# A SUMMARY APPRAISAL REPORT

OF

LAND AS VACANT

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

LOCATED WEST OF SR 286 (SASABE HIGHWAY),
NORTH OF THE U.S - MEXICO INTERNATIONAL BORDER

IN A PORTION OF
SECTION 13, TOWNSHIP 22 SOUTH, RANGE 7 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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April 25, 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 El Mirador Road right of way, located west of SR 286 (Sasabe Highway), north of the U.S. - Mexico International Border, in a portion of Section 13, Township 22 South, Range 7 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 25, 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 (El Mirador 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 | $1,344,000 |
| Market Value of Property Rights To Be Acquired | $100 |
| Market Value of Remainder Property, Before | $1,343,900 |
| Market Value of Remainder Property, After | $1,343,900 |
| 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 El Mirador 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 El Mirador 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 El Mirador Road in Section 13, Township 22 South, Range 7 East (560 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

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

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

C146885 - El Mirador

## TABLE OF CONTENTS

## 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 El Mirador Road right of way being a portion of Section 13, Township 22 South, Range 7 East, G&SRB&M, Pima County, Arizona. The land adjacent to the El Mirador 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 560 acres according to the Pima County Assessor records.

**"ATF" PARCEL LAND AREA:**

| | | |
|---|---|---|
| Before: | 560.000 acres | - (fee simple) - "ATF" parcel |
| Acquisition: | 0.034 acres | - (permanent utility easement) |
| Remainder: | 559.966 acres | - (fee simple unencumbered) |
| | 0.034 acres | - (permanent utility easement) |
| | 560.000 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 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 utility 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 13, Township 22 South, Range 7 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 (560 acres being a portion of Section 13, Township 22 South, Range 7 East GSRB&M), no legal description was provided to the appraiser by the client for purposes of this report.

**OWNERSHIP:**

According to a public records document known as "Road Minutes", dated November 10, 1930, El Mirador Road (AKA Road No. 263) was established as a "county highway" by the Pima County Board of Supervisors. Title to the subject property is in the name of 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 El Mirador 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 El Mirador 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 El Mirador Road in Section 13, Township 22 South, Range 7 East (560 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.

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**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 El Mirador 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 El Mirador 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 El Mirador Road in Section 13, Township 22 South, Range 7 East (560 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.

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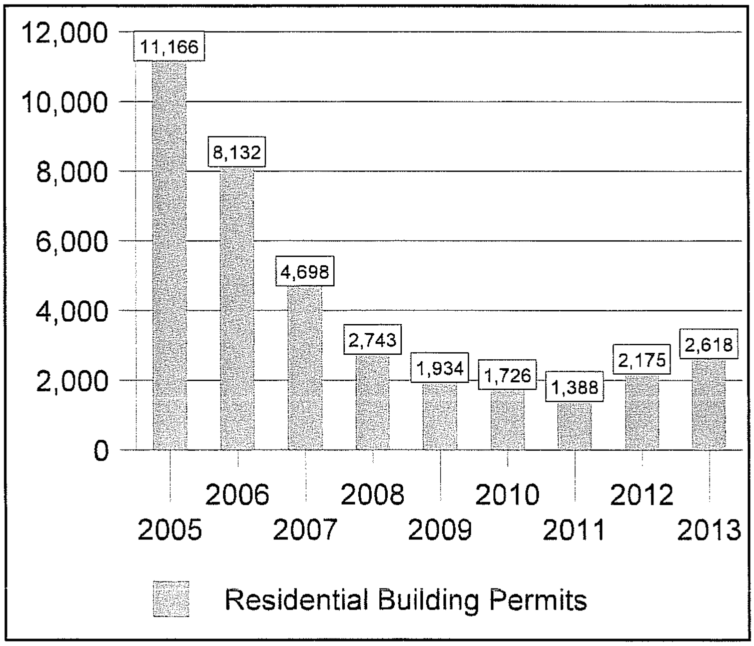
## PART IV - DESCRIPTION OF REAL ESTATE APPRAISED

### *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.

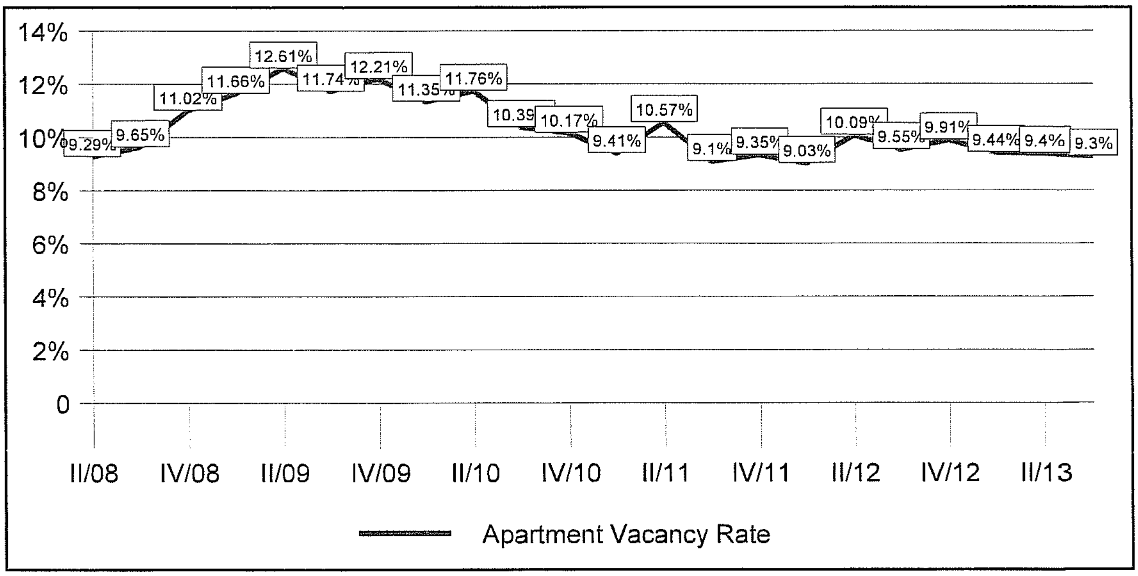



Overall, housing permits and sales had been increasing and a period of substantial growth occurred during 2004 and 2005 with unprecedented price increases having been experienced for most areas of Tucson. Building permit activity declined steadily in the Tucson Metropolitan area from a peak in 2005 of 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.

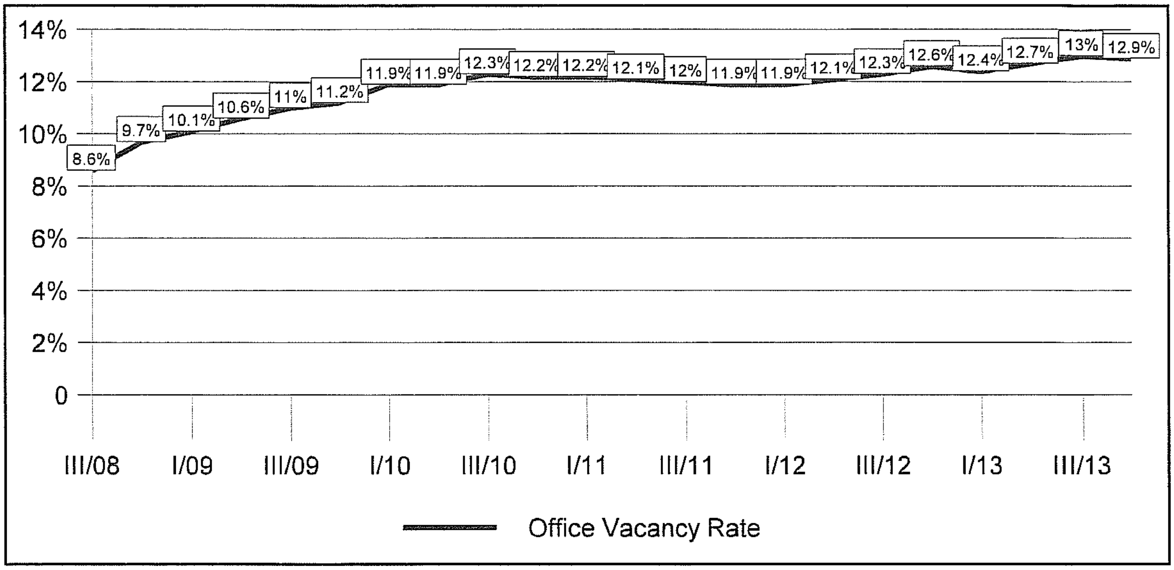



### *Office Market*

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.

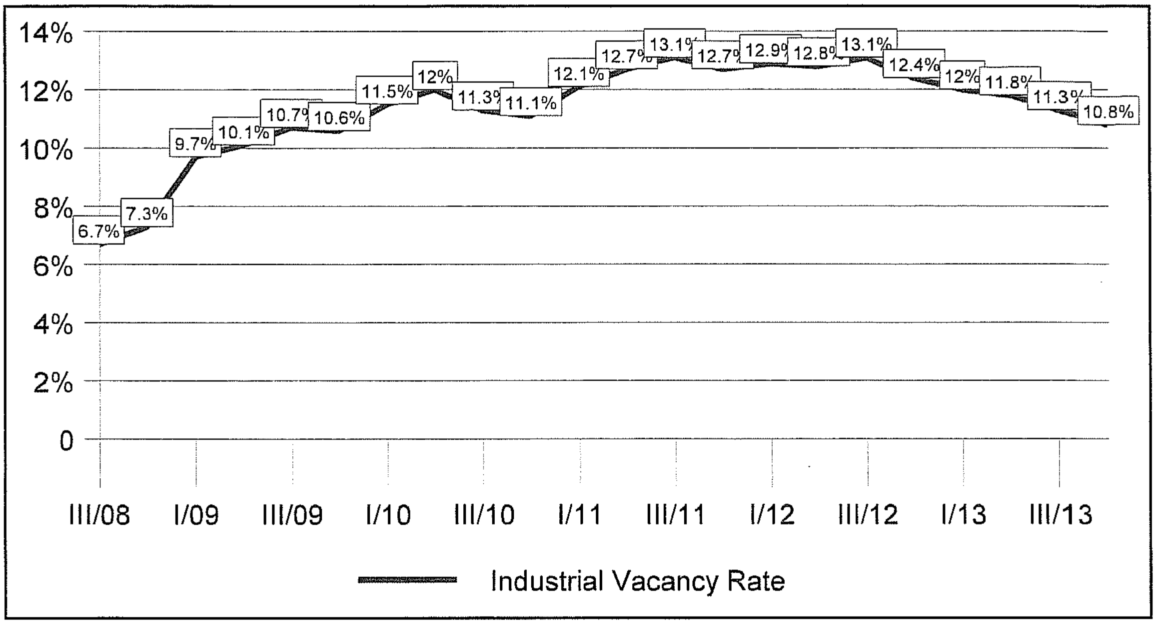



The slight increased overall annual vacancy rate indicates an office market which is coupled to the overall declining real estate market. There has been a decline in demand for owner/user office buildings which had made up a majority of office sales in 2006 and 2007. Market conditions stabilized in 2013.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

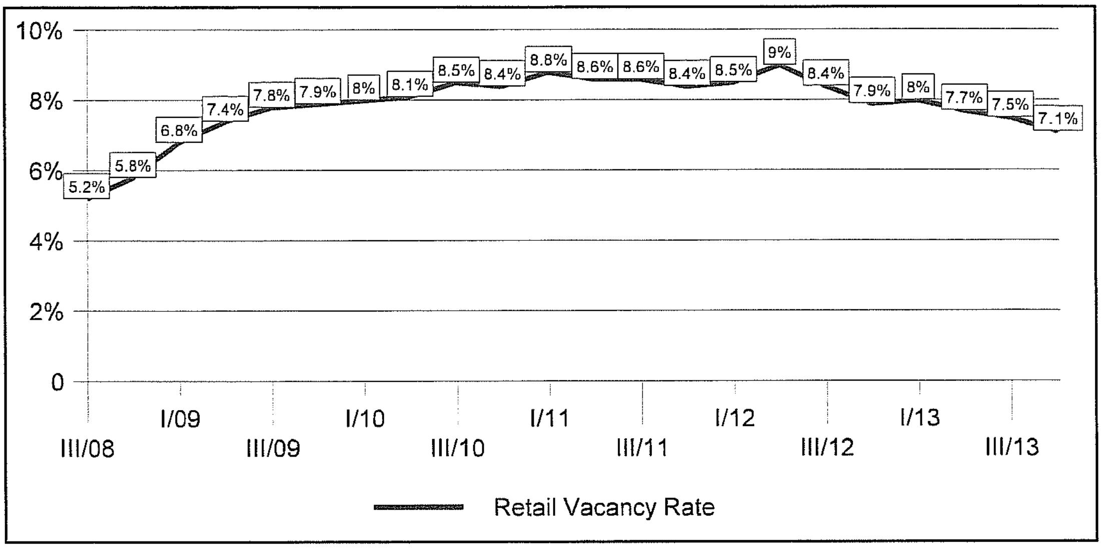
***Retail Market***

*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

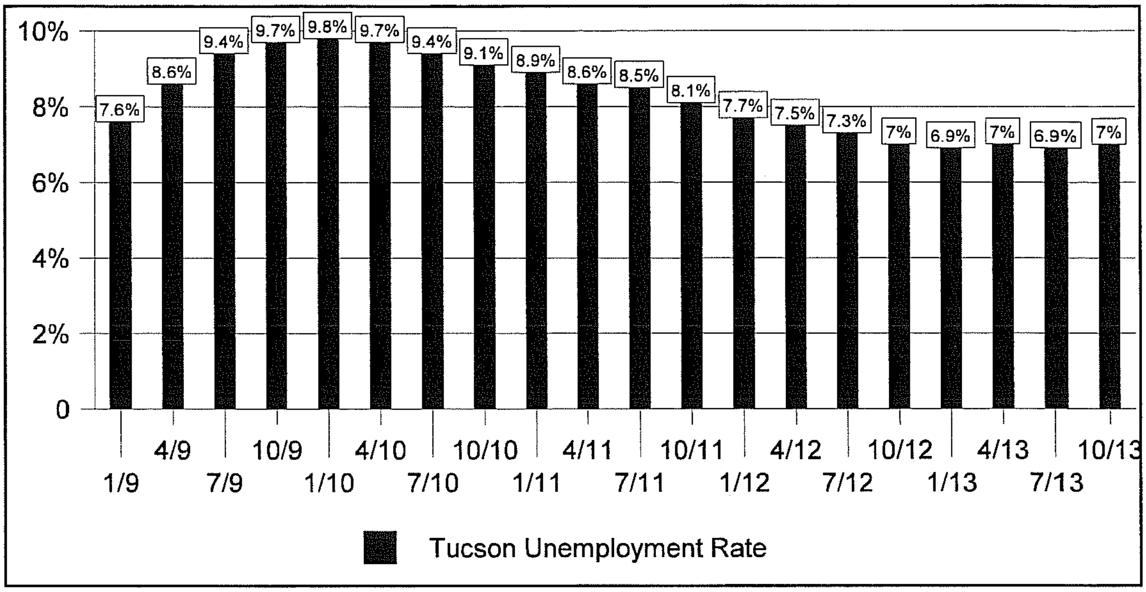
positive absorption of 196,012 square feet in the Second Quarter of 2013, and net positive absorption of 81,458 square feet in the First Quarter of 2013.
In the Fourth Quarter 2013, five buildings totaling 44,860 square feet were completed. This compares to seven buildings totaling 173,193 square feet 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.*



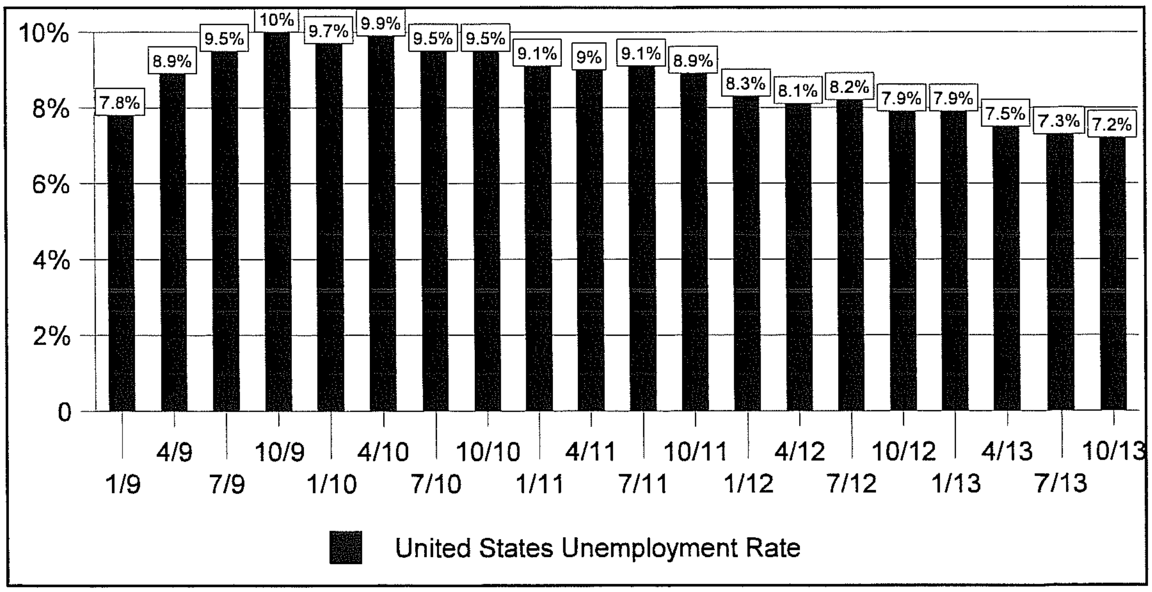

The vacancy rate for retail properties increased starting through early 2011. The retail vacancy rate remained mostly stable in 2011 but peaked in the Second Quarter 2012. The retail vacancy rate declined since that time, with the decline continuing through 2013. This indicates that the retail market 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 560 acres of range land adjacent to the existing right of way for El Mirador Road. The subject parcel is irregular in shape and is is located 2.0 miles west of SR 286 (Sasabe Highway) and 1.0 mile north of the U.S - Mexico International Border in a portion of Section 13, Township 22 South, Range 7 East, in Pima County, Arizona (see Exhibits).

El Mirador Road is a two-lane, dirt road at the subject property. According to documents provided by the client El Mirador Road has a width of 30 feet. El Mirador Road is accessed from La Osa Road which connects to the east with SR 286 (Sasabe Highway). The terrain of the subject property is level to rolling. There is natural desert vegetation on the subject property. Properties bordering the subject parcel includes open range land in all directions.

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, indicates the subject parcel is located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain (see Exhibits). There are numerous wash areas and arroyos transversing the parcel. An unnamed wash bisects the parcel, east to west. This area falls within the Riparian Habitat designation of Xeroriparian B. There is an area of the parcel near the southwest corner of the parcel which is located within the Riparian Habitat designation of Important Riparian Area (see Exhibits).

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 Exhibit D). 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.

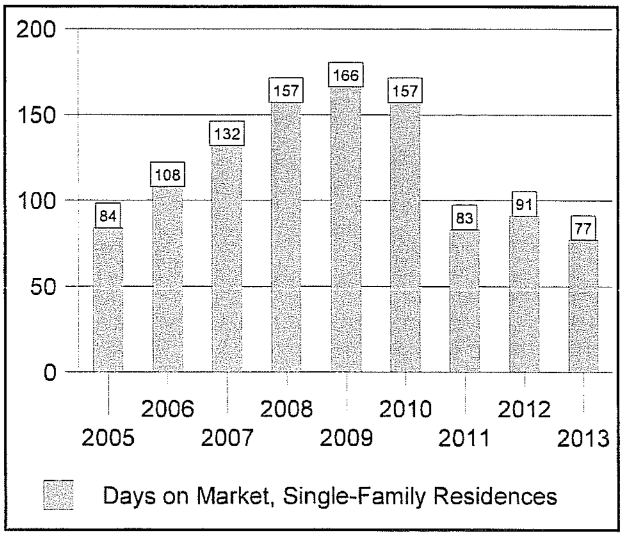
On the following pages is the Market Profile for residential land.

**MARKET PROFILE - RESIDENTIAL LAND:**

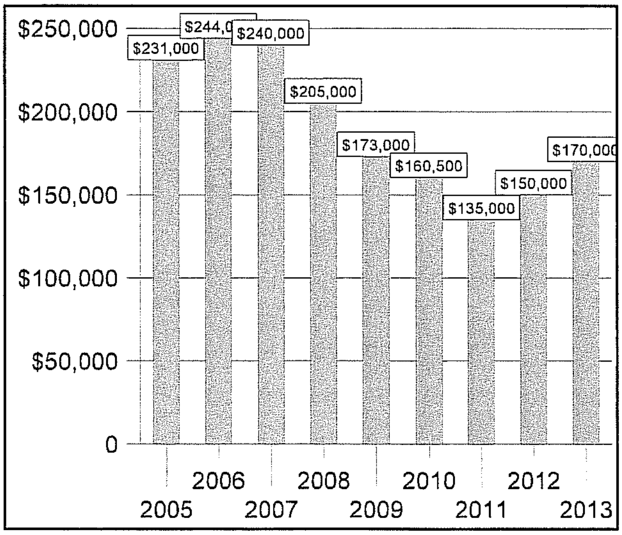
The residential market conditions in the Tucson area improved dramatically starting in 2004, with market prices for single family residences and residential lots increasing at a rapid rate. This trend continued throughout 2005 and into the start of 2006, with prices increasing most rapidly in 2005. This 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.

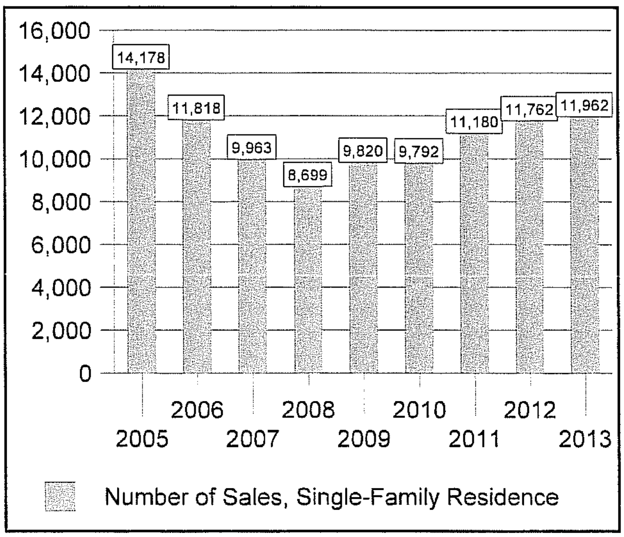



The following is the median sale price for single-family residences for the Tucson area, according to MLS. There was a significant decline in the median sale price for single-family residences starting in 2007. The median sale price declined through 2011. The decline in median sale prices is due to the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



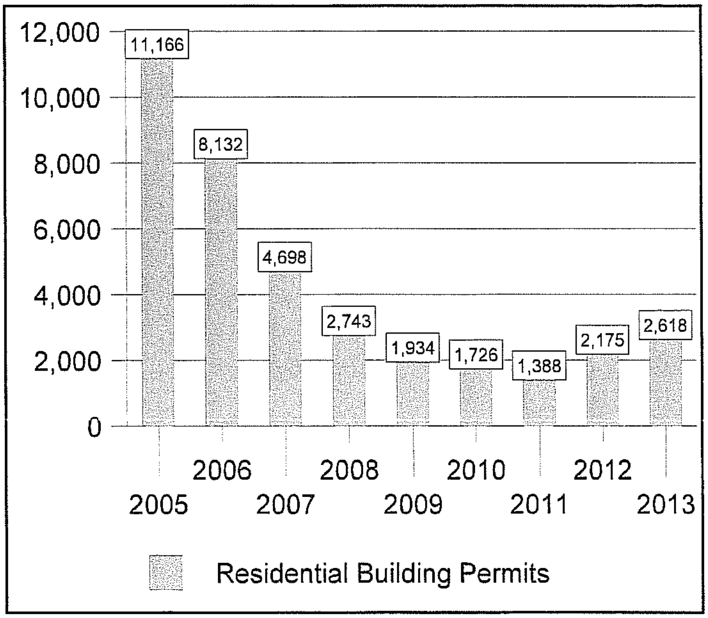

Median Sale Price, Single-Family Residences

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.

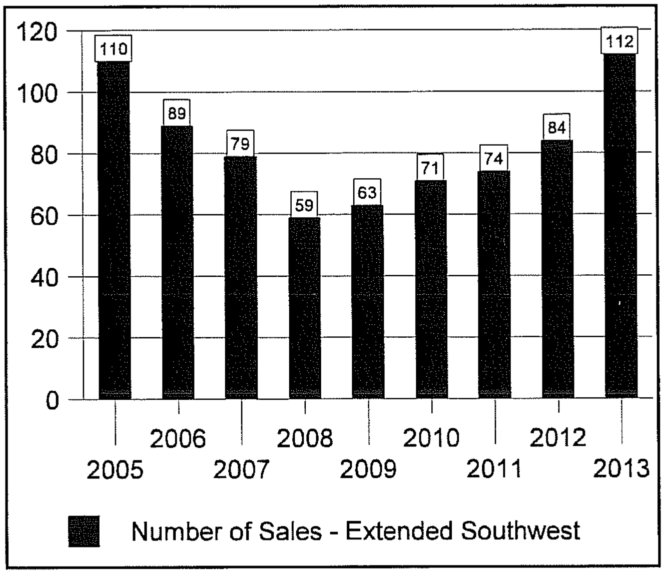


Starting in 2006, fewer single-family residential permits were issued due to the current oversupply of lots and residential homes on the market. According to the United States Census Bureau, Building Permits Survey, the number of single-family residential permits declined through 2012. There was limited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

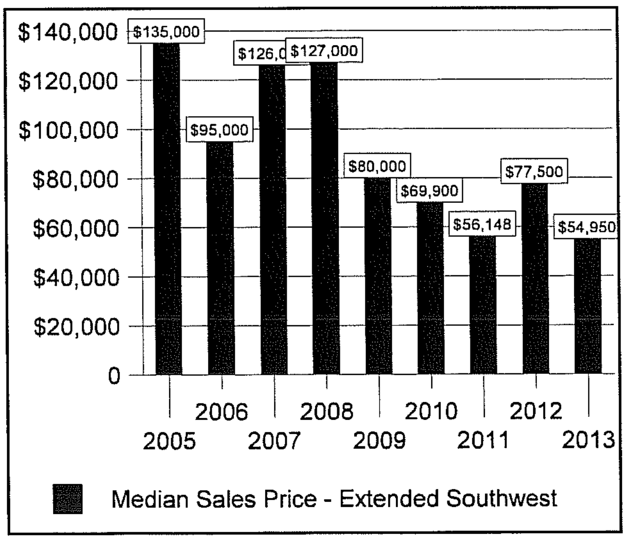
Overall, housing permits and sales had been increasing and a period of substantial growth occurred during 2004 and 2005 with unprecedented price increases having been experienced for most areas of Tucson. Building permit activity declined steadily in the Tucson Metropolitan area from a peak in 2005 of 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.



