,000. The market value of the property rights to be acquired of $100 is deducted from the market value of $1,536,000 to arrive at the market value of the remainder, before, of $1,535,900. The market value of the remainder, after, is estimated at $1,535,900. Therefore, there are no severance damages reflected to the "ATF" parcel.

Value of Remainder Property, Before:	$1,535,900
Value of Remainder Property, After:	(1,535,900)
Severance Damages:	-0-

SECTION G - SUMMARY OF VALUE CONCLUSIONS

Market Value of "ATF" Parcel, Before Acquisition	$1,536,000
Market Value of Property Rights To Be Acquired	$100
Market Value of Remainder Property, Before	$1,535,900
Market Value of Remainder Property, After	$1,535,900
Severance Damages	-0-
Special Benefits	-0-
TOTAL COMPENSATION:	
Market Value of Property Rights To Be Acquired	$100
Severance Damages	0
Special Benefits	0
TOTAL COMPENSATION	**$100**

Hypothetical Condition - Subject Larger Parcel Size and Valuation Method (No. 22). Based on a Right-of-Way Use Permit submitted by Sierrita Gas Pipeline, LLC to the Pima County Department of Transportation, the proposed permanent utility easement for the gas pipeline is entirely within the 30 foot width of the Presumido Road right of way. The contiguous land surrounding the location of the proposed easement is owned by the State of Arizona. To estimate the market value of the subject property for this appraisal a variation of the sales comparison approach has been used. The variation is known as the "across the fence" or "ATF" valuation method. The "ATF" method is based on the premise that the identified subject property which is a part of the existing Presumido Road right of way is valued based on the value of the adjacent land through which the right of way passes. The "ATF" subject larger parcel is concluded to be the land contiguous to and inclusive of Presumido Road in Section 7, Township 21 South, Range 8 East (640 acres). The concluded value of the "ATF" larger parcel will be used to estimate the just compensation due to the property owner for the acquisition of the permanent utility easement.

Hypothetical Condition - Value of the Remainder Land, After (No. 23). This appraisal report includes the appraisal of the market value of the remainder land, as if the pipeline project was complete. As the pipeline project is not complete as of the effective date of value, the appraisal of the market value of the remainder land, after, is based upon the hypothetical condition that the project was completed based upon the plans provided to the appraiser by Sierrita Gas Pipeline, LLC. If the pipeline project is not completed as indicated by the plans provided by Sierrita Gas Pipeline, LLC to the appraiser, then the conclusions in this report are subject to change. Per USPAP, the use of this hypothetical condition might have affected the assignment results.

Hypothetical Condition - Grazing Leases (No. 24). The subject parcel may be encumbered with Arizona State Land Department grazing leases. For purposes of this report, it is a hypothetical condition of this appraisal report that the land is appraised as fee simple land unencumbered by any leases.

PART V - ASSUMPTIONS AND LIMITING CONDITIONS

1. ***Definitions***. "Appraisal," as herein defined, is the process of completing a service; namely, a valuation assignment. "Subject property" refers to the property which is the subject of the assignment. "Appraisers" are those persons, whether one or more, who have accepted the assignment and who have participated in the analyses, opinions, and conclusions formed in the appraisal. "Company" refers to Baker, Peterson, Baker & Associates, Inc. "Report" refers to this written document containing the analyses, opinions, and conclusions which constitute the appraisal.

2. ***Liability***. The liability of Baker, Peterson, Baker & Associates, Inc., including any or all of its employees, and including the appraisers responsible for this report, is limited to the Client only, and to the fee actually received by the Company. Further, there is no accountability, obligation or liability to any third party. If this report is placed in the hands of any person other than the Client, the Client is responsible for making such party aware of all assumptions and limiting conditions related thereto. The appraisers are in no way responsible for any costs incurred to discover or correct any deficiencies of any type present in the subject property, whether physical, financial, or legal.

3. ***Title***. No opinion as to title is rendered. Data related to ownership and legal description was provided by the Client or was obtained from available public records and is considered reliable. Unless acknowledged in this report, no title policy or preliminary title report were provided. Title is assumed to be marketable and free and clear of all liens, encumbrances, and restrictions except those specifically discussed in the report. The property is appraised assuming responsible ownership, competent management and ready availability for its highest and best use.

4. ***Survey or Engineering***. No survey or engineering analysis of the subject property has been made by the appraisers. It is assumed that the existing boundaries are correct and that no encroachments exist. The appraisers assume no responsibility for any condition not readily observable from customary investigation and inspection of the premises which might affect the value thereof, excepting those items which are specifically mentioned in the report.

5. ***Data Sources***. The report is based, in part, upon information assembled from a wide range of sources and, therefore, the incorporated data cannot be guaranteed. An impractical and uneconomic expenditure of time would be required in attempting to furnish unimpeachable verification in all instances, particularly as to engineering and market-related information. It is suggested that the Client consider independent verification within these categories prior to any transaction involving a sale, lease, or other significant commitment of the subject property, and that such verification be performed by appropriate recognized specialists.

6. ***Subsequent Events***. The date of valuation to which the conclusions and opinions expressed in this report apply is set forth in the letter of transmittal. The appraisers assume no responsibility for economic or physical factors occurring after the date of valuation which may affect the opinions in this report. Further, in any prospective valuation assignment, the appraisers cannot be held responsible for unforeseeable events that alter market conditions prior to the date of valuation. Such prospective value estimates are intended to reflect the expectations and perceptions of market participants along with available factual data, and should be judged on the market support for the forecasts when made, not whether specific items in the forecasts are realized.

7. ***Adjustments***. The appraisers reserve the right to make such adjustments to the analyses, opinions, and conclusions set forth in this report as may be required by consideration of additional data or more reliable data which may become available subsequent to issuance of the report.

8. ***Special Rights***. No opinion is expressed as to the value of any subsurface (oil, gas, mineral) or aerial rights or whether the property is subject to surface entry for the exploration or removal of materials except where expressly stated in the report.

9. ***Value Distribution***. The distribution of total value in this report between land and improvements applies only under the specified highest and best use of the subject property as herein described. The allocations of value among the land and improvements do not apply to any other property other than the property which is the subject of this report.

10. ***Legal or Special Opinions***. No opinion is intended to be expressed for matters which require legal expertise, specialized investigation, or a level of professional or technical knowledge beyond that customarily employed by real estate appraisers.

11. ***Personal Property***. Unless expressly stated within this report, no consideration has been given as to the value of any personal property located on the premises, or to the cost of moving or relocating such personal property. Only the real property has been considered.

12. ***Soil Conditions***. Unless expressly stated within this report, no detailed soil studies covering the subject property were available to the appraisers. Therefore, it is assumed that existing soil conditions are capable of supporting development of the subject property in a manner consistent with its highest and best use without extraordinary foundation or soil remedial expense. Further, it is assumed that there are no hidden or unapparent matters (hazardous materials, toxic substances, etc.) related to the soil or subsoil which would render the subject more or less valuable by knowledge thereof.

13. ***Court Testimony***. Testimony or attendance in court or at any other hearing (including depositions) is not required by reason of rendering this appraisal or issuing this report, unless such arrangements have previously been made and are part of a contract for services.

14. ***Exhibits***. Maps, floor plans, photographs, and any other exhibits contained in this report are for illustration only, and are provided as an aid in visualizing matters discussed within the report. They should not be considered as surveys or scale renderings, or relied upon for any other purpose.

15. ***Statute, Regulation, and License***. Unless otherwise stated within the report, the subject property is assumed to be in full and complete compliance with all applicable federal, state, and local laws related to zoning, building codes, fire, safety, permits, and environmental regulations. Further, it is assumed that all required licenses, certificates of occupancy, consents or other legislative or administrative authorizations have been, or can be, readily obtained or renewed as related to any use of the subject property on which the value estimate contained herein is based.

16. ***Hidden or Unapparent Conditions***. It is assumed that there are no hidden or unapparent conditions which, if known, would affect the analyses, opinions or conclusions contained in this report. This includes, but is not limited to, electrical, mechanical, plumbing, and structural components.

17. ***Hazardous/Toxic Substances***. In this appraisal assignment, no observation was made of the existence of potentially hazardous material used in the construction and/or maintenance of the improvements, or from any other source, whether borne by land or air, including, but not limited to, asbestos, lead, toxic waste, radon, and urea formaldehyde. While not observed, and while no information was provided to confirm or deny the existence of such substances (unless expressly stated herein), it is emphasized that the appraisers are not qualified to detect or analyze such substances. Unless otherwise stated, no consideration has been given to the presence of, nature of, or extent of such conditions, nor to the cost to "cure" such conditions or to remove any toxic or hazardous substances which could potentially affect the value or marketability of the property. Any such conclusions must be based upon the professional expertise of persons qualified to make such judgments. Thus, any person or other entity with an interest in the subject property is urged to retain an expert if so desired. This value estimate assumes that there is no such material on or in the property.

18. ***Americans with Disabilities Act of 1990***. The ADA became effective on January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could

have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in estimating the value of the property.

19. ***Disclosure.*** Disclosure of the contents of this report is governed by the By-Laws and Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report, including the value estimate, the identity of the appraisers or their professional designations, or the company with which the appraisers are associated, shall be used for any purpose by anyone other than the Client as herein stated, without the prior written consent of the appraisers. Nor shall it be conveyed, in whole or in part, in the public through advertising, news, sales, listings, or any other media without such prior written consent. Possession of this report does not carry with it any right of public distribution.

20. ***Type of Report.*** This is an appraisal report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice for an Appraisal Report. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

21. ***Endangered and Threatened Species.*** The appraisers have not made a specific survey of the subject property to determine whether or not it has any plant or wildlife which are identified as an endangered or threatened species by the U. S. Fish and Wildlife Service. While not observed and while no information was provided to confirm or deny the existence of any endangered or threatened species on the subject property (unless expressly stated herein), it is emphasized that the appraisers are not qualified to detect or analyze such plants or wildlife. Any such conclusions must be based upon the professional expertise of persons qualified to make such judgments. Thus, any person or other entity with an interest in the subject property is urged to retain an expert if so desired. It is possible that a survey of the property could reveal that the site contains endangered or threatened plants or wildlife. If so, this fact could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible endangered or threatened species in estimating the value of the property.

22. ***Subject Larger Parcel Size and Valuation Method.*** Based on a Right-of-Way Use Permit submitted by Sierrita Gas Pipeline, LLC to the Pima County Department of Transportation, the proposed permanent utility easement for the gas pipeline is entirely within the 30 foot width of the Presumido Road right of way. The contiguous land surrounding the location of the proposed easement is owned by the State of Arizona. To estimate the market value of the subject property for this appraisal a

variation of the sales comparison approach has been used. The variation is known as the "across the fence" or "ATF" valuation method. The "ATF" method is based on the premise that the identified subject property which is a part of the existing Presumido Road right of way is valued based on the value of the adjacent land through which the right of way passes. The "ATF" subject larger parcel is concluded to be the land contiguous to and inclusive of Presumido Road in Section 7, Township 21 South, Range 8 East (640 acres). The concluded value of the "ATF" larger parcel will be used to estimate the just compensation due to the property owner for the acquisition of the permanent utility easement.

23. ***Value of the Remainder Land, After.*** This appraisal report includes the appraisal of the market value of the remainder land, as if the pipeline project was complete. As the pipeline project is not complete as of the effective date of value, the appraisal of the market value of the remainder land, after, is based upon the hypothetical condition that the project was completed based upon the plans provided to the appraiser by Sierrita Gas Pipeline, L.L.C., a Delaware limited liability company (hereinafter referred to as Sierrita Gas Pipeline, LLC). If the pipeline project is not completed as indicated by the plans provided by Sierrita Gas Pipeline, LLC, to the appraiser, then the conclusions in this report are subject to change. Per USPAP, the use of this hypothetical condition might have affected the assignment results.

24. ***Grazing Leases***. The subject parcels may be encumbered with Arizona State Land Department grazing leases. For purposes of this report, it is a hypothetical condition of this appraisal report that the land is appraised as fee simple land unencumbered by any leases.

25. ***Acceptance of Report***. Acceptance and/or use of this Report by the Client or any third party constitutes acceptance of all of the above conditions.

PART VI - EXHIBITS

Exhibit A	Assessor's Map of Subject Property
Exhibit B	Aerial Photograph
Exhibit C	Zoning Map
Exhibit D	Pima County Comprehensive Plan Map
Exhibit E	FEMA Flood Plain Map
Exhibit F	Riparian Habitat Map
Exhibit G	Right-of-Way Use Permit Application, Pima County Road Crossing Aerial Overview and Drawing
Exhibit H	Subject Photographs
Exhibit I	Acquisition Photographs
Exhibit J	Comparable Land Sales Location Map
Exhibit K	Comparable Land Sales, Maps, and Aerial Photographs
Exhibit L	Road Resolution
Exhibit M.1	Qualifications of Jeff Teplitsky
Exhibit M.2	Qualifications of Company

EXHIBIT A - SUBJECT MAP

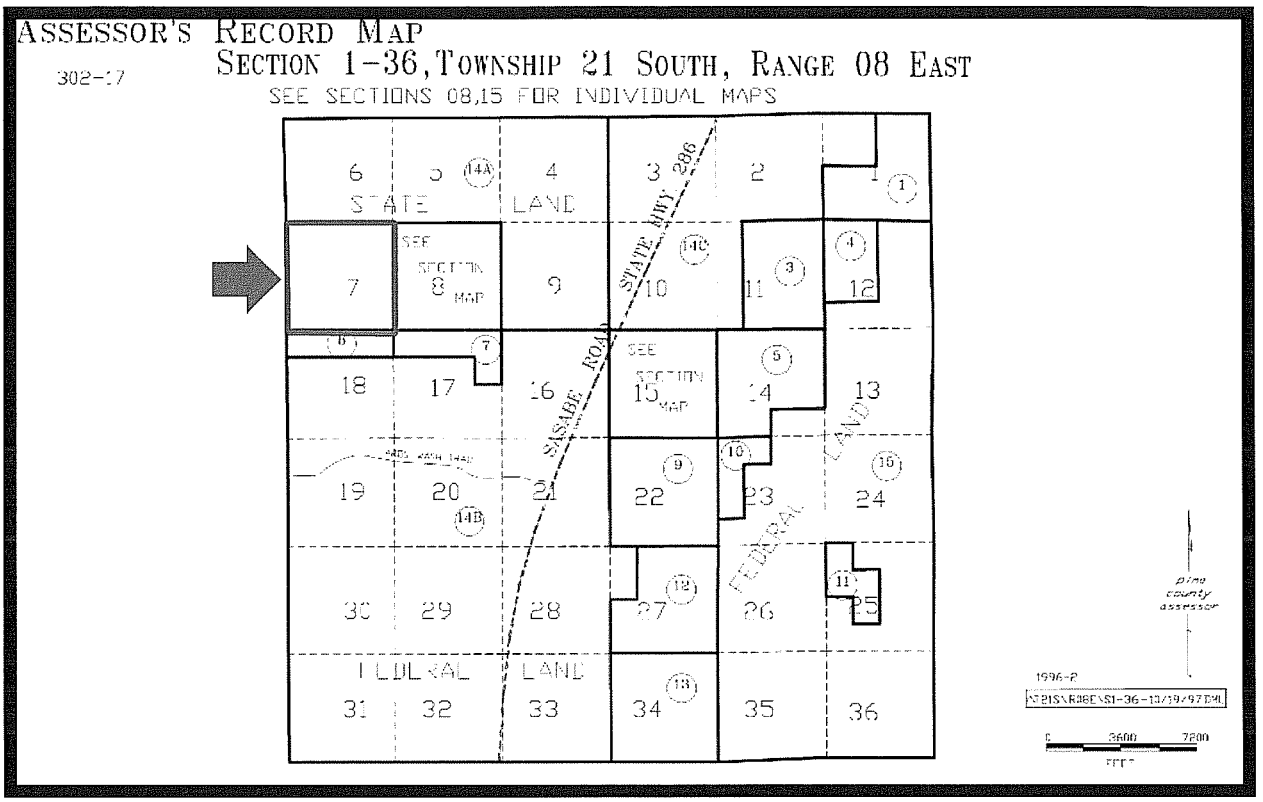
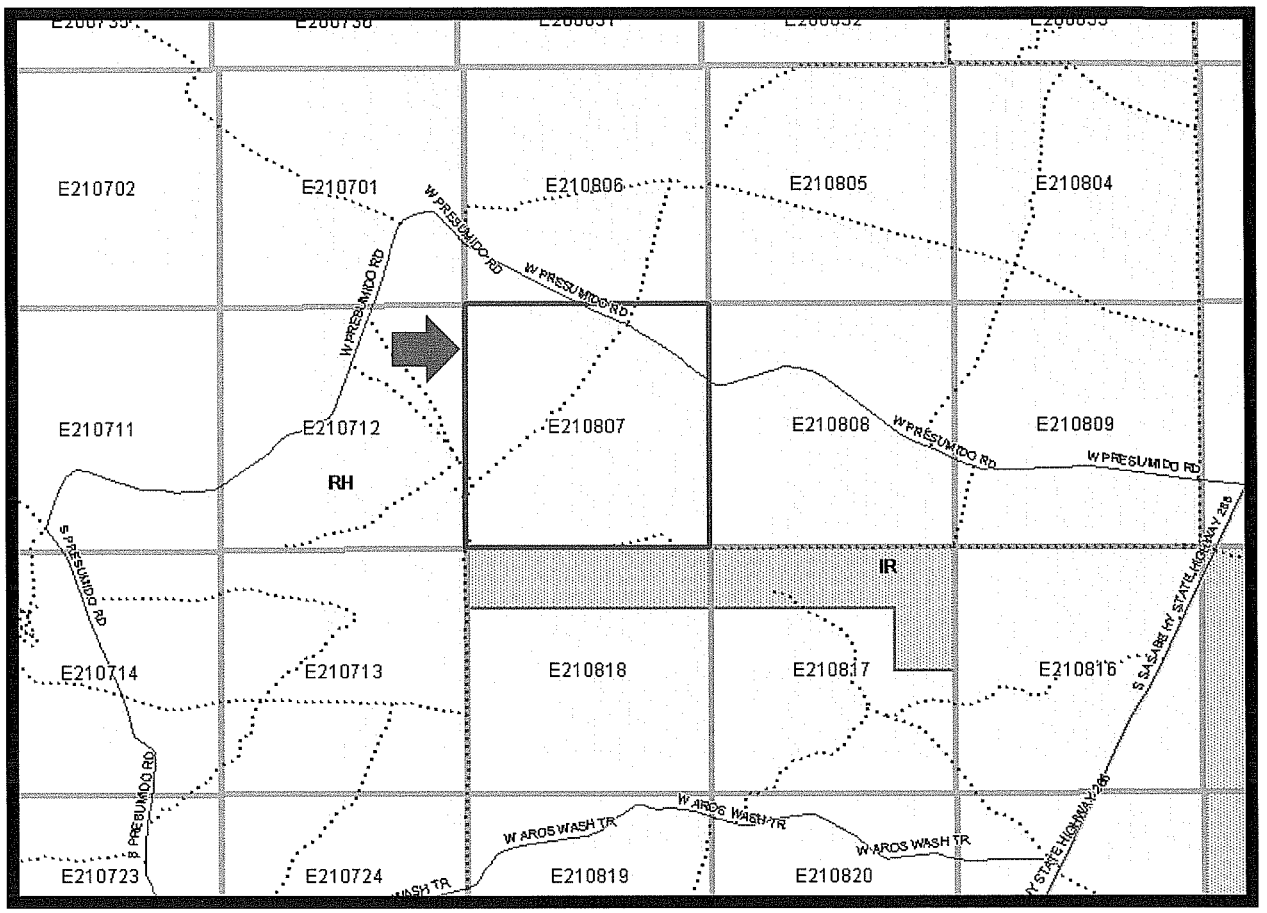