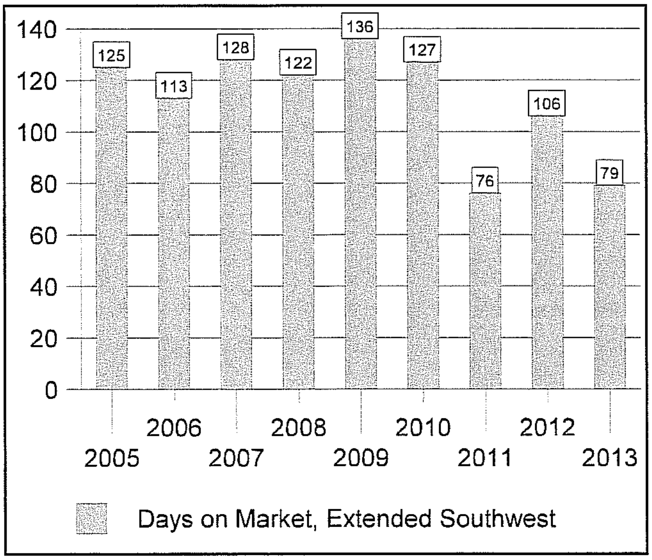
The following is the number of sales of residential properties in the subject sector, Extended Southwest, through 2013, according to MLS. This data indicates that the number of sales declined through 2008, then steadily began increasing through 2012, with a larger increase in 2013. Overall sales are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



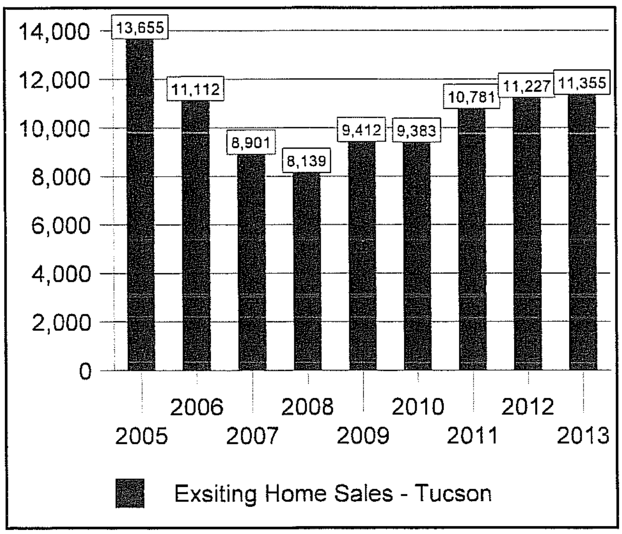

The following is the median sale price for residential properties in the subject Extended Southwest sector through 2013, according to MLS. This data indicates that the median sale price peaked in 2005, and had declined significantly in 2009. This decline stabilized in 2010, with an increase occurring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



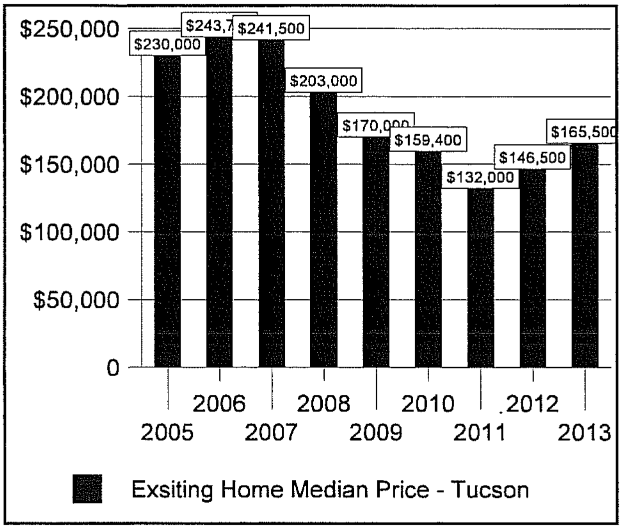
According to Multiple Listing Service (MLS), the days on market for sales of residences in the subject area, Extended Southwest had increased as properties have taken longer to sell. This data indicates that the days on market for residences remaining fairly high between 2005 through 2010, peaking in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



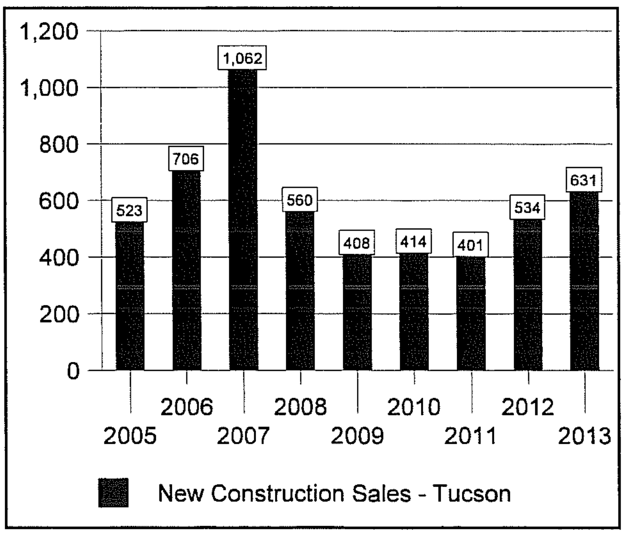

The following is the number of sales of existing single-family residences in the Tucson market through 2013, according to MLS. This data indicates that the number of sales declined from the peak in 2005 through 2008. The number of existing home sales in the Tucson market has steadily increased through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



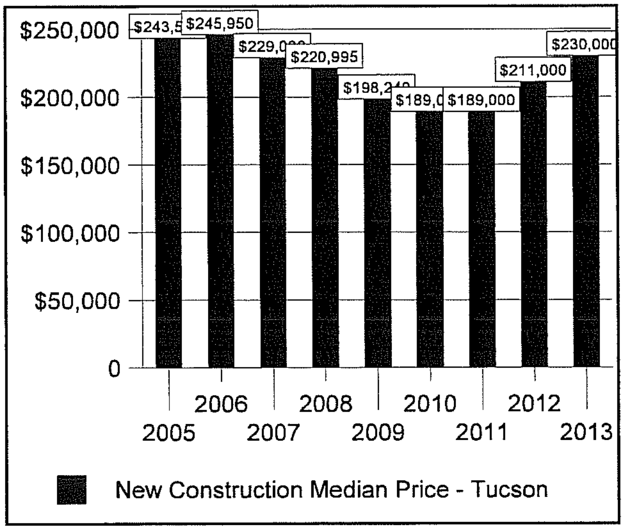
The following is the median sale price for existing single-family residences in the Tucson market through 2013, according to MLS. This data indicates that the median sale price peaked in 2006 and had declined significantly starting in 2008. This decline stabilized in 2012, with an increase in 2013. The 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 the hypothetical "ATF" parcel that is a portion of Section 13, Township 22 South, Range 7 East, G&SRB&M, Pima County, Arizona. The "ATF" parcel has a size of 560 acres according to the Pima County Assessor records. The "ATF" parcel is traversed by the El Mirador Road right of way. The conclusion of the larger parcel is based on the location of the subject property (El Mirador Road) 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 560 acres. It is located 2.0 miles west of SR 286 (Sasabe Highway) and 1.0 mile north of the U.S.-Mexico International Border. The topography of the parcel ranges from level areas to rolling terrain. The subject is not identified as being flood prone but is transversed by numerous wash areas and arroyos. Portions of the subject are located within Riparian Habitat designations of Important Riparian Area and 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 each parcel are located within Riparian Habitat designations of Important Riparian Area and 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.

The subject parcel 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 El Mirador 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 El Mirador 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 El Mirador Road in Section 13, Township 22 South, Range 7 East (560 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 El Mirador 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 | | 560 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)** | 560.00 (*) | 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*

| | Comp 1 | Comp 2 | Comp 3 | Comp 4 | Comp 5 |
|---|---|---|---|---|---|
| **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 "ATF" 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.

560.00 acres times $2,400 per acre = $1,344,000

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

**$1,344,000**

## *SECTION C - THE PROPERTY TO BE ACQUIRED*

**DESCRIPTION:**

Sierrita Gas Pipeline, LLC is seeking to acquire a portion of the El Mirador 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). El Mirador 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 El Mirador 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 El Mirador 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 El Mirador Road surface. The contractor will assure that vehicular traffic on El Mirador 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 El Mirador Road is currently a public right of way established in 1930 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 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 $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: | $1,344,000 |
| Value of Property Rights To Be Acquired: | (100) |
| Value of Remainder Property Before: | $1,343,900 |

**MARKET VALUE OF REMAINDER "ATF" PARCEL, BEFORE**

**$1,343,900**

## *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 "ATF" parcel is 560 acres of which 0.034 acres will be encumbered with a permanent utility easement. Therefore, a total of 559.966 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 shape of the remaining "ATF" parcel remains the same to that which existed before the acquisition. 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 utility pipeline easement, there is no indication that the "ATF" parcel 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 El Mirador 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 El Mirador 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 El Mirador Road in Section 13, Township 22 South, Range 7 East (560 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 irregular 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):* | | |
| 559.966 acres x $2,400 per acre = | | $1,343,918 |
| *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:* | | $1,343,926 |
| | Rounded to: | $1,343,900 |

**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 $1,343,900.

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

**$1,343,900**

## *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 $1,344,000. The market value of the property rights to be acquired of $100 is deducted from the market value of $1,344,000 to arrive at the market value of the remainder, before, of $1,343,900. The market value of the remainder, after, is estimated at $1,343,900. Therefore, there are no severance damages reflected to the "ATF" parcel.

| | |
|---|---|
| Value of Remainder Property, Before: | $1,343,900 |
| Value of Remainder Property, After: | (1,343,900) |
| Severance Damages: | -0- |

## *SECTION G - SUMMARY OF VALUE CONCLUSIONS*

| | |
|---|---|
| Market Value of "ATF" Parcel, Before Acquisition | $1,344,000 |
| Market Value of Property Rights To Be Acquired | $100 |
| Market Value of Remainder Property, Before | $1,343,900 |
| Market Value of Remainder Property, After | $1,343,900 |
| 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 El Mirador 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 El Mirador 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 El Mirador Road in Section 13, Township 22 South, Range 7 East (560 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 El Mirador 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 El Mirador 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 El Mirador Road in Section 13, Township 22 South, Range 7 East (560 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.

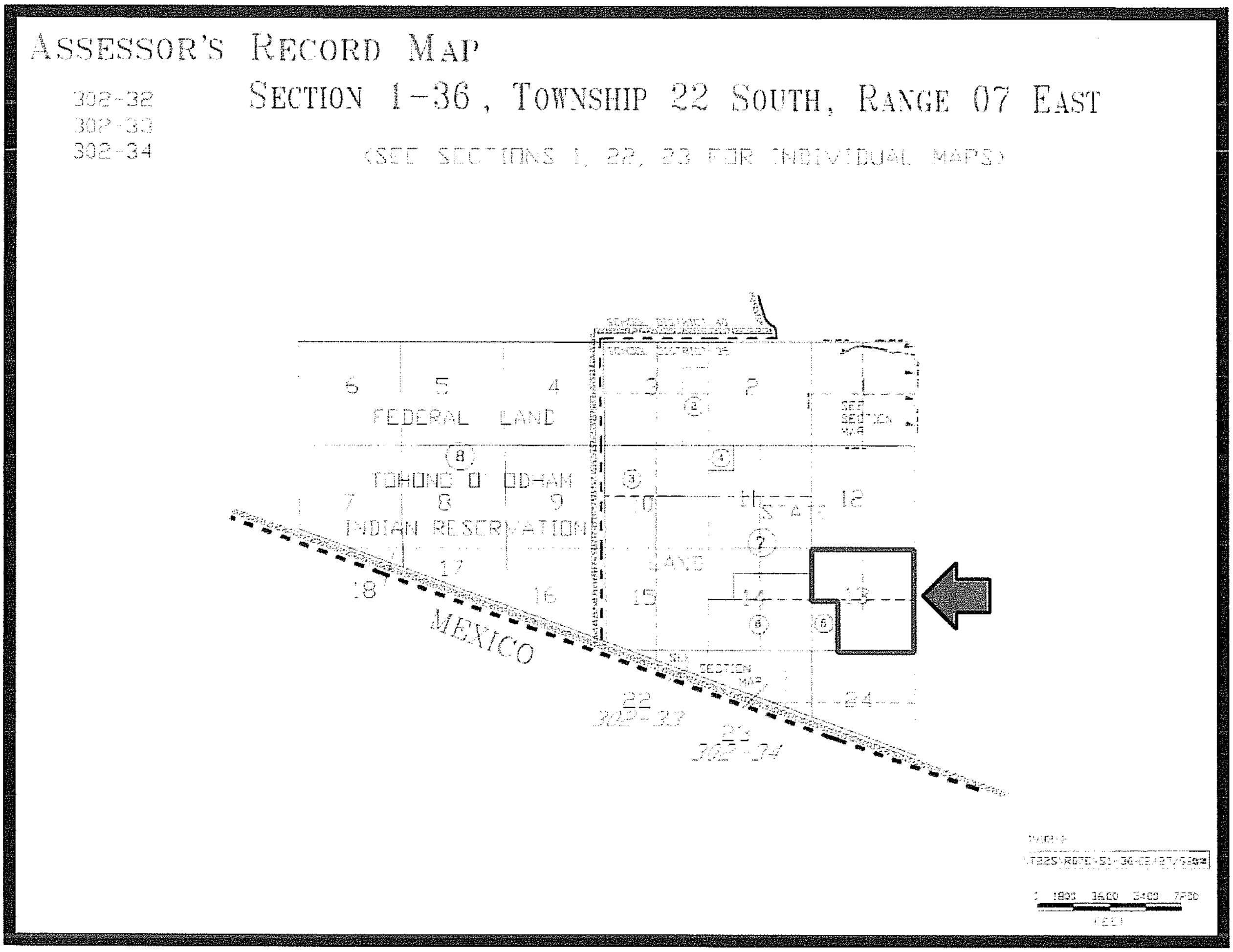
24. ***Grazing Leases.*** The subject parcel may be encumbered with Arizona State Land Department grazing leases. For purposes of this report, it is a hypothetical condition of this appraisal report that the land is appraised as fee simple land unencumbered by any leases.

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.

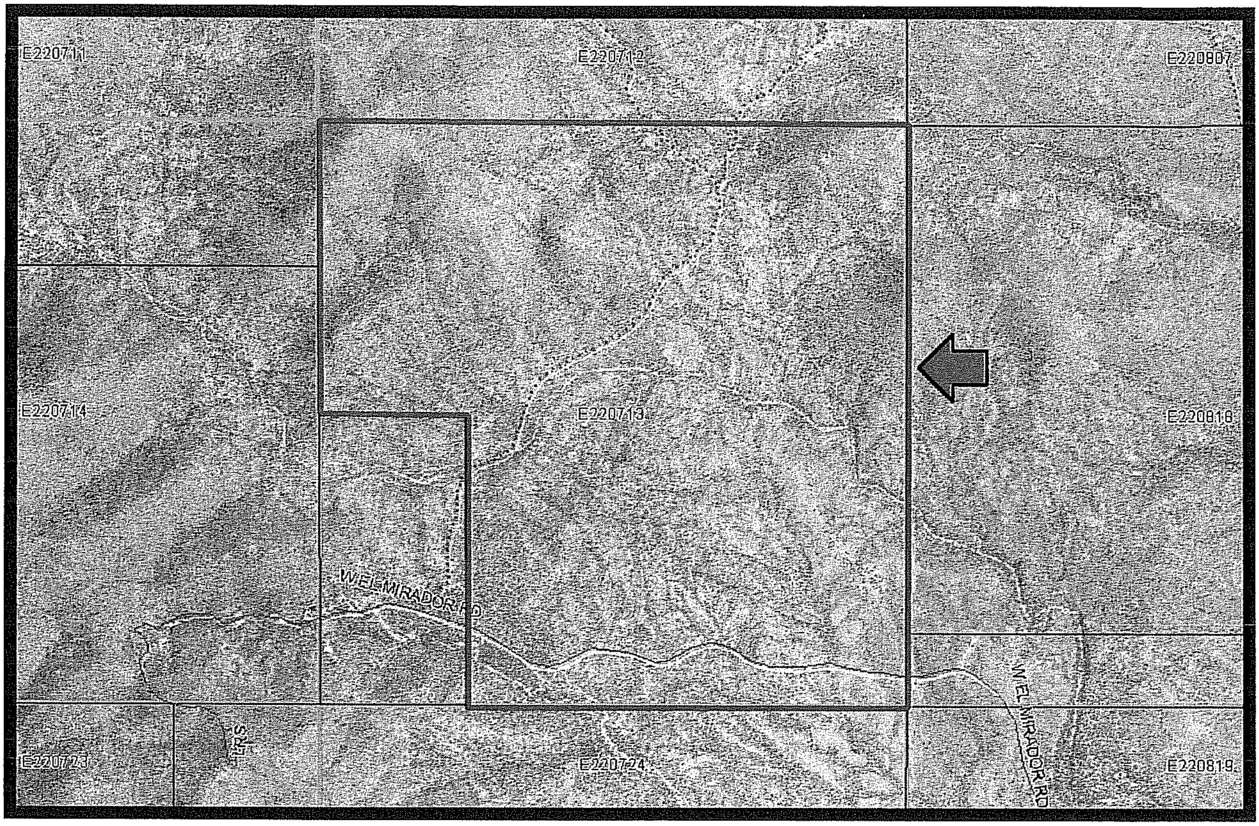
## PART VI - EXHIBITS

| | |
|---|---|
| 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 Minutes |
| Exhibit M.1 | Qualifications of Jeff Teplitsky |
| Exhibit M.2 | Qualifications of Company |

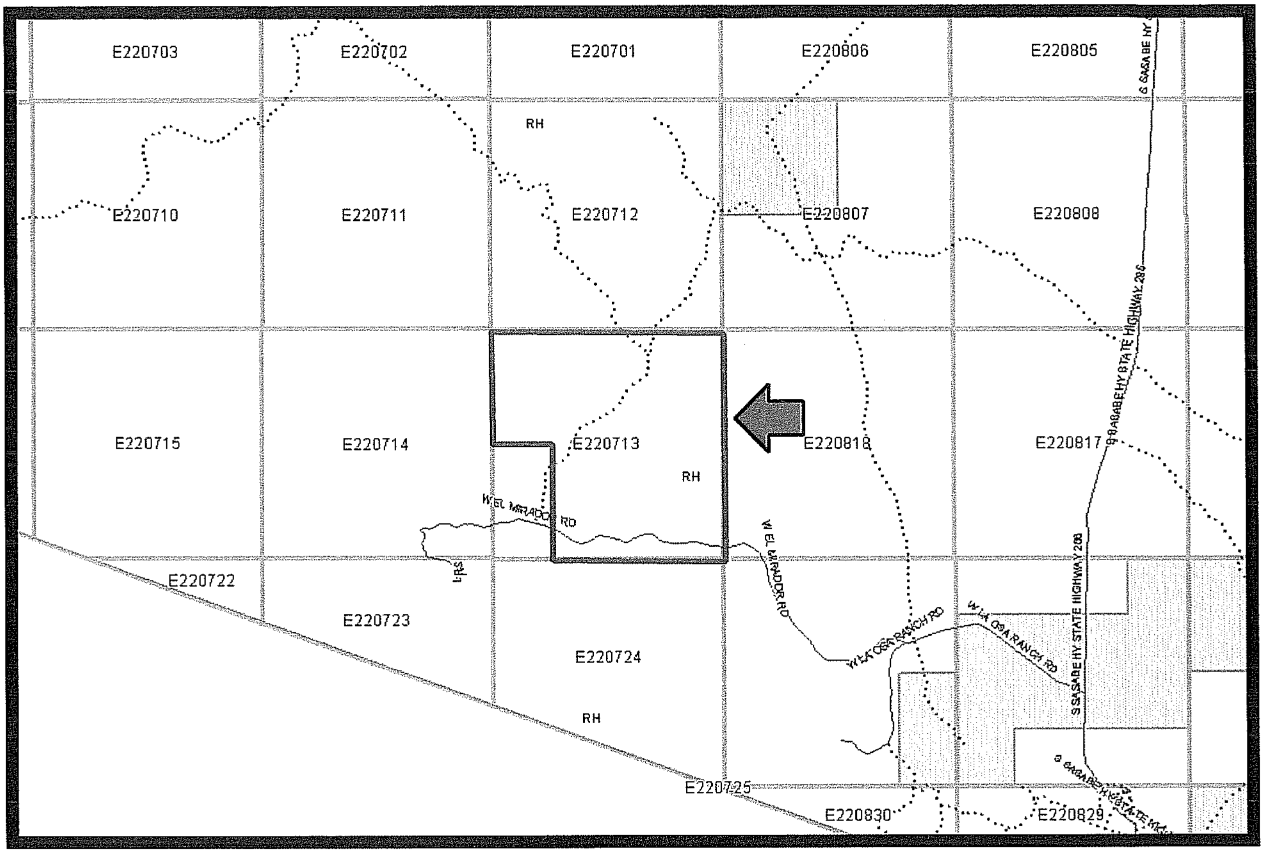
**EXHIBIT A - SUBJECT MAP**

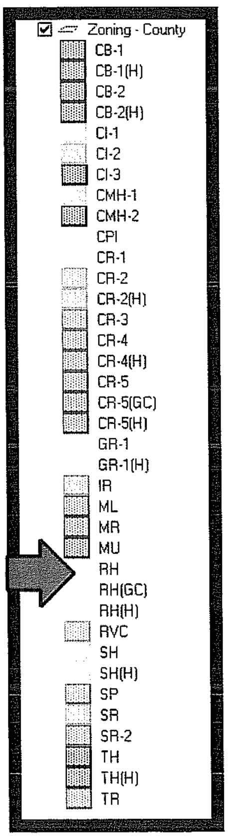


# EXHIBIT B - AERIAL PHOTOGRAPH

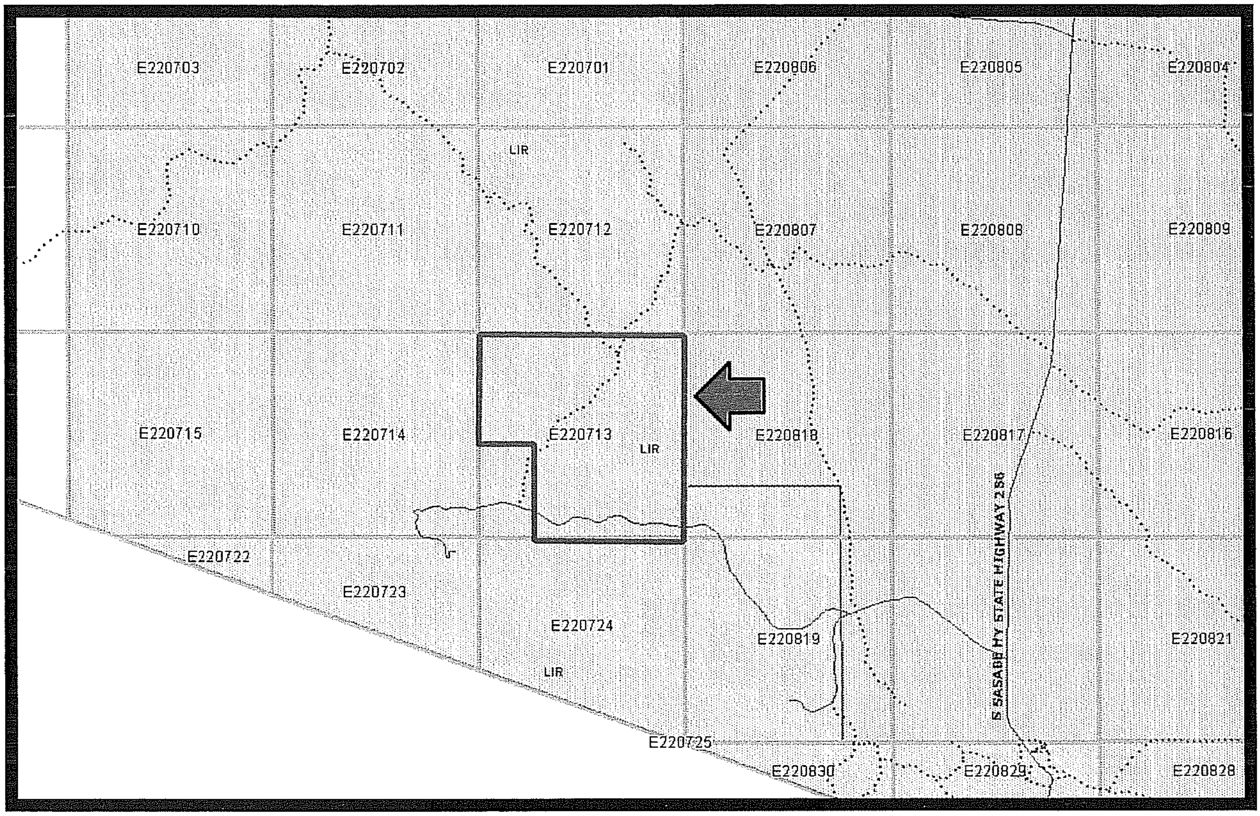


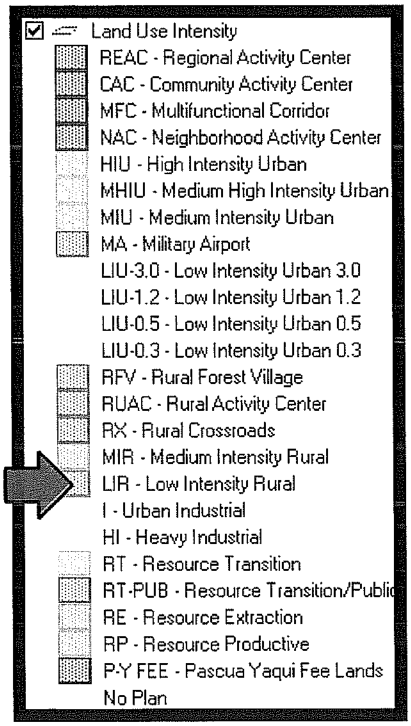
# EXHIBIT C - ZONING MAP (PIMA COUNTY)