EXHIBIT B - AERIAL PHOTOGRAPH

EXHIBIT C - ZONING MAP



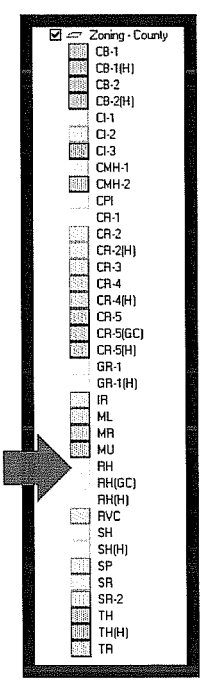
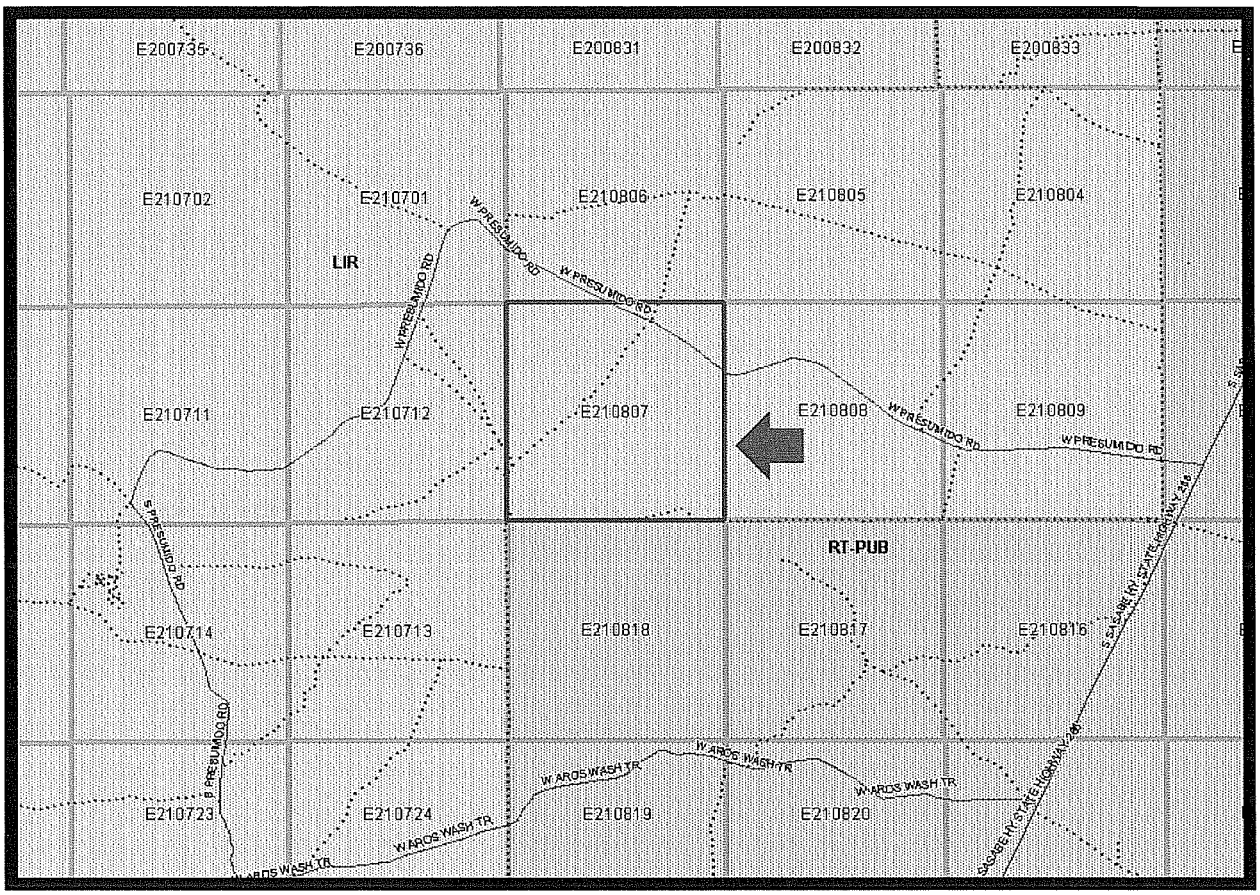


EXHIBIT D - COMPREHENSIVE PLAN LAND USE MAP



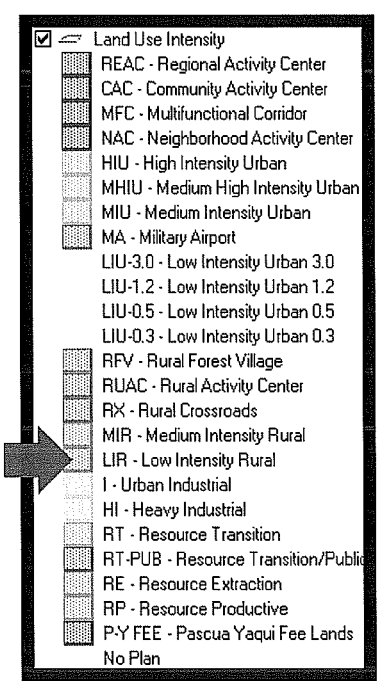


EXHIBIT E - FLOOD PLAIN MAP

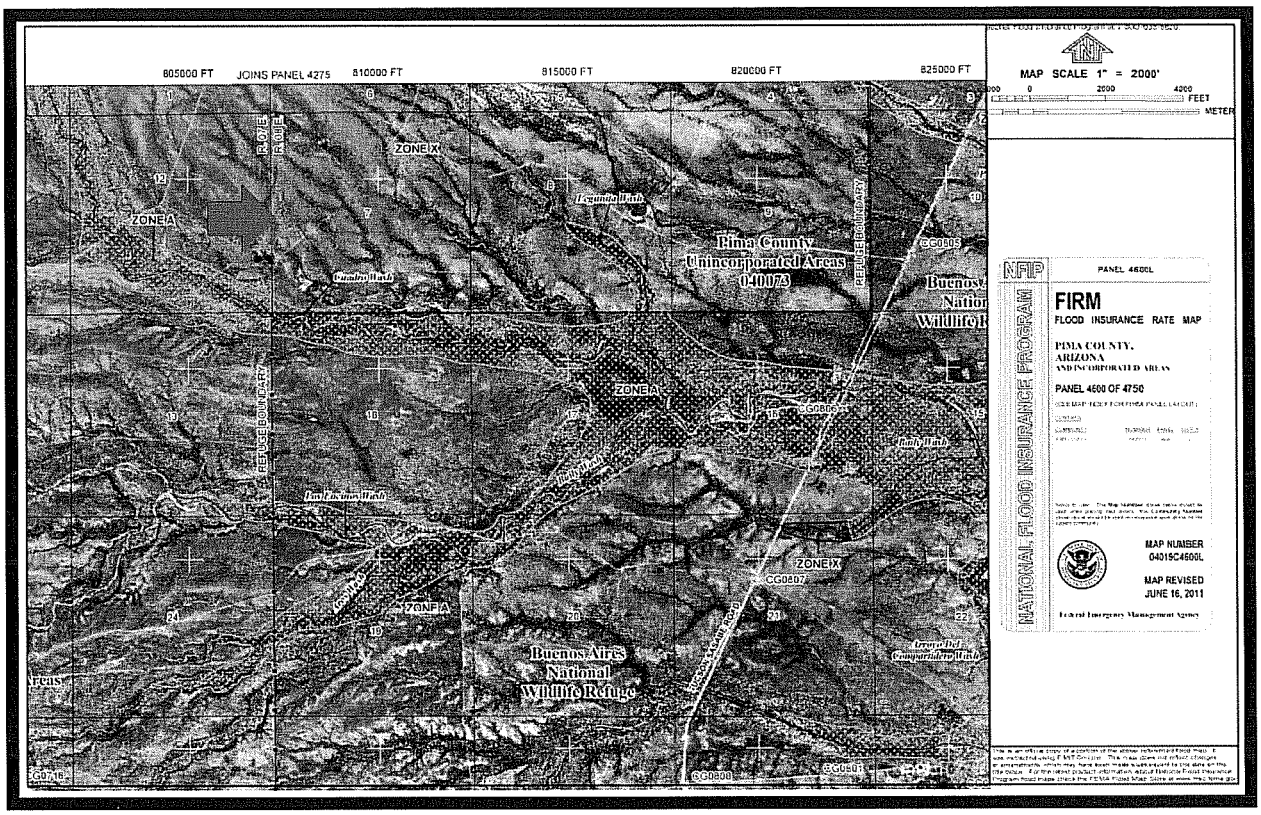


EXHIBIT F - RIPARIAN HABITAT MAP

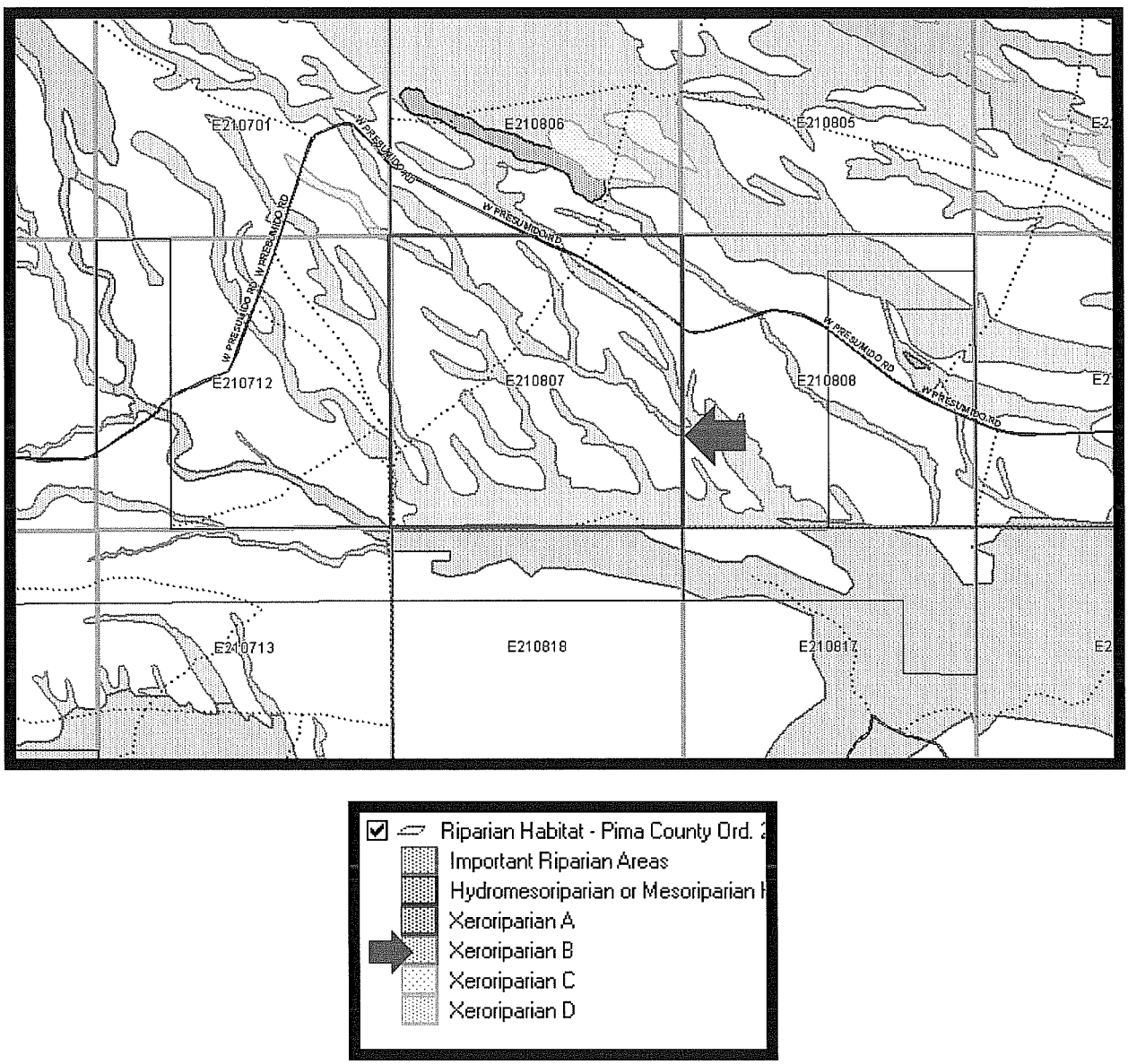


EXHIBIT G - RIGHT-OF-WAY USE PERMIT APPLICATION, PIMA COUNTY ROAD CROSSING AERIAL OVERVIEW AND DRAWING (3 Pages)

FORM **A**
2/1/2013

Right-of-Way Use Permit Application

Pima County Department of Transportation

PIMA COUNTY DOT

◀ ◀ ◀ Click here for Instructions on Completing the Permit Application ▶ ▶ ▶

1 Applicant: Sierrita Gas Pipeline LLC Contractor: Price Gregory International Inc

2 Address: 5151 E Broadway Blvd, Ste 1680 Address: 920 Memorial City Way

3 City: Tucson ST: AZ Zip 85711 City: Houston ST: TX Zip: 77024

4 Contact Name: Bill Biggs Contact Name: Tommy Jones

5 Email: William_Biggs@kindermorgan.com Email: TJones@pricegregory.com

6 Phone: 520-663-4260 Phone: 713-780-7500

7 ROC #: 82927

8 Owner: Sierrita Gas Pipeline LLC Phone: 520-663-4260 Email: William_Biggs@kindermorgan.com

9 Work Location: Presumido Road

10 Nearest Cross Street: SR 286 (Sasabe Rd) 2.9mi to East Township 21 Range 08E Section 07

11 Work Start Date: July 1 - Sept 30, 2014 Work Duration (working days M – F): 1 days

12 Utility Work: Aerial/Underground: _____ lf Trench Pavement: _____ lf Trench Dirt: 30 lf

13 Construction Cost $: $60,000 (Provide itemized cost breakdown)

14 Is work within a county project or disturbs one or more acres of land? (If yes, provide ADEQ Notice of Intent AZCON Permit No.: _____) ☐ YES ☑ NO

15 Is length of work more than 500 lf? (If yes, provide Arizona State Museum Record Search) ☐ YES ☑ NO

16 Is there vegetation disturbance? (If yes, provide photographs showing disturbance area) ☑ YES ☐ NO

17 Is land stripping or earthmoving over 1 acre; trenching over 300 feet; road construction over 50 feet; or blasting required? (If yes, provide copy of PDEQ Fugitive Dust Permit) ☐ YES ☑ NO

18 Is work within a regulatory floodplain, drainageway, erosion hazard area, or mapped riparian habitat? (If yes, provide written authorization from the Regional Flood Control District) ☑ YES ☐ NO

19 Is a public sewer located within the work area? Only applicable to municipalities, water companies and utility companies. (If yes, provide RWRD Utility Coordination Letter of Clearance) ☐ YES ☑ NO

20 Description of Work:

Open cut trench across dirt road, install 36" O.D. natural gas pipe, backfill and compact trench.

NOTE NO. 18: SGP Application with Regional Flood Control District in review process.

21 **Payment By:** Applicant ☑ Contractor ☐ Owner ☐ **Method:** Check ☑ Bank Card ☐ APA ☐

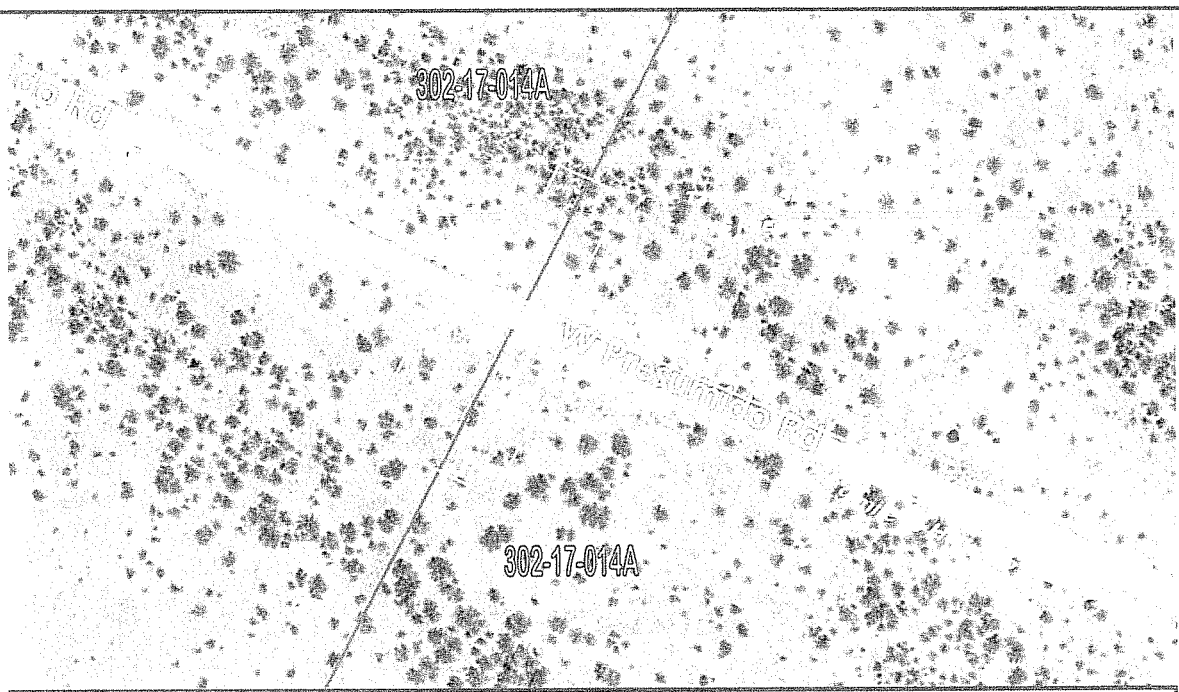
22 **Applicant Signature:** _____ **Date:** _____

*****All requested information must be provided. If not applicable enter "NA". *****

23 **Office Use Only:** **Permit No:**

Pima County DOT, 201 N. Stone Ave, Tucson, AZ 85710 • Fax 740-6862 • Phone 740-6410 or 740-6508

Form B - ROW Application



REFERENCE: EMS Engineering Plan and Profile Drawing No: 56173013 and Sierrita Gas Pipeline Alignment Sheet 2177.O-21

PROPOSED SIERRITA GAS PIPELINE 2177 : PIMA COUNTY ROAD CROSSING AERIAL OVERVIEW

LEGEND:

- L2177 PROPOSED LINE
- L2177 MILE POST
- WORK AREA LIMITS (Adjacent)
- WORK AREA IN ROADWAY
- PARCEL LINES
- SECTION LINE

MP 49.4: Presumido Road

30' County Right of Way

Open Cut Trench and Construction Equipment Crossing

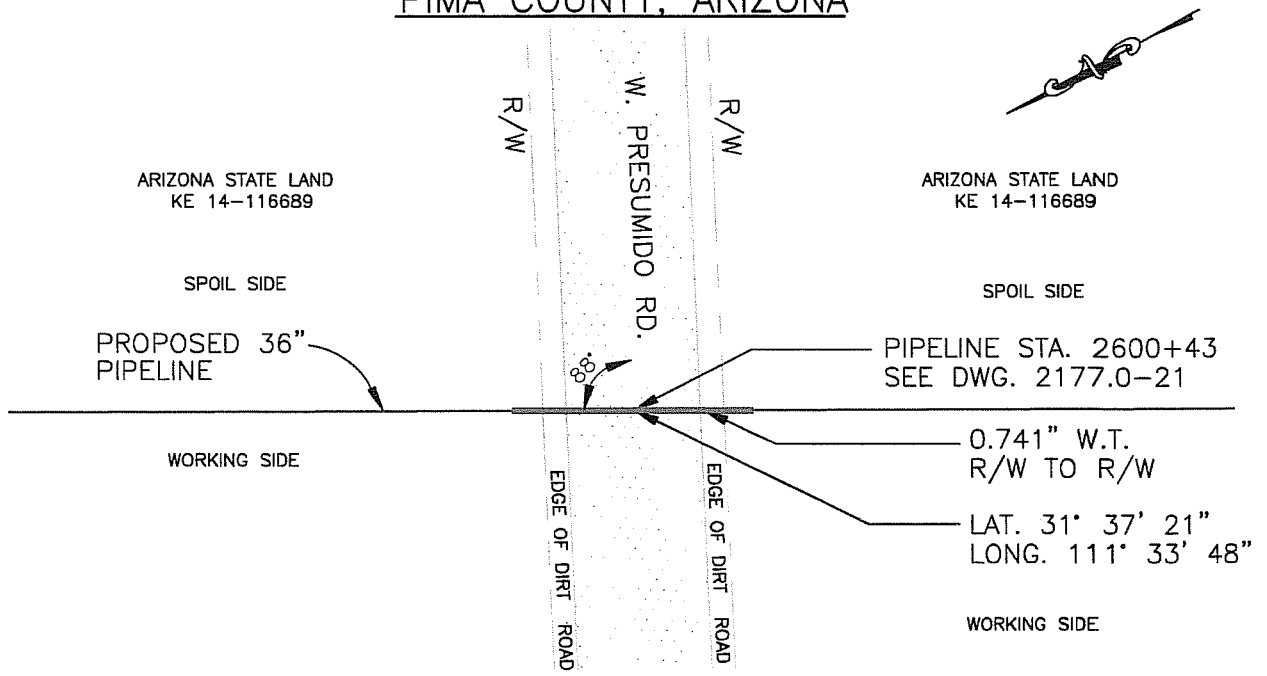
T21S, R8E, Section 7

Pima County Arizona

NORTH (NTS)

Sierrita Gas Pipeline LLC

PIMA COUNTY, ARIZONA



PIPELINE CROSSING LENGTHS
R/W – R/W = 30'
DIRT ROAD SURFACE = 22'

PLAN VIEW

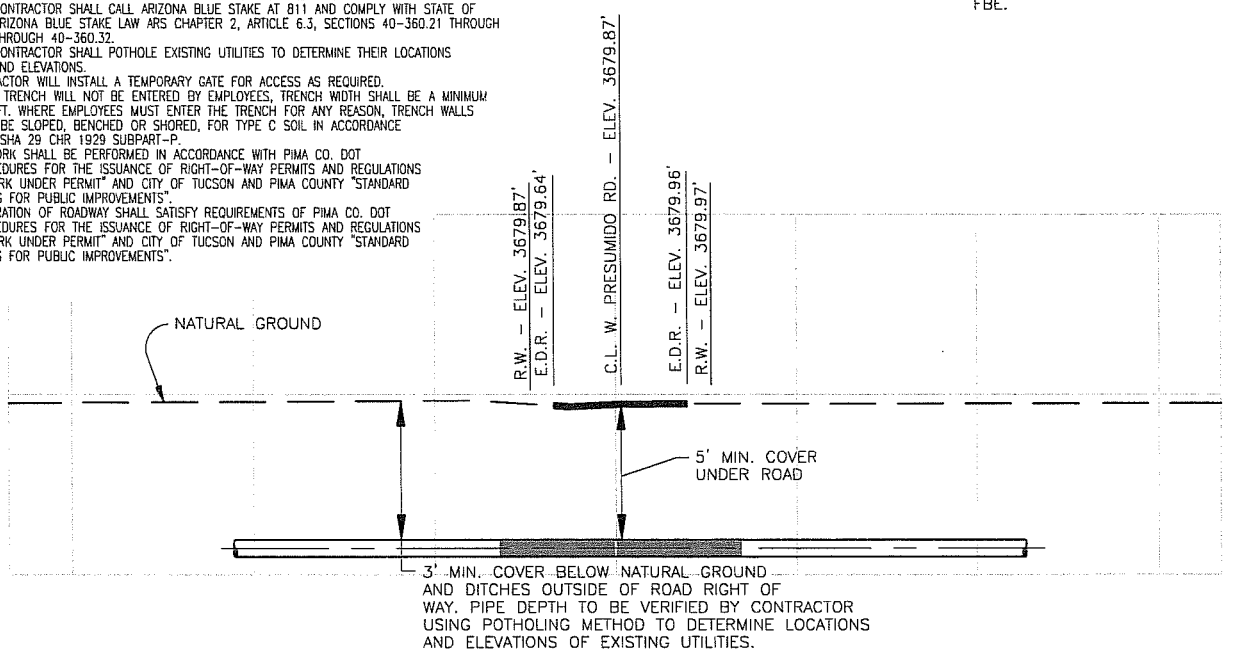
SCALE: 1" = 30'

NOTES:

1. CROSSING METHOD TO BE OPEN CUT.
2. LOCATIONS REFLECTED ON THE DRAWINGS SHALL BE VERIFIED IN THE FIELD BY THE CONTRACTOR PRIOR TO CONSTRUCTION BY THE FOLLOWING METHODS:
   a) CONTRACTOR SHALL CALL ARIZONA BLUE STAKE AT 811 AND COMPLY WITH STATE OF ARIZONA BLUE STAKE LAW ARS CHAPTER 2, ARTICLE 6.3, SECTIONS 40-360.21 THROUGH THROUGH 40-360.32.
   b) CONTRACTOR SHALL POTHOLE EXISTING UTILITIES TO DETERMINE THEIR LOCATIONS AND ELEVATIONS.
3. CONTRACTOR WILL INSTALL A TEMPORARY GATE FOR ACCESS AS REQUIRED.
4. WHERE TRENCH WILL NOT BE ENTERED BY EMPLOYEES, TRENCH WIDTH SHALL BE A MINIMUM OF 4 FT. WHERE EMPLOYEES MUST ENTER THE TRENCH FOR ANY REASON, TRENCH WALLS SHALL BE SLOPED, BENCHED OR SHORED, FOR TYPE C SOIL IN ACCORDANCE WITH OSHA 29 CHR 1929 SUBPART-P.
5. ALL WORK SHALL BE PERFORMED IN ACCORDANCE WITH PIMA CO. DOT "PROCEDURES FOR THE ISSUANCE OF RIGHT-OF-WAY PERMITS AND REGULATIONS OF WORK UNDER PERMIT" AND CITY OF TUCSON AND PIMA COUNTY "STANDARD DETAILS FOR PUBLIC IMPROVEMENTS".
6. RESTORATION OF ROADWAY SHALL SATISFY REQUIREMENTS OF PIMA CO. DOT "PROCEDURES FOR THE ISSUANCE OF RIGHT-OF-WAY PERMITS AND REGULATIONS OF WORK UNDER PERMIT" AND CITY OF TUCSON AND PIMA COUNTY "STANDARD DETAILS FOR PUBLIC IMPROVEMENTS".

PIPE DESCRIPTION:

36.000" O.D. x 0.741" W.T., API 5L-X70 DSAW W/ 14-16 MILS FBE.



PROFILE

NOT TO SCALE

REVISIONS		
NO.	DESCRIPTION	DATE
A	ISSUED FOR REVIEW	11/14/13
B	ISSUED FOR PERMIT	12/20/13
C	ISSUED FOR PERMIT	01/15/14
D	ISSUED FOR PERMIT	01/23/14
E	ISSUED FOR PERMIT	01/30/14

SCALE	AS NOTED		
DRAWN	EMS	DATE	10/08/13
CHK'D	EMS	DATE	01/23/14
APPROVED	EMS	DATE	01/30/14
EMS JOB NO.	5617		
AFE/P.O. NO.			
CLIENT FILE NO.			
EMS FILE NO.	56173013		

SIERRITA GAS PIPELINE LLC

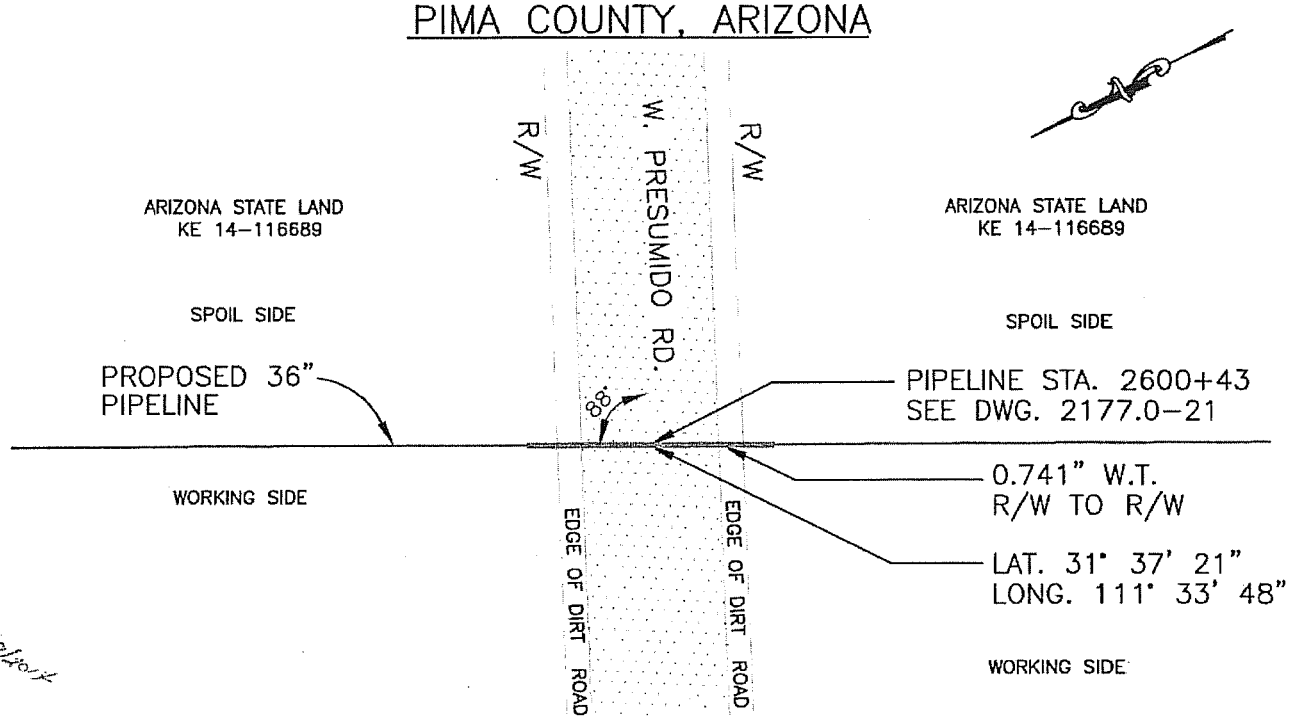
TITLE ROAD CROSSING DETAIL

W. PRESUMIDO RD. PIPELINE CROSSING

PIMA COUNTY ARIZONA

NO. 56173013 REV. E

PIMA COUNTY, ARIZONA



PIPELINE CROSSING LENGTHS
R/W – R/W = 30'
DIRT ROAD SURFACE = 22'

PLAN VIEW

SCALE: 1" = 30'

NOTES:

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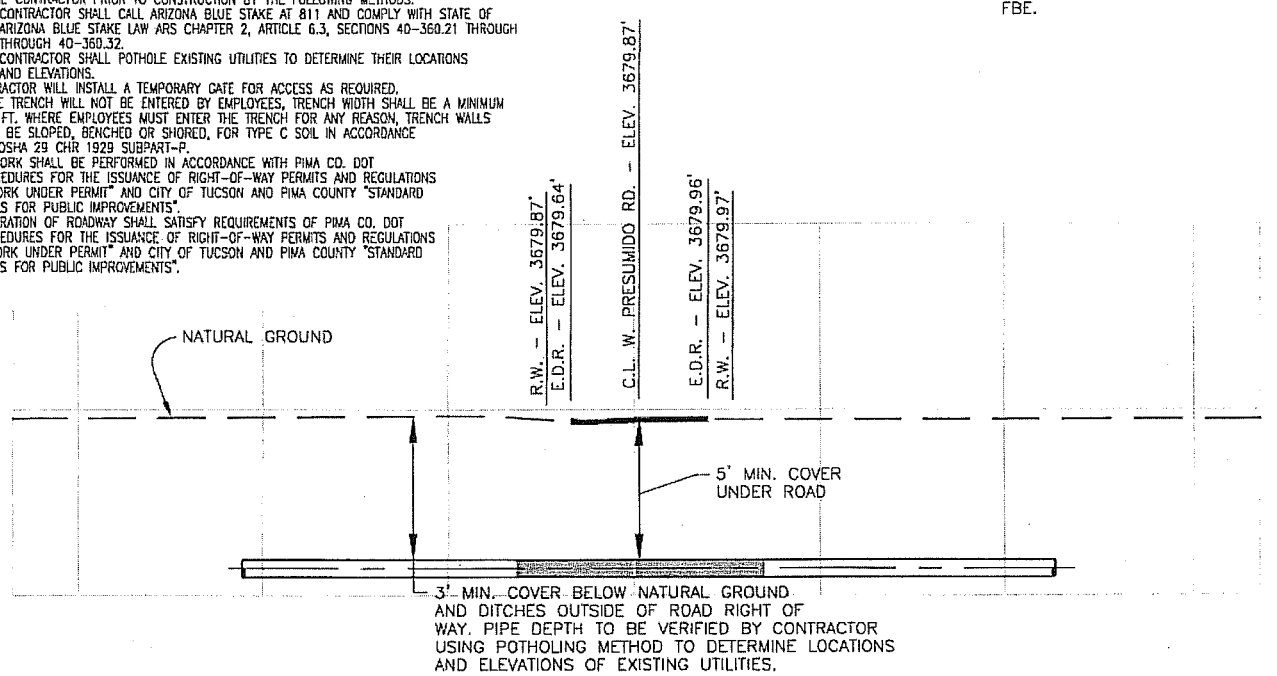
PIPE DESCRIPTION:

36.000" O.D. x 0.741" W.T., API 5L-X70 DSAW W/ 14-16 MILS FBE.



PROFILE

NOT TO SCALE

REVISIONS		
NO.	DESCRIPTION	DATE
A	ISSUED FOR REVIEW	11/14/13
B	ISSUED FOR PERMIT	12/20/13
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SCALE	AS NOTED		
DRAWN	EMS	DATE	10/08/13
CHK'D	EMS	DATE	01/23/14
APPROVED	EMS	DATE	01/30/14
EMS JOB NO.	5617		
AFE/P.O. NO.			
CLIENT FILE NO.			
EMS FILE NO.	56173013		