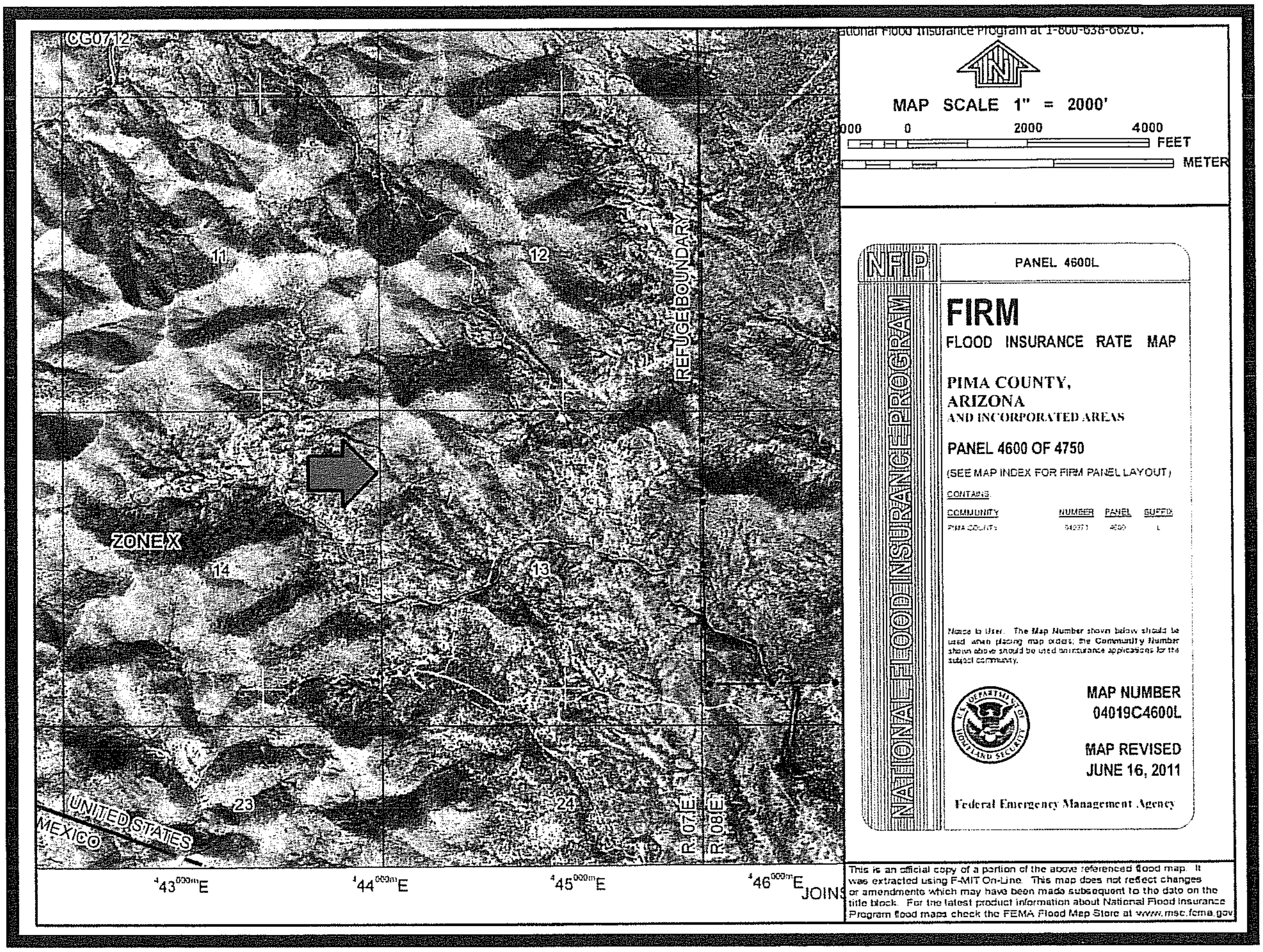



## EXHIBIT D - PIMA COUNTY COMPREHENSIVE LAND USE PLAN MAP

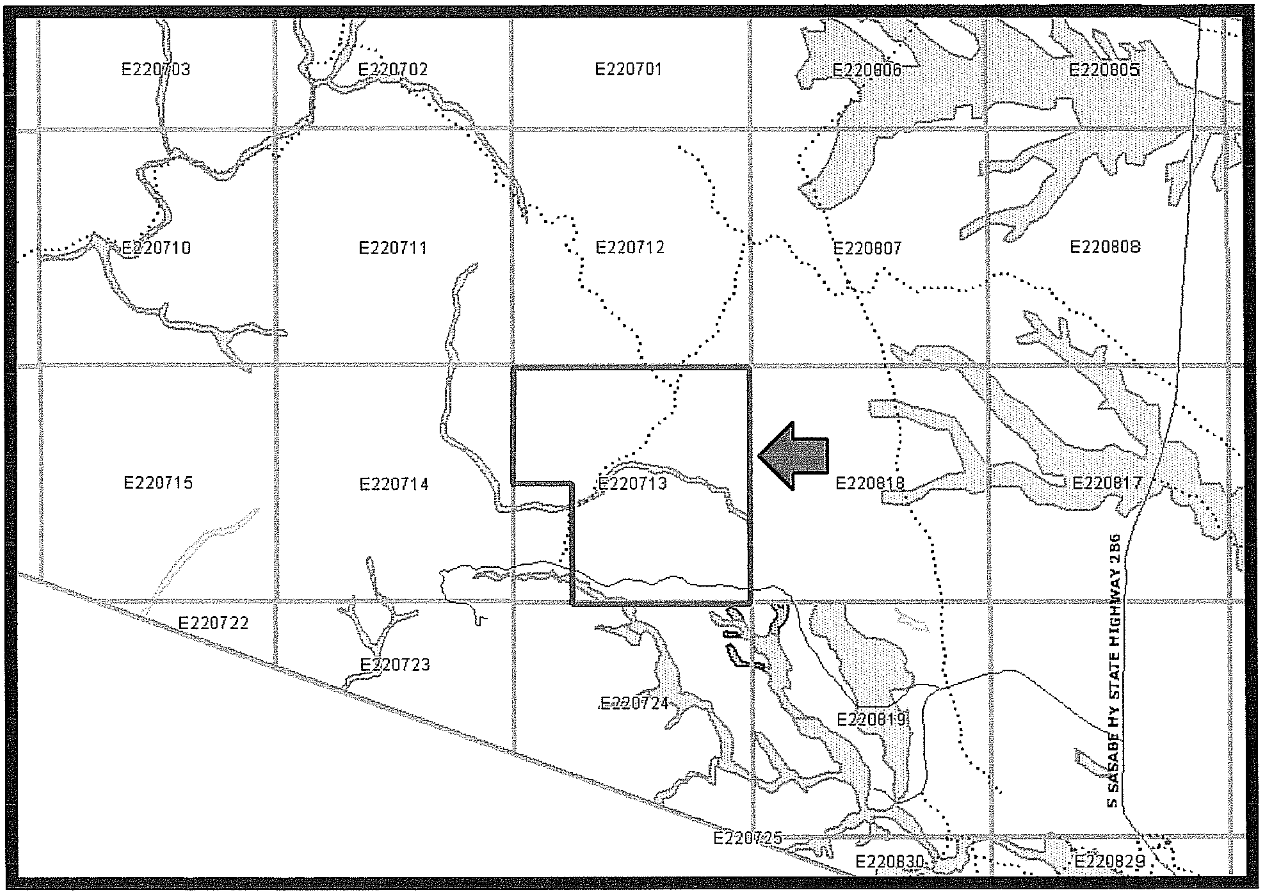


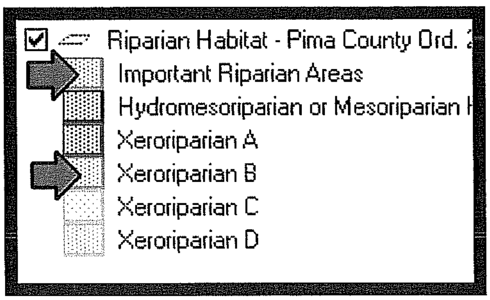



# EXHIBIT E - FLOOD PLAIN MAP



# 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: El Mirador Road

10 Nearest Cross Street: SR 286 (Sasabe Rd) 2mi to East Township 22 Range 07E Section 13

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.

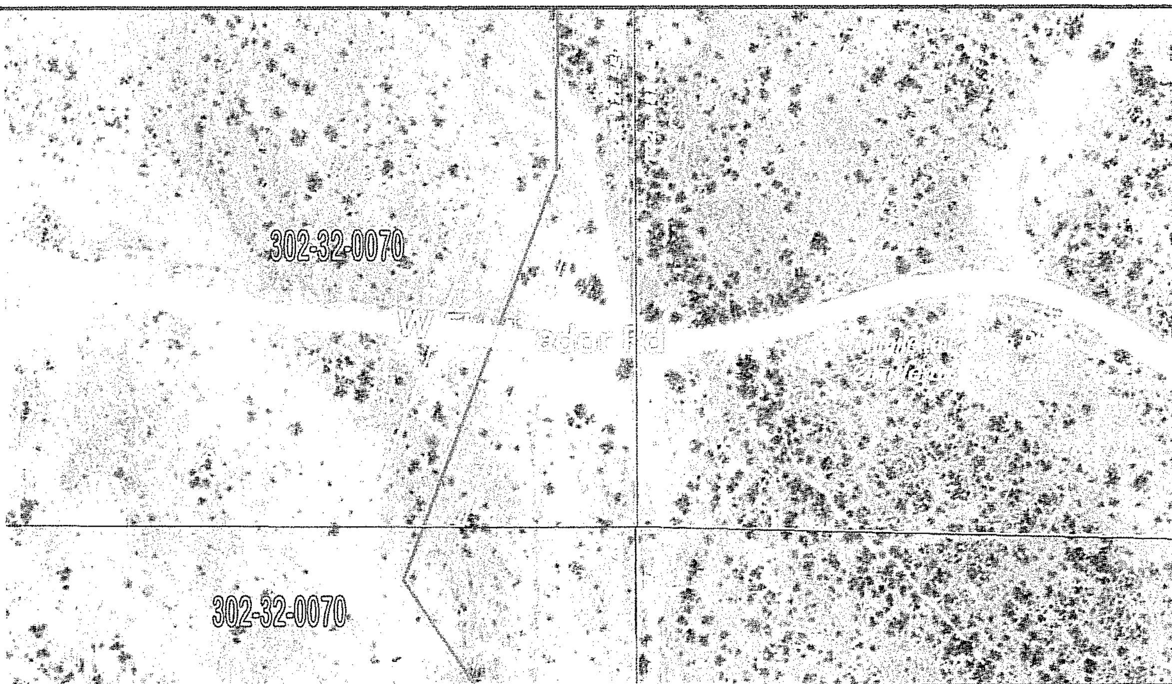
21 **Payment By:** Applicant ☑ Contractor ☐ Owner ☐ **Method:** Check ☑ Bank Card ☐ APA ☐

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*




*REFERENCE: EMS Engineering Plan and Profile Drawing No: 56173015 and Sierrita Gas Pipeline Alignment Sheet 2177.0-24*

**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 58.1: El Mirador Road*

*30' Roadway*

*Open Cut Trench and Construction Equipment Crossing*

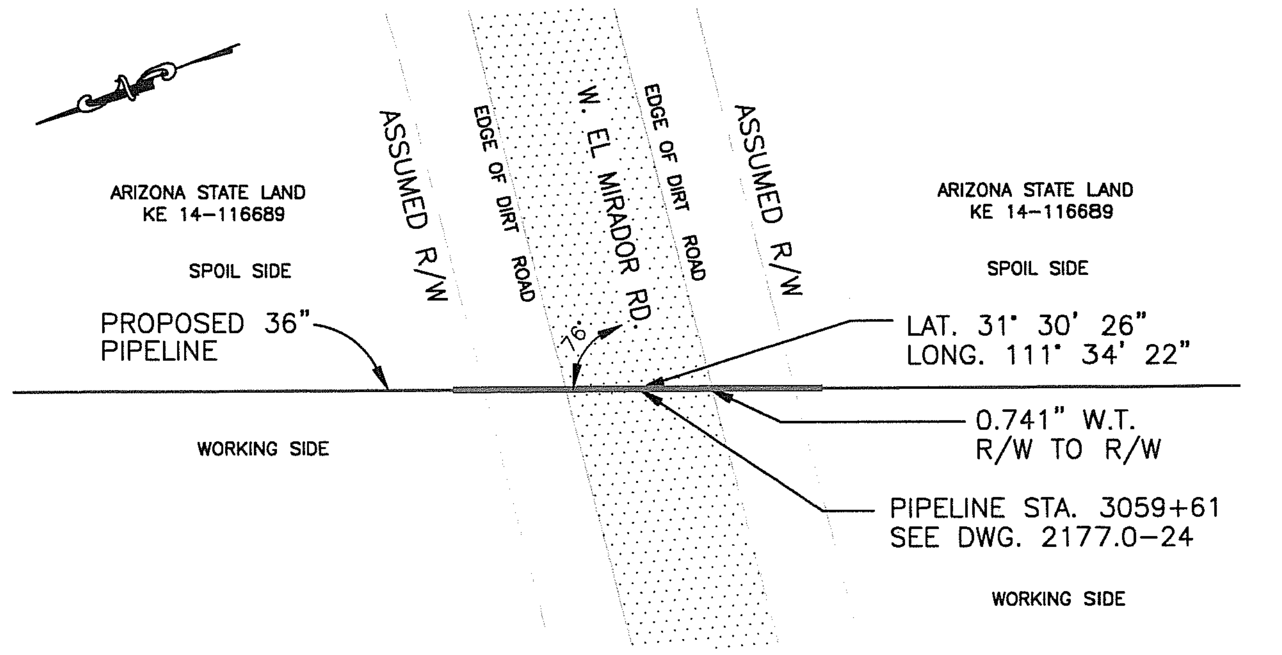
T22S, R7E, Section 13

Pima County Arizona

NORTH (NTS)

Sierrita Gas Pipeline LLC

# PIMA COUNTY, ARIZONA




PIPELINE CROSSING LENGTHS
R/W – R/W = 48'
DIRT ROAD SURFACE = 30'

## PLAN VIEW

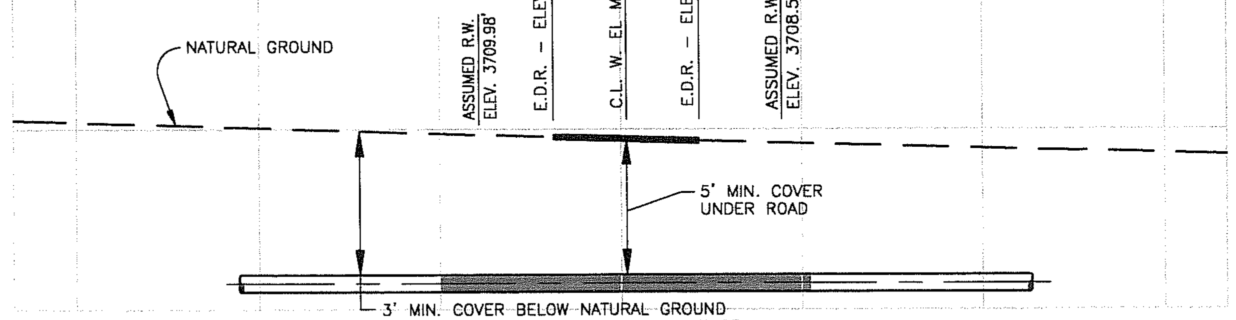
SCALE: 1" = 30'

## 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.




3' MIN. COVER BELOW NATURAL GROUND AND DITCHES OUTSIDE OF ROAD RIGHT OF WAY. PIPE DEPTH TO BE VERIFIED BY CONTRACTOR USING POTHOLING METHOD TO DETERMINE LOCATIONS AND ELEVATIONS OF EXISTING UTILITIES.

## 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 | 01/29/14 |

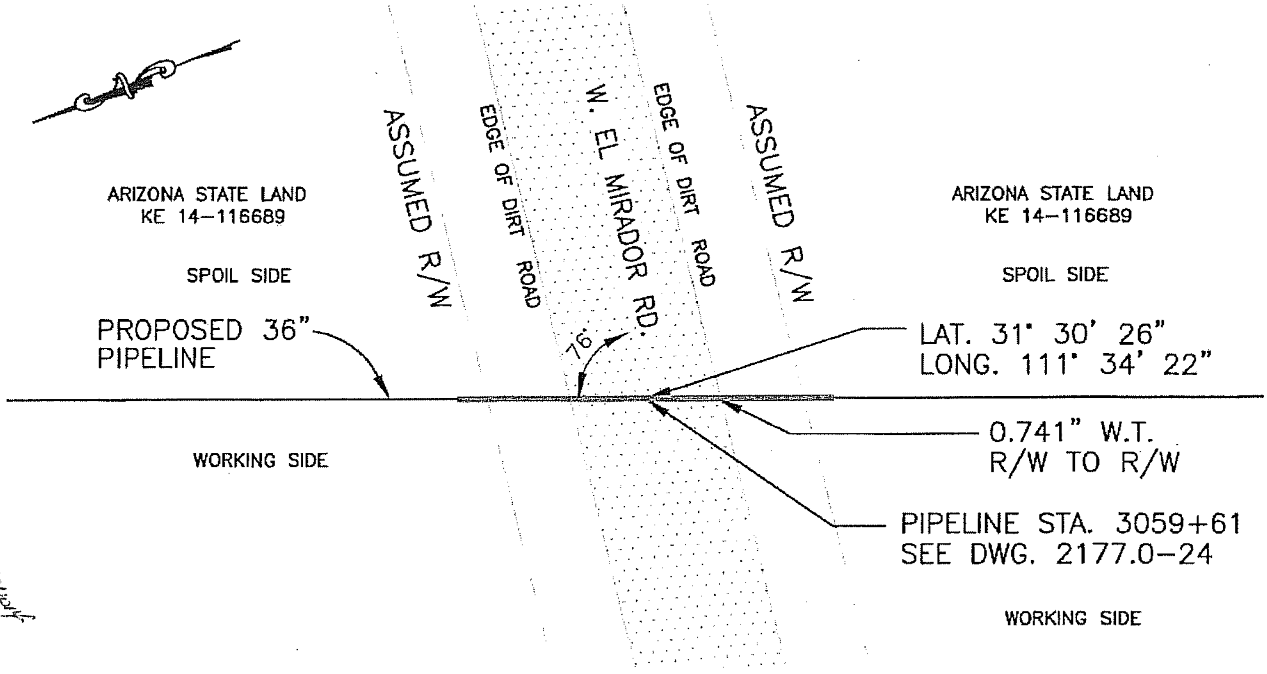
| | | | |
|---|---|---|---|
| SCALE | AS NOTED | | |
| DRAWN | EMS | DATE | 10/08/13 |
| CHK'D | EMS | DATE | 01/22/14 |
| APPROVED | EMS | DATE | 01/29/14 |
| EMS JOB NO. | 5617 | | |
| AFE/P.O. NO. | | | |
| CLIENT FILE NO. | | | |
| EMS FILE NO. | 56173015 | | |

**SIERRITA GAS PIPELINE LLC**

TITLE ROAD CROSSING DETAIL
W. EL MIRADOR RD. PIPELINE CROSSING
PIMA COUNTY ARIZONA

NO. 56173015 REV. E

# PIMA COUNTY, ARIZONA




Expires 6/30/2016

PIPELINE CROSSING LENGTHS
R/W – R/W = 48'
DIRT ROAD SURFACE = 30'

## PLAN VIEW

SCALE: 1" = 30'

**NOTES:**

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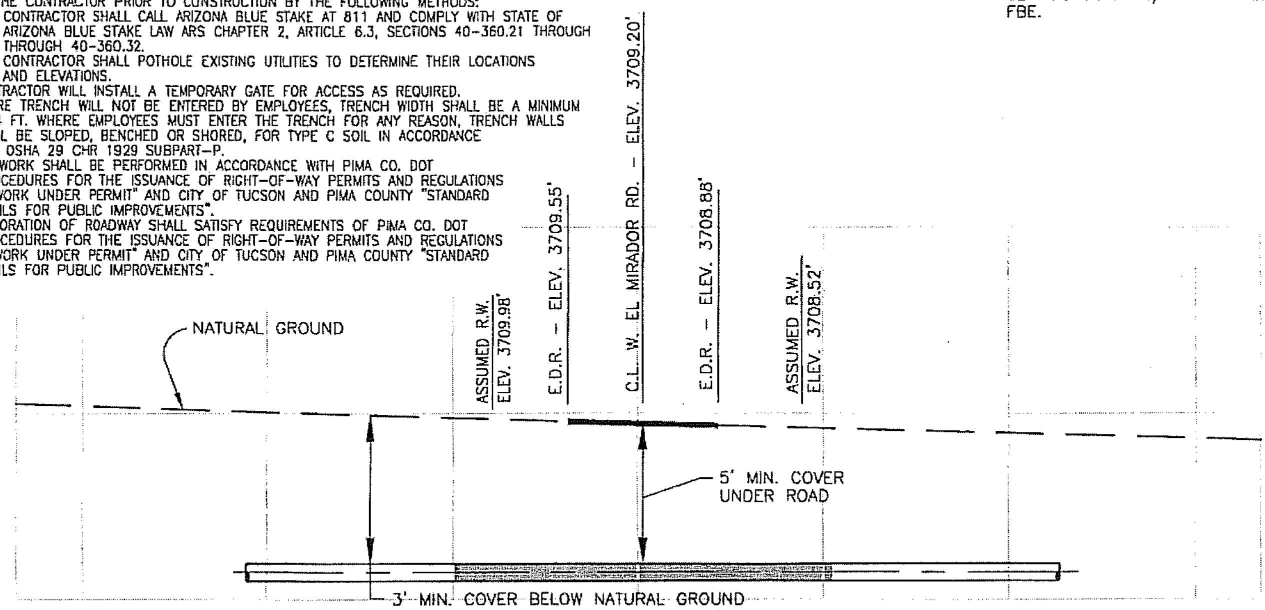
36.000" O.D. x 0.741" W.T., API 5L-X70 DSAW W/ 14-16 MILS FBE.




## PROFILE

NOT TO SCALE

**REVISIONS**

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| | | |

| | | | |
|---|---|---|---|
| SCALE | AS NOTED | | |
| DRAWN | EMS | DATE | 10/08/13 |
| CHK'D | EMS | DATE | 01/22/14 |
| APPROVED | EMS | DATE | 01/29/14 |
| EMS JOB NO. | 5617 | | |
| AFE/P.O. NO. | | | |
| CLIENT FILE NO. | | | |
| EMS FILE NO. | 56173015 | | |