SIERRITA GAS PIPELINE LLC

TITLE ROAD CROSSING DETAIL

W. PRESUMIDO RD. PIPELINE CROSSING

PIMA COUNTY ARIZONA

NO. 56173013 REV. E

EXHIBIT H - SUBJECT PHOTOGRAPHS OF AREA TO BE ACQUIRED AND <u>LARGER PARCEL</u>

PHOTO 1 - VIEW NORTHWEST OF SUBJECT PROPERTY FROM PRESUMIDO ROAD

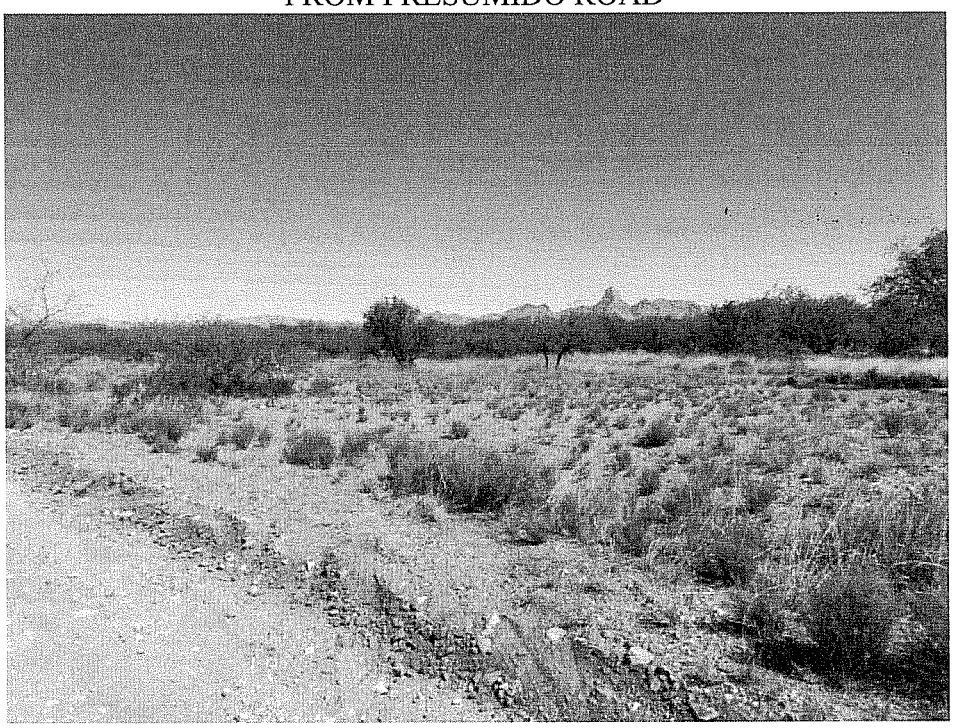


PHOTO 2 - VIEW SOUTH OF SUBJECT PROPERTY FROM PRESUMIDO ROAD

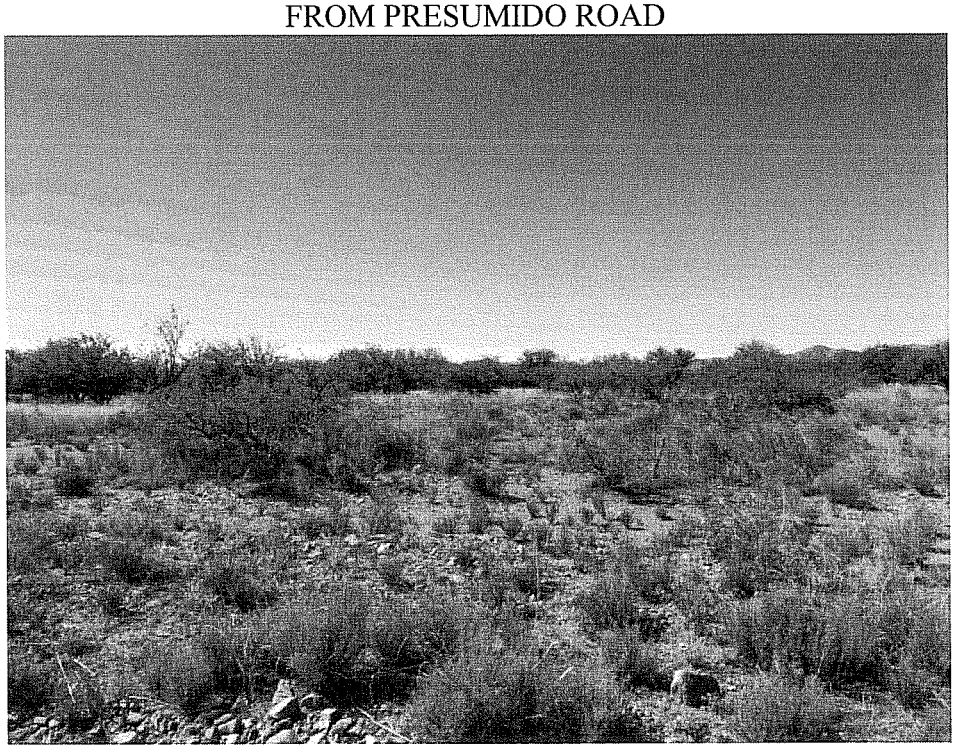


PHOTO 3 - VIEW EAST ALONG PRESUMIDO ROAD

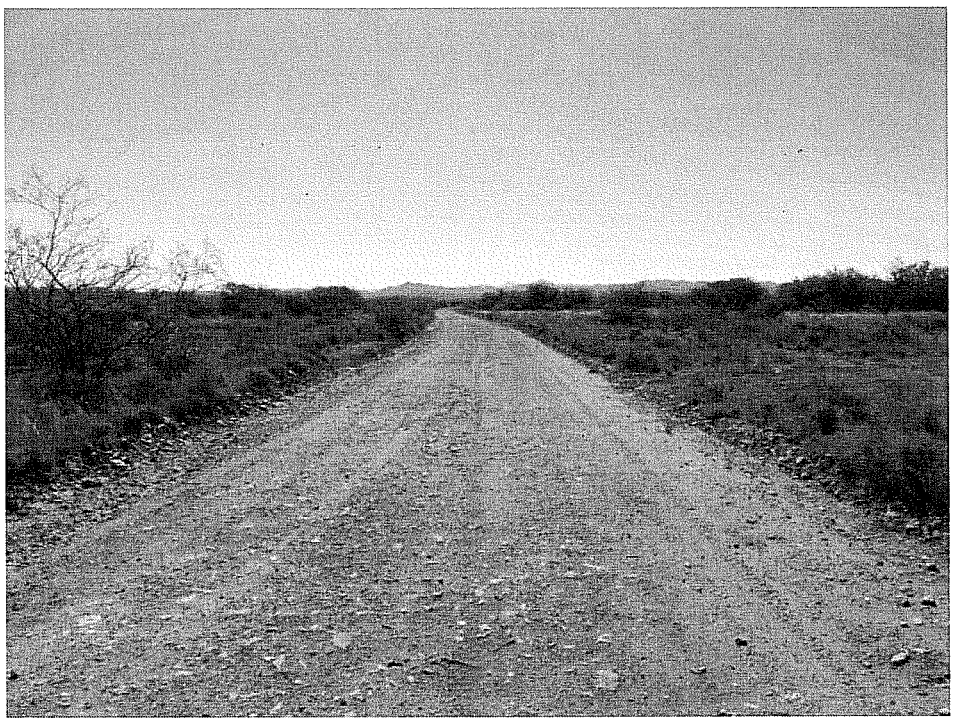


PHOTO 4 - VIEW WEST ALONG PRESUMIDO ROAD

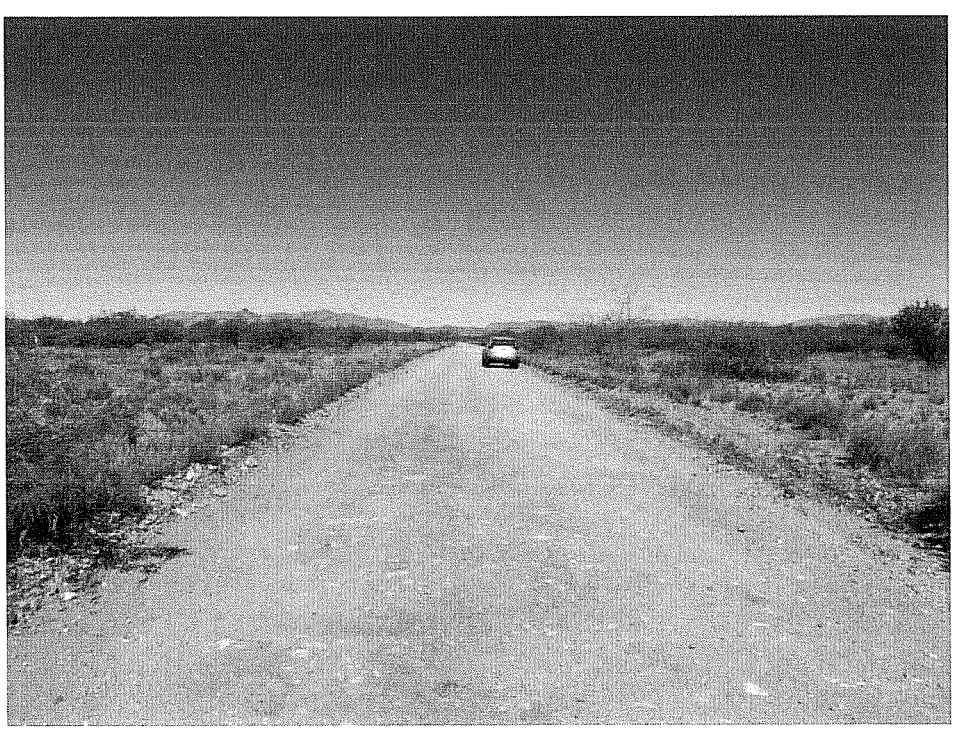


EXHIBIT I - SUBJECT PHOTOGRAPHS OF <u>AREA TO BE ACQUIRED</u> AND LARGER PARCEL

PHOTO 5 - VIEW SOUTH OF EASEMENT TO BE ACQUIRED

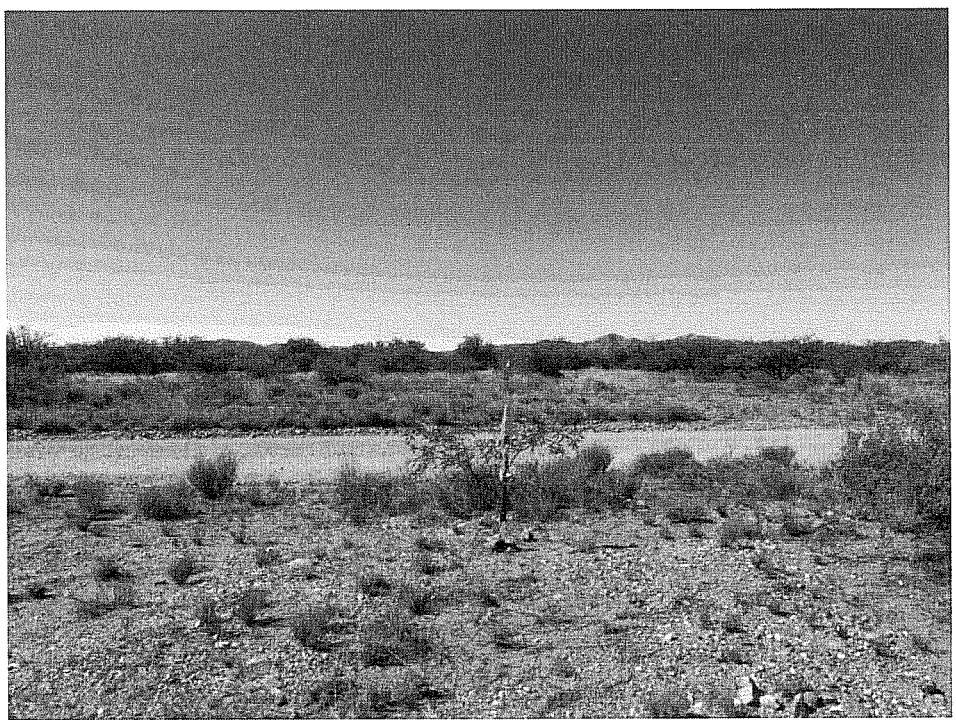


PHOTO 6 - VIEW NORTH OF EASEMENT TO BE ACQUIRED

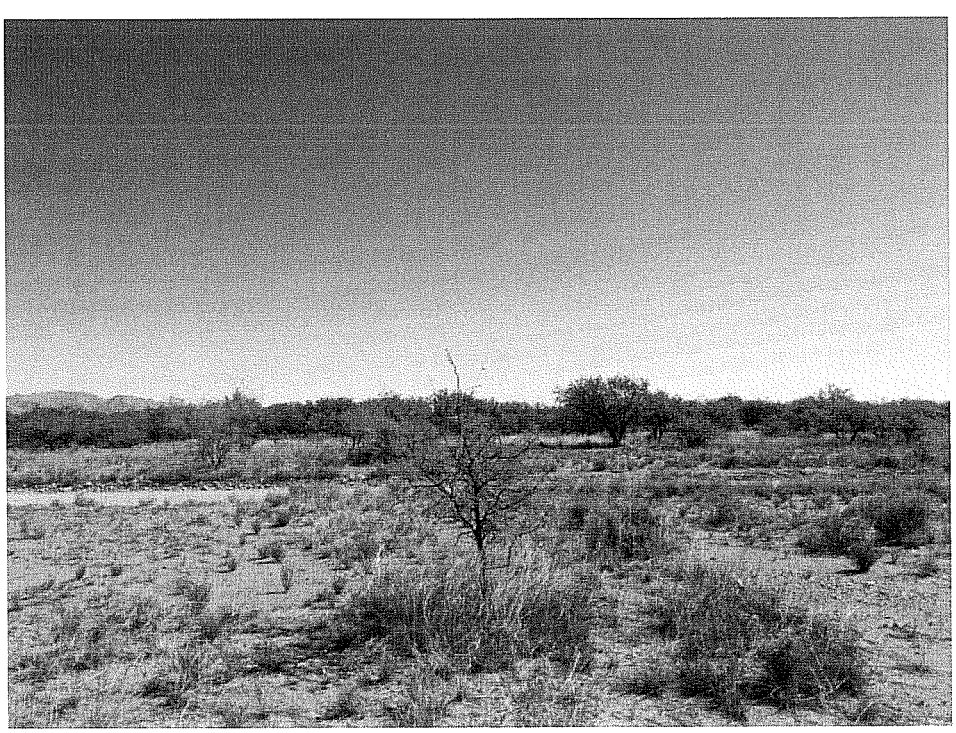
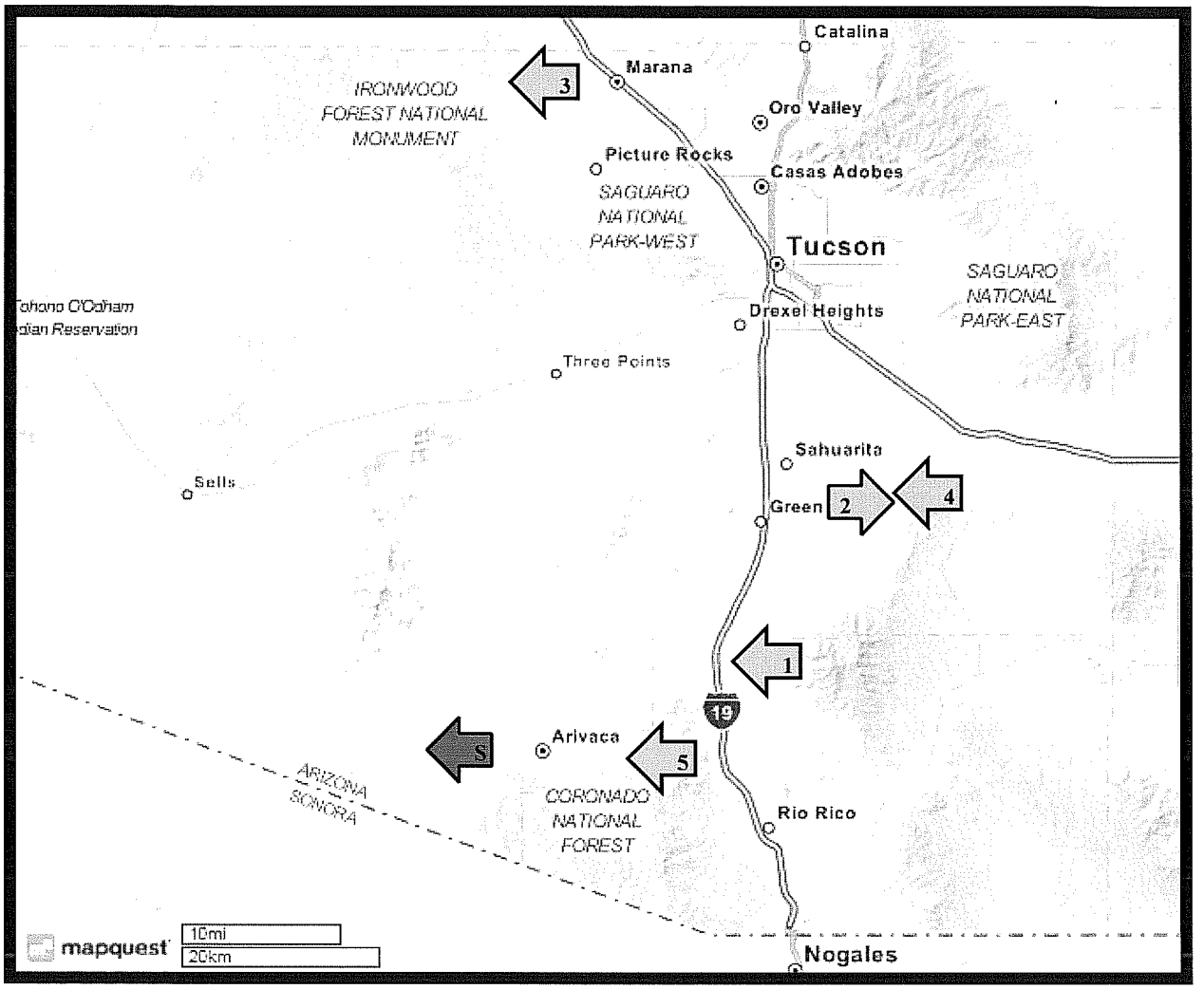


EXHIBIT J - COMPARABLE LAND SALES LOCATION MAP



Subject: **West of SR286 (Sasabe Highway), north of the U.S.-Mexico international border, Pima County**

Sale 1: East and west sides of the Santa Cruz River, east of Interstate 19, Santa Cruz County

Sale 2: Santa Rita Road, east of Interstate 19, Pima County

Sale 3: Near the south side of Ragged Top Road, west of Waterman Road, south of Silverbell Road, Pima County

Escrow 4: North of Santa Rita Road, east of Interstate 19, Pima County

Sale 5: Arivaca Ranch Road, Pima County

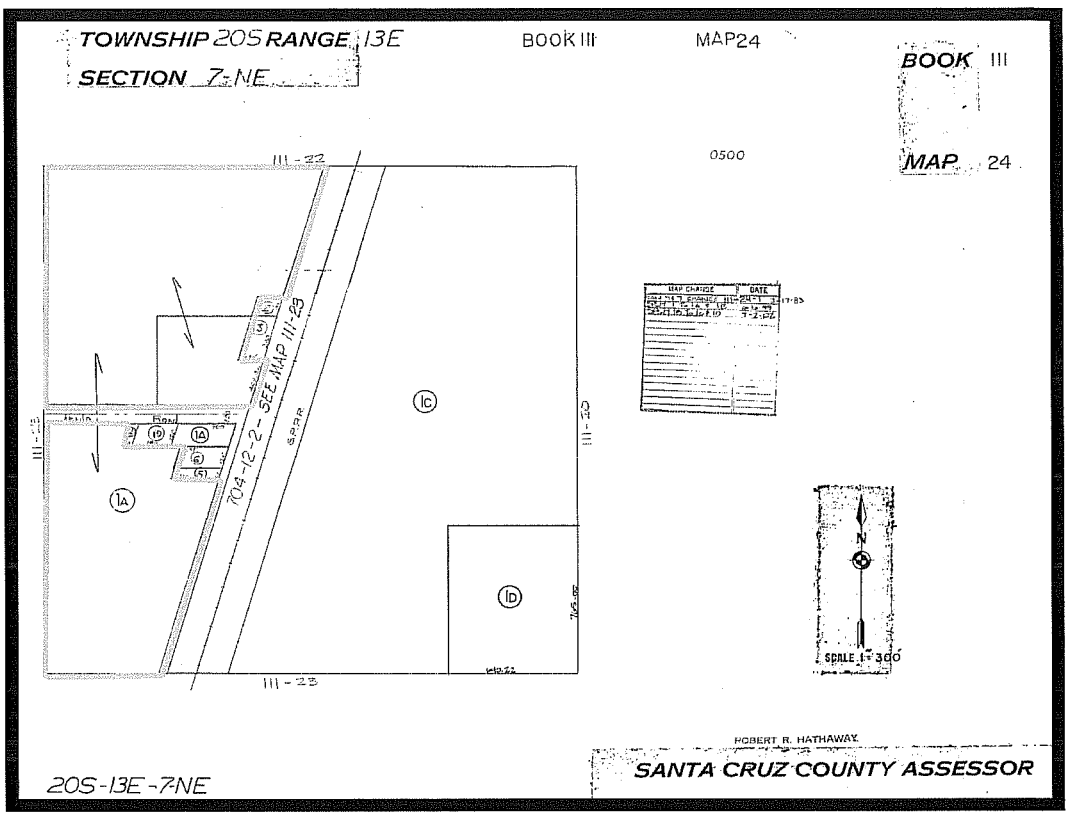
EXHIBIT K - COMPARABLE LAND SALES, MAPS, AND PHOTOGRAPHS

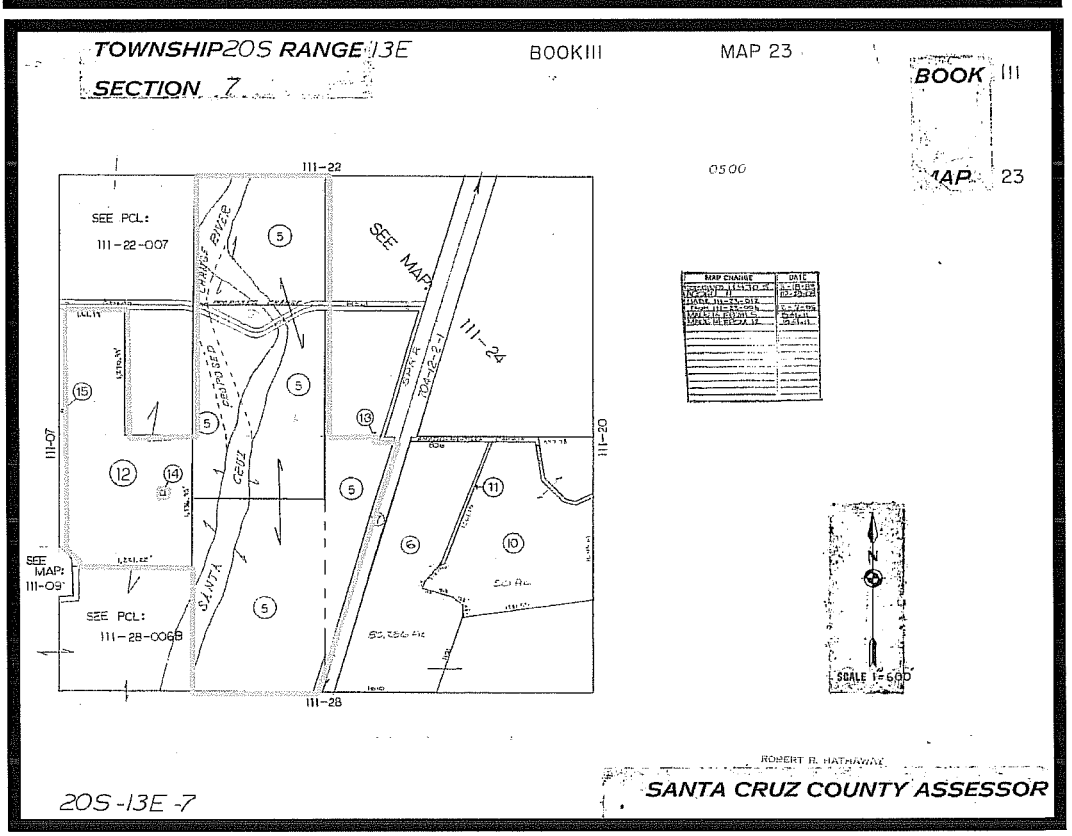
LAND COMPARABLE NUMBER 1 (SALE) ID: SCL 0101 GR 6604

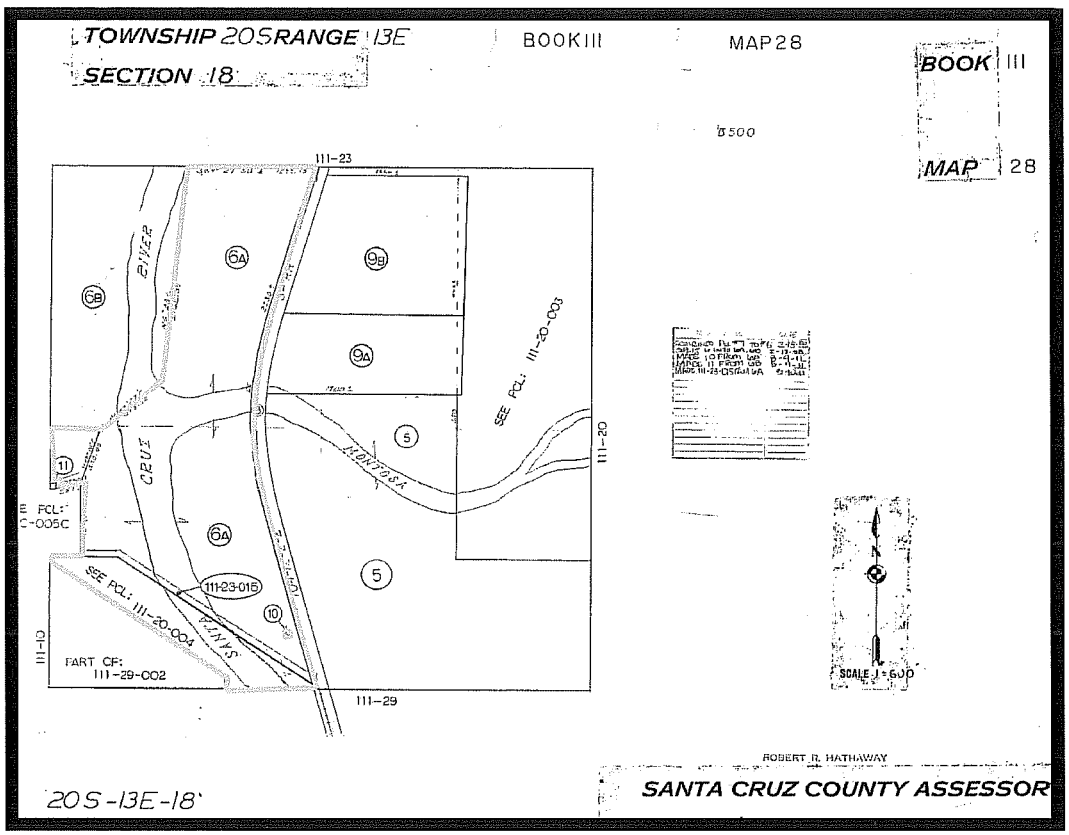
LOCATION:	East and west sides of the Santa Cruz River, east of Interstate 19, Santa Cruz County, Arizona
LEGAL DESCRIPTION:	A portion of Sections 7 and 18, Township 20 South, Range 13 East, and a portion of Sections 12 and 13, Township 20 South, Range 12 East, G&SRB&M, Santa Cruz County, Arizona
STATE TAX PARCEL:	111-20-004 (portion), 111-23-005 and 012 111-24-001A, 111-28-006A
RECORD DATA:	Document Number 2009-05888
DATE OF SALE:	June 25, 2009
SELLER:	James Clayton Olson Trust
BUYER:	Laurinda Oswald (Oswald Cattle Company)
CONFIRMED BY:	Laurinda Oswald, buyer (520-398-2883) Greg Vinikoor, broker (520-954-3977) JT; May, 2013
LAND DESCRIPTION:	This site is a long, irregular shaped property comprised of five parcels. The site is bisected north-south by the Santa Cruz River and east-west by river tributaries/washes and by Amado Road. Amado Road is a two-lane, dirt roadway in the vicinity of this property. The topography is mostly level. Utilities available to the property include water, electric and telephone. Sewer will be by septic and gas by bottled propane. According to FEMA Flood Insurance Rate Maps 04023C0035C and 0045C dated December 2, 2011, the majority of the land is identified as being located in a Special Flood Hazard Area, Zone AE, which is designated as areas subject to flooding by the 1% annual chance flood, with base flood elevations determined. Additionally, the portion of the site that falls within the Santa Cruz River area is identified as Zone AE (striped), which is designated as areas in which the floodway is the channel of a stream plus any

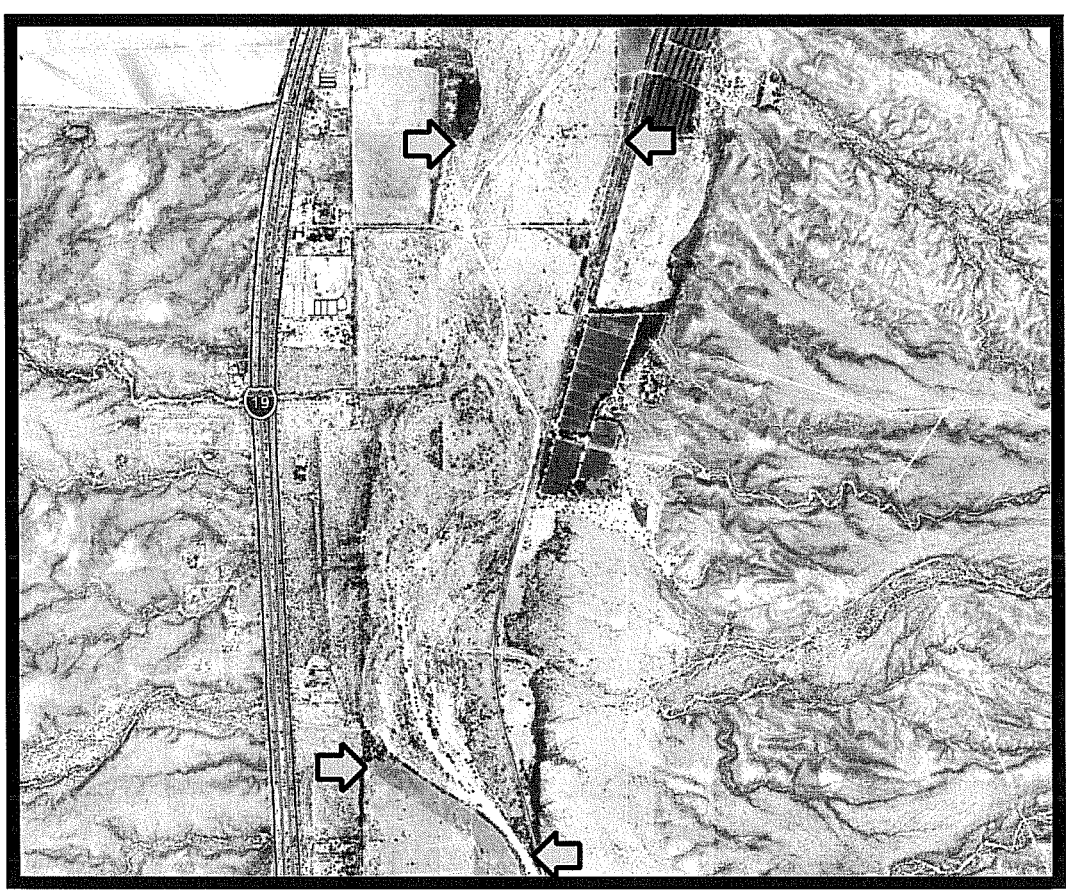
	adjacent floodplain areas that must be kept free of encroachment so that the 1% annual chance flood can be carried without substantial increases in flood heights. Small areas on the west side of the site fall in Special Flood Hazard Zone A and Flood Area Zone X (shaded). Flood Zone A is designated as areas subject to flooding by the 1% annual chance flood, with no base flood elevations determined. Flood Zone X (shaded) is areas of 0.2% annual chance flood; areas of 1% annual chance flood with average depths of less than 1 foot or with drainage areas less than 1 square mile; and areas protected by levees from 1% annual chance flood.
LAND SIZE:	548.39 acres
ZONING:	GR (Santa Cruz County)
REPORTED SALE PRICE:	$1,628,970
PRICE PER ACRE:	$2,970
MARKETING TIME:	Six months
TERMS OF SALE:	This was an all cash to the seller transaction.
PRIOR SALE:	Records of the Santa Cruz County Assessor indicate that no transaction has occurred within five years of the date of valuation.
CONDITIONS OF SALE:	The property was purchased by an adjacent property owner, who paid a premium to assemble the property for future expansion of the Oswald Cattle Company. The buyer indicated that she paid a premium for the property as part of both expansion of her cattle operation and to preserve and restore the land which was poorly maintained.
INTENDED USE:	Cattle ranch/investment
COMMENTS:	There was a conservation easement located on the property, which was not affected by the sale. The water rights had been transferred prior to the sale but the purchaser indicated that it did not affect the planned use as the buyer could supply water.