## SIERRITA GAS PIPELINE LLC

TITLE ROAD CROSSING DETAIL

W. EL MIRADOR RD. PIPELINE CROSSING

PIMA COUNTY ARIZONA

NO. 56173015 REV. E

**EXHIBIT H - SUBJECT PHOTOGRAPHS OF AREA TO BE ACQUIRED AND LARGER PARCEL**

PHOTO 1 - VIEW NORTHEAST OF SUBJECT PROPERTY FROM EL MIRADOR ROAD

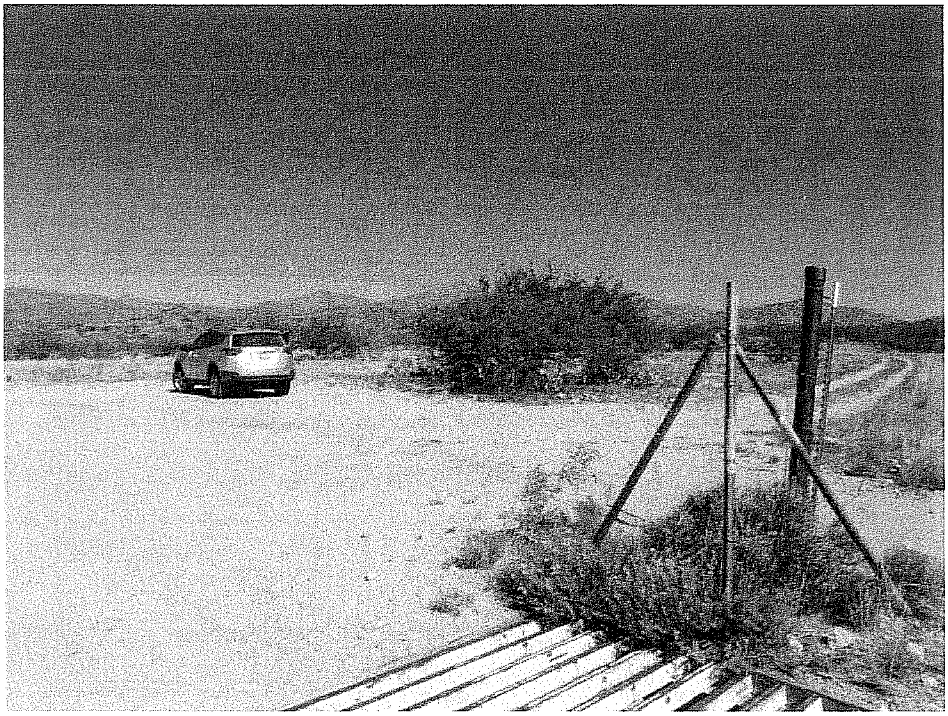


PHOTO 2 - VIEW SOUTHEAST OF SUBJECT PROPERTY FROM EL MIRADOR ROAD

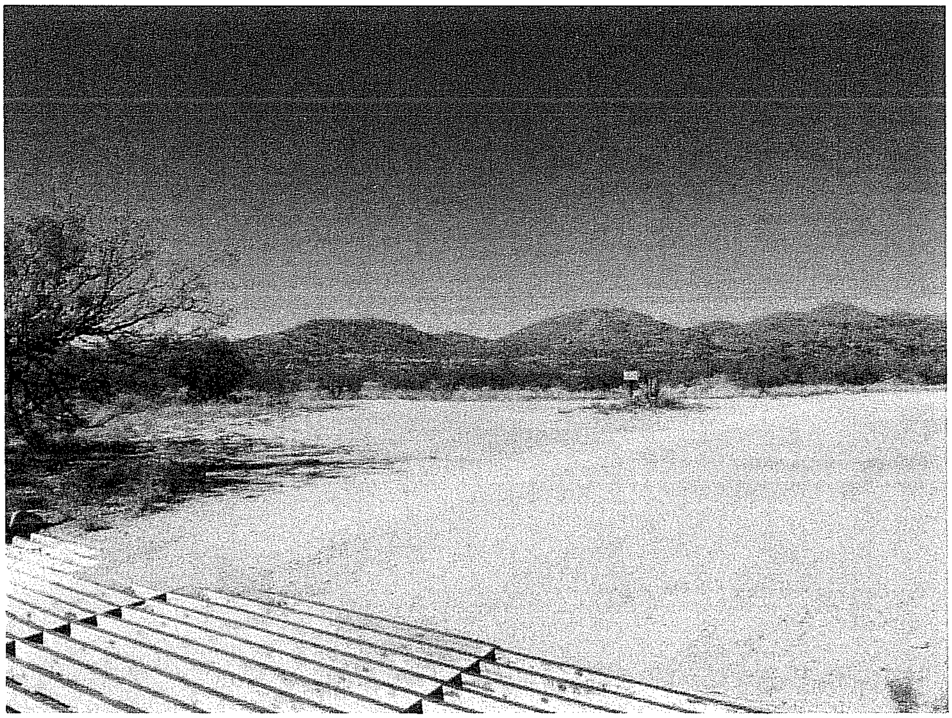


PHOTO 3 - VIEW WEST ALONG EL MIRADOR ROAD

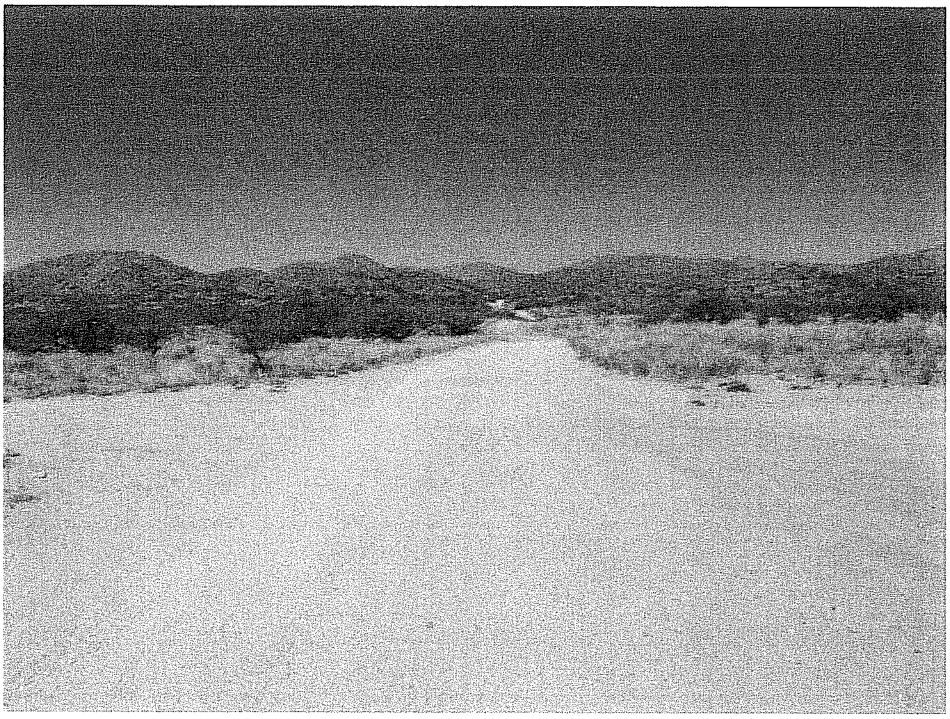


PHOTO 4 - VIEW EAST ALONG EL MIRADOR ROAD

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

PHOTO 5 - VIEW SOUTH OF EASEMENT TO BE ACQUIRED

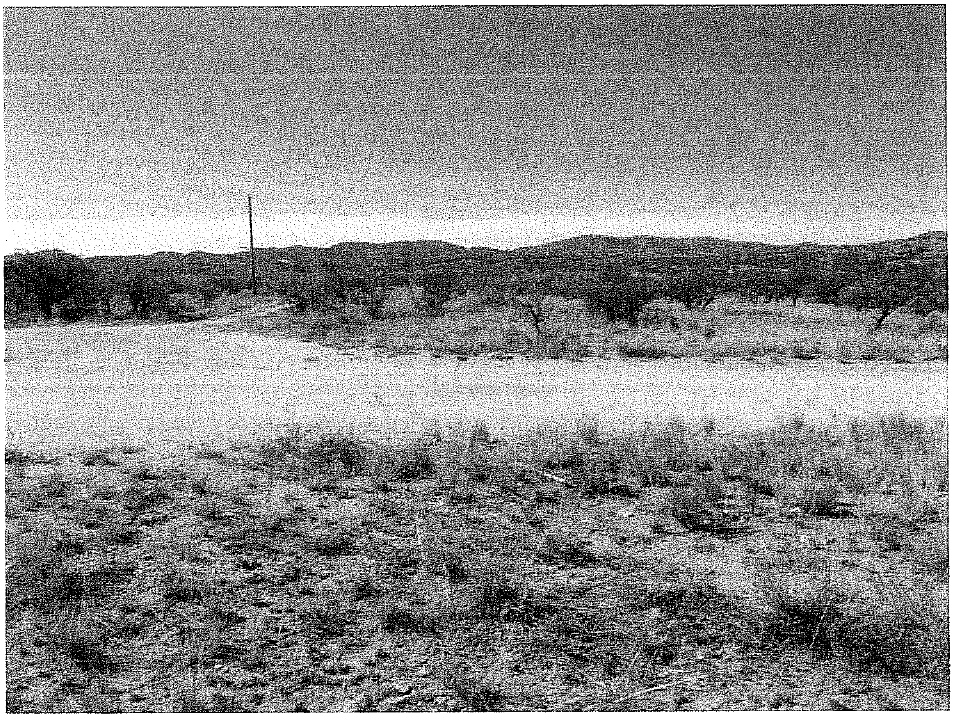
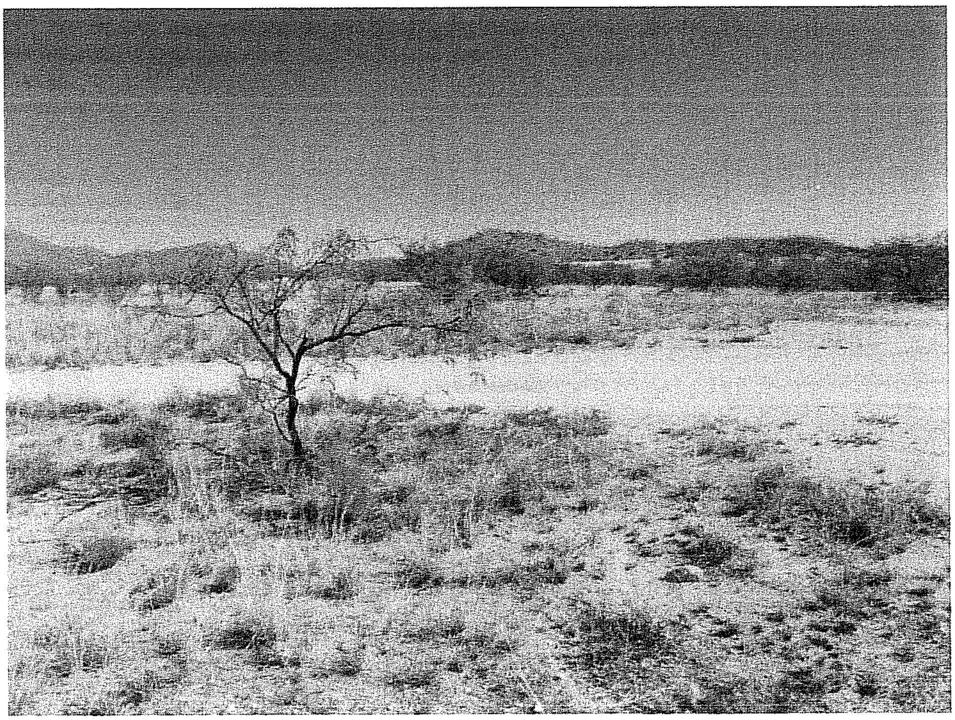
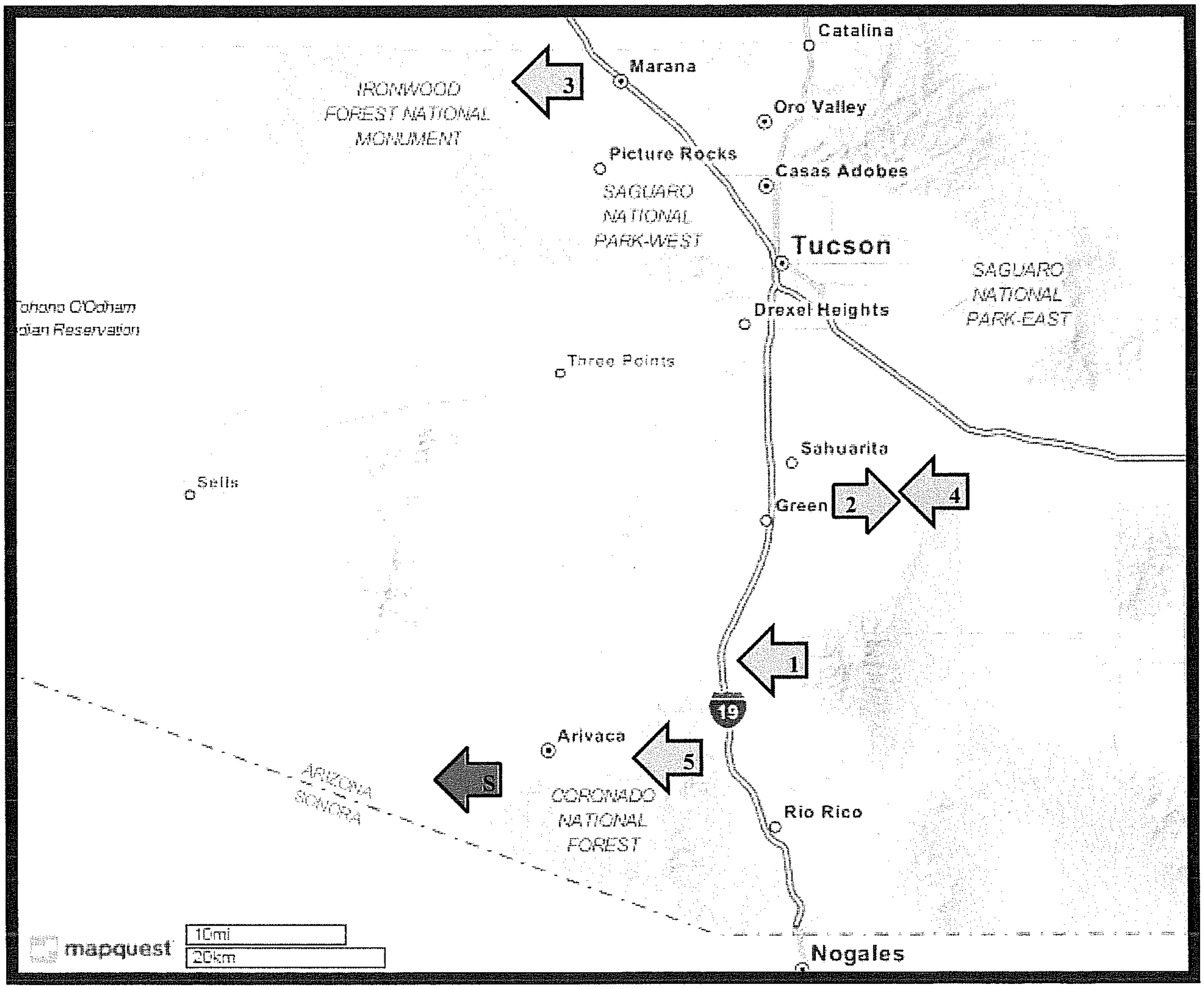


PHOTO 6 - VIEW NORTH OF EASEMENT TO BE ACQUIRED



## 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

<u>LAND COMPARABLE NUMBER 1 (SALE)</u> 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<br>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)<br>Greg Vinikoor, broker (520-954-3977)<br>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.

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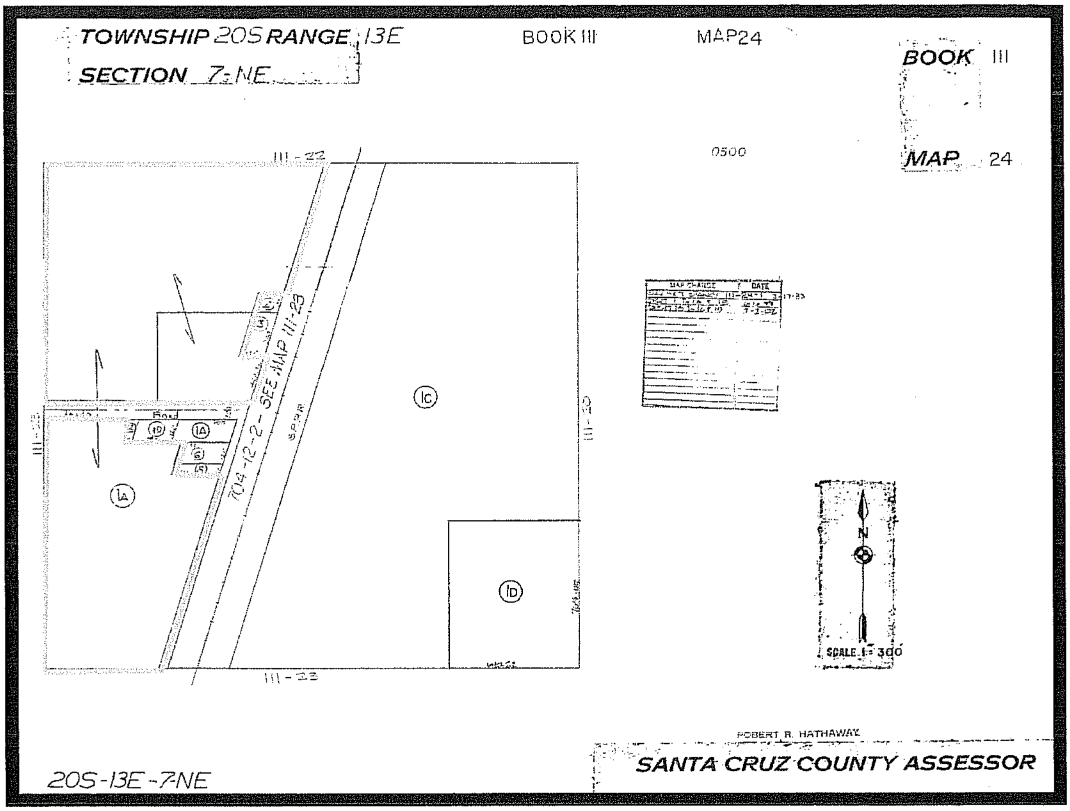
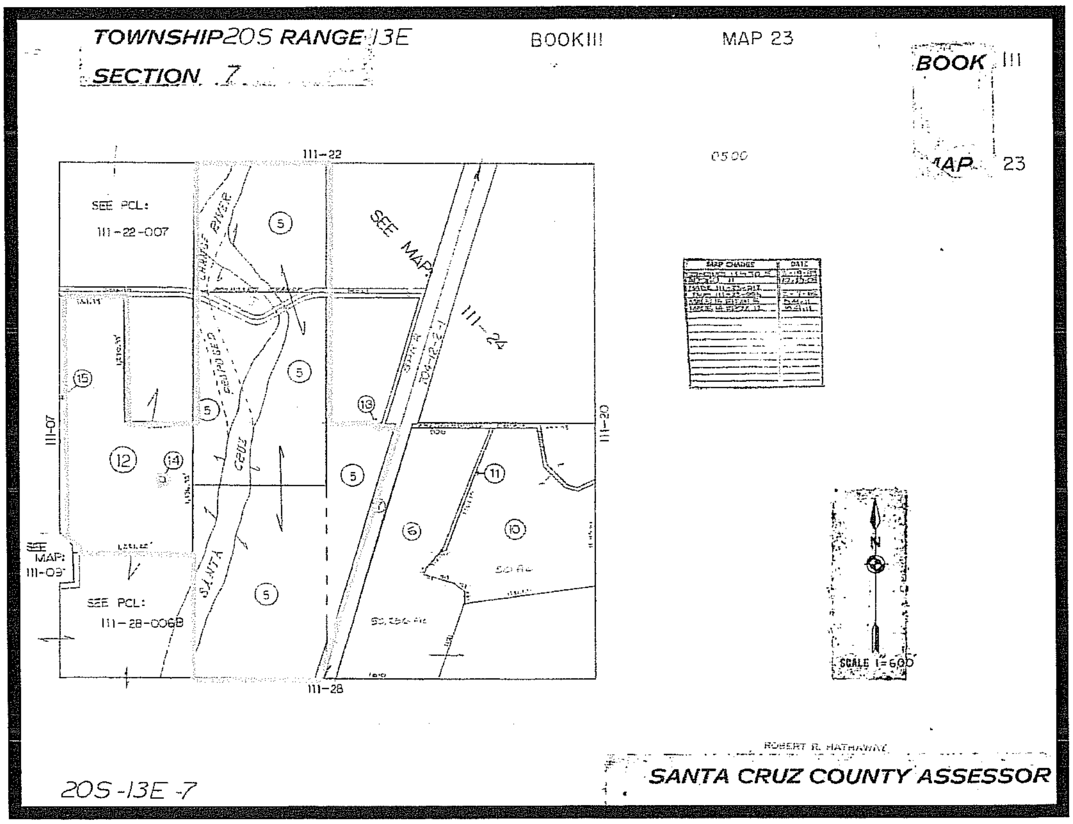
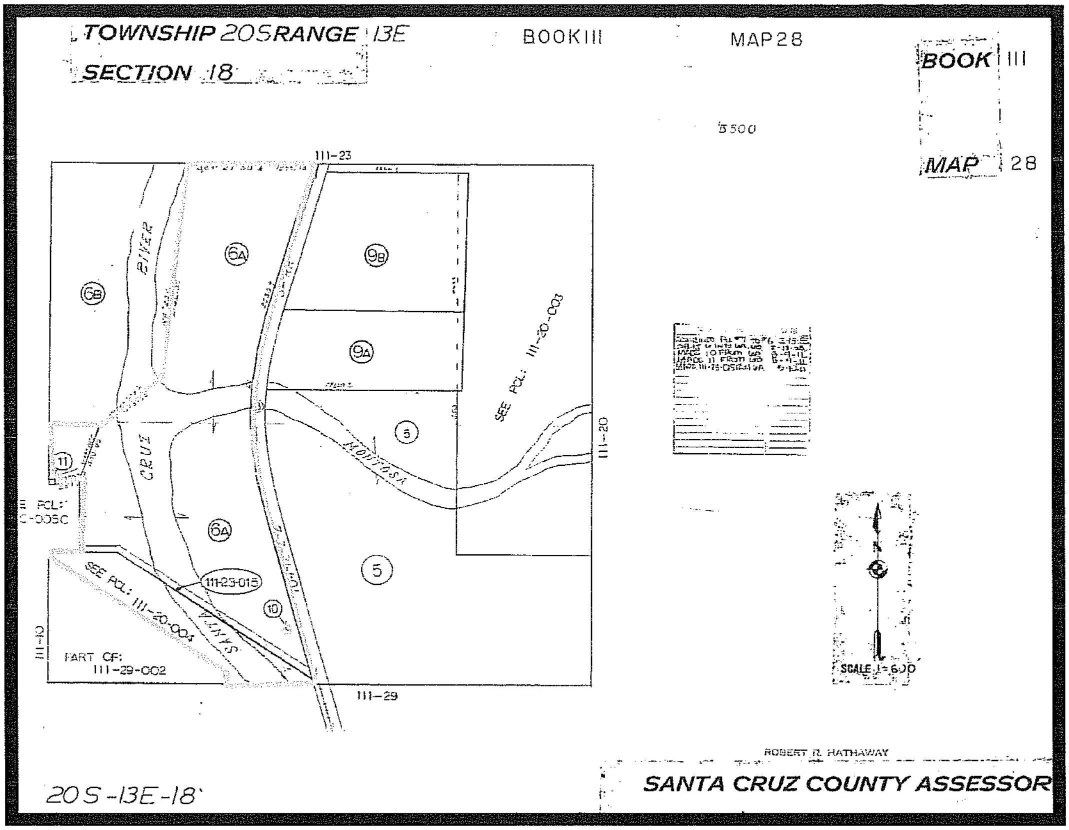
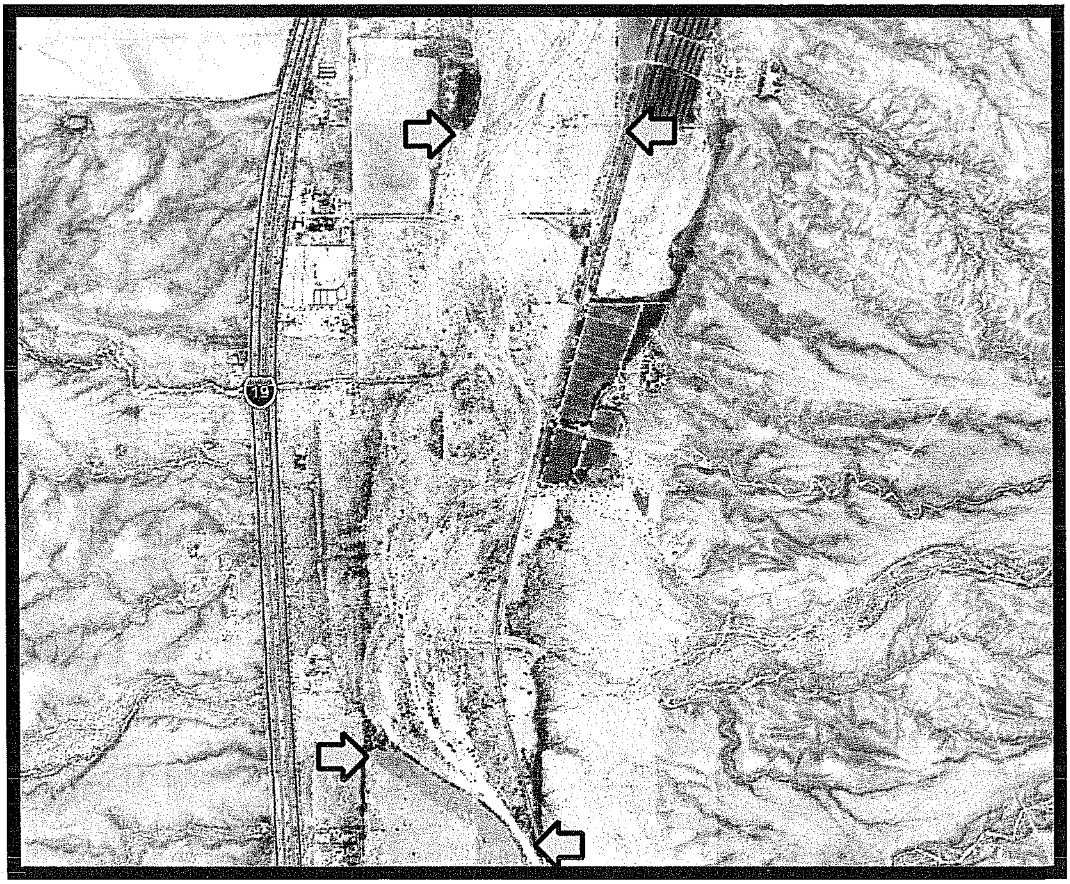
| LAND SIZE: | 548.39 acres |
| ZONING: | GR (Santa Cruz County) |
| REPORTED SALE PRICE: | $1,628,970 |
| PRICE PER ACRE: | $2,970 |
| MARKETING TIME: | Six months |
| TERMS OF SALE: | This was an all cash to the seller transaction. |
| PRIOR SALE: | Records of the Santa Cruz County Assessor indicate 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
SECTION 18
BOOK III
MAP 28
BOOK III
MAP 28
5500
111-23
RIVER
CRUZ
SANTA
6A
6B
9B
9A
5
6A
5
11
10
SEE PCL: 111-20-003
111-20
SEE PCL: 111-20-004
111-23-015
PART OF:
111-29-002
111-10
111-29
SCALE 1"=600
ROBERT R. HATHAWAY
SANTA CRUZ COUNTY ASSESSOR
20S-13E-18

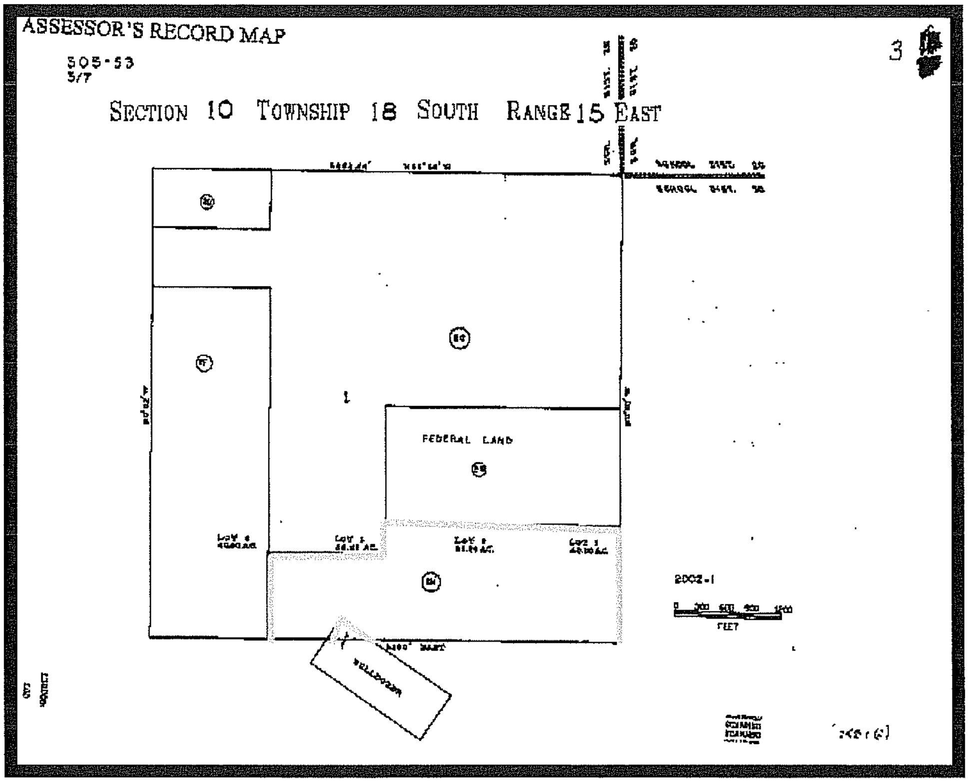

19

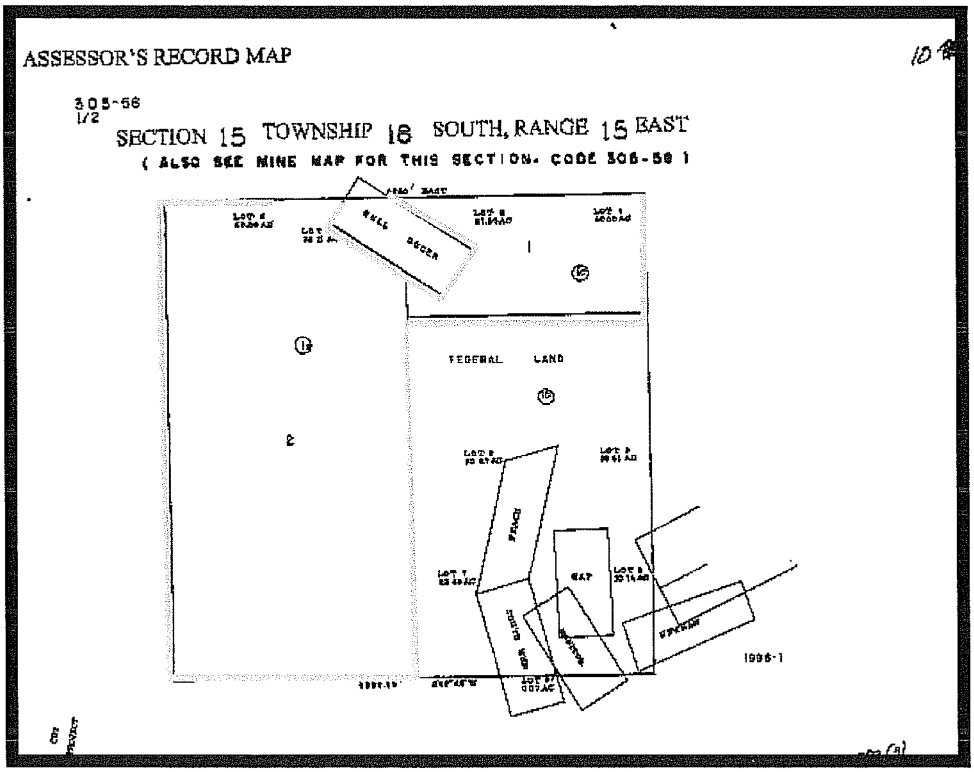
LAND COMPARABLE NUMBER 2 (SALE) ID: RH 0281 5992

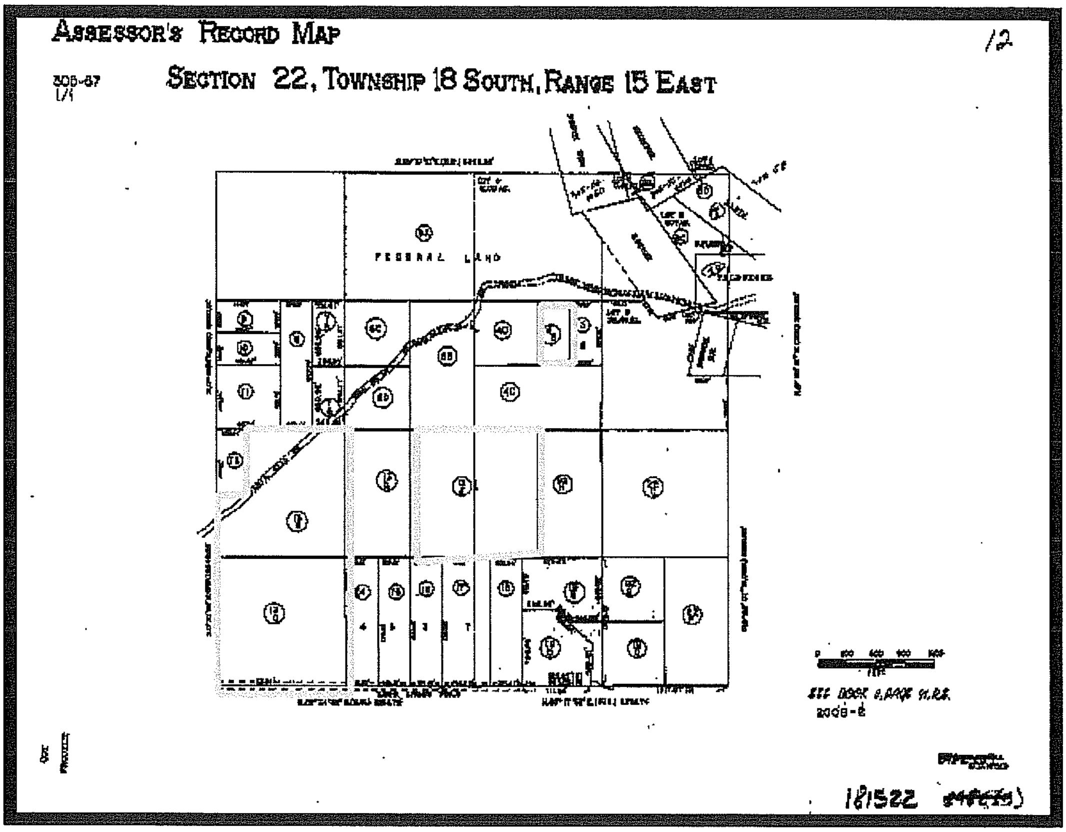
| | |
|---|---|
| LOCATION: | Along Santa Rita Road and private easement roadways, east of Interstate 19, Pima County, Arizona |
| LEGAL DESCRIPTION: | A portion of Sections 10, 15, 22, 23, and 27, Township 18 South, Range 15 East, G&SRB&M, Pima County, Arizona |
| STATE TAX PARCELS: | 305-53-002H<br>305-53-004D and 004H<br>305-56-001B, 001C<br>305-58-0330, 0360, and 0370<br>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)<br>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. |

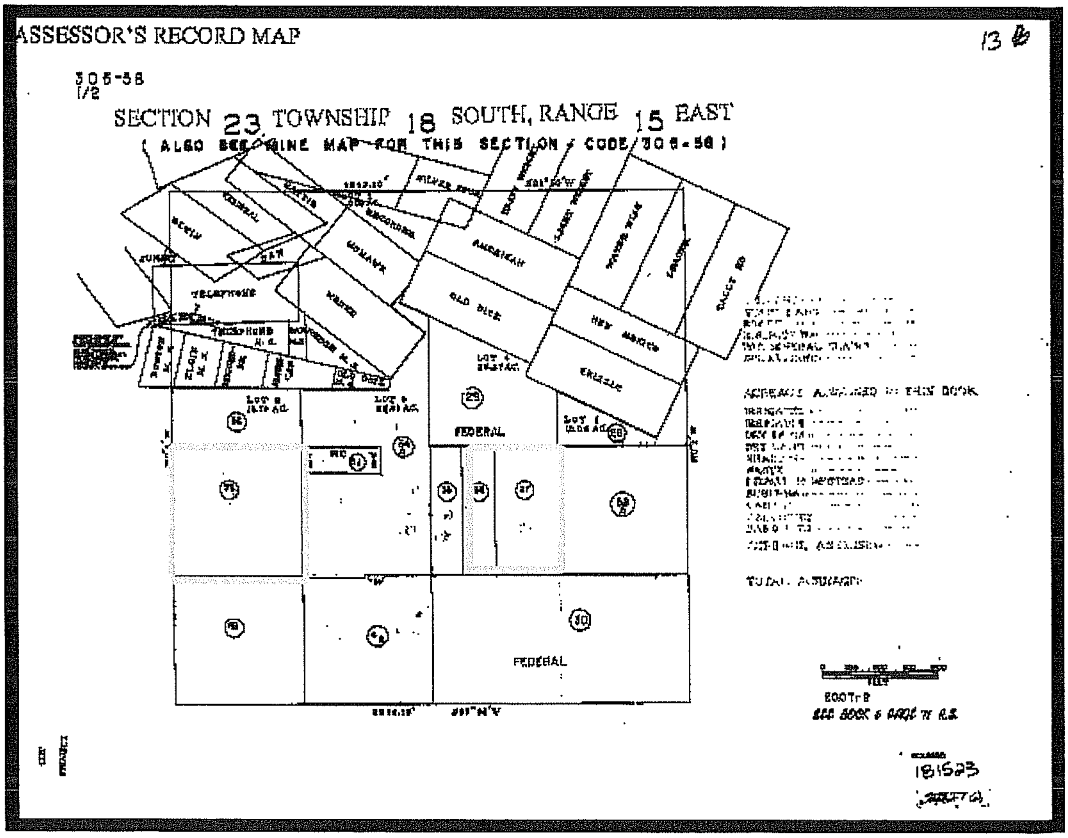
**COMPARABLE LAND SALE TWO**
**PLAT MAPS AND AERIAL PHOTO** (3 Pages)



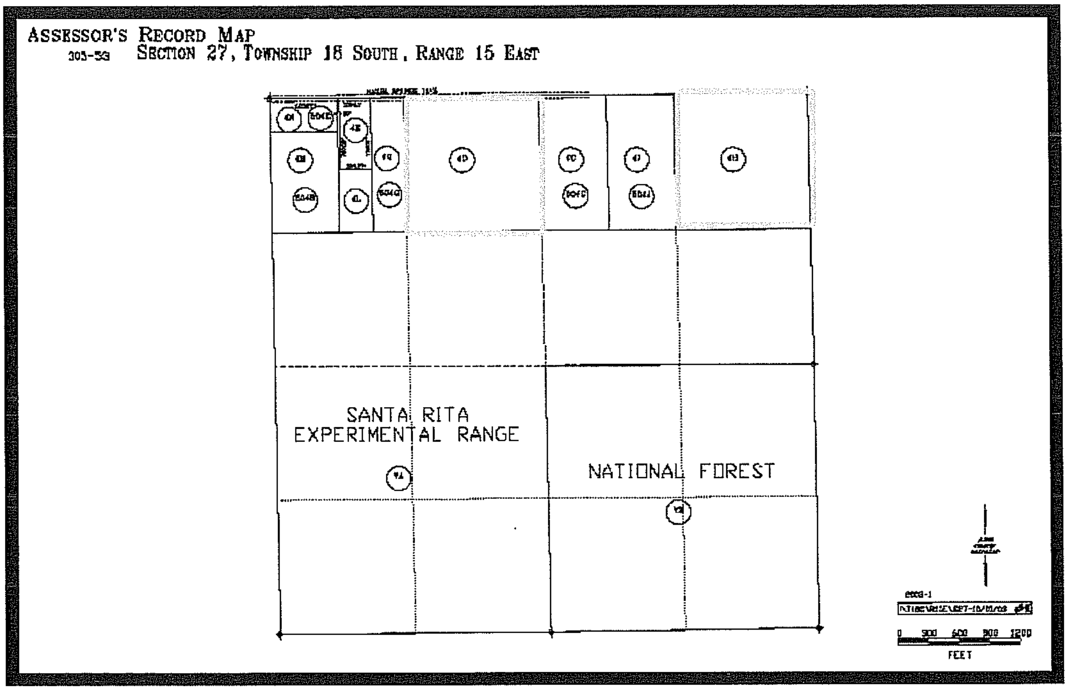



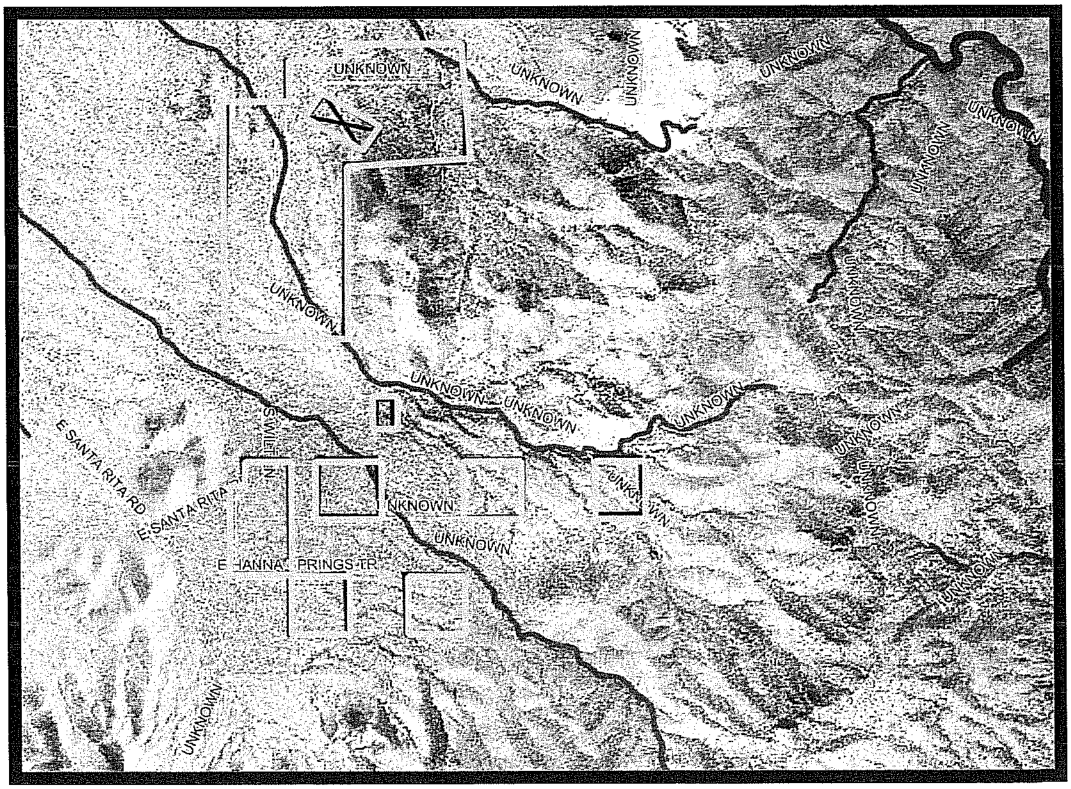


ASSESSOR'S RECORD MAP
12
306-67
1/1
SECTION 22, TOWNSHIP 18 SOUTH, RANGE 15 EAST
FEDERAL LAND
SEE BOOK 6, PAGE 11 R.S.
2008-2
181522

ASSESSOR'S RECORD MAP
13
306-58
1/2
SECTION 23 TOWNSHIP 18 SOUTH, RANGE 15 EAST
( ALSO SEE MINE MAP FOR THIS SECTION / CODE/306-58 )
AMERICAN
OLD DIVE
NEW MEXICO
FEDERAL
ACREAGE ASSESSED IN THIS BOOK
TOTAL ACREAGE
SEE BOOK 6 PAGE 11 R.S.
181523


ASSESSOR'S RECORD MAP
303-53
SECTION 27, TOWNSHIP 18 SOUTH, RANGE 15 EAST
SANTA RITA
EXPERIMENTAL RANGE
NATIONAL FOREST
0 300 600 900 1200
FEET


UNKNOWN
E SANTA RITA RD

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<br>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. |

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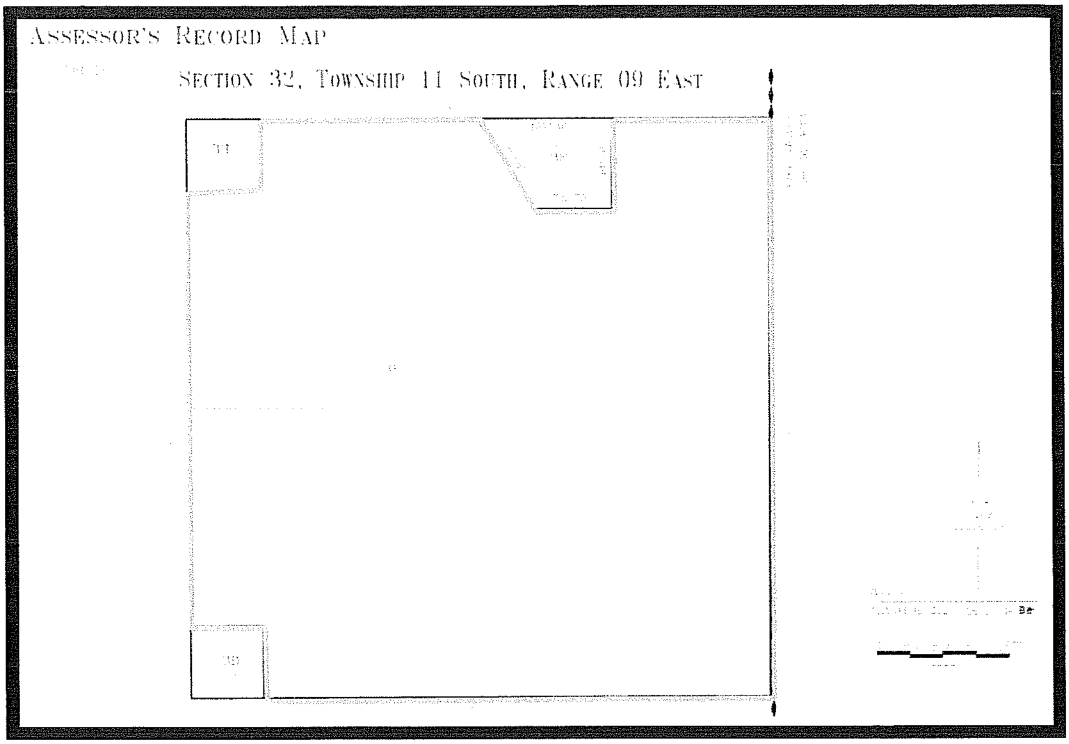
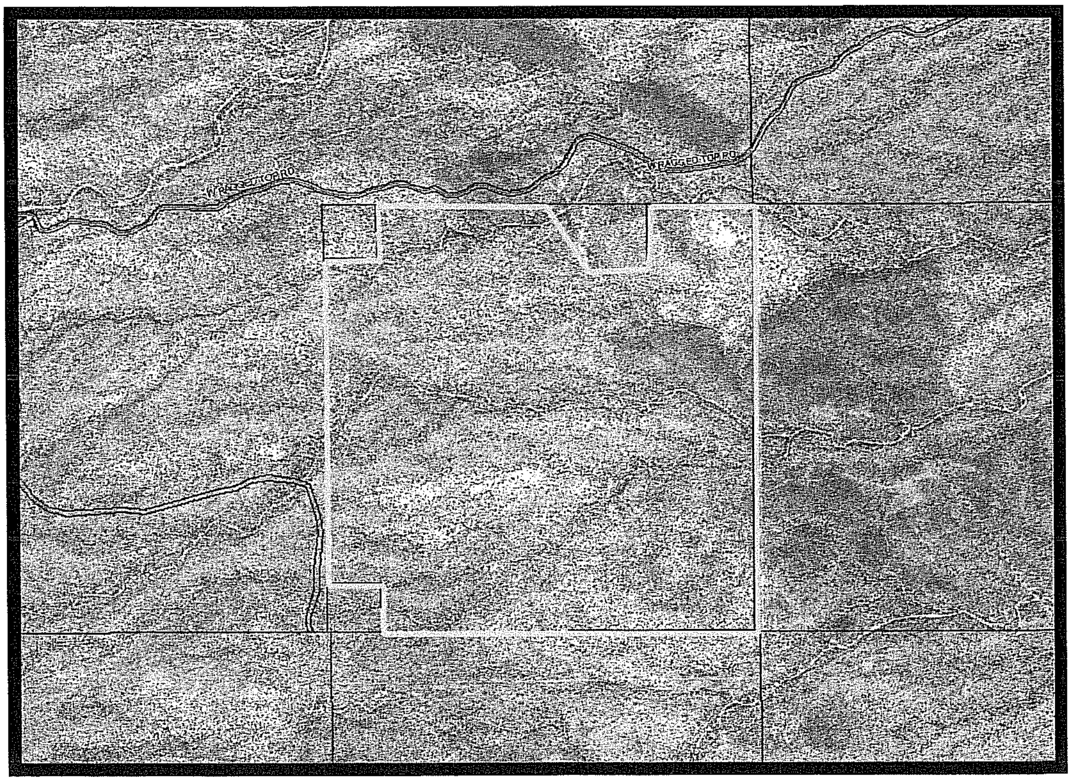
|---|---|
| LAND SIZE: | 602 acres |
| ZONING: | RH |
| REPORTED SALE PRICE: | $900,000 |
| PRICE PER ACRE: | $1,495 |
| MARKETING TIME: | 7 - 8 months |
| TERMS OF SALE: | This was an all cash transaction to the seller or terms equivalent to cash. |
| PRIOR SALE: | Records of the Pima County Assessor 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.<br><br>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<br>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 |

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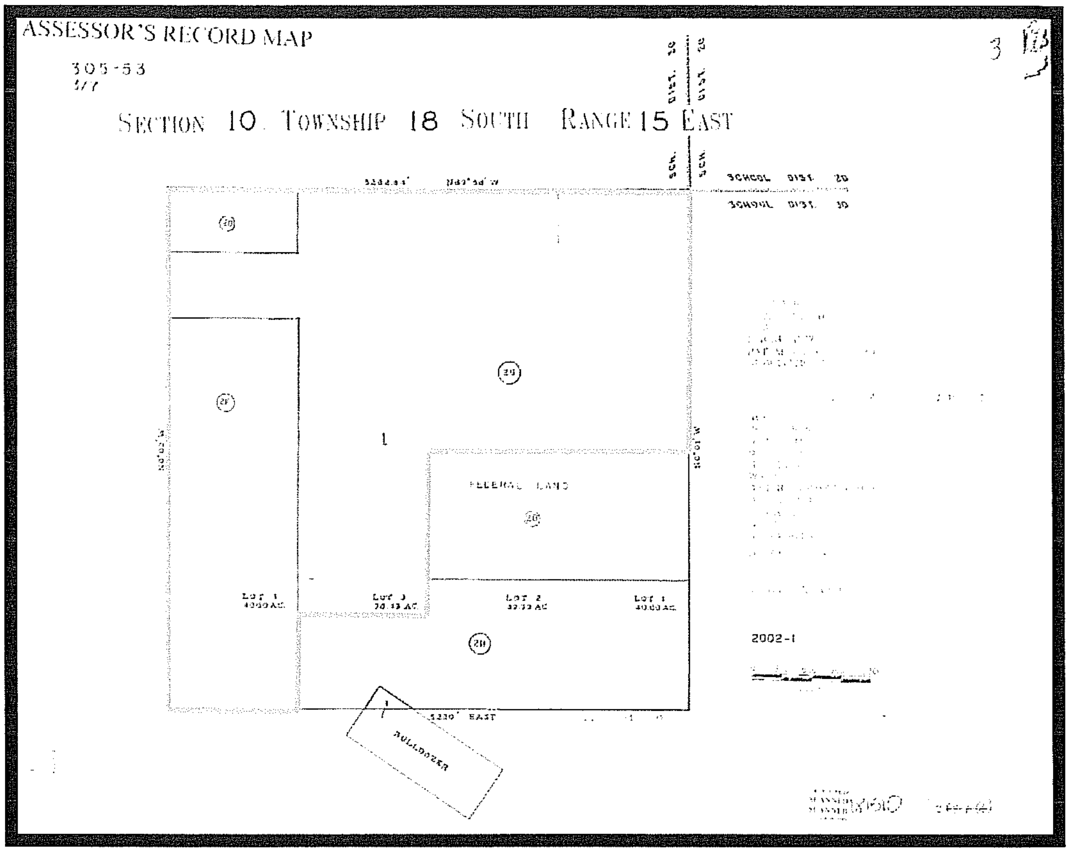
| MARKETING TIME: | 2.5 years |
| TERMS OF SALE: | Reported to be all cash or terms equivalent to cash. |
| PRIOR SALE: | Records of the Pima County Assessor indicate that no transaction has occurred within three years of the date of valuation. |
| CONDITIONS OF SALE: | This is currently in escrow. The 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.<br><br>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:<br>Section 8, Township 21 South, Range 11 East<br>Section 17, Township 21 South, Range 11 East<br>Section 18, Township 21 South, Range 11 East<br>Section 27, Township 21 South, Range 11 East<br>Section 29, Township 21 South, Range 11 East<br>Section 24, Township 21 South, Range 10 East<br>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)<br>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. |

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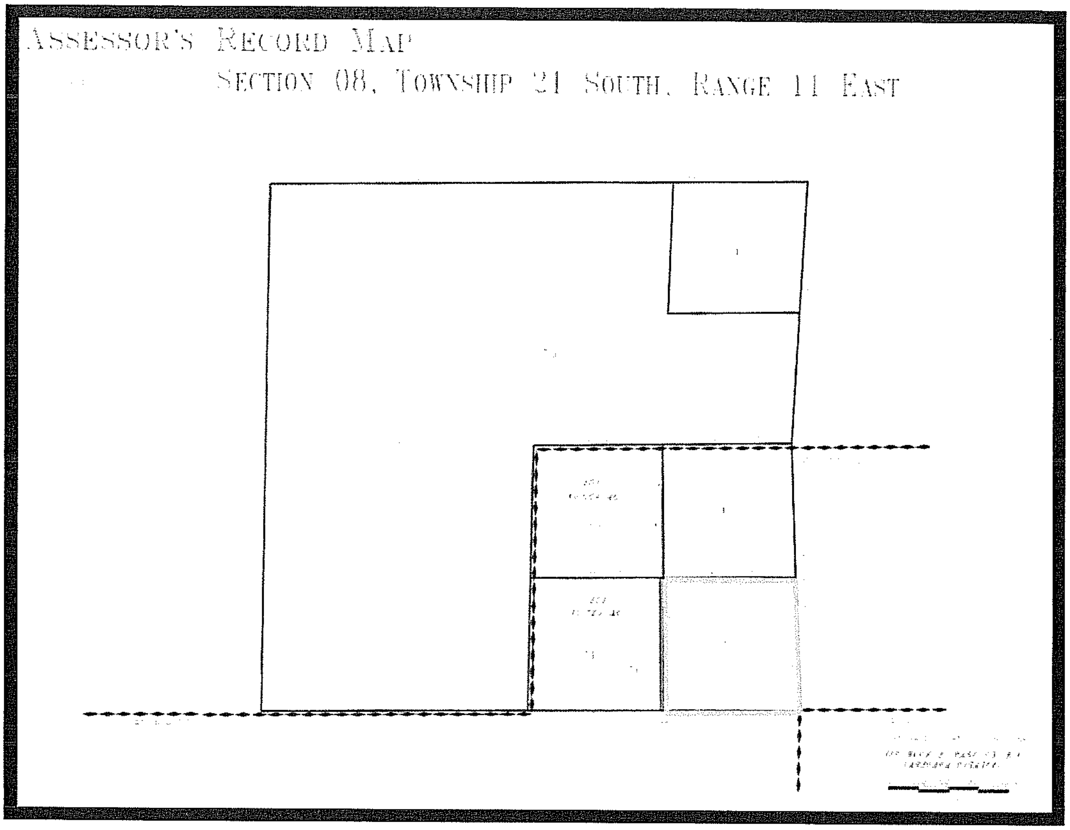
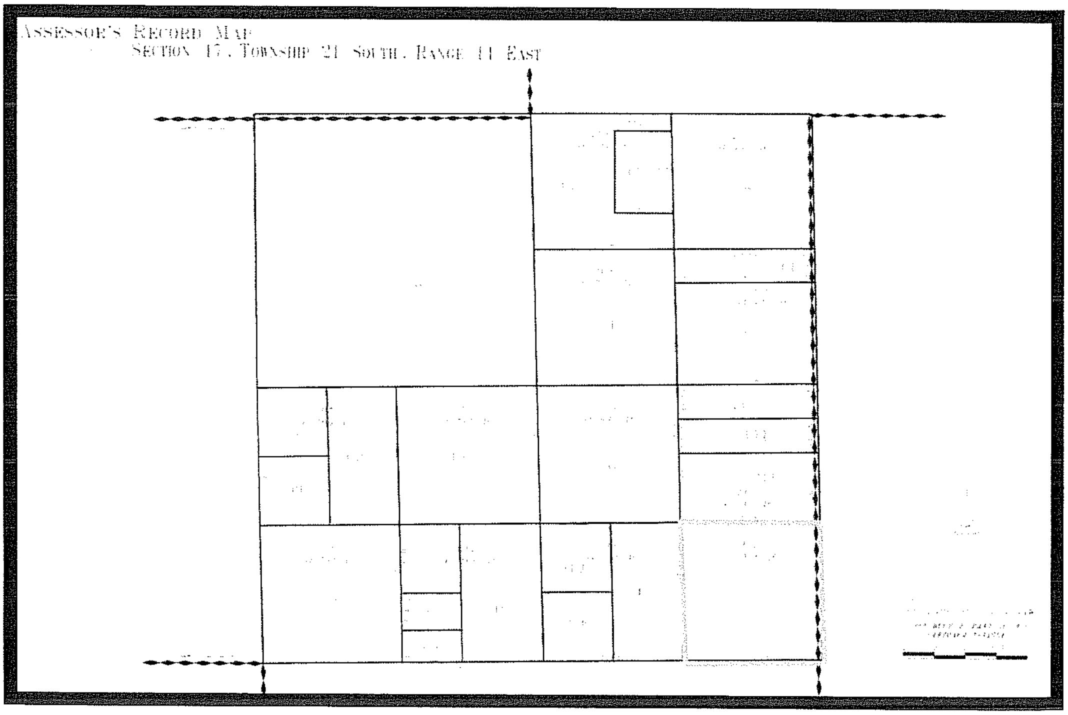
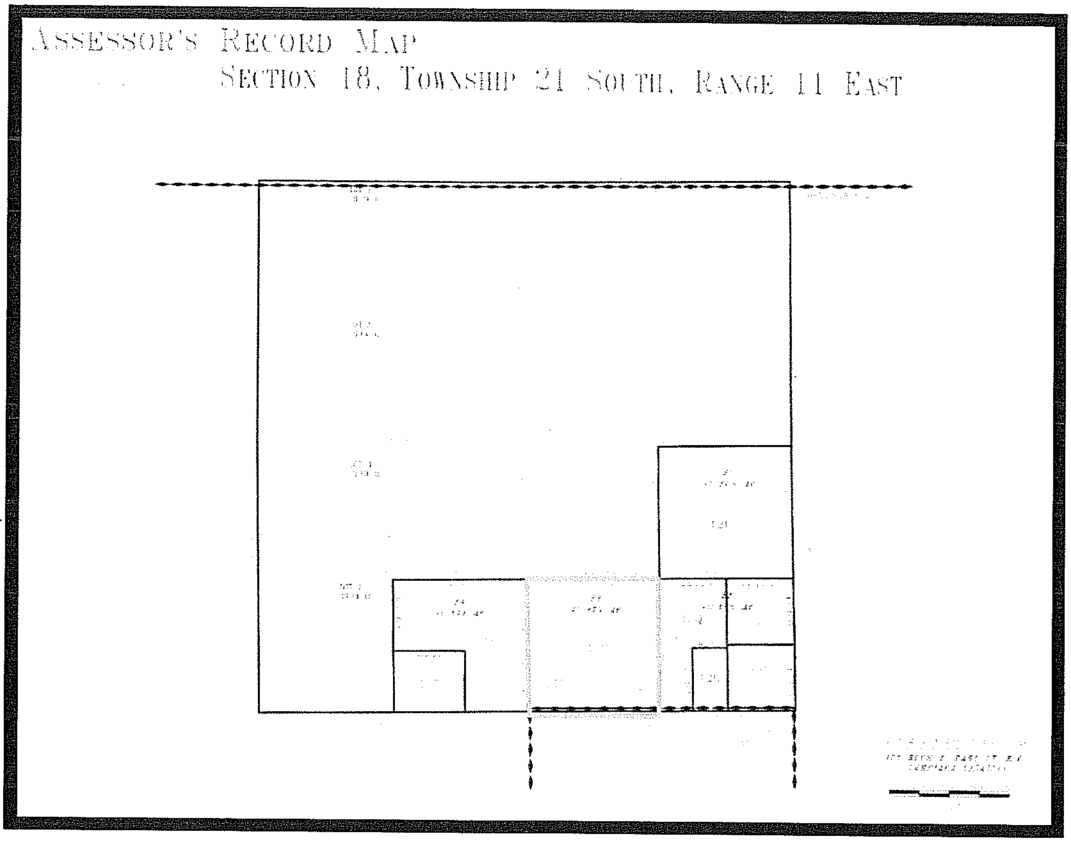
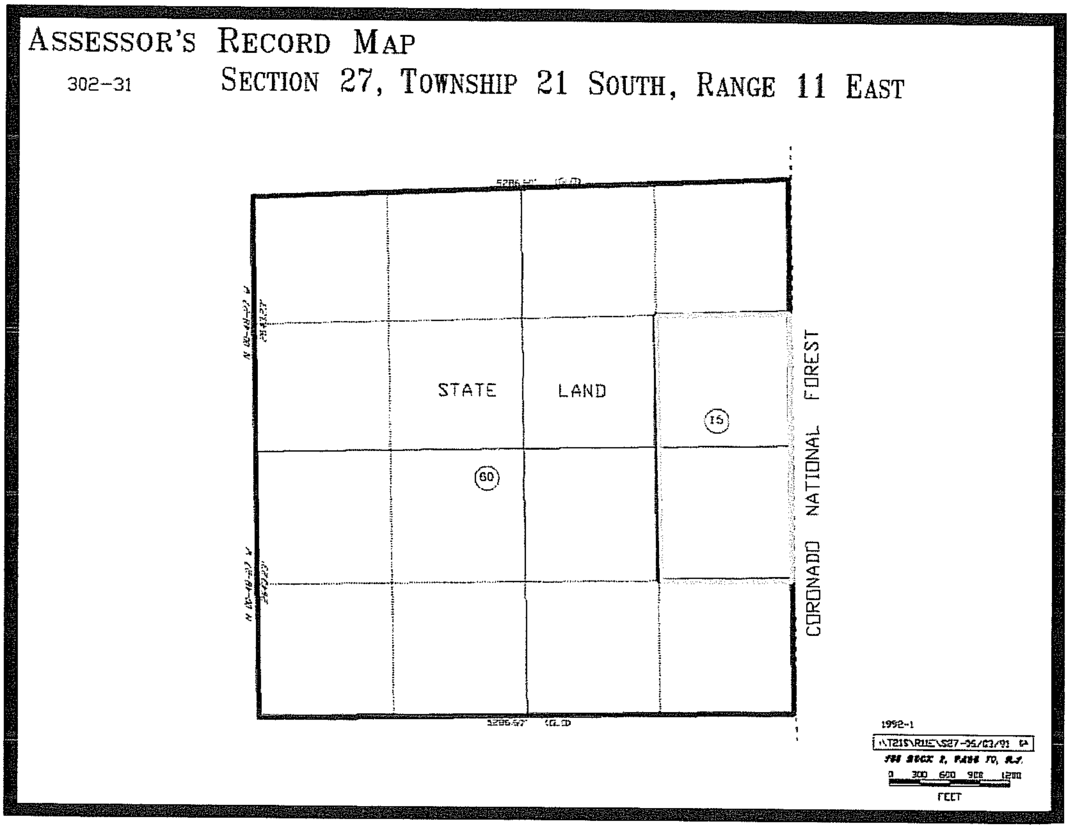
|---|---|
| LAND SIZE: | 599.12 acres |
| ZONING: | RH (Pima County) |
| REPORTED SALE PRICE: | $1,500,000 (allocated amount for deeded land) |
| PRICE PER ACRE: | $2,504 |
| MARKETING TIME: | One year |
| TERMS OF SALE: | The terms of sale included a down payment, with the seller carrying a note at 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. |