COMPARABLE LAND SALE ONE
PLAT MAPS AND AERIAL PHOTO (2 Pages)






TOWNSHIP 20S RANGE 13E
BOOK III
MAP 28
SECTION 18
BOOK III
MAP 28
111-23
6A
9B
6B
9A
SEE PCL: 111-20-003
5
111-20
11
6A
111-23-015
10
5
SEE PCL: 111-20-004
PART OF:
111-29-002
111-29
SCALE 1" = 600'
ROBERT R. HATHAWAY
20S-13E-18
SANTA CRUZ COUNTY ASSESSOR

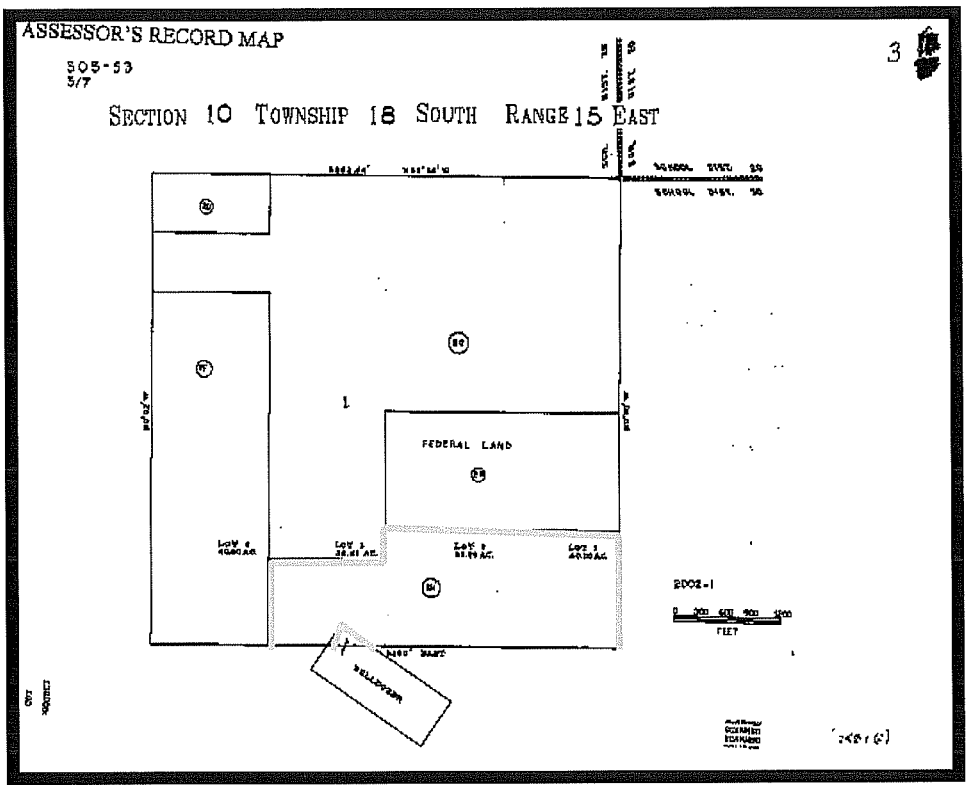


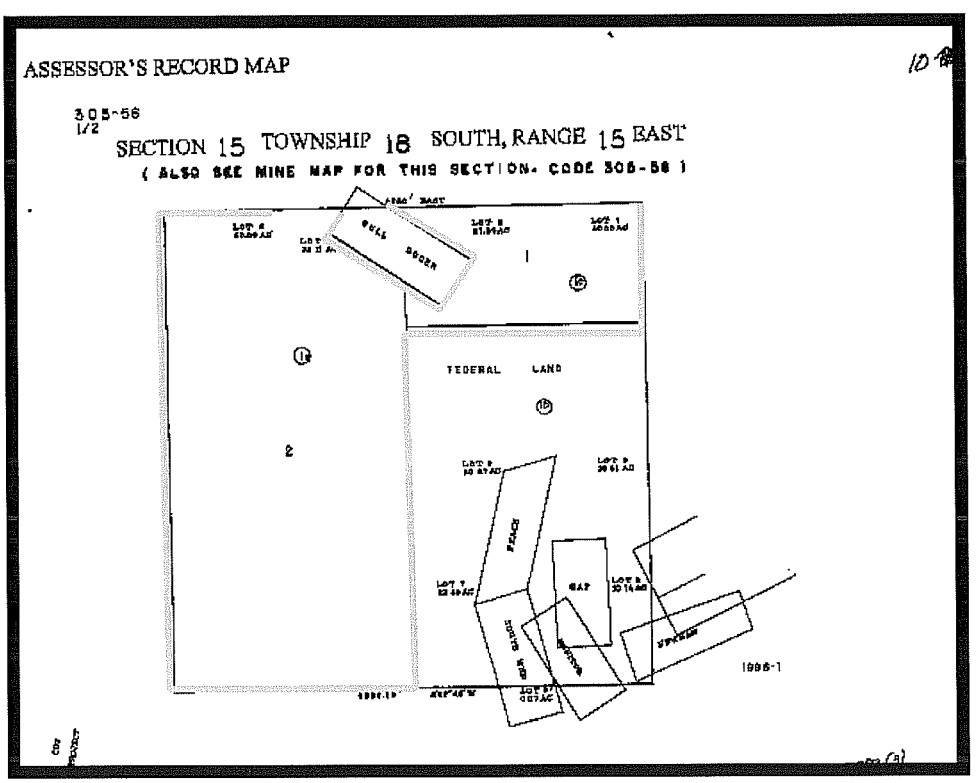
LAND COMPARABLE NUMBER 2 (SALE) ID: RH 0281 5992

LOCATION:	Along Santa Rita Road and private easement roadways, east of Interstate 19, Pima County, Arizona
LEGAL DESCRIPTION:	A portion of Sections 10, 15, 22, 23, and 27, Township 18 South, Range 15 East, G&SRB&M, Pima County, Arizona
STATE TAX PARCELS:	305-53-002H 305-53-004D and 004H 305-56-001B, 001C 305-58-0330, 0360, and 0370 305-57-004B, 013B, 013C, and 013E
RECORD DATA:	Book 13722, at Page 2221
DATE OF SALE:	January 11, 2010
SELLER:	Natalie Lebrecht and Avra Valley Rand & Properties, LLC
BUYER:	Rosemont Copper Company
CONFIRMED BY:	Walter Unger, seller's agent, (520-975-5207) TAB; October, 2009
LAND DESCRIPTION:	This site consists of 11 parcels with a total land area of just over 779 acres of which 489 acres are contiguous and the balance of the parcels are in the same area, but not contiguous. Portions of the property have frontage on Santa Rita Road. The site is accessed from I-19 via Santa Rita Road and Sahuarita Road. Access to the parcels are mostly on dirt private easement roadways off of Santa Rita Road. Santa Rita Road is a two-lane, dirt road. The topography is level to rolling terrain. There are electric lines that run across portions of the property. Public water and sewer are not available. Water would be by well and sewer by septic. According to FEMA Flood Insurance Rate Maps 04019C3450K and 04019C3950K, the site is not identified as being located in a Special Flood Hazard Area. There are washes on the property that would be regulated by local floodplain ordinances. Portions of the property are located in areas identified as Important

	Riparian and Xeroriparian C. The property has good mountain views and valley views to the west.
LAND SIZE:	779.33 acres
ZONING:	RH, Pima County
REPORTED SALE PRICE:	$1,566,320
PRICE PER ACRE:	$2,010
MARKETING TIME:	The property was on the market for a total of one year before it went into escrow in December, 2009.
TERMS OF SALE:	This sale includes favorable terms that affected the sale price, resulting in a higher purchase price. The agent indicated a 10 percent adjustment for favorable terms.
PRIOR SALE:	Records of the Pima County Assessor indicate that no transaction has occurred within three years of the date of valuation.
CONDITIONS OF SALE:	This sale is reported to have occurred under normal market conditions.
INTENDED USE:	Open buffer space for an open pit mine to be developed to the east.
COMMENTS:	This property sold near the asking price at very favorable terms that impacted the sales price.

COMPARABLE LAND SALE TWO
PLAT MAPS AND AERIAL PHOTO (3 Pages)



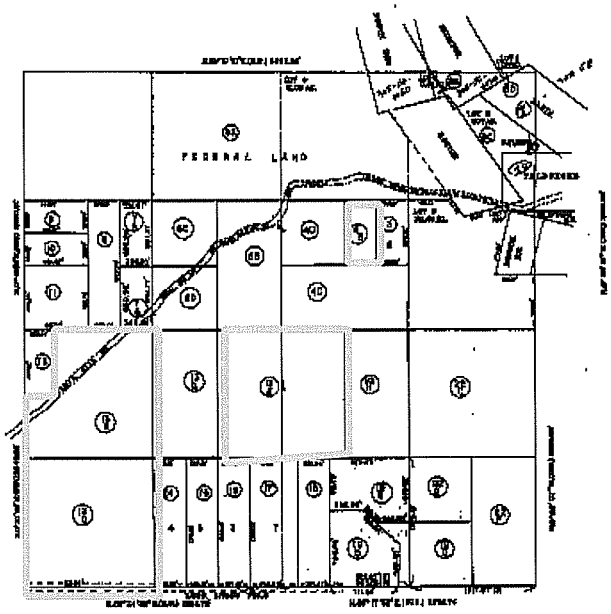


ASSESSOR'S RECORD MAP

12

305-67
1/1

SECTION 22, TOWNSHIP 18 SOUTH, RANGE 15 EAST



SEE BOOK 2, PAGE 71, R.R.
2008-2

181522

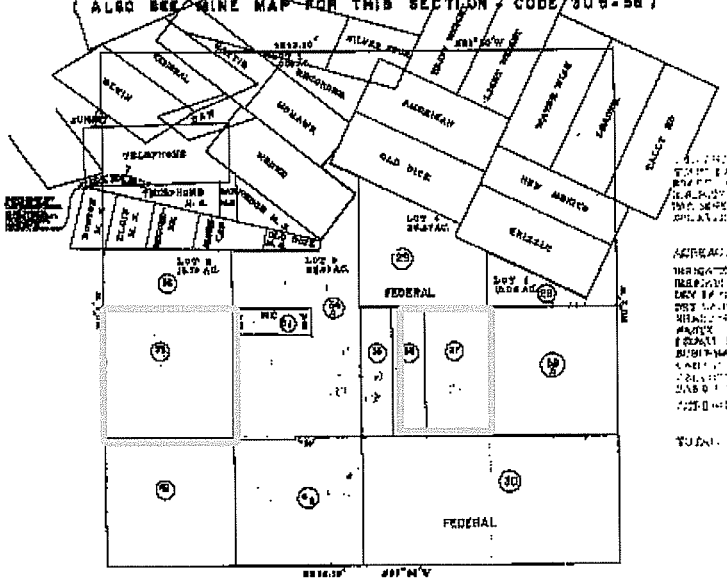
ASSESSOR'S RECORD MAP

13

305-56
1/2

SECTION 23 TOWNSHIP 18 SOUTH, RANGE 15 EAST

(ALSO SEE PLANE MAP FOR THIS SECTION - CODE 305-56)



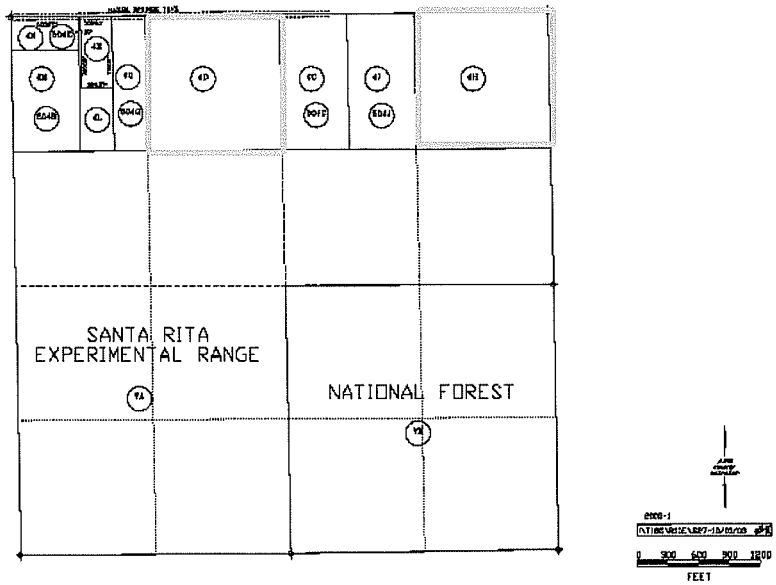
ACREAGE ASSESSED IN THIS BOOK

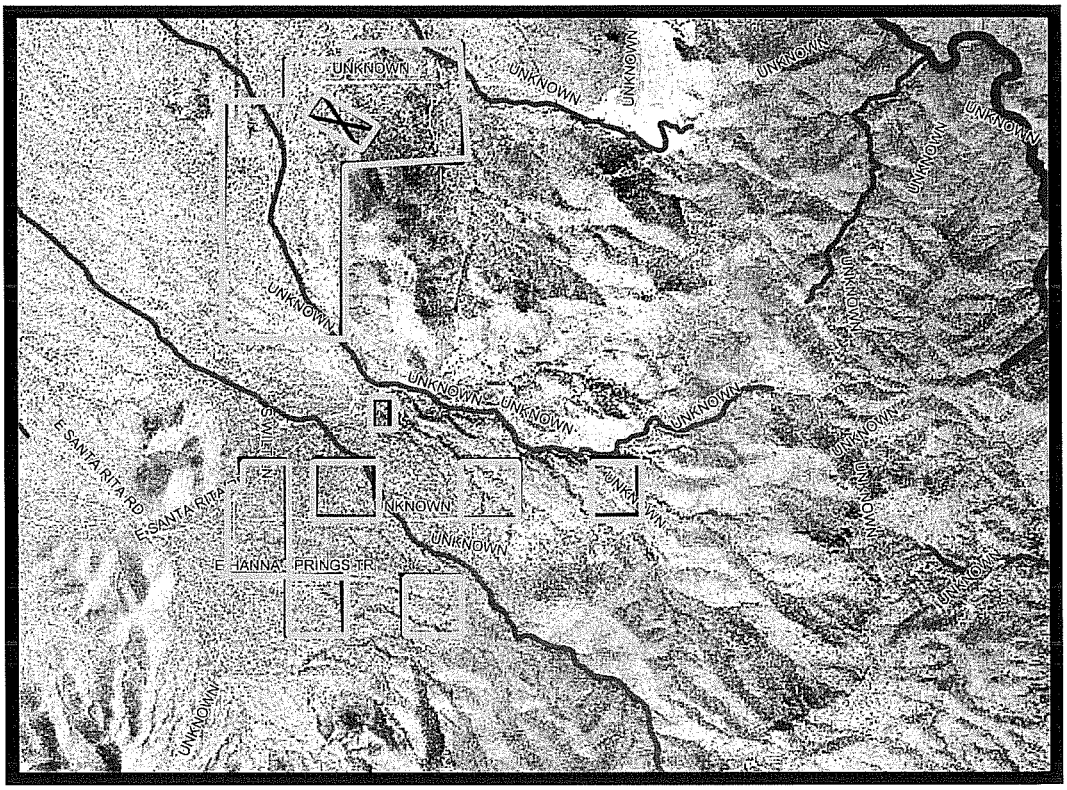
TOTAL ACREAGE

SEE BOOK 6 PAGE 71 R.R.