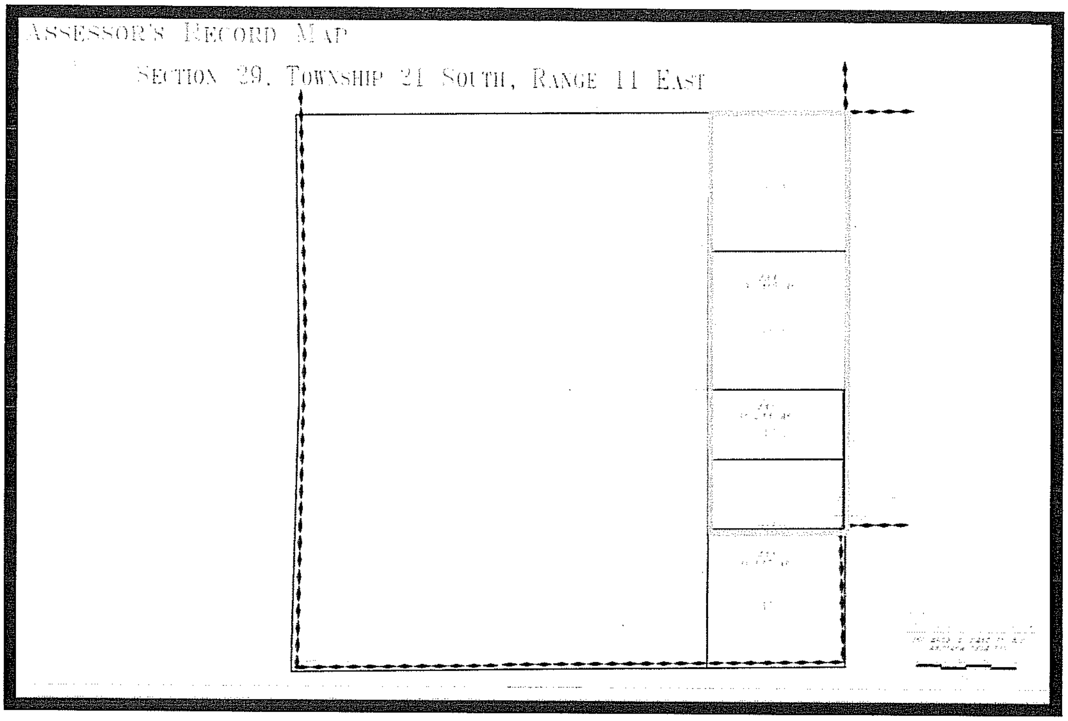
**COMPARABLE LAND SALE FIVE**
**PLAT MAPS AND AERIAL PHOTO** (4 Pages)

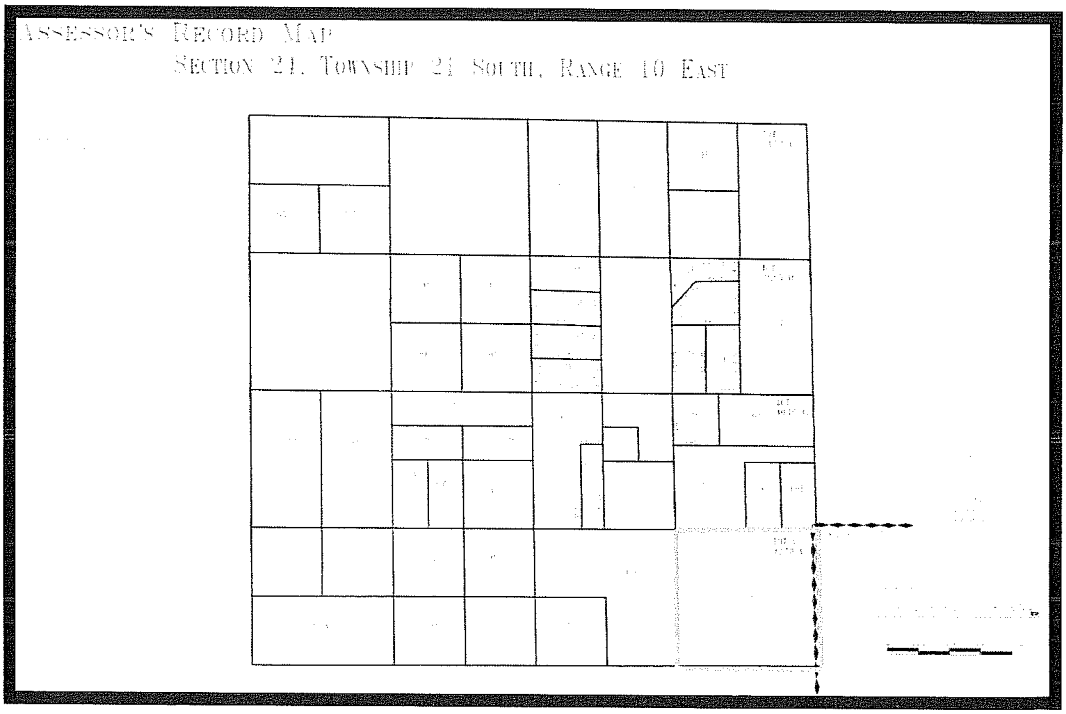


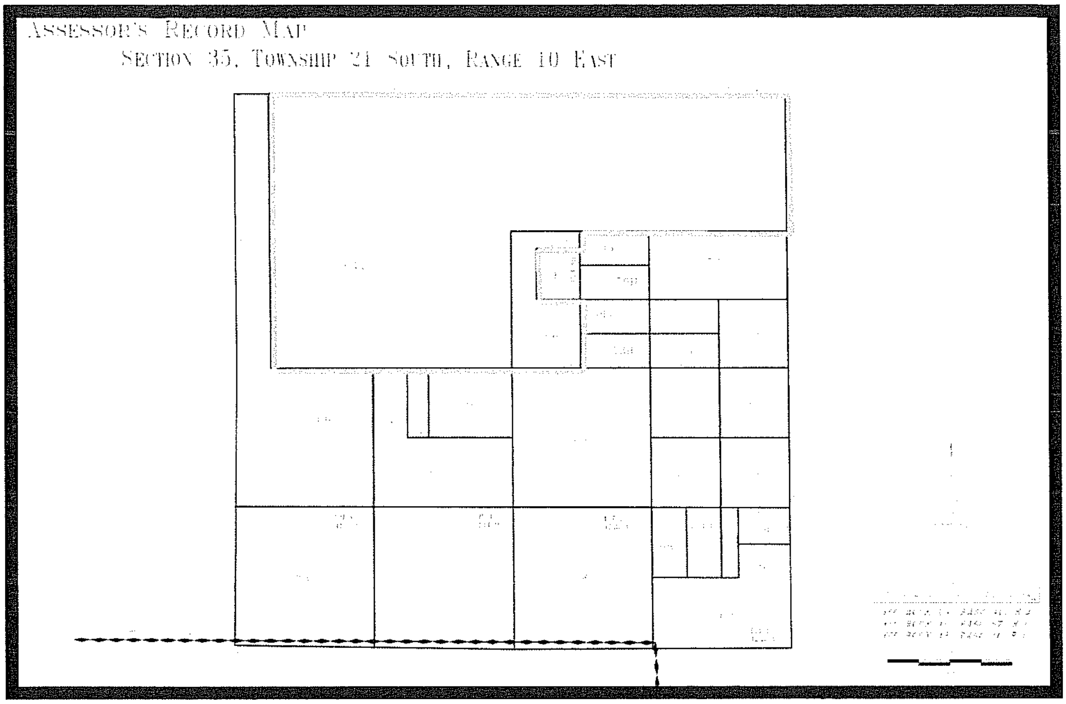



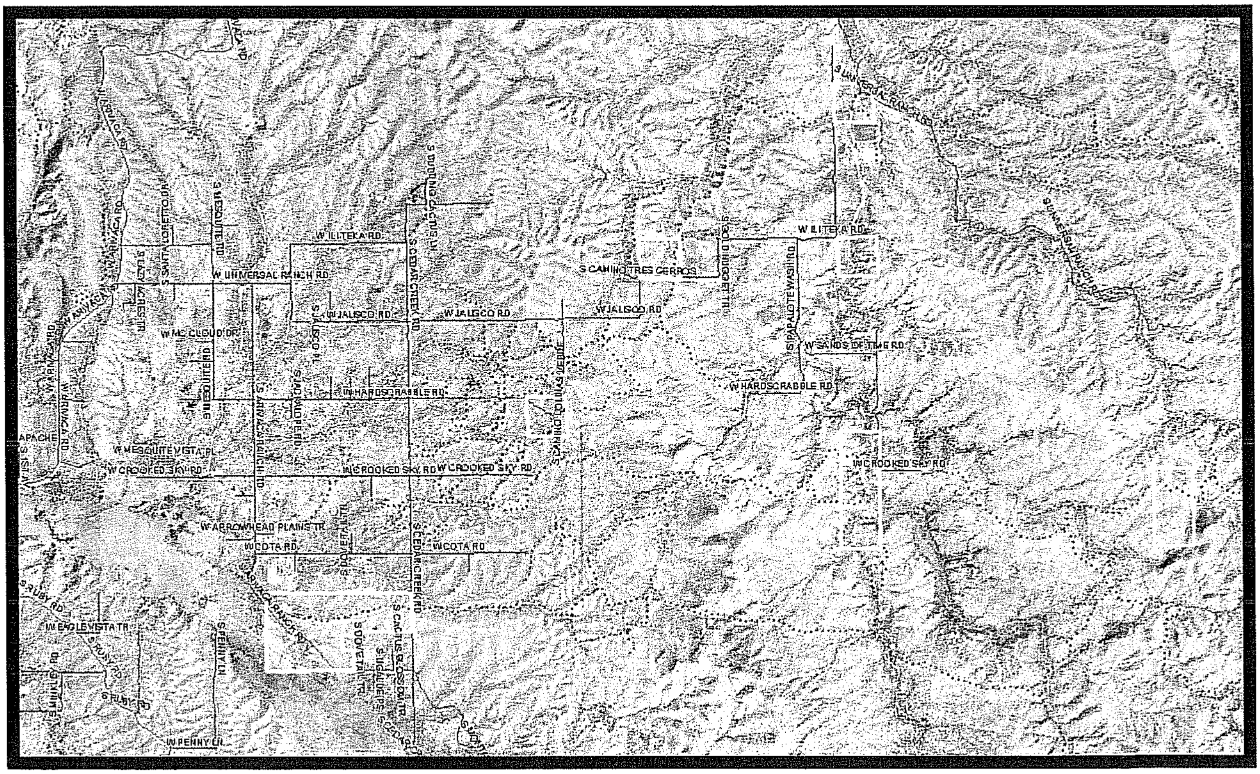

ASSESSOR'S RECORD MAP
SECTION 18, TOWNSHIP 21 SOUTH, RANGE 11 EAST


ASSESSOR'S RECORD MAP
302-31
SECTION 27, TOWNSHIP 21 SOUTH, RANGE 11 EAST
STATE LAND
15
60
CORONADO NATIONAL FOREST
1992-1
0 300 600 900 1200
FEET


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 UNIVERSAL RANCH RD
W JALISCO RD
W MC CLOUD DR
W HARDSCRABBLE RD
W MESQUITE VISTA PL
W CROOKED SKY RD
W ARROWHEAD PLAINS TR
W COTA RD
S CEDAR CREEK RD
S CAMINO TRES CERROS
W LITEKA RD
W SANDS OF TIME RD
W PENNY LN
APACHE

# EXHIBIT L - ROAD MINUTES

#263

ROAD MINUTES
NOV. 10, 1930

Nov. 10, 1930

ROAD NO. 263. The Board now came to a final determination on the petition on file to establish as a county Highway, the road described as follows:

> Beginning at a point which is the corner common to section 13, 14, 23 and 24, T. 22 S., R. 7 E. running thence easterly on the section line between sections 13 and 24, T. 22 S., R. 7 E. running thence easterly between sections 18 and 19, and sections 17 and 20, T. 22 S., R. 8 E. to the intersection of the La Osa Highway, a distance of approximately 2 1/2 miles.

and it appearing to the Board that all legal requirements having been complied with and the Board being fully advised in the matter, it is ordered that the petition be granted and the said road established and the County Engineer was instructed to file the field notes, maps and plats of said road in the office of the County Recorder for record.

## 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

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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 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.

# A SUMMARY APPRAISAL REPORT

OF

LAND AS VACANT

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

LOCATED AT THE SOUTHWEST CORNER OF
SR 86 (AJO HIGHWAY) AND SANDARIO ROAD,
INCLUDING THE SANDARIO ROAD RIGHT OF WAY

IN A PORTION OF
SECTIONS 21 & 22, TOWNSHIP 15 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
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 30, 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 Sandario Road right of way, located at the southwest corner of SR 86 (Ajo Highway) and Sandario Road, including the Sandario Road right of way, in a portion of Sections 21 and 22, Township 15 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:* | April 30, 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 (Sandario Road). 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 | $1,020,000 |
| Market Value of Property Rights To Be Acquired | $300 |
| Market Value of Remainder Property, Before | $1,019,700 |
| Market Value of Remainder Property, After | $1,019,700 |
| Severance Damages | -0- |
| Special Benefits | -0- |
| | |
| TOTAL COMPENSATION: | |
| Market Value of Property Rights To Be Acquired | $300 |
| Severance Damages | 0 |
| Special Benefits | 0 |
| **TOTAL COMPENSATION** | **$300** |

*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 80 foot width of the Sandario Road right of way. The contiguous land surrounding the proposed permanent utility 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 part of the existing Sandario 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 contained in Section 21 (south of SR 86) and contiguous to and inclusive of a portion of Sandario Road in Sections 21 and 22, Township 15 South, Range 11 East (340.00 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

C146879 - Sandario Road

## TABLE OF CONTENTS

## 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 Sandario Road right of way as if it is a hypothetical parcel of land containing 340.00 acres being that portion of Section 21 lying south of SR 86, and that portion of Section 22 located within the right of way of Sandario Road located therein, Township 15 South, Range 11 East, G&SRB&M, Pima County, Arizona. The land contiguous with Sandario Road 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 340.00 acres according to the Pima County Assessor records.

**"ATF" PARCEL LAND AREA:**

| | | | |
|---|---|---|---|
| Before: | 340.000 | acres | - (fee simple) - "ATF" parcel, approximate |
| Acquisition: | 0.092 | acres | - (permanent utility easement) |
| Remainder: | 339.908 | acres | - (fee simple unencumbered) |
| | 0.092 | acres | - (permanent utility easement) |
| | 340.000 | 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 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 Sandario Road right of way is located in a portion of Sections 21 and 22, Township 15 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 parcel of land (340.00 acres being that portion of Section 21 lying south of SR 86, and that portion of Section 22 located within the right of way of Sandario Road located therein, Township 15 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 the Pima County Assessor records, Sandario Road is identified as a public right of way. It is owned by Pima County and is identified by the Pima County GIS mapping system as having a road ID number of 16545.

**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:**
*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 80 foot width of the Sandario Road right of way. The contiguous land surrounding the proposed permanent utility 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 part of the existing Sandario 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 contained in Section 21 (south of SR 86) and contiguous to and inclusive of a portion of Sandario Road in Sections 21 and 22, Township 15 South, Range 11 East (340.00 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.

**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 | $300 |
| Severance Damages | 0 |
| Special Benefits | 0 |
| **TOTAL JUST COMPENSATION** | **$300** |

## 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 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 80 foot width of the Sandario Road right of way. The contiguous land surrounding the proposed permanent utility 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 part of the existing Sandario 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 contained in Section 21 (south of SR 86) and contiguous to and inclusive of a portion of Sandario Road in Sections 21 and 22, Township 15 South, Range 11 East (340.00 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.

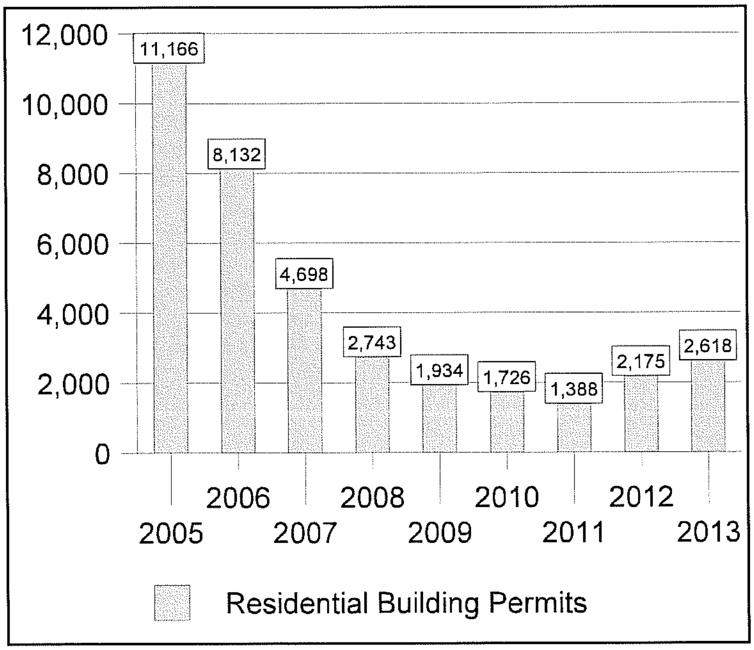
*Hypothetical Condition - Grazing Leases (No. 24).* The subject parcel may be encumbered with Arizona State Land Department grazing leases. For purposes of this report, it is a hypothetical condition of this appraisal report that the land is appraised as fee simple land unencumbered by any leases.

## 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.

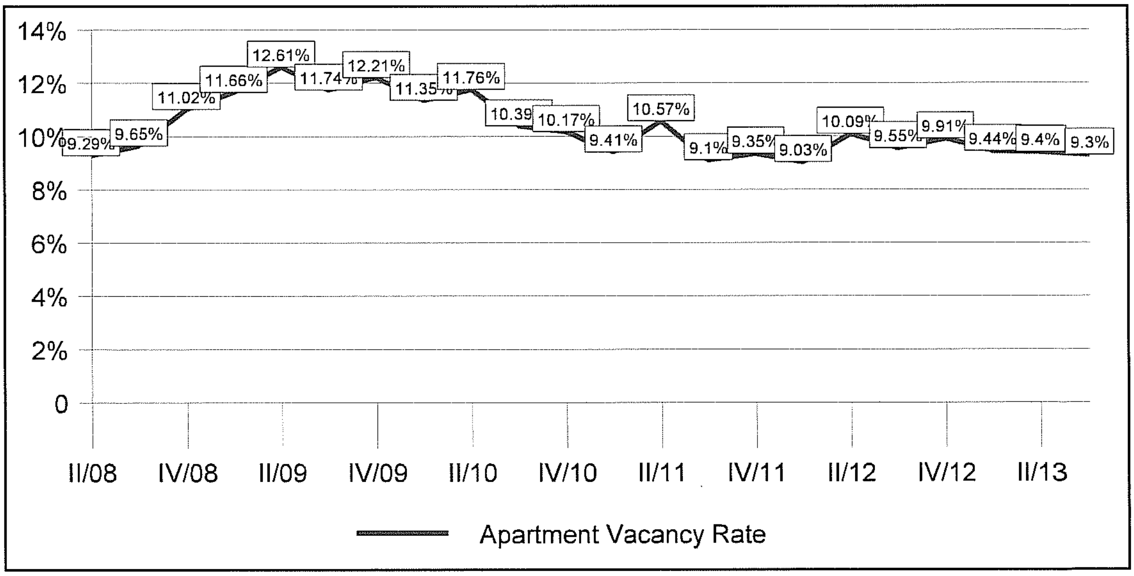



Overall, housing permits and sales had been increasing and a period of substantial growth occurred during 2004 and 2005 with unprecedented price increases having been experienced for most areas of Tucson. Building permit activity declined steadily in the Tucson Metropolitan area from a peak in 2005 of 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.

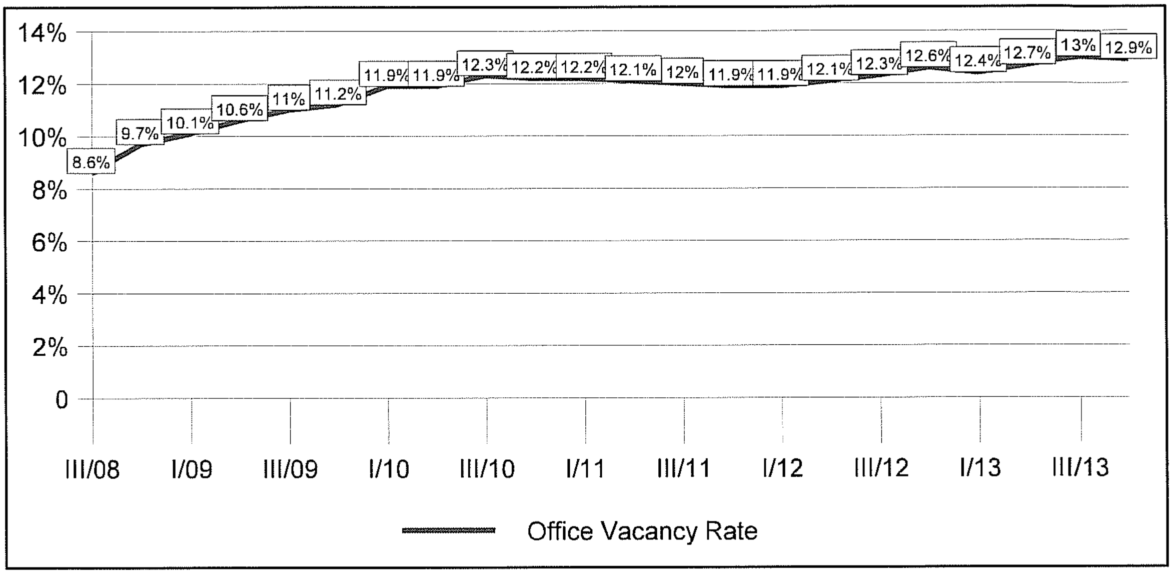



***Office Market***

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.



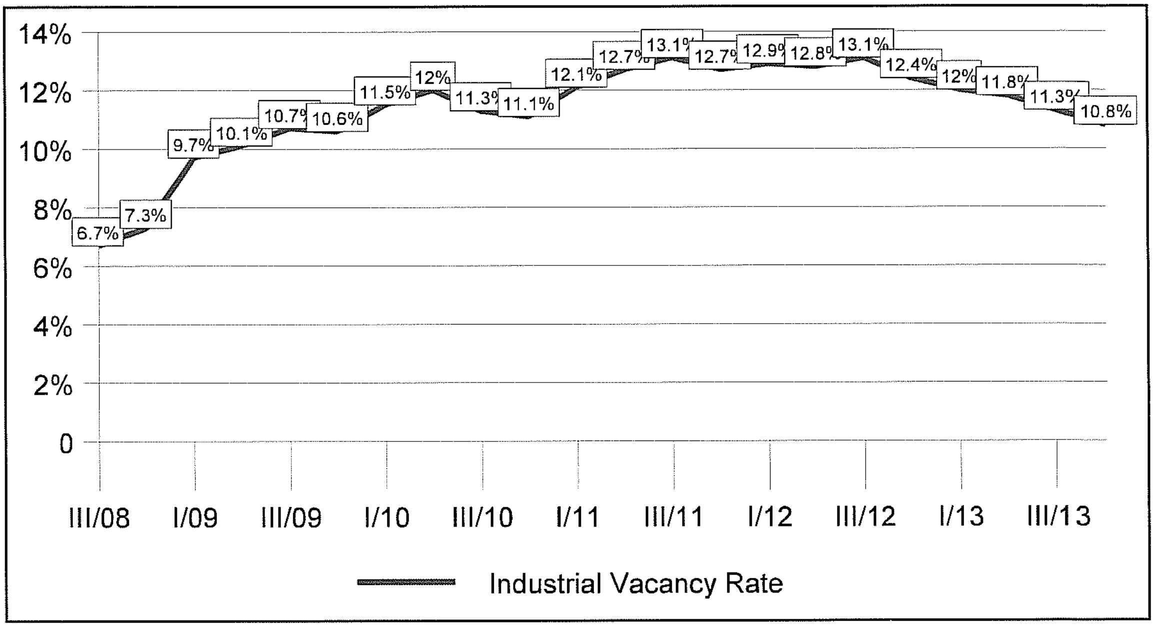

The slight increased overall annual vacancy rate indicates an office market which is coupled to the overall declining real estate market. There has been a decline in demand for owner/user office buildings which had made up a majority of office sales in 2006 and 2007. Market conditions stabilized in 2013.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



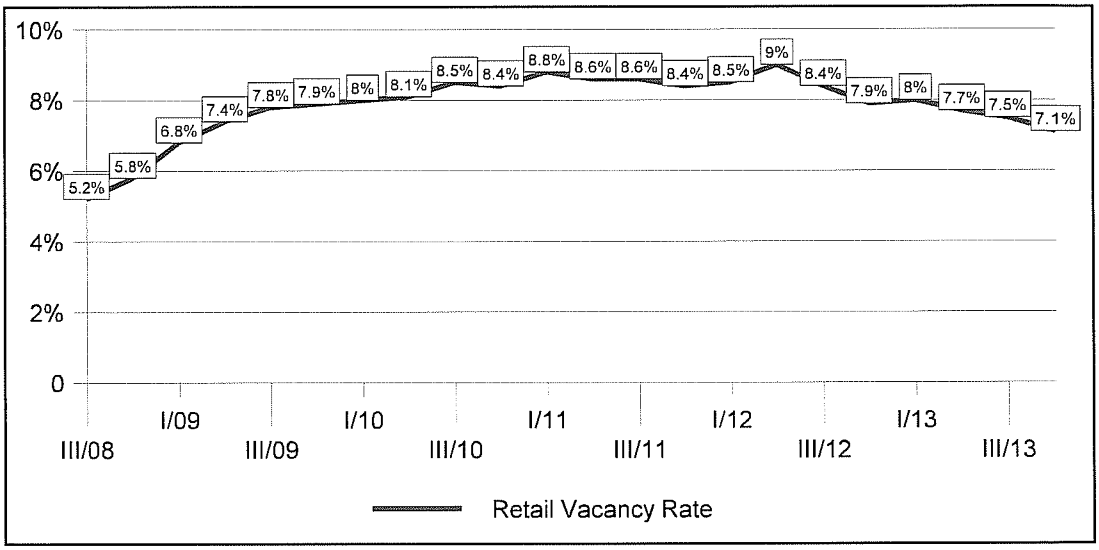

Overall, the industrial vacancy rate increased through 2011, peaking in the Third Quarter 2011 and Third Quarter 2012. The vacancy rate has declined since late 2012. There are some indications of stabilization in the industrial market. There continues to be a large supply of fully zoned and improved 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.

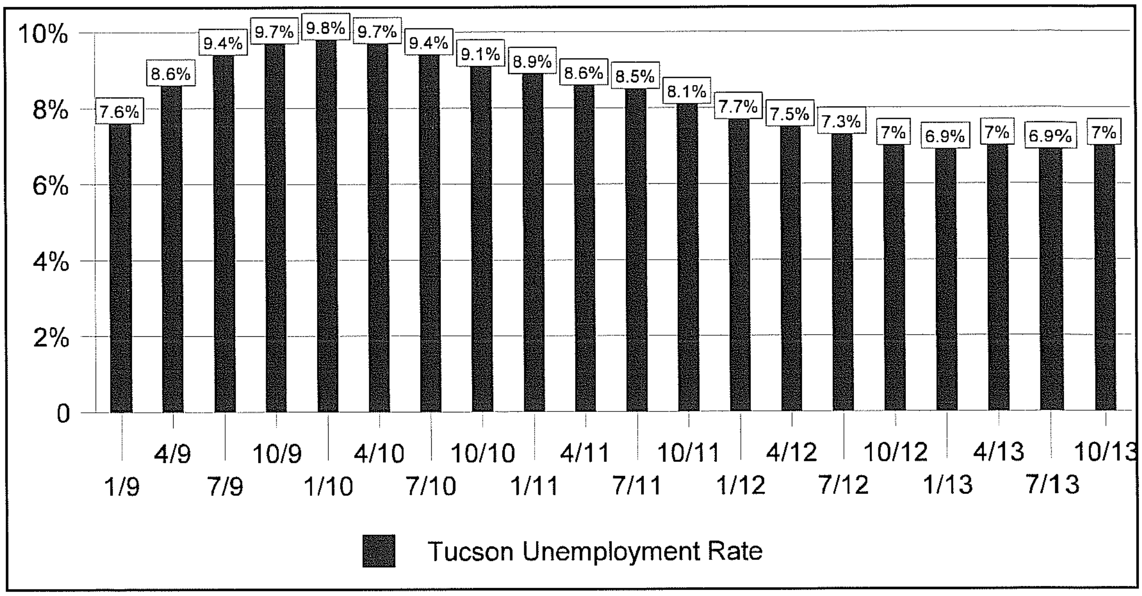
In the Fourth Quarter 2013, five buildings totaling 44,860 square feet were completed. This compares to seven buildings totaling 173,193 square feet in the Third Quarter 2013, seven buildings totaling 49,284 square feet in the Second Quarter 2013, and six retail buildings totaling 129,833 square feet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



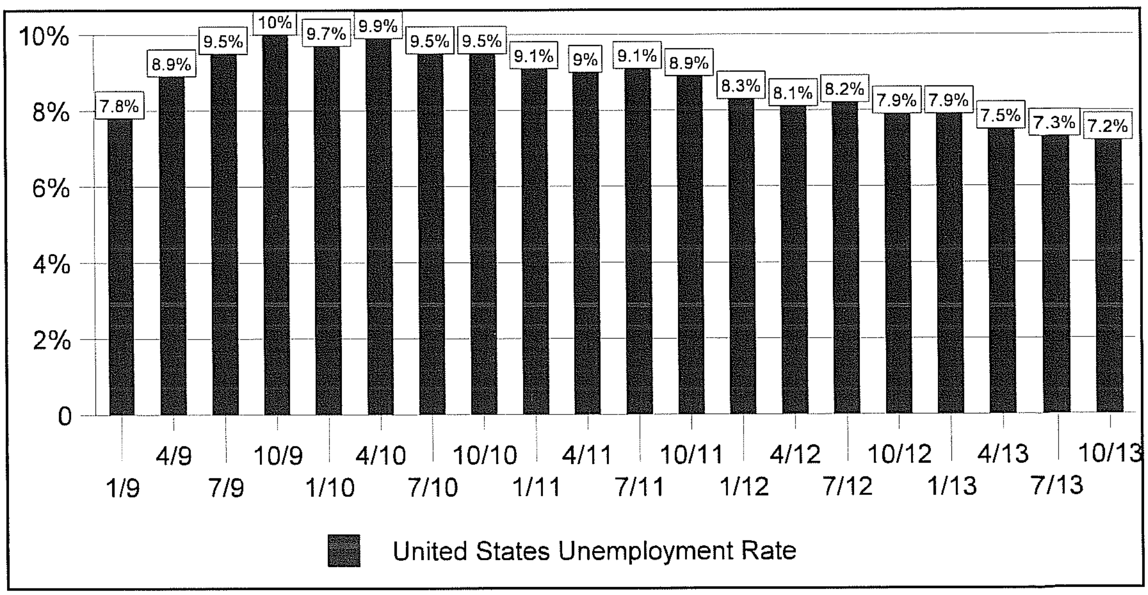

The vacancy rate for retail properties increased starting through early 2011. The retail vacancy rate remained mostly stable in 2011 but peaked in the Second Quarter 2012. The retail vacancy rate declined since that time, with the decline continuing through 2013. This indicates that the retail market 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 340.00 acres of vacant land being adjacent and including the existing right of way for Sandario Road. The subject parcel is irregular in shape and is located at the southwest corner of SR 86 (Ajo Highway), and including the Sandario Road right of way in a portion of Sections 21 and 22, Township 15 South, Range 11 East, Pima County, Arizona (see Exhibits).

Sandario Road is a two-lane, dirt road at the subject property. The terrain of the subject property is level. There is natural desert vegetation on the subject property. Utilities available to the subject property include electric (Tucson Electric Power Company) and telephone (CenturyLink). There is no public sewer or water available to the property as of the date of this report. Water would be provided by a private or shared well and waste disposal would be by private septic system. Any development of the site would require an engineering study to determine the availability and adequacy of utilities.

According to FEMA Flood Insurance Rate Map 04019C2850L, dated June 16, 2011, the property is identified as being located in Special Flood Hazard Area Zone A which is a Special Flood Hazard Area subject to inundation by the 1% annual chance flood with no base flood elevations determined (see Exhibits). There are areas of the parcel which are located within the Riparian Habitat designation of Xeroriparian C (see Exhibits).

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

**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 Exhibits).

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.

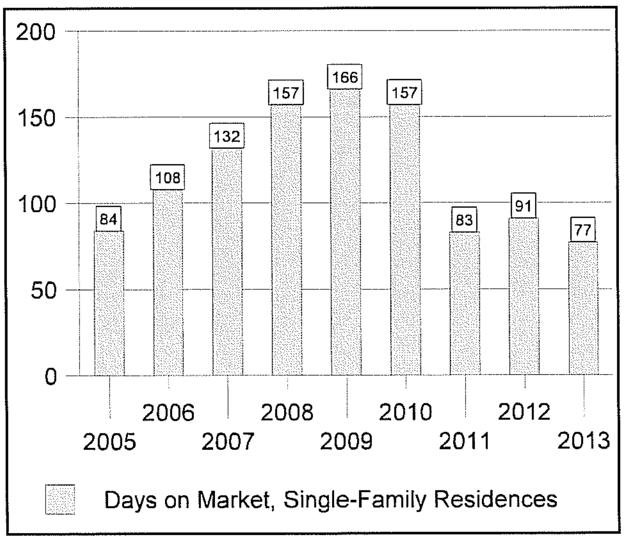
On the following pages is the Market Profile for residential land.

**MARKET PROFILE - RESIDENTIAL LAND:**

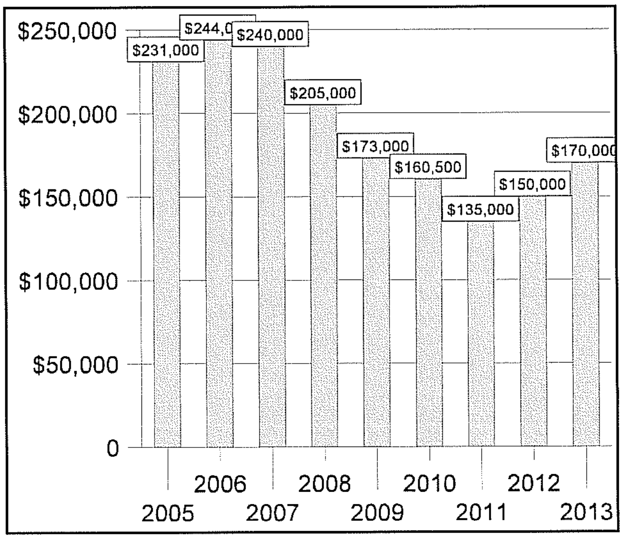
The residential market conditions in the Tucson area improved dramatically starting in 2004, with market prices for single family residences and residential lots increasing at a rapid rate. This trend continued throughout 2005 and into the start of 2006, with prices increasing most rapidly in 2005. This 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.

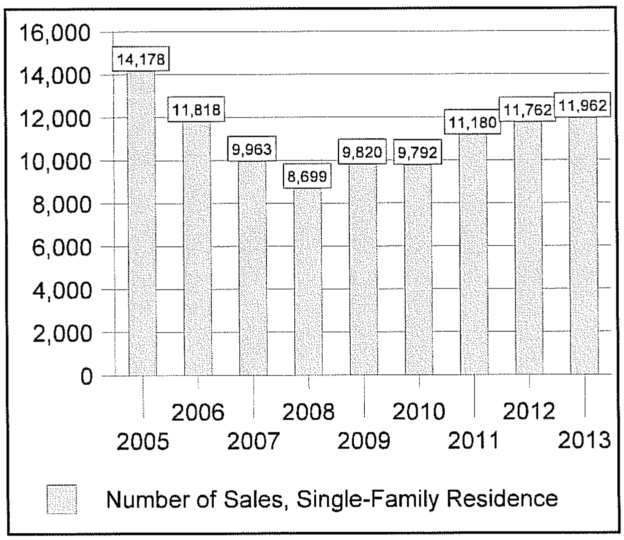



The following is the median sale price for single-family residences for the Tucson area, according to MLS. There was a significant decline in the median sale price for single-family residences starting in 2007. The median sale price declined through 2011. The decline in median sale prices is due to the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



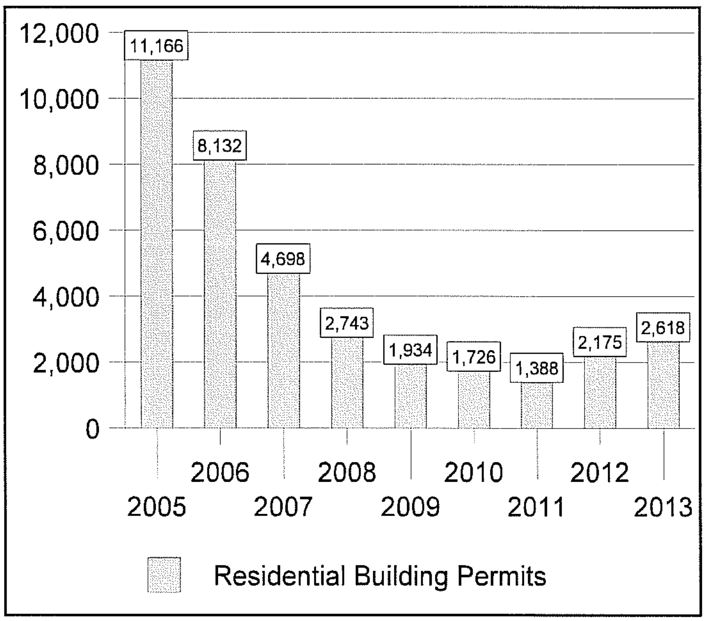

Median Sale Price, Single-Family Residences

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.

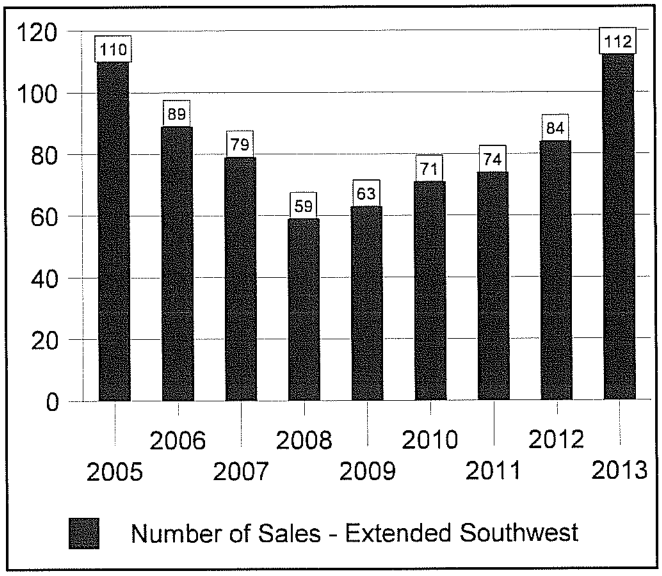


Starting in 2006, fewer single-family residential permits were issued due to the current oversupply of lots and residential homes on the market. According to the United States Census Bureau, Building Permits Survey, the number of single-family residential permits declined through 2012. There was limited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

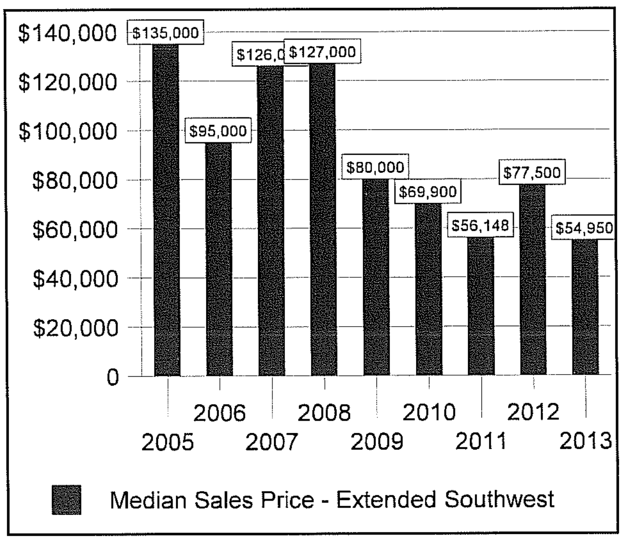
Overall, housing permits and sales had been increasing and a period of substantial growth occurred during 2004 and 2005 with unprecedented price increases having been experienced for most areas of Tucson. Building permit activity declined steadily in the Tucson Metropolitan area from a peak in 2005 of 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.



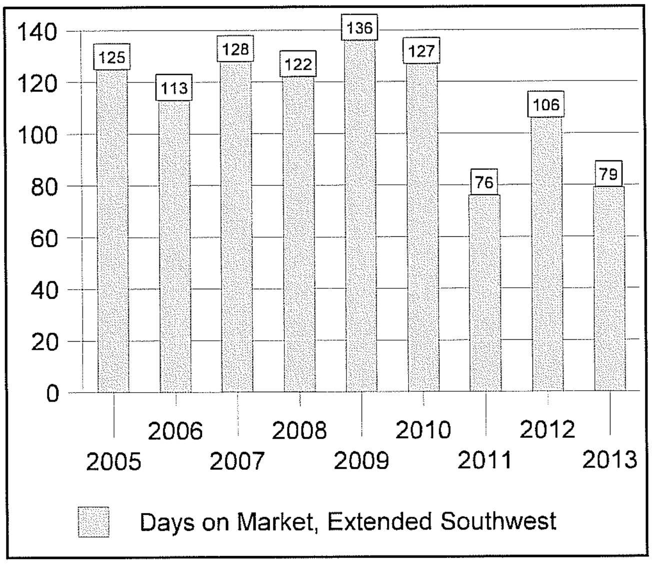
The following is the number of sales of residential properties in the subject sector, Extended Southwest, through 2013, according to MLS. This data indicates that the number of sales declined through 2008, then steadily began increasing through 2012, with a larger increase in 2013. Overall sales are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



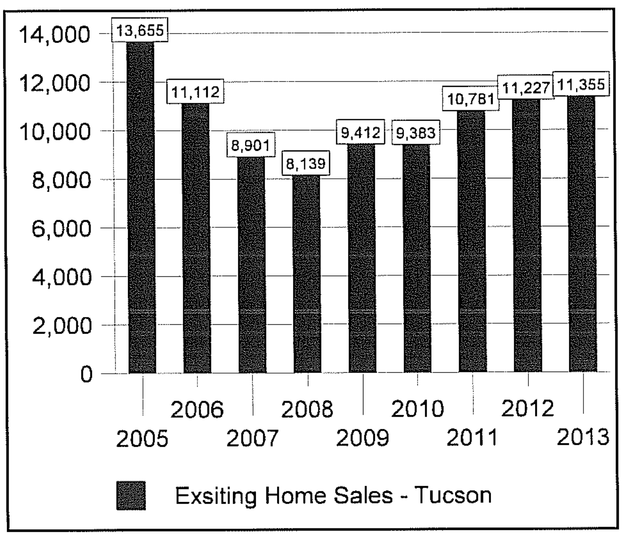

The following is the median sale price for residential properties in the subject Extended Southwest sector through 2013, according to MLS. This data indicates that the median sale price peaked in 2005, and had declined significantly in 2009. This decline stabilized in 2010, with an increase occurring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



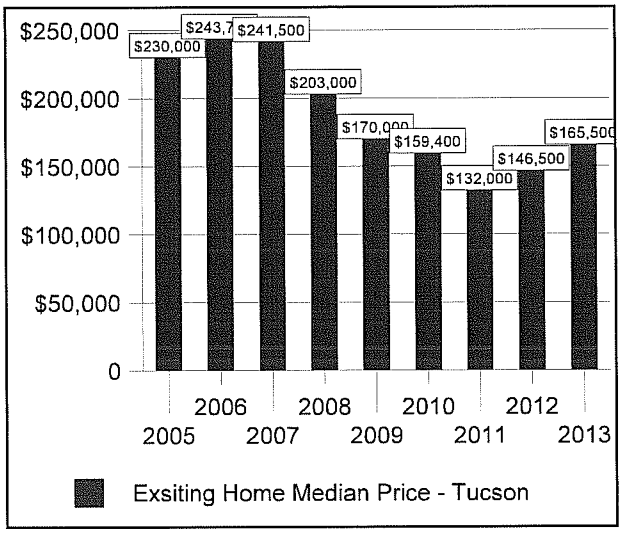
According to Multiple Listing Service (MLS), the days on market for sales of residences in the subject area, Extended Southwest had increased as properties have taken longer to sell. This data indicates that the days on market for residences remaining fairly high between 2005 through 2010, peaking in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



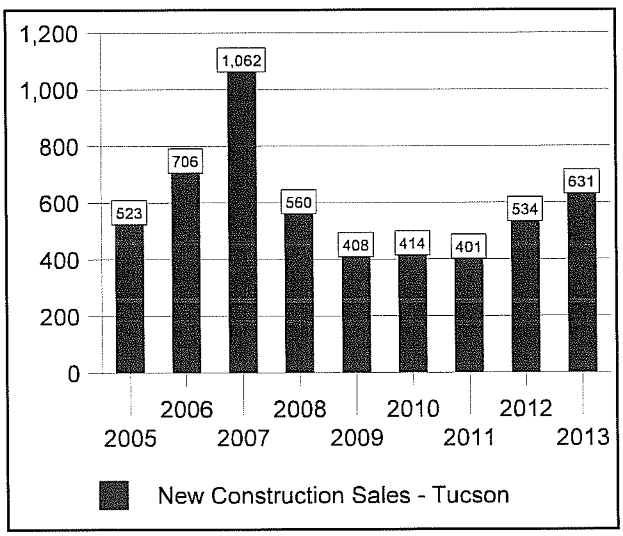

The following is the number of sales of existing single-family residences in the Tucson market through 2013, according to MLS. This data indicates that the number of sales declined from the peak in 2005 through 2008. The number of existing home sales in the Tucson market has steadily increased through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



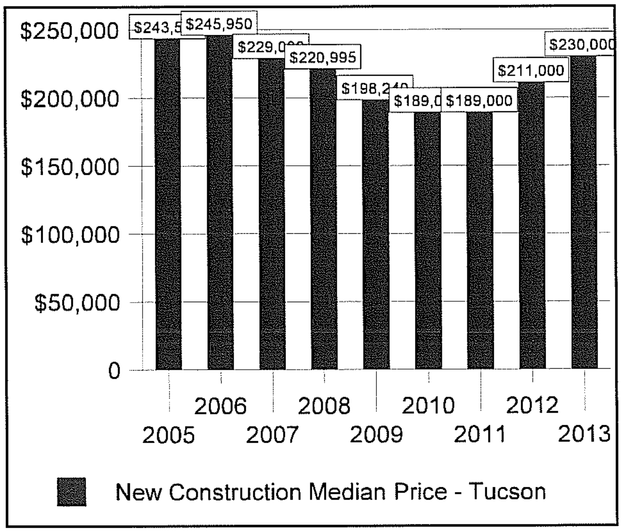
The following is the median sale price for existing single-family residences in the Tucson market through 2013, according to MLS. This data indicates that the median sale price peaked in 2006 and had declined significantly starting in 2008. This decline stabilized in 2012, with an increase in 2013. The 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 a portion of Sections 21 and 22, Township 15 South, Range 11 East, G&SRB&M. The "ATF" parcel has a size of 340.00 acres according to the Pima County Assessor records. The "ATF" parcel is adjacent to the Sandario Road right of way. The conclusion of the larger parcel is based on the location of the subject property (Sandario Road) in an area where the adjacent land is owned by the State of Arizona. Based on the adjacent land uses the subject larger parcel is concluded to be RH zoned vacant land with a size of 340.00 acres. It is located at the southwest corner of SR 86 (Ajo Highway) and Sandario Road, including the Sandario Road right of way, Pima County, Arizona. The topography of the parcel is level terrain and it is identified as being flood prone. Portions of the subject are located within the Riparian Habitat designation of Xeroriparian C. The subject parcel 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.

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 C.

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.

The subject parcel is identified as having 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 80 foot width of the Sandario Road right of way. The contiguous land surrounding the proposed permanent utility 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 part of the existing Sandario 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 contained in Section 21 (south of SR 86) and contiguous to and inclusive of a portion of Sandario Road in Sections 21 and 22, Township 15 South, Range 11 East (340.00 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 Sandario Road, an "ATF" methodology will be used to value the hypothetical subject property. The analysis will estimate a market value of similar 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 Address | Sale Price | Land Size (Acres) | Price Per Acre | Zoning |
|---|---|---|---|---|---|---|
| 1. | 2/2010 | North side and south of Snyder Hill Road, west of San Joaquin Road | $3,438,507 | 813.67 | $4,226 | GR-1/RH |
| 2. | 11/2010 | South side of Valencia Road, east and west sides of Sorrel Lane alignment, west of Camino de la Tierra | $650,000 | 114.67 | $5,668 | CR-3/GR-1 |
| 3. | 9/2012 | South side of Ajo Way, east side of Continental Road alignment | $2,842,035 | 516.73 | $5,500 | SP |
| 4. | 1/2014 | North side of Peaceful Lane, east of Sandario Road | $105,000 | 80.00 | $1,313 | RH |
| 5. | 3/2014 | South side of Valencia Road, west of Valhalla Road | $4,200,000 | 587.00 | $7,155 | SP |
| | | "ATF" Parcel | | 340.00 | | RH |

## SUMMARY OF COMPARABLE SALES ADJUSTMENTS, BEFORE

| | Subject | Comp 1 | Comp 2 | Comp 3 | Comp 4 | Comp 5 |
|---|---|---|---|---|---|---|
| **Sale Date** | | 2/2010 | 11/2010 | 9/2012 | 1/2014 | 3/2014 |
| **Site Size (Acres)** | 340.00 (*) | 813.67 | 114.67 | 516.73 | 80.00 | 587.00 |
| **Zoning** | RH | RH/GR-1 | CR-3/GR-1 | SP | RH | SP |
| **Site Utility/Floodplain** | A | AO-1/AO-2 | A/X | A | A/AO-1 | A |
| **Sale Price** | | $3,438,507 | $650,000 | $2,842,035 | $105,000 | $4,200,000 |
| **Price per Acre** | | $4,226 | $5,668 | $5,500 | $1,313 | $7,155 |

**(*) = "ATF" Parcel**

*Summary of Adjustments*

| | Comp 1 | Comp 2 | Comp 3 | Comp 4 | Comp 5 |
|---|---|---|---|---|---|
| **Unadjusted Price / Acre** | $4,226 | $5,668 | $5,500 | $1,313 | $7,155 |
| **Property Rights** | 0 | 0 | 0 | 0 | 0 |
| Adjusted Price | $4,226 | $5,668 | $5,500 | $1,313 | $7,155 |
| **Financing** | 0 | 0 | 0 | 0 | 0 |
| Adjusted Price | $4,226 | $5,668 | $5,500 | $1,313 | $7,155 |
| **Conditions of Sale** | 0 | 0 | 0 | 20% | 0 |
| Adjusted Price | $4,226 | $5,668 | $5,500 | $1,575 | $7,155 |
| **Date/Market Conditions** | -10% | -7.5% | 0 | 0 | 0 |
| Adjusted Price | $3,803 | $5,243 | $5,500 | $1,575 | $7,155 |
| **Physical Adjustments (%)** | | | | | |
| *Location* | -10 | -15 | -15 | -5 | -15 |
| *Zoning* | -25 | -30 | -30 | 0 | -30 |
| *Site Size* | 10 | -10 | 10 | -10 | 10 |
| *Site Utility/Floodplain* | 5 | -10 | -20 | 15 | -20 |
| *Net Adjustment* | -20% | -65% | -55% | 0% | -55% |
| **Indicated Value / Acre** | **$3,043** | **$1,835** | **$2,475** | **$1,575** | **$3,220** |

Five sales of similar land were analyzed on the basis of price per acre. This is the sale price divided by the total acreage of the site. Sale prices range from $1,313 to $7,155 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 a downward adjustment 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 declined approximately 10 percent since the date of sale for this type of property. The market value of investor grade land declined as a result of the financial crisis that occurred beginning in 2008. The repercussions of the crisis resulted in declining values and a lack of overall demand for all types of vacant land but particularly investment grade land that lacked entitlements or public utilities. The decline in the market value is supported by the paired sales that were previously discussed in the market profile section of this appraisal report.

Physical adjustments include a downward adjustment for superior overall location in comparison to the subject property. A downward adjustment is indicated for partially superior zoning that permits a higher density of development as compared to the subject's zoning. An upward adjustment is reflected for the larger size of this parcel as larger parcels typically sell for less per acre as compared to smaller parcels, all else being equal. An upward adjustment is indicated to reflect that portions of the comparable sale have more extensive flood issues as compared to the subject property. After adjustments the comparable sale is adjusted downward in comparison to the subject property.

*Comparable Sale Two* indicates a downward adjustment 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 declined approximately 7.5 percent since the date of sale for this type of property. The market value of investor grade land declined as a result of the financial crisis that occurred beginning in 2008. The repercussions of the crisis resulted in declining values and a lack of overall demand for all types of vacant land but particularly investment grade land that lacked entitlements or public utilities. The decline in the market value is supported by the paired sales that were previously discussed in the market profile section of this appraisal report.

Physical adjustments include a downward adjustment for superior overall location in comparison to the subject's location as this sale is located in an area that has had a significant amount of residential development over the past 10 years. A downward adjustment is indicated for superior zoning that permits a higher density of development as compared to the subject's zoning. A downward adjustment is reflected for the smaller size of this parcel as smaller parcels typically sell for more per acre as compared to larger parcels, all else being equal. A downward adjustment is indicated for superior site utility/floodplain as this parcel of land has access to public utilities, included a recorded plat for residential lots, and is less flood prone than the subject property. The superior site utility is partially offset due to geological issues (hard rock) that will cause the property to be more difficult and expensive to develop. After adjustments the comparable sale is adjusted downward in comparison to the subject property.

*Comparable Sale Three* indicates physical adjustments which include a downward adjustment for superior overall location in comparison to the subject's location. The comparable sale is located south of Ajo Highway and west of the Starr Valley developments in an area with greater overall recent residential development as compared to the subject. A downward adjustment is indicated for superior zoning. The comparable sale has an approved specific plan known as Sendero Pass which indicates residential, commercial and industrial uses and the approved specific plan is superior to the subject's zoning. An upward adjustment is reflected for the larger size of this parcel, as larger parcels of land typically sell for less per acre as compared to smaller parcels, all else being equal. A downward adjustment is indicated for superior site utility as the comparable sale has completed the entitlement process which establishes public utilities, roads, and infrastructure development for the comparable sale. This adjustment is partially offset because the comparable sale is located in the Ryan Airfield flight path and there are height and development restrictions. Overall the comparable sale is adjusted downward in comparison to the subject property.

*Comparable Sale Four* indicates an upward adjustment for conditions of sale to reflect that the seller was motivated to sell the property due to personal issues and instructed his listing agent to be aggressive in the marketing of the property.

Physical adjustments include a downward adjustment for slightly superior overall general location in comparison to the subject's location. A downward adjustment is reflected for the smaller size of this parcel as smaller parcels typically sell for more per acre as compared to larger parcels, all else being equal. An upward adjustment is indicated for inferior site utility as the comparable sale is a backage parcel and is accessed by unpaved easements. After adjustments the comparable sale is adjusted upward in comparison to the subject property.