181523

ASSESSOR'S RECORD MAP
303-33 SECTION 27, TOWNSHIP 18 SOUTH, RANGE 15 EAST



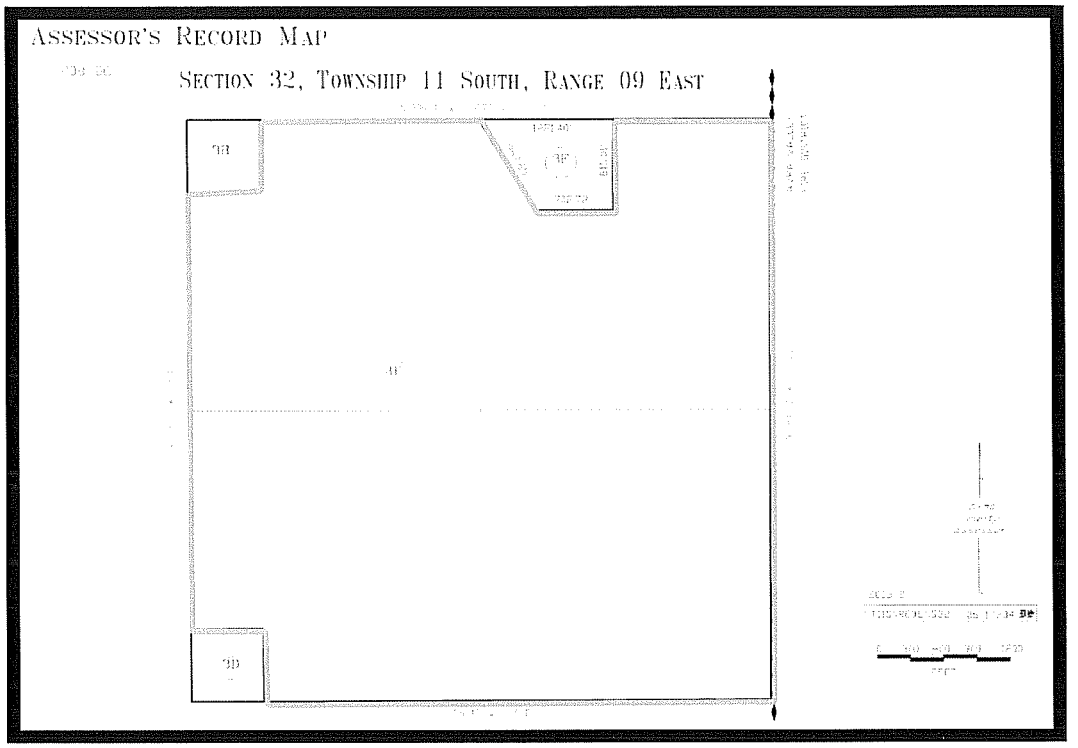


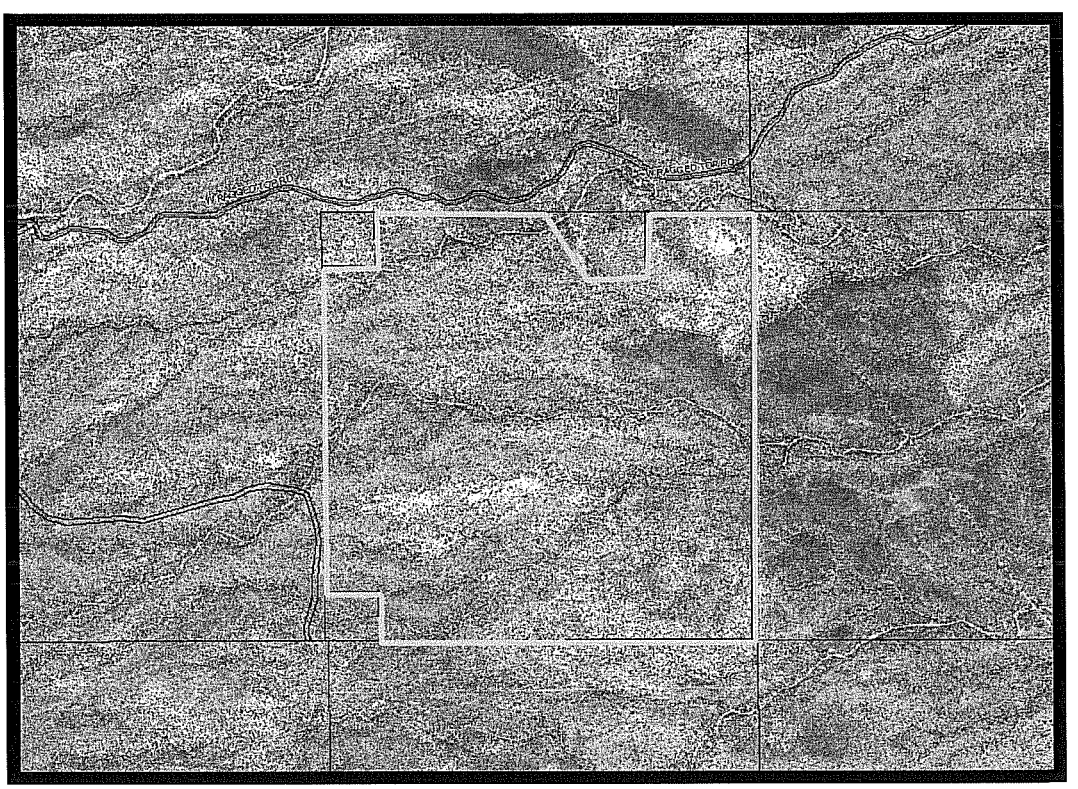
LAND COMPARABLE NUMBER 3 (SALE) ID: RH 0355 6473

LOCATION:	Near the south side of Ragged Top Road, west of Waterman Road and south of Silverbell Road, Pima County, Arizona
LEGAL DESCRIPTION:	Section 32, Township 11 South, Range 9 east of the G&SRB&M, Pima County, Arizona, except the northwest quarter of the northwest quarter; and except the southwest quarter of the southwest quarter; and that except a portion of the northwest quarter of the northeast quarter.
STATE TAX PARCEL:	208-06-003E
RECORD DATA:	Affidavit of Fee No.: 2010-2460342
DATE OF SALE:	December 23, 2010
SELLER:	Avra Valley Ranch & Properties
BUYER:	Torrance Potter Family Trust
CONFIRMED BY:	Walter Unger, listing broker (602) 445-4141 TAB; August, 2012
LAND DESCRIPTION:	This site is situated within the Ironwood National Monument with approximately 3,400 feet of frontage near Ragged Top Road. Access to the property is from Ragged Top Road across property owned by the Federal Bureau of Land Management, which will require an access easement across 30 feet that separates Ragged Top Road from the parcel. Ragged Top is a rough graded roadway that requires 4-wheel drive for access. The topography is rolling with some steeper sloping areas. No utilities are available to the property. Water would be by private well and septic is required. According to the Pima County Assessor, the land is identified as being located within FEMA Flood Insurance Rate Map 04019C1000L (unprinted) Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain. There are local washes which cross the property which are regulated by local floodplain ordinances.

LAND SIZE:	602 acres
ZONING:	RH
REPORTED SALE PRICE:	$900,000
PRICE PER ACRE:	$1,495
MARKETING TIME:	7 - 8 months
TERMS OF SALE:	This was an all cash transaction to the seller or terms equivalent to cash.
PRIOR SALE:	Records of the Pima County Assessor indicate that no transaction has occurred within three years of the date of valuation.
CONDITIONS OF SALE:	This sale is reported to have occurred under normal market conditions.
INTENDED USE:	Investment
COMMENTS:	The buyer will be required to obtain an access easement from the Arizona Bureau of Land Management in order to have legal access to the site from Ragged Top Road. The sale price was discounted $50,000 as an allowance for the lack of legal access. This site has good views of the valley and is surrounded by BLM land and is contained entirely within the Ironwood National Monument.

COMPARABLE LAND SALE THREE
PLAT MAP AND AERIAL PHOTO



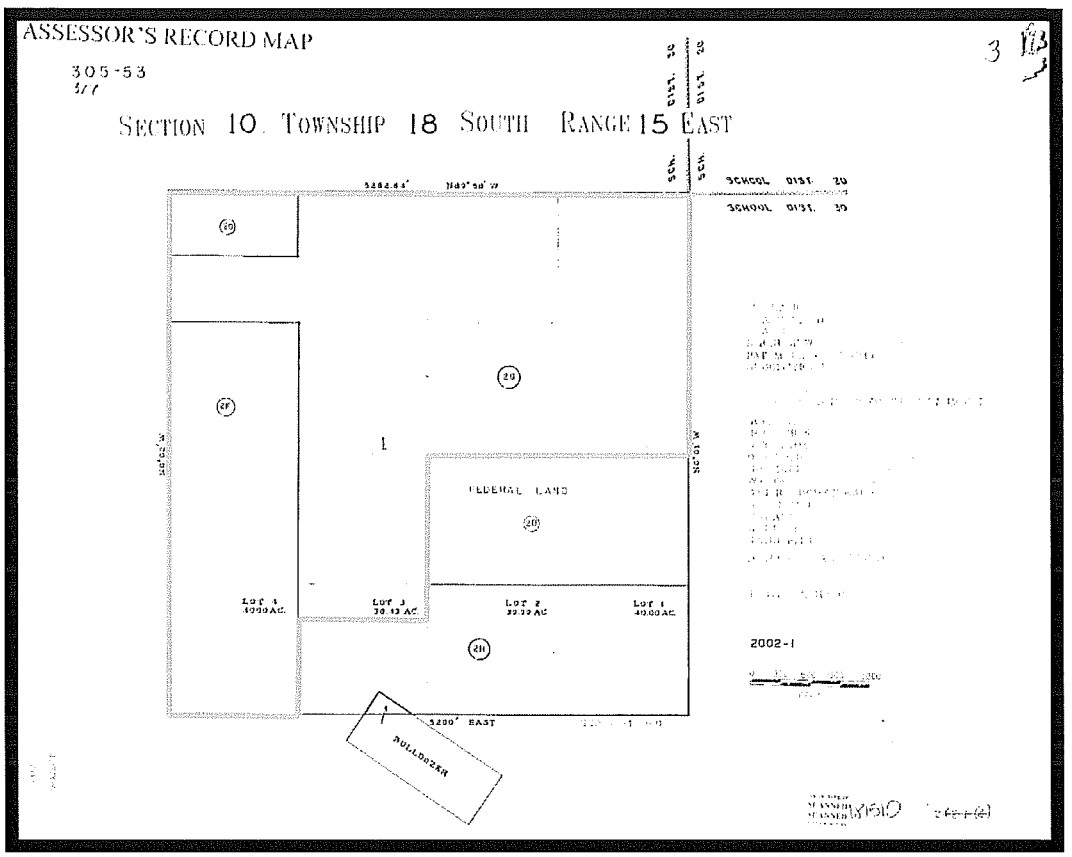


LAND COMPARABLE NUMBER 4 (ESCROW) ID: RH 0356 6473

LOCATION:	North of Santa Rita Road, along private easement roadway, east of Interstate 19, Pima County, Arizona
LEGAL DESCRIPTION:	Portions of the North half and a portion of the Southwest quarter of Section 10, Township 18 , Range 15 East, G&SRB&M, Pima County, Arizona
STATE TAX PARCEL:	305-53-002D, 002F, 002G
RECORD DATA:	In escrow (August, 2012)
DATE OF LIST:	Listed since January, 2010
SELLER:	Terra Bella Ranches, LLC
BUYER:	Rosemont Copper
CONFIRMED BY:	Walter Unger, Listing agent (602) 445-4141 TAB; August, 2012
LAND DESCRIPTION:	This site is a mostly rectangular shaped interior property, accessed by private dirt easement roadway. This easement is accessed from Santa Rita Road which travels west from the area of this property to Sahuarita Road and Interstate 19. The topography is sloping with some rolling higher hills in some areas. Electricity is available to the property. Water will be by a well and sewer will be by septic. According to FEMA Flood Insurance Rate Map 04019C3500L (unprinted), the land is identified as being located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain. There are local washes which cross the property and would be regulated by local floodplain ordinances.
LAND SIZE:	450 acres
ZONING:	RH (Pima County)
REPORTED SALE PRICE:	$1,440,000
PRICE PER ACRE:	$3,200

MARKETING TIME:	2.5 years
TERMS OF SALE:	Reported to be all cash or terms equivalent to cash.
PRIOR SALE:	Records of the Pima County Assessor indicate that no transaction has occurred within three years of the date of valuation.
CONDITIONS OF SALE:	This is currently in escrow. The property was listed at $5,000 per acre.
INTENDED USE:	Purchased to use as a buffer open space for an open pit mining operation to be opened east of this property.
COMMENTS:	The property was listed at $5,000 per acre. This same mining company purchased other buffer land in this area, two parcels containing approximately 750 acres each at approximately $2,000 per acre. All of these parcels are contiguous. There are good mountain and valley views from this property.

COMPARABLE LAND SALE FOUR (ESCROW)
PLAT MAP AND AERIAL PHOTO

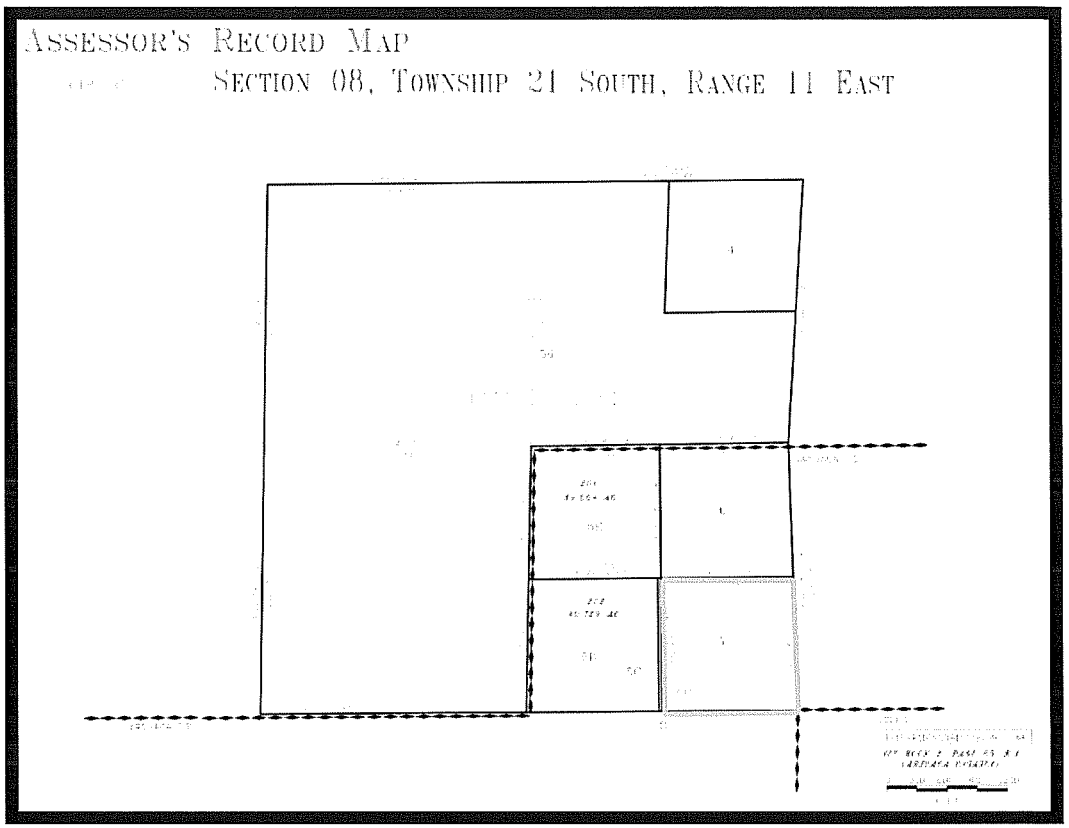


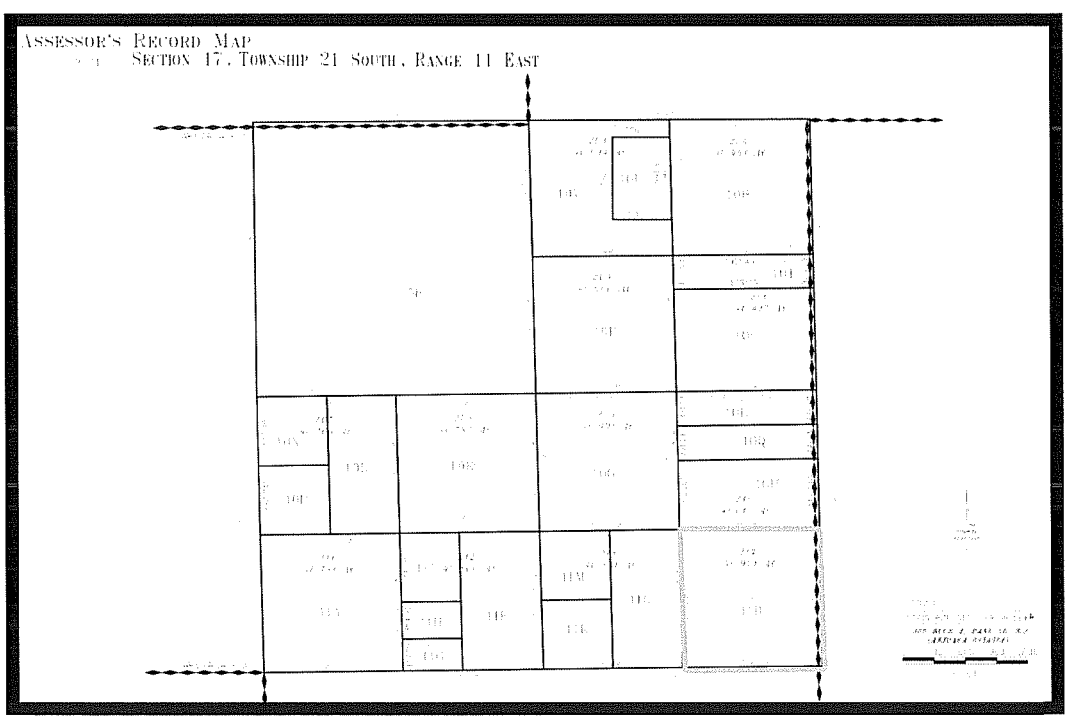
LAND COMPARABLE NUMBER 5 (SALE) ID: RH 0369 6604

LOCATION:	Arivaca Ranch Road, Pima County, Arizona
LEGAL DESCRIPTION:	Portions of the following Sections, Township, Ranges, G&SRB&M, Pima County, Arizona: Section 8, Township 21 South, Range 11 East Section 17, Township 21 South, Range 11 East Section 18, Township 21 South, Range 11 East Section 27, Township 21 South, Range 11 East Section 29, Township 21 South, Range 11 East Section 24, Township 21 South, Range 10 East Section 35, Township 21 South, Range 10 East
STATE TAX PARCEL:	302-24-059E and 060A; 302-31-0070, 011D, 012C, 012J, 0150, 017A, 017E, 017J, and 017L; 302-54-0190
RECORD DATA:	Document Number 20123660419
DATE OF SALE:	December 31, 2012
SELLER:	P & P Ranch, LLC
BUYER:	Arivaca Ranch, LLC
CONFIRMED BY:	Ted Despain, Harley Hendricks Realty (520-444-3897) JT; May, 2013
LAND DESCRIPTION:	This property is comprised of 12 mostly non-contiguous parcels totaling 599.12 acres in size. The topography ranges from rolling to mountainous. Vegetation is primarily plains and desert grassland. Electricity and telephone are available to the headquarters in Section 35. Domestic water is provided by a private well. There is an irrigation well that was not operable at the time of sale. There are 16 wells and 30 dirt tanks throughout the property. Sewer would be by septic and gas by bottled propane. According to FEMA Flood Insurance Rate Maps 04019C4650L, dated June 16, 2011, and 04019C4675L, an unprinted panel dated June 16, 2011, the land is identified as being located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain. Portions of the property fall within riparian habitat areas.

LAND SIZE:	599.12 acres
ZONING:	RH (Pima County)
REPORTED SALE PRICE:	$1,500,000 (allocated amount for deeded land)
PRICE PER ACRE:	$2,504
MARKETING TIME:	One year
TERMS OF SALE:	The terms of sale included a down payment, with the seller carrying a note at undisclosed terms. This is considered cash equivalent.
PRIOR SALE:	Records of the Pima County Assessor indicate that the property was sold for a recorded amount of $2,800,000, including 320 head of cattle valued at $320,000, according to Document Number 2007-0581030, dated March 26, 2007. On December 15, 2011, according to Document Number 20113490165, this property was foreclosed on by the lender. The lender then marketed and resold the property, as identified in this comparable sale.
CONDITIONS OF SALE:	This sale is reported to have occurred under normal market conditions.
INTENDED USE:	Cattle ranch/investment
COMMENTS:	This property includes 599.12 acres of deeded land. The leasehold portions of the ranch include 10,663 acres of State land, 1,564 acres of BLM land, and 9,640 acres of Coronado National Forest land. The headquarters site is leased to Arivaca Boys Ranch for $120,000 per year. The lease is expected to stay in place after the sale. There were non-realty components included in the sale. These are 175 adult cattle valued at $750 per head ($131,250), equipment, home furnishings, farm equipment, and vehicles valued at $75,000. The total of non-realty items is $206,250.

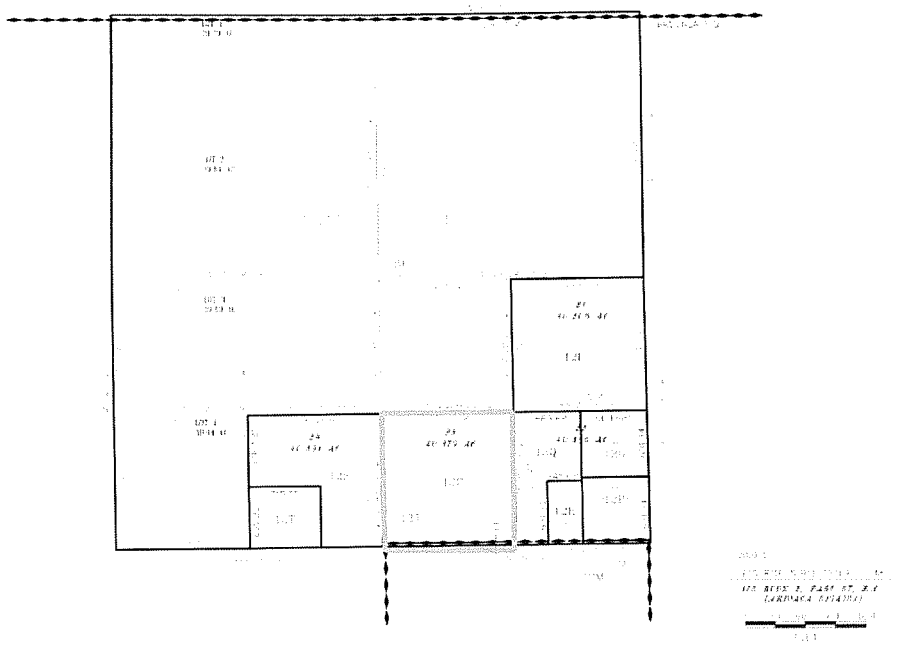
COMPARABLE LAND SALE FIVE
PLAT MAPS AND AERIAL PHOTO (4 Pages)





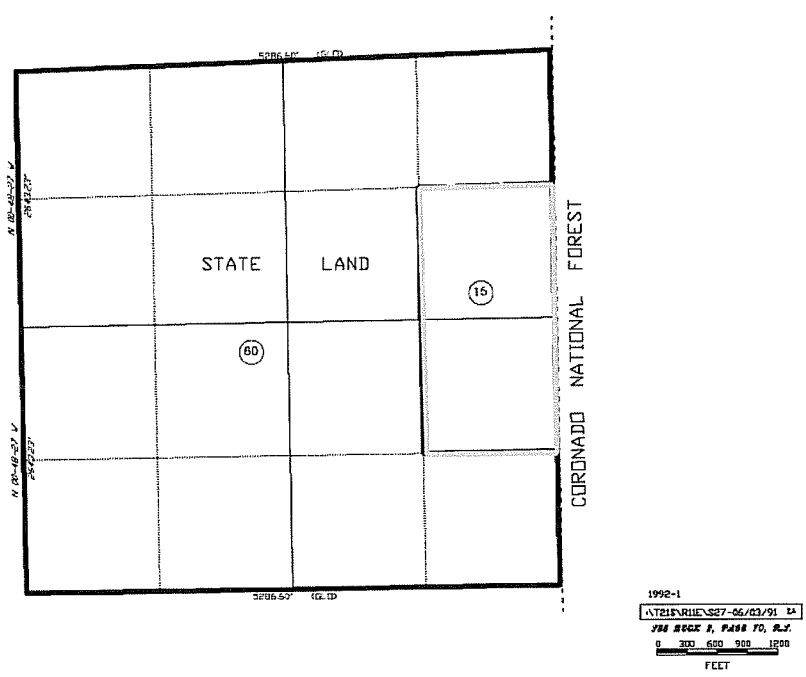
Assessor's Record Map

Section 18, Township 21 South, Range 11 East



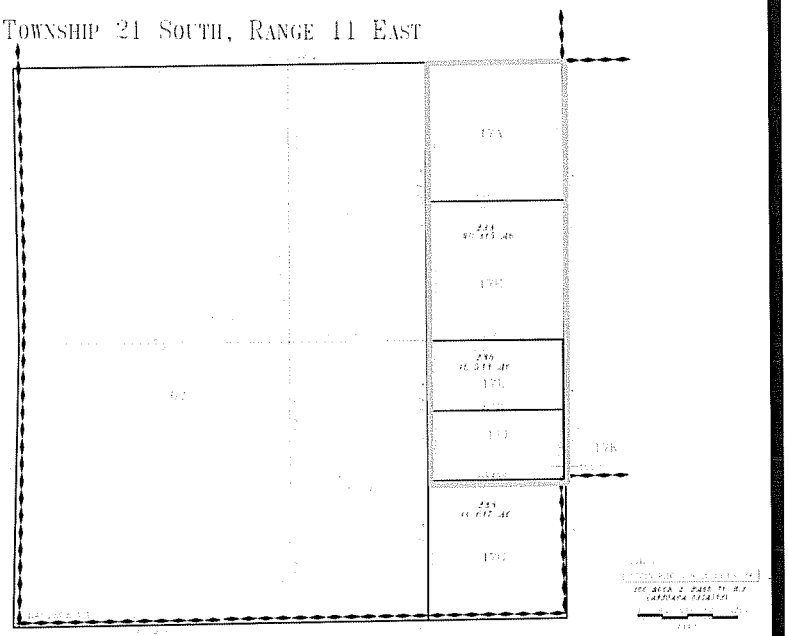
Assessor's Record Map

302-31 Section 27, Township 21 South, Range 11 East



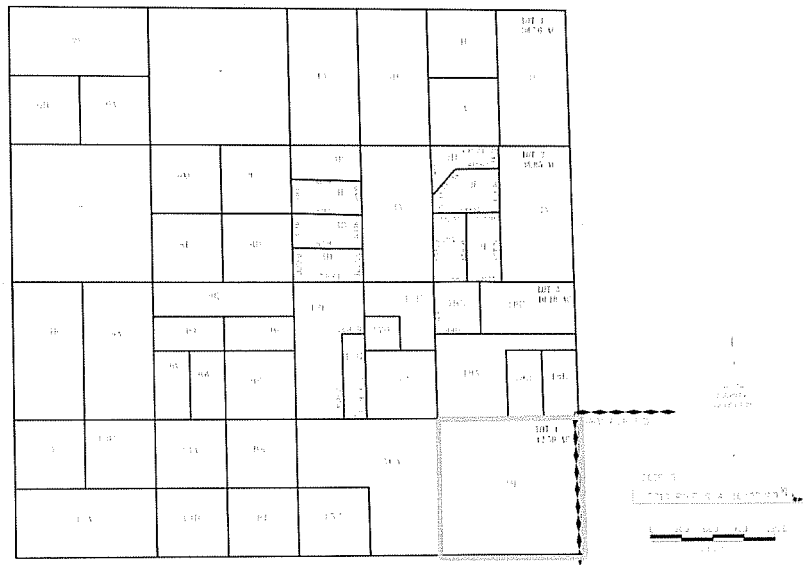
ASSESSOR'S RECORD MAP

SECTION 29, TOWNSHIP 21 SOUTH, RANGE 11 EAST



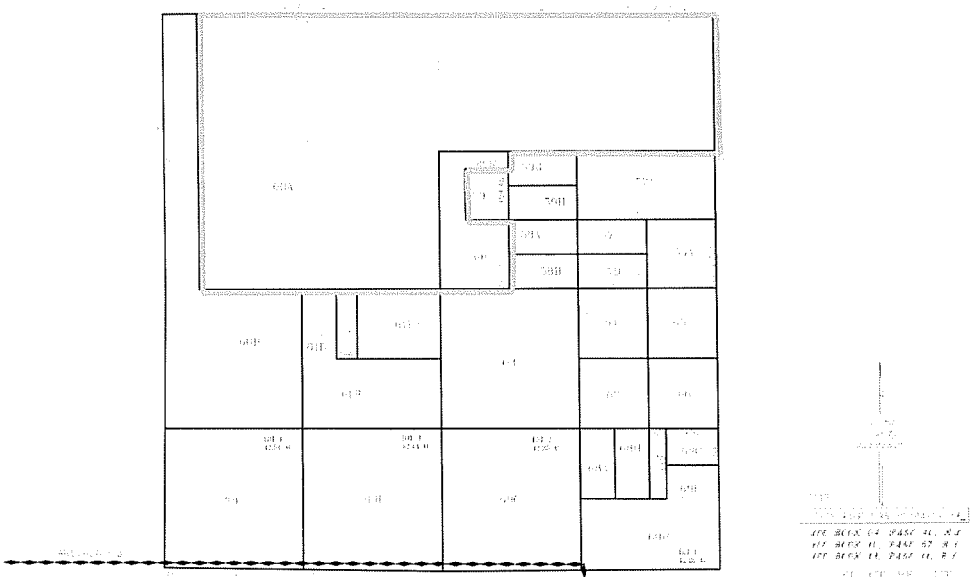
ASSESSOR'S RECORD MAP

SECTION 21, TOWNSHIP 21 SOUTH, RANGE 10 EAST



ASSESSOR'S RECORD MAP

SECTION 35, TOWNSHIP 21 SOUTH, RANGE 10 EAST



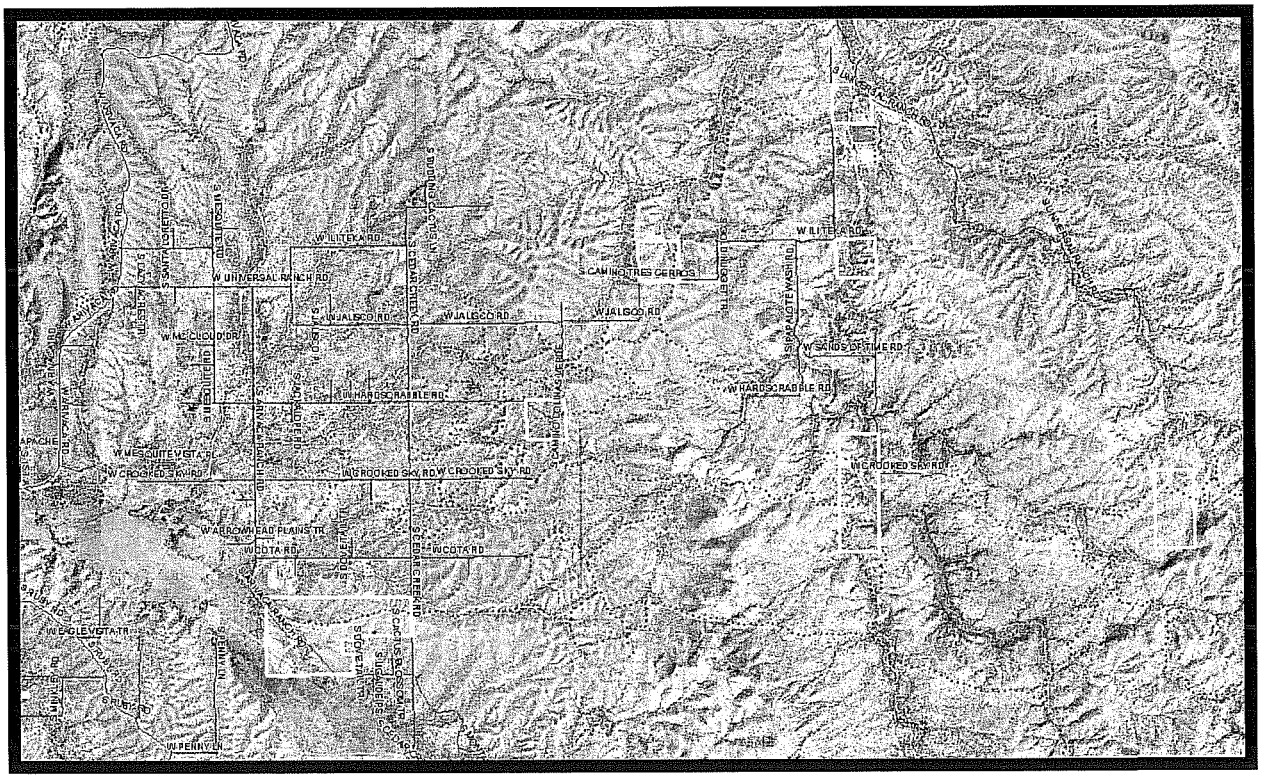

W LITE A RD
W UNIVERSAL RANCH RD
W JALGOO RD
W HARDSCRABBLE RD
W CROOKED SKY RD
W COTA RD
W COLEVOTA TR
W PENNY LN
S CAMINO TRES CERROS
S SANTA CONCEPCION
S SCOTTSDALE RD
S SCOTTSDALE CENTER RD
S PIMA RD
S ALMANDINE WASH RD
S SCOTTSDALE RD
W SANDS SUMMER RD
W CRESCENTA DR
W ESCUTTE VISTA DR
W BROWNHEAD PLAINS TR
W CRESCENTA DR
W CRESCENTA DR
W CRESCENTA D

EXHIBIT L - ROAD RESOLUTION (7 Pages)

PRESUMIDO ROAD
21S/8E/7

CAMINO DEL QUIVARI, ROAD NO. 433

RESOLUTION

WHEREAS, the petition for the establishment of a public road in Pima County, State of Arizona, to be known, designated and established as Camino Del Quivari, Road No. 433 comes on regularly for final hearing on this 8th day of March 1940; and,

WHEREAS, the said petition and all opposition, objections, demands or claims for compensation have been considered, and being fully advised in the premises; therefore,

IT IS HEREBY RESOLVED, that we, the Board of Supervisors of Pima County, State of Arizona, in recessed meeting assembled this 8th day of March 1940, at Tucson, Pima County, State of Arizona, do grant the petition, filed herein, for the establishment of Camino Del Quivari, Road No. 433, and do hereby establish said Camino Del Quivaro, Road No. 433 as and for a public highway of said Pima County, as requested in said petition; and,

BE IT FURTHER RESOLVED, that the Clerk of the within Board be and is hereby directed to file a certified copy of this resolution together with a map of said highway, in the office of the Recorder of Pima County, State of Arizona.

ADOPTED by the Board of Supervisors of Pima County, State of Arizona, this 8th day of March 1940, at Tucson, Arizona.

R. H. Martin
Chairman

Thomas Collins
Member

J. B. Mead
Member

ATTEST:
I hereby certify that the above is a true and correct copy of a portion of the minutes of the Board of Supervisors at their recessed meeting held this 8th day of March 1940, in Tucson, Arizona.

Gladstone Mackenzie
Clerk, Board of Supervisors, Pima County, Arizona.

ORDER

On motion by Mr. Mead, seconded by Mr. Collins, and unanimously carried, it is hereby ordered that all lands, estate, or thing, described embraced in the survey of the said Camino Del Quivari, Road No. 433 as prayed for in the establishment of said road, be and is hereby condemned and appropriated to public use as and for said highway.

-5001

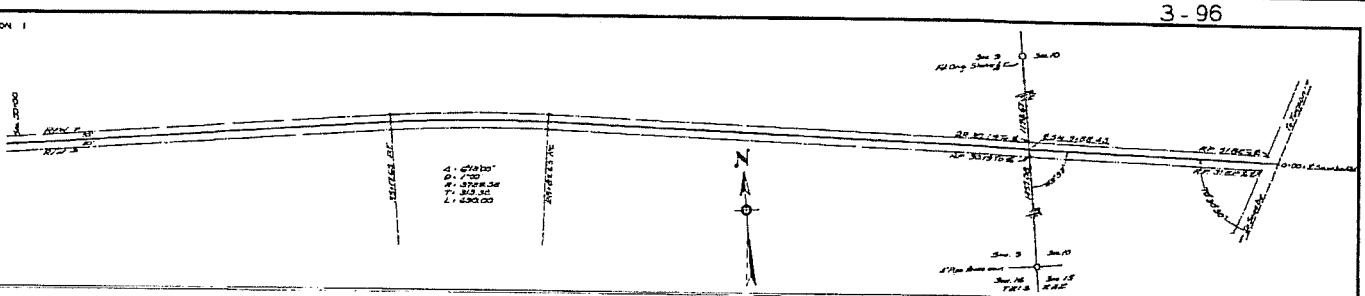
ROAD MINUTES

JAN. 2, 1940

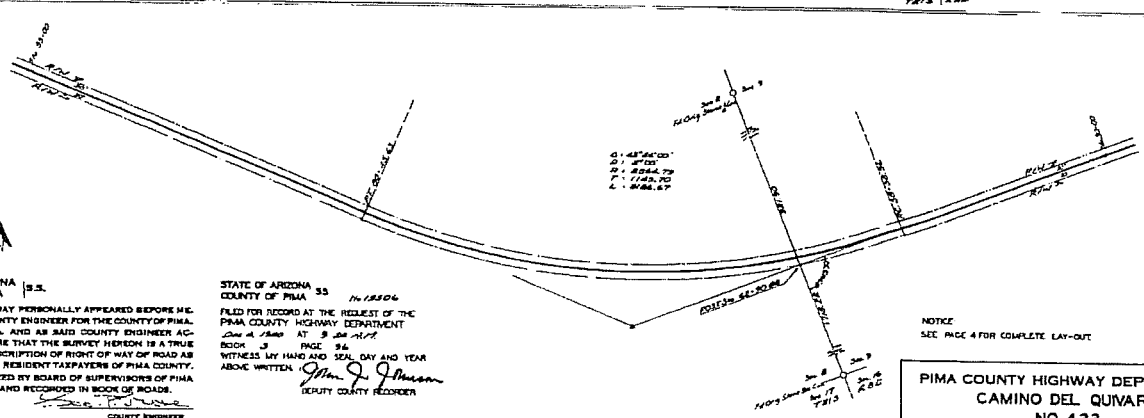
ROAD NO. 433 -- CAMINO DEL QUIVARI:

At the recessed meeting of the Board held on December 8, 1939, the Board set January 2, 1940, as the day for hearing protests and the appointment of appraisers for this road. Now on this 2nd day of January, 1940, it appearing to the Board that proper advertising and notices to affected property owners, as required by law, had been completed, and that no protests having been presented, the Board appointed N. Henderson, Marcos Nevares and Joe Landon as appraisers to appraise, assess and determine the amount of damages, if any, each affected property owner is entitled to, and ordered to report their findings to the Board on February 5, 1940.

SECTION 1



SECTION 2



STATE OF ARIZONA
COUNTY OF PIMA } S.S.

ON THIS DAY PERSONALLY APPEARED BEFORE ME GEO T. GROVE, COUNTY ENGINEER FOR THE COUNTY OF PIMA, STATE OF ARIZONA, AND AS SAID COUNTY ENGINEER ACKNOWLEDGED TO ME THAT THE SURVEY HEREON IS A TRUE AND ACCURATE DESCRIPTION OF RIGHT OF WAY OF ROAD AS PETITIONED BY TEN RESIDENT TAXPAYERS OF PIMA COUNTY.

AUTHORIZED BY BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA, AND RECORDED IN BOOK OF ROADS.

COUNTY ENGINEER

SUBSCRIBED TO BEFORE ME THIS 30th DAY OF Dec, 1940

MY COMMISSION EXPIRES
Sept 17, 1942

NOTARY PUBLIC

STATE OF ARIZONA
COUNTY OF PIMA } SS

No 18506

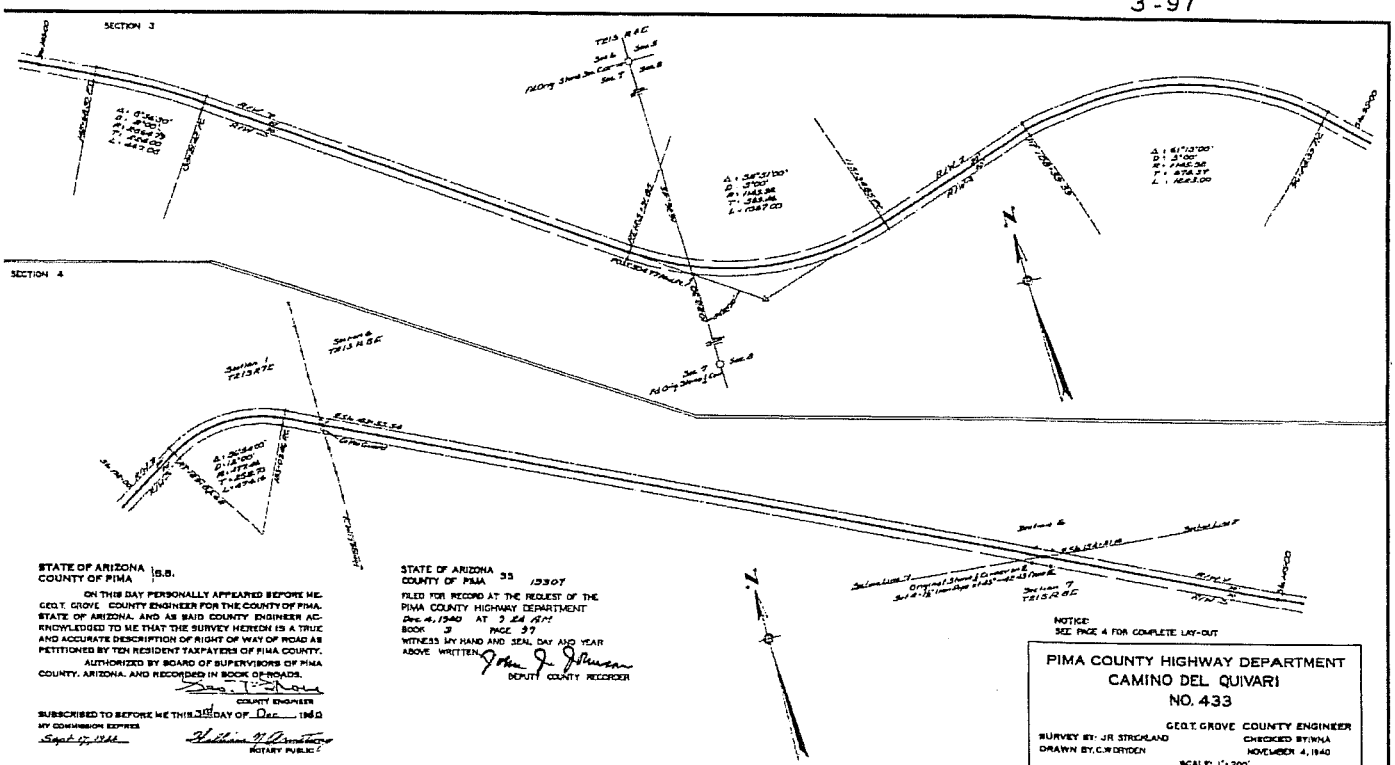
FILED FOR RECORD AT THE REQUEST OF THE PIMA COUNTY HIGHWAY DEPARTMENT
Dec 4 1940 AT 9 00 o'clock A.M.
BOOK 3 PAGE 96
WITNESS MY HAND AND SEAL DAY AND YEAR ABOVE WRITTEN.

DEPUTY COUNTY RECORDER

NOTICE
SEE PAGE 4 FOR COMPLETE LAY-OUT

PIMA COUNTY HIGHWAY DEPARTMENT
CAMINO DEL QUIVARI
NO. 433

GEO. T. GROVE COUNTY ENGINEER
SURVEY BY: J.R. STRICKLAND
CHECKED BY: W.N.A.
DRAWN BY: C.W. DRYDEN
NOVEMBER 4, 1940
SCALE: 1" = 200'



STATE OF ARIZONA
COUNTY OF PIMA } S.S.

ON THIS DAY PERSONALLY APPEARED BEFORE ME GEO. T. GROVE COUNTY ENGINEER FOR THE COUNTY OF PIMA, STATE OF ARIZONA, AND AS SAID COUNTY ENGINEER ACKNOWLEDGED TO ME THAT THE SURVEY HEREON IS A TRUE AND ACCURATE DESCRIPTION OF RIGHT OF WAY OF ROAD AS PETITIONED BY TEN RESIDENT TAXPAYERS OF PIMA COUNTY.

AUTHORIZED BY BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA, AND RECORDED IN BOOK OF ROADS.

COUNTY ENGINEER

SUBSCRIBED TO BEFORE ME THIS 3rd DAY OF Dec 1940

MY COMMISSION EXPIRES
Sept 17, 1944

NOTARY PUBLIC

STATE OF ARIZONA
COUNTY OF PIMA } SS 19307

FILED FOR RECORD AT THE REQUEST OF THE PIMA COUNTY HIGHWAY DEPARTMENT
Dec 4, 1940 AT 2 24 P.M.
BOOK 3 PAGE 37
WITNESS MY HAND AND SEAL DAY AND YEAR ABOVE WRITTEN.

DEPUTY COUNTY RECORDER

NOTICE:
SEE PAGE 4 FOR COMPLETE LAY-OUT

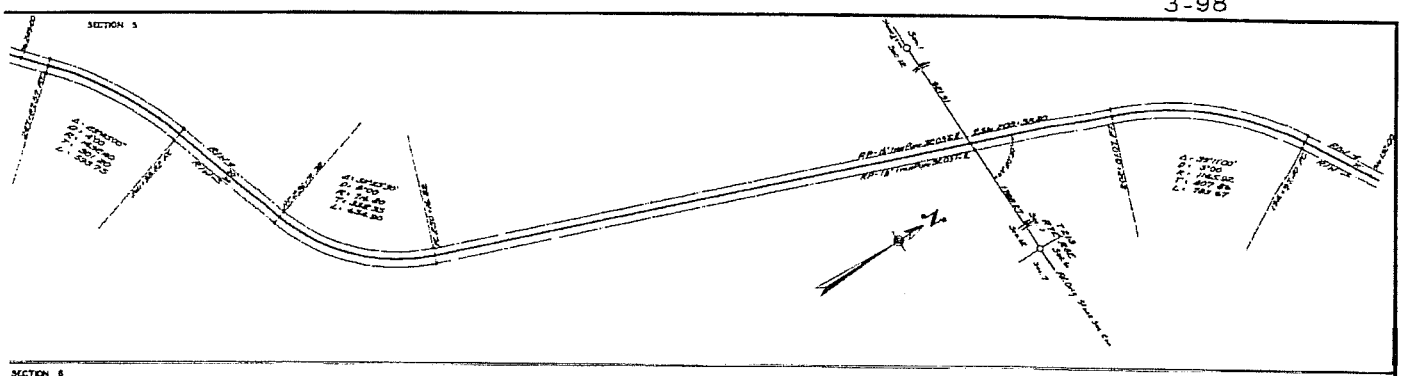
PIMA COUNTY HIGHWAY DEPARTMENT
CAMINO DEL QUIVARI
NO. 433

GEO. T. GROVE COUNTY ENGINEER

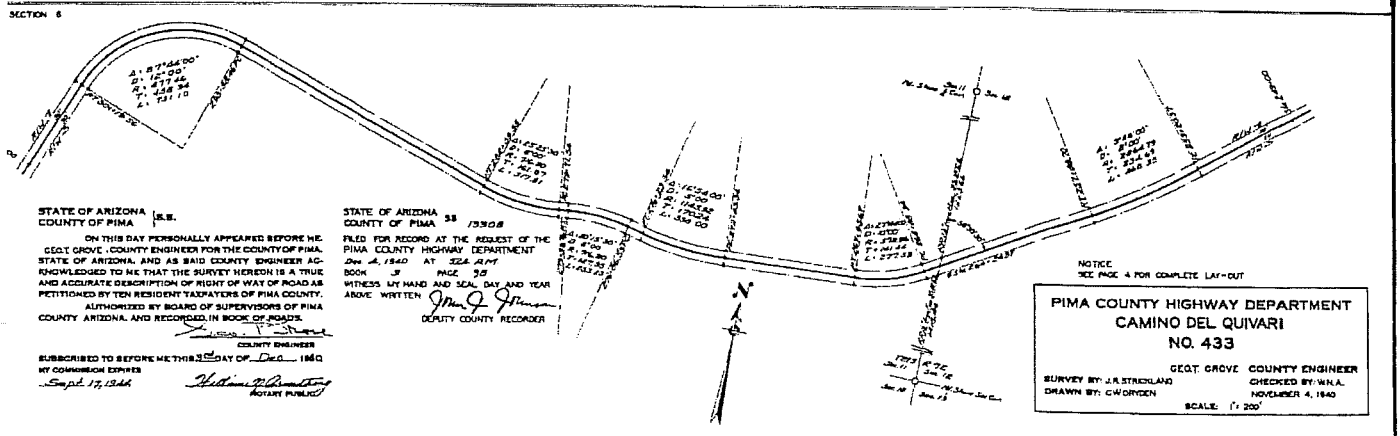
SURVEY BY: J.R. STRICKLAND
CHECKED BY: WMA
DRAWN BY: C.W. DITDEN
NOVEMBER 4, 1940
SCALE: 1" = 200'

SHEET 2 OF 4 SHEETS

SECTION 5



SECTION 6



STATE OF ARIZONA
COUNTY OF PIMA } S.S.

ON THIS DAY PERSONALLY APPEARED BEFORE ME GEO.T. GROVE, COUNTY ENGINEER FOR THE COUNTY OF PIMA, STATE OF ARIZONA, AND AS SAID COUNTY ENGINEER ACKNOWLEDGED TO ME THAT THE SURVEY HEREON IS A TRUE AND ACCURATE DESCRIPTION OF RIGHT OF WAY OF ROAD AS PETITIONED BY TEN RESIDENT TAXPAYERS OF PIMA COUNTY.

AUTHORIZED BY BOARD OF SUPERVISORS OF PIMA COUNTY ARIZONA, AND RECORDED IN BOOK OF ROADS.

COUNTY ENGINEER

SUBSCRIBED TO BEFORE ME THIS 3rd DAY OF Dec. 1940
MY COMMISSION EXPIRES
Sept. 17, 1944

NOTARY PUBLIC

STATE OF ARIZONA
COUNTY OF PIMA } SS 13908

FILED FOR RECORD AT THE REQUEST OF THE PIMA COUNTY HIGHWAY DEPARTMENT
Dec 4, 1940 AT 32 A.M.
BOOK 3 PAGE 35
WITNESS MY HAND AND SEAL DAY AND YEAR ABOVE WRITTEN

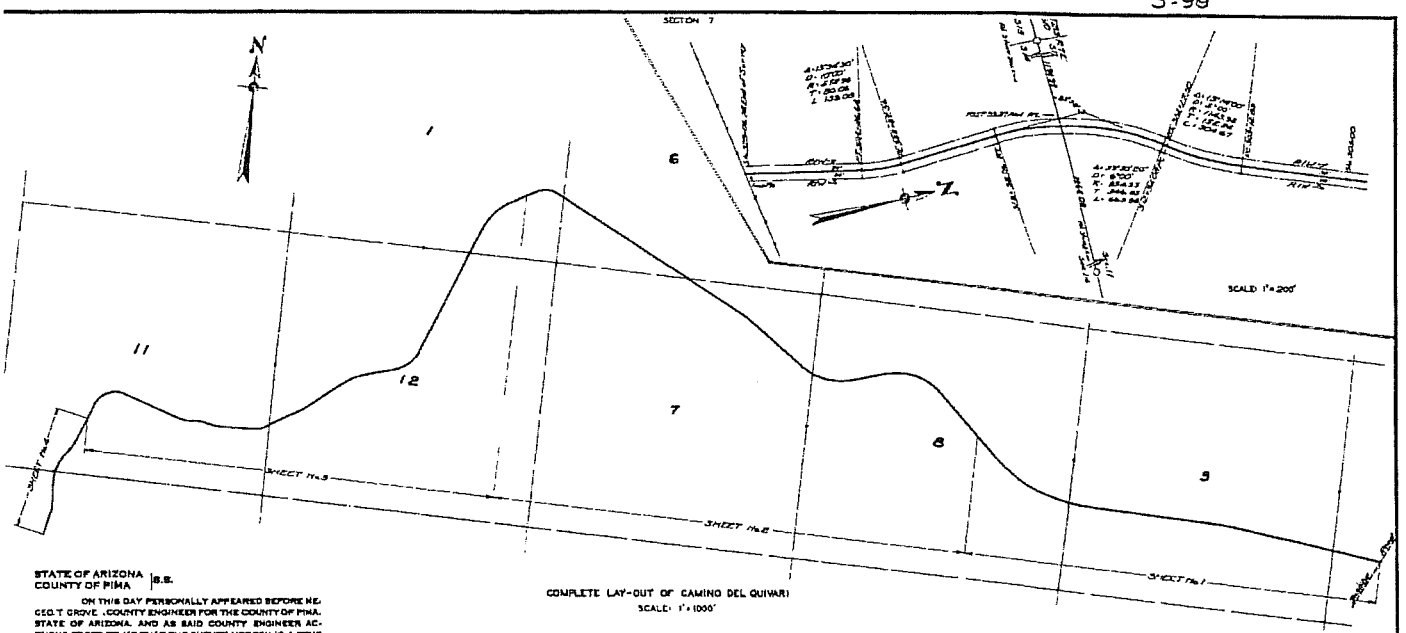
DEPUTY COUNTY RECORDER

NOTICE
SEE PAGE 4 FOR COMPLETE LAY-OUT

PIMA COUNTY HIGHWAY DEPARTMENT
CAMINO DEL QUIVARI
NO. 433

GEO.T. GROVE COUNTY ENGINEER
SURVEY BY: J.R. STRICKLAND CHECKED BY: W.N.A.
DRAWN BY: C.W. DRYDEN NOVEMBER 4, 1940
SCALE: 1" = 200'

SHEET 3 OF 4 SHEETS



COMPLETE LAY-OUT OF CAMINO DEL QUIVARI
SCALE: 1" = 1000'

STATE OF ARIZONA
COUNTY OF PIMA } S.S.

ON THIS DAY PERSONALLY APPEARED BEFORE ME, GEO. T. GROVE, COUNTY ENGINEER FOR THE COUNTY OF PIMA, STATE OF ARIZONA, AND AS SAID COUNTY ENGINEER ACKNOWLEDGED TO ME THAT THE SURVEY HEREON IS A TRUE AND ACCURATE DESCRIPTION OF RIGHT OF WAY OF ROAD AS PETITIONED BY TEN RESIDENT TAXPAYERS OF PIMA COUNTY.

AUTHORIZED BY BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA, AND RECORDED IN BOOK OF ROADS.

COUNTY ENGINEER

SUBSCRIBED TO BEFORE ME THIS 27 DAY OF Oct. 1940.
MY COMMISSION EXPIRES Sept. 17, 1944

NOTARY PUBLIC

STATE OF ARIZONA } SS
COUNTY OF PIMA } 13303

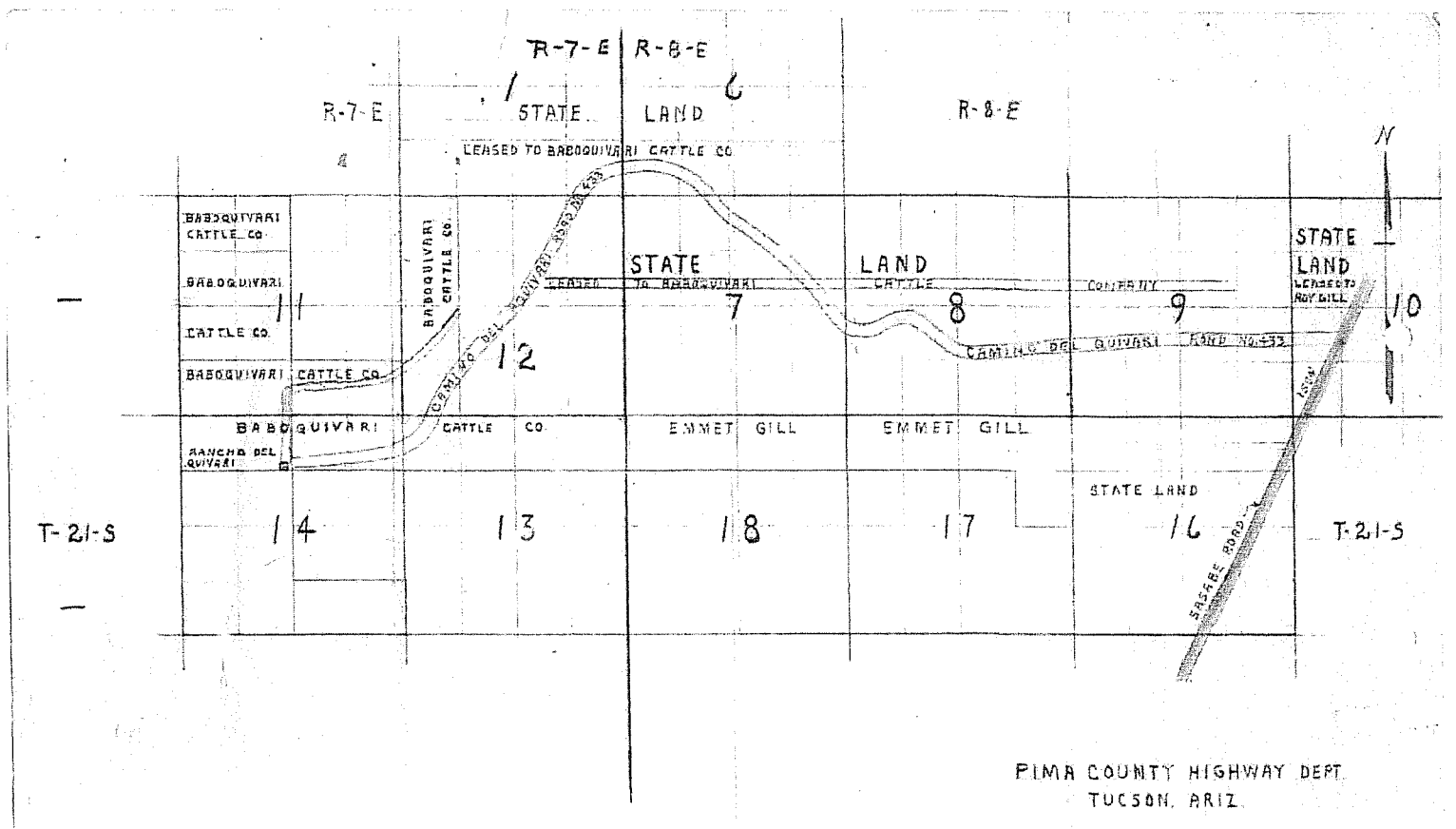
FILED FOR RECORD AT THE REQUEST OF THE PIMA COUNTY HIGHWAY DEPARTMENT
Dec. 4, 1940 AT 8:34 A.M.
BOOK 3 PAGE 33
WITNESS MY HAND AND SEAL DAY AND YEAR ABOVE WRITTEN.

DEPUTY COUNTY RECORDER

PIMA COUNTY HIGHWAY DEPARTMENT
CAMINO DEL QUIVARI
NO. 433

GEO. T. GROVE COUNTY ENGINEER
SURVEY BY: J. R. STROCKLAND
DRAWN BY: C. W. DRYDEN
CHECKED BY: W. N. A.
NOVEMBER 4, 1940
SCALE: ——

SHEET 4 OF 4 SHEETS



PIMA COUNTY HIGHWAY DEPT.
TUCSON, ARIZ.

EXHIBIT M.1 - QUALIFICATIONS OF JEFF TEPLITSKY

EDUCATION:

Bachelor of Arts in Political Science
University of Arizona, 1979

Appraisal Institute - Courses and/or Examinations
(Formerly American Institute of Real Estate Appraisers)

- Real Estate Appraisal Principles (1A1) - Tucson, 1983
- Basic Valuation Procedures (1A2) - Tucson, 1989
- Capitalization Theory and Techniques (1BA, 1BB) - Tucson, 1989
- Standards of Professional Practice (SPP) - Phoenix, 1990
- Case Studies in Real Estate Valuation (2-1) - Austin, TX, 1991
- Report Writing and Valuation Analysis (2-2) - Denver, CO, 1992
- Demonstration Report - Tucson, 1994
- Standards of Professional Practice - Parts A & B (SPP) - Phoenix, 1995
- Standards of Professional Practice - Part C (SPP) - Tucson, 2009
- Fundamentals of Separating Real Property, Personal Property, and Intangible Business Assets - Tucson, 2012

Seminars and Conferences[1]

"Americans with Disabilities Act", AI, 1993
"FIRREA - Overview & Practical Application", FIRREA Seminars, 1993
"Overview of Evaluations & Limited Scope Appraisals", Nelson-Hummel, 1994
"Market Overview", AI, 1994
"Litigation Skills for the Appraiser", AI, 1997
"Analyzing Operating Expenses", AI, 1998
"Partial Interest Valuation", AI, 2000
"Subdivision Analysis", AI, 2001
"Appraisal Consulting", AI, 2003
"Appraising Manufactured Housing", AI, 2004
"The Cloaked Lease Clause - Unveiled!", AI, 2004
"Full Disclosure and How Stigmas Affect Value", 2004
"Pima County Commercial Real Estate Market Forecast", 2005
"National USPAP Update", AI, 2005
"Practical Issues in Fair Housing", 2006
"Eminent Domain", 2007
"National USPAP Update", AI, 2008, 2009
"Uniform Appraisal Standards for Federal Land Acquisitions", AI, 2009
"Online Business Practices and Ethics", AI, 2010
"Commercial Appraisal Engagement and Review", AI, 2011
"Complex Litigation Appraisal Case Studies", AI, 2013

---

1. *AI refers to the Appraisal Institute.*

LICENSURE:

Certified General Real Estate Appraiser, State of Arizona
Certificate #30151

Licensed Real Estate Broker, State of Arizona
No. SE019639000

PROFESSIONAL ASSOCIATIONS:

Practicing Affiliate, Appraisal Institute

EXPERIENCE:

Licensed Real Estate Broker, State of Arizona

Expert Witness, Qualified in Superior Court, Pima, Santa Cruz, and Yuma Counties

Experience in appraisal of all types of real estate since 1987, including right-of-way condemnation, residential, residential income, commercial, industrial, acreage, subdivision, planned communities and special-purpose properties in Pima, Yuma, Pinal, Santa Cruz, Graham, and Cochise Counties.

EXHIBIT M.2 - QUALIFICATIONS OF COMPANY

BAKER, PETERSON, BAKER & ASSOCIATES, INC. serves a wide variety of clients in Southeastern Arizona, providing real estate appraisal and consultation services relating both to residential and to commercial properties. These clients include governmental agencies, banks, savings and loan associations, credit unions, mortgage brokers, relocation services, developers, real estate brokers, corporate and legal professionals, and numerous individuals. More than fifty years of such services are represented by those presently associated with the firm, founded by Don M. Baker and William D. Peterson in 1974, with Thomas A. Baker becoming an owner in 1984.

WILLIAM D. PETERSON, MAI, is a principal of the Company, and specializes in valuation and consultation services related to commercial and income-producing properties. He is a Certified General Real Estate Appraiser in the State of Arizona (Certificate 30216). He is a graduate of the University of Arizona in Business and Public Administration. He holds the MAI Designation of the Appraisal Institute. He is a licensed real estate broker in the State of Arizona and a Graduate of the Realtor Institute (GRI). He qualifies as an expert witness in the Superior Court of Pima and Cochise Counties. He is a past President of the Arizona Chapter of the American Institute of Real Estate Appraisers, and of the Tucson Chapter of the Society of Real Estate Appraisers.

THOMAS A. BAKER, MAI, SRA, is a principal of the Company, and specializes in valuation and consultation services related to commercial, income-producing, and residential properties. He is a Certified General Real Estate Appraiser in the State of Arizona (Certificate 30139). He is a graduate of the University of Arizona, with a Master's Degree in Business Administration (MBA) with a specialty in Real Estate Finance. He holds the MAI and SRA Designations of the Appraisal Institute. He qualifies as an expert witness in the Superior Court of Pima County, is Past President of the Tucson Chapter of the Society of Real Estate Appraisers, and is Past President of the Southern Arizona Chapter of the Appraisal Institute.

JEFF TEPLITSKY is a staff appraiser in commercial valuation. He specializes in valuation and consultation services related to commercial and income-producing properties. He is a Certified General Real Estate Appraiser in the State of Arizona (Certificate 30151). He is a graduate of the University of Arizona, with a Bachelor of Arts degree in Political Science. He is a Practicing Affiliate of the Appraisal Institute. He is a licensed real estate broker in the State of Arizona. He qualifies as an expert witness in the Superior Court of Pima, Santa Cruz, and Yuma Counties.

SARA R. BAKER, MAI, SRA, is a staff appraiser in commercial valuation. She specializes in valuation and consultation services related to commercial, income-producing, and residential properties. She is a Certified General Real Estate Appraiser in the State of Arizona (Certificate 31679). She holds the MAI and SRA Designations of the Appraisal Institute. Sara is on the 2014 Board of Directors of the Appraisal Institute, Southern Arizona Chapter and serves as the chapter President and Chair of Continuing Education. She graduated from Washington University in St. Louis with a Bachelor's Degree in Comparative Literature and earned a Master's Degree at the University of California at Los Angeles.

DAN F. ORLOWSKI is an appraiser trainee in commercial valuation. He graduated from San Diego State University with a Bachelor's Degree in Business Administration and also received a Master's Degree from the University of Phoenix in Accountancy.

ROBERT A. PARKER, SUSAN A. CLEVELAND and **PAM VERRY** are production coordinators and support technicians.