*Comparable Sale Five* indicates physical adjustments which include a downward adjustment for superior overall location in comparison to the subject's location. The comparable sale is located south of Ajo Highway and west of the Starr Valley developments in an area with greater overall recent residential development as compared to the subject. A downward adjustment is indicated for superior zoning. The comparable sale has an approved specific plan known as Pomegranate Farms which indicates residential uses and the approved specific plan is superior to the subject's zoning. An upward adjustment is reflected for the larger size of this parcel, as larger parcels of land typically sell for less per acre as compared to smaller parcels, all else being equal. A downward adjustment is indicated for superior site utility as the comparable sale has completed the entitlement process which establishes public utilities, roads, and infrastructure development for the comparable sale. Overall the 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 | \$3,043 | \$1,835 | \$2,475 | \$1,575 | \$3,220 |

**SALES COMPARISON APPROACH CONCLUSION, BEFORE ACQUISITION:**
The five comparable sales indicate a price range of \$1,575 to \$3,220 per acre after adjustment. Comparable Sale One, at an adjusted price of \$3,043 per acre was purchased by Pima County as part of the open space program and it has the oldest date of sale. Primarily because of the date of sale this comparable is given the least weight in the final conclusion for the subject property. Comparable Sale Two, at an adjusted price of \$1,835 per acre, is reflective of an investor purchase of a parcel of land that had full entitlements in place for the development of a residential subdivision and the potential to re-zone and develop a

commercial parcel of land as of the date of the sale. The amount of adjustment to this comparable sale make it less reliable as an indicator of value for the subject property. Comparable Sale Four, at an adjusted price of $1,575 per acre has the same zoning as the subject however the reliability of this comparable sale as an indicator of value for the subject is a result of the size differential (80 acres versus 340.00 acres). Comparable Sales Three and Five, at adjusted prices of $2,475 and $3,220 per acre respectively are the most recent sales of large parcels of land in the southwest sector of Tucson. Each is the sale of a property that sold with land entitlements in-place and each sold to investors. Neither of the sales had any infrastructure in-place. While these sales reflect a significant amount of adjustments they are considered to bracket the value of the subject property.

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; 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.

340.00 acres times $3,000 per acre = $1,020,000

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

**$1,020,000**

## *SECTION C - THE PROPERTY TO BE ACQUIRED*

**DESCRIPTION:**

Sierrita Gas Pipeline, LLC is seeking to acquire a portion of the Sandario 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 an east-west direction (see Exhibits). Sandario Road is identified as a 80 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 Sandario Road right of way totals 0.092 acres (80 feet times 50 feet equals 4,000 square feet; 4,000 square feet divided by 43,560 square feet equals 0.092 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 method of construction to install the pipeline in the Sandario Road right of way. The contractor will 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 Sandario Road road surface. The contractor will assure that vehicular traffic movement on Sandario 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 0.092 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. 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 $3,000 per acre. The market value of the permanent utility easement area to be acquired is $3,000 per acre times 0.092 acres, equaling $276, times 90 percent, equaling $248, rounded to $300.

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

| | | |
|---|---|---|
| 0.092 acres x $3,000 per acre = | $276 | |
| Percentage of rights to be acquired (90%) = | x 0.90 | |
| | | $248 |
| | Rounded to: | $300 |

## MARKET VALUE OF PART TO BE ACQUIRED

**$300**

## *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: | $1,020,000 |
| Value of Property Rights To Be Acquired: | (300) |
| Value of Remainder Property Before: | $1,019,700 |

**MARKET VALUE OF REMAINDER "ATF" PARCEL, BEFORE**

**$1,019,700**

## *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 "ATF" parcel is 340.00 acres of which 0.092 acres will be encumbered with a permanent utility easement. Therefore, a total of 339.908 acres will be unencumbered fee simple land and 0.092 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 shape of the remaining "ATF" parcel remains the same to that which existed before the acquisition. 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 80 foot width of the Sandario Road right of way. The contiguous land surrounding the proposed permanent utility 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 part of the existing Sandario 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 contained in Section 21 (south of SR 86) and contiguous to and inclusive of a portion of Sandario Road in Sections 21 and 22, Township 15 South, Range 11 East (340.00 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.

**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 irregular 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 $3,000 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):* | | |
| 339.908 acres x $3,000 per acre = | | $1,019,724 |
| *Land Value, After, Encumbered with Utility Easement:* | | |
| 0.092 acres x $3,000 per acre = | $276 | |
| Percentage of rights remaining (10%) = | x 0.10 | |
| | | 28 |
| *Land Value, After, Unencumbered and Encumbered Land:* | | $1,019,752 |
| | Rounded to: | $1,019,700 |

**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 $1,019,700.

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

**$1,019,700**

## *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 $1,020,000. The market value of the property rights to be acquired of $300 is deducted from the market value of $1,020,000 to arrive at the market value of the remainder, before, of $1,019,700. The market value of the remainder, after, is estimated at $1,019,700. Therefore, there are no severance damages reflected to the "ATF" parcel.

| | |
|---|---|
| Value of Remainder Property, Before: | $1,019,700 |
| Value of Remainder Property, After: | (1,019,700) |
| Severance Damages: | -0- |

## *SECTION G - SUMMARY OF VALUE CONCLUSIONS*

| | |
|---|---|
| Market Value of "ATF" Parcel, Before Acquisition | $1,020,000 |
| Market Value of Property Rights To Be Acquired | $300 |
| Market Value of Remainder Property, Before | $1,019,700 |
| Market Value of Remainder Property, After | $1,019,700 |
| Severance Damages | -0- |
| Special Benefits | -0- |
| | |
| TOTAL COMPENSATION: | |
| Market Value of Property Rights To Be Acquired | $300 |
| Severance Damages | 0 |
| Special Benefits | 0 |
| **TOTAL COMPENSATION** | **$300** |

*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 80 foot width of the Sandario Road right of way. The contiguous land surrounding the proposed permanent utility 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 part of the existing Sandario 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 contained in Section 21 (south of SR 86) and contiguous to and inclusive of a portion of Sandario Road in Sections 21 and 22, Township 15 South, Range 11 East (340.00 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 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 80 foot width of the Sandario Road right of way. The contiguous land surrounding the proposed permanent utility 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 part of the existing Sandario 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 contained in Section 21 (south of SR 86) and contiguous to and inclusive of a portion of Sandario Road in Sections 21 and 22, Township 15 South, Range 11 East (340.00 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. ***Hypothetical Condition - Grazing Leases.*** 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.

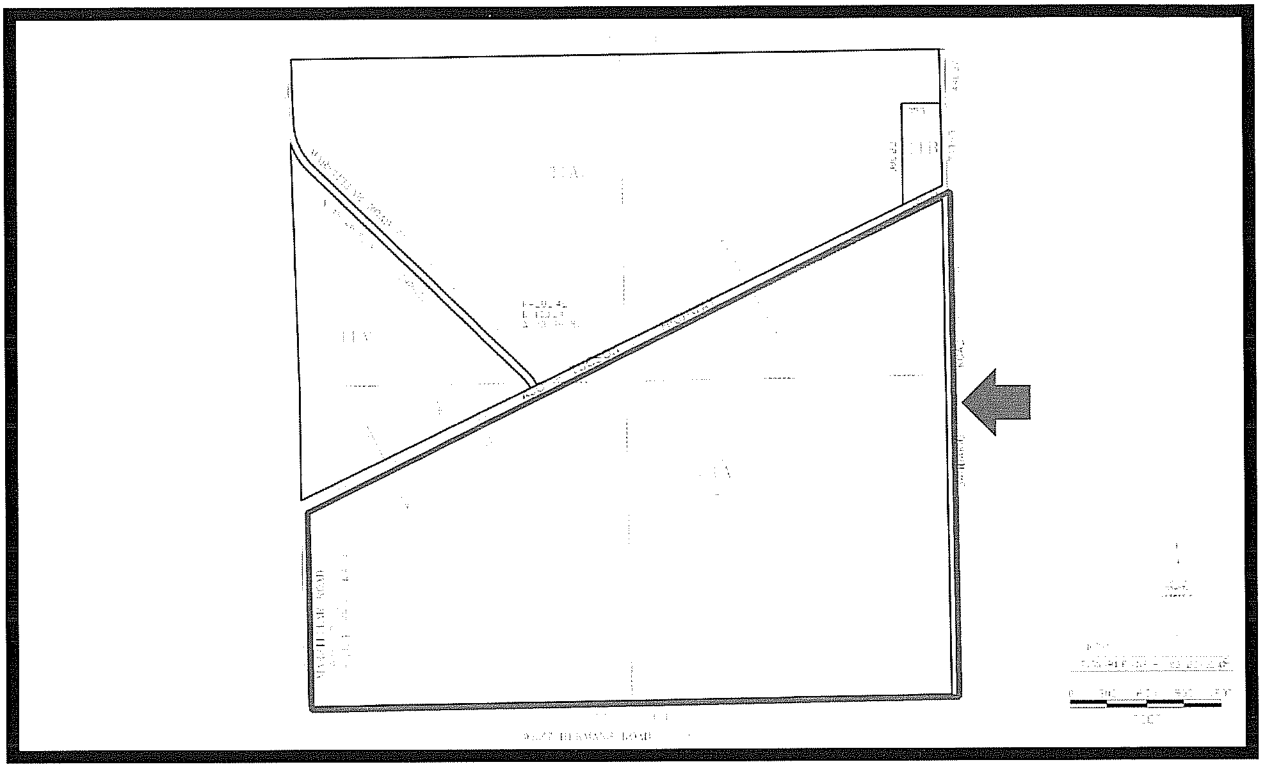
25. ***Acceptance of Report.*** Acceptance and/or use of this Report by the Client or any third party constitutes acceptance of all of the above conditions.

## 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.1 | Qualifications of Jeff Teplitsky |
| Exhibit L.2 | Qualifications of Company |

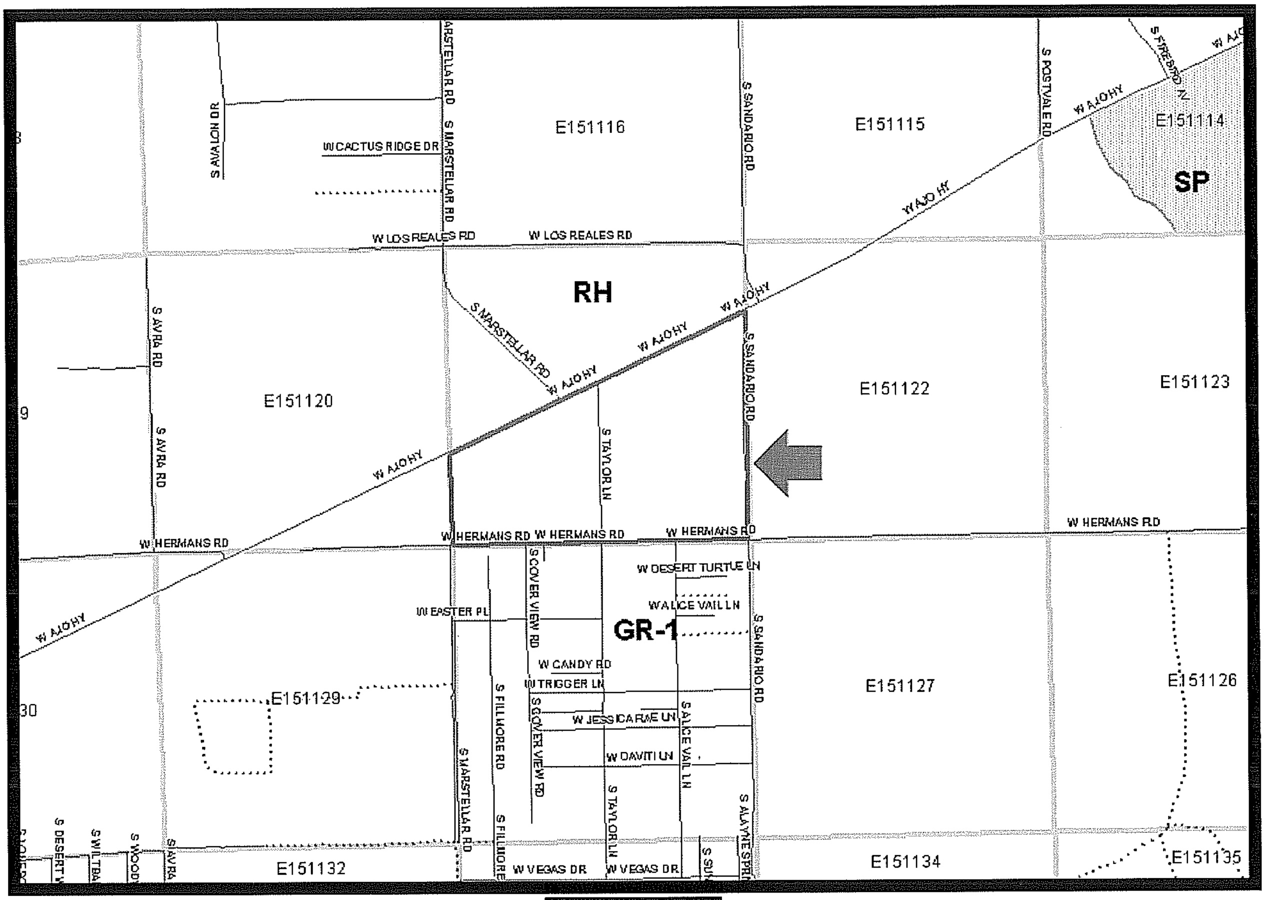
# EXHIBIT A - SUBJECT MAP

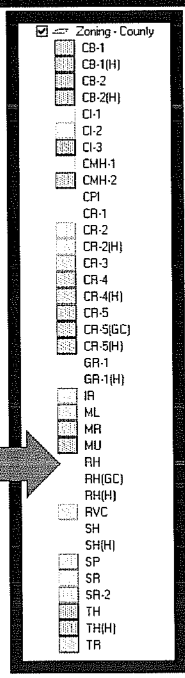
ASSESSOR'S RECORD MAP
SECTION 21 TOWNSHIP 15 SOUTH, RANGE 11 EAST
AND PORTION OF SECTION 22 (IN SANDARIO ROAD RIGHT OF WAY)



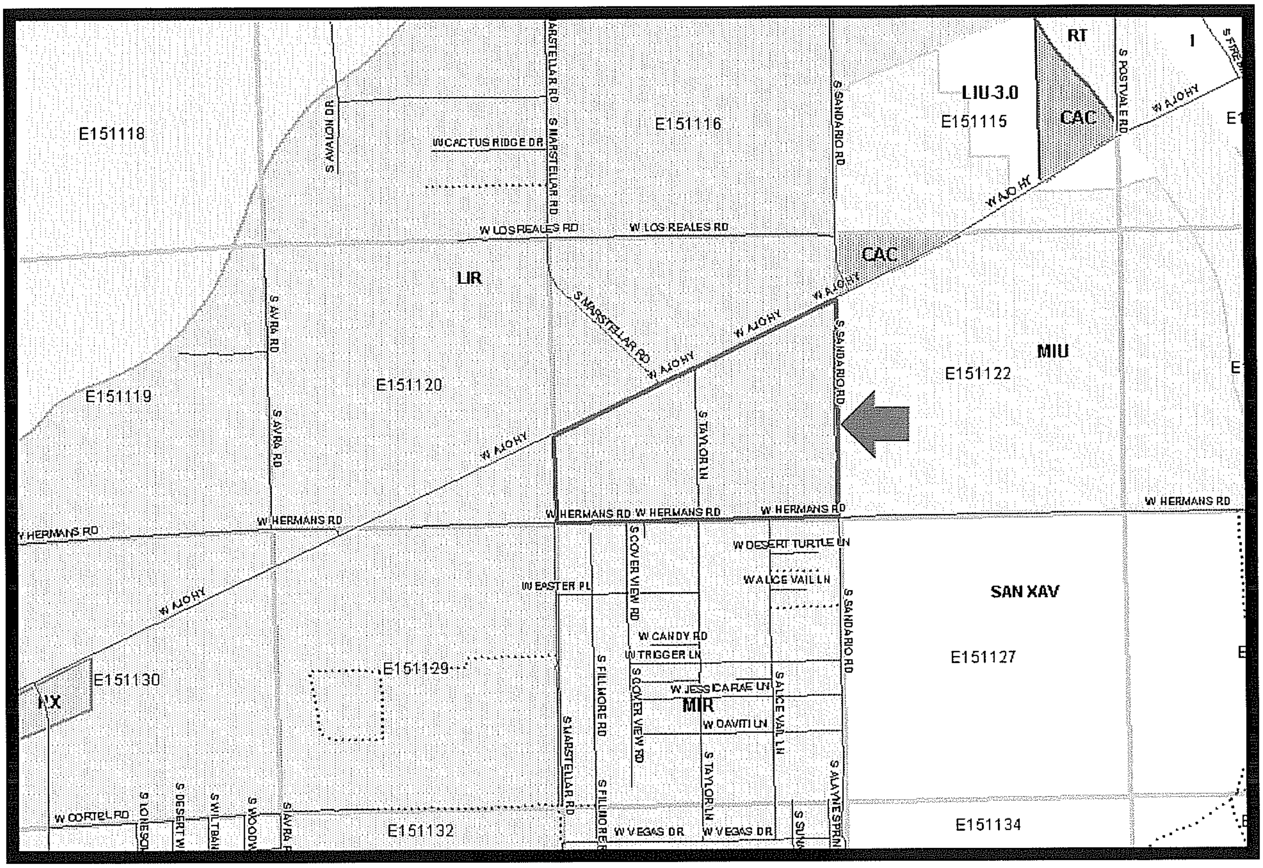
# EXHIBIT B - AERIAL PHOTOGRAPH

# EXHIBIT C - ZONING MAP



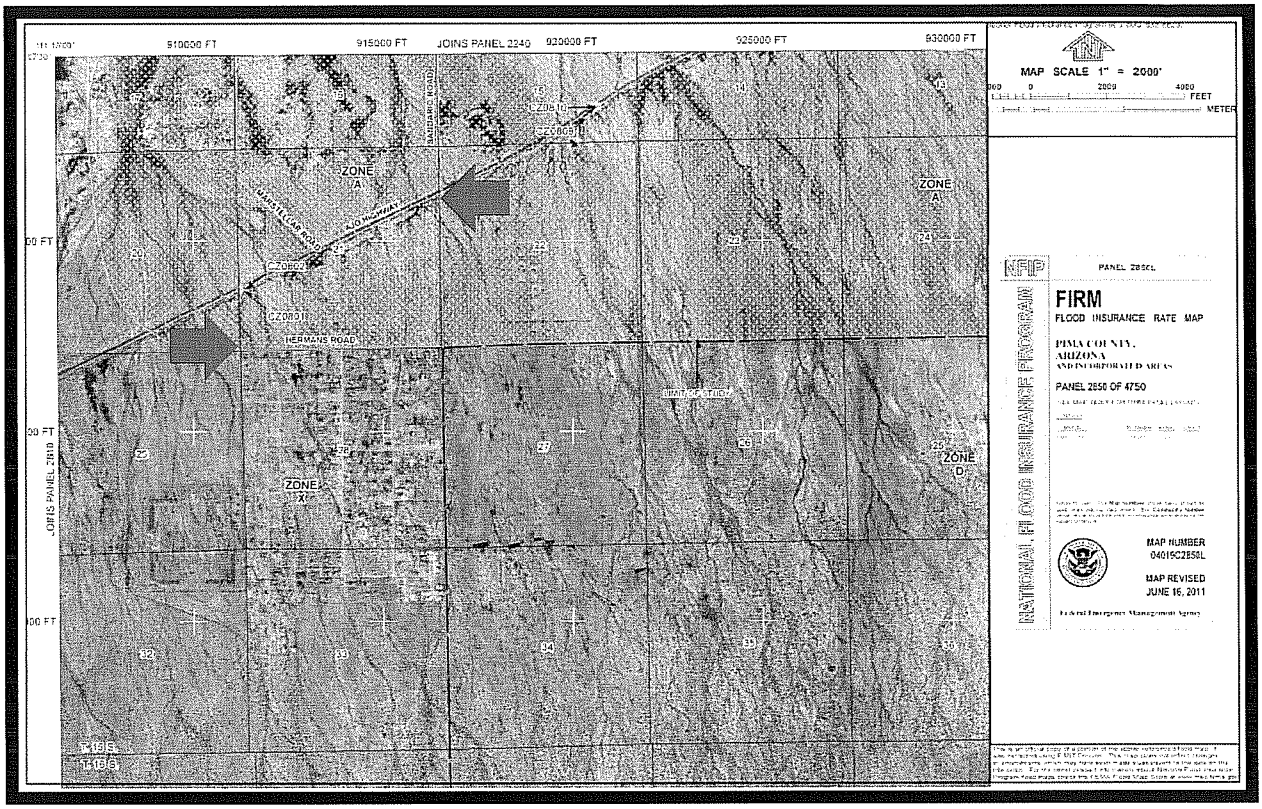



# EXHIBIT D - COMPREHENSIVE PLAN LAND USE MAP

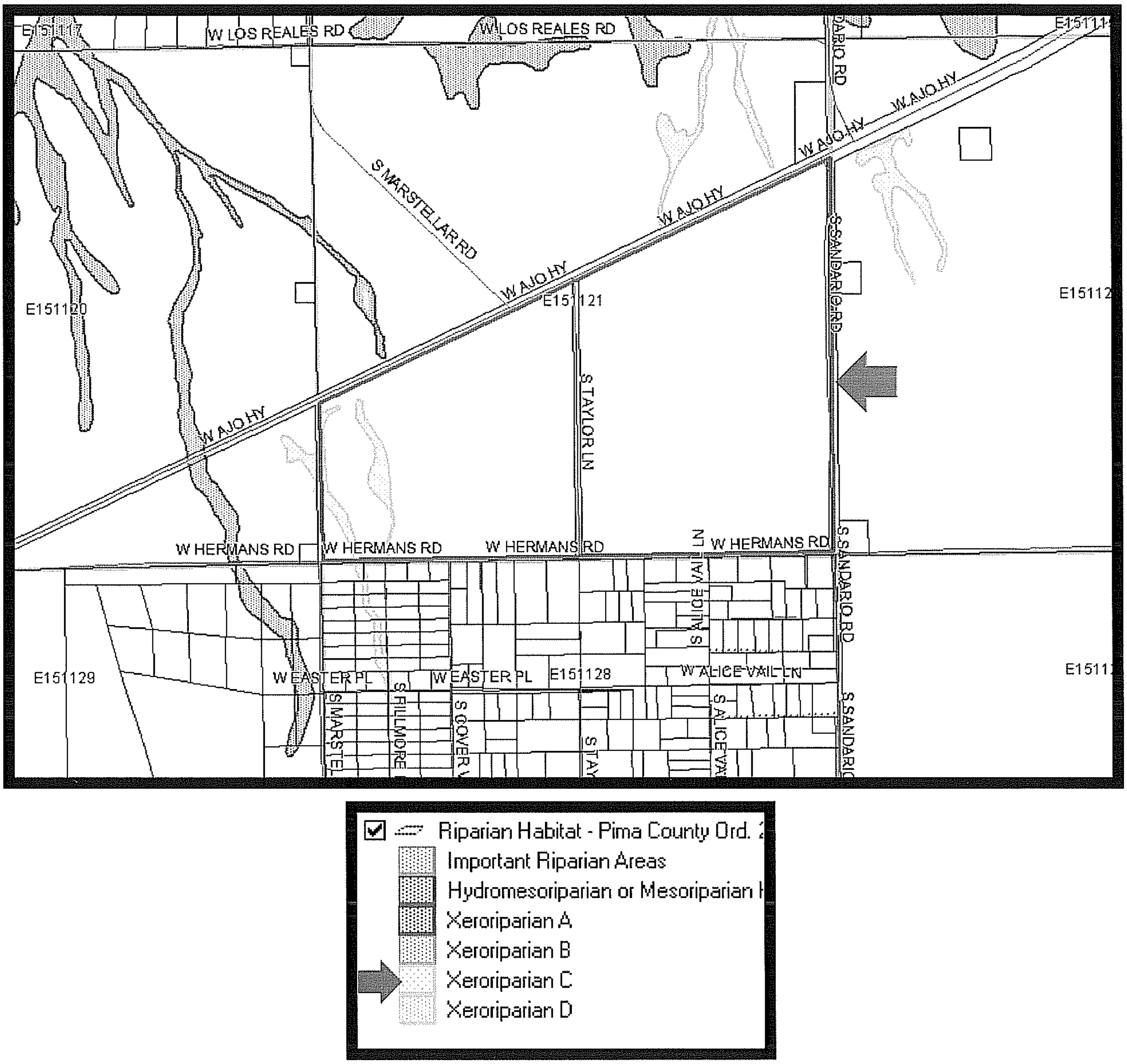



- Land Use Intensity
- REAC - Regional Activity Center
- CAC - Community Activity Center
- MFC - Multifunctional Corridor
- NAC - Neighborhood Activity Center
- HIU - High Intensity Urban
- MHIU - Medium High Intensity Urban
- MIU - Medium Intensity Urban
- MA - Military Airport
- LIU-3.0 - Low Intensity 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
- I - Urban Industrial
- HI - Heavy Industrial
- RT - Resource Transition
- RT-PUB - Resource Transition/Public
- RE - Resource Extraction
- RP - Resource Productive
- P-Y FEE - Pascua Yaqui Fee Lands
- No Plan

# 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: S Sandario Road

10 Nearest Cross Street: SR86 (Ajo Rd) Township 15 Range 11E Section 21

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: 80 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: 56173006 and Sierrita Gas Pipeline Alignment Sheet 2177.0-4

**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 7.5: Sandario Road*

*80' County Right of Way*

*Open Cut Trench and Construction Equipment Crossing*

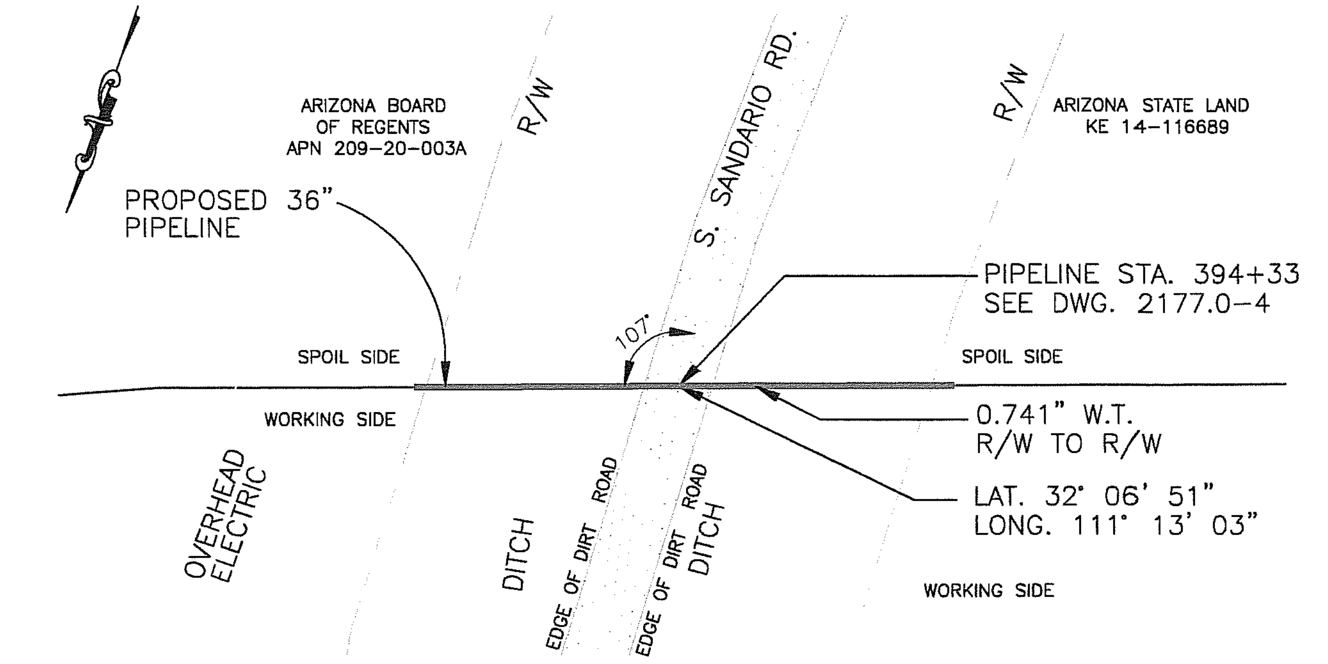
T15S, R11E, Section 21/22

Pima County Arizona

NORTH (NTS)

Sierrita Gas Pipeline LLC

# PIMA COUNTY, ARIZONA




PIPELINE CROSSING LENGTHS
R/W – R/W = 80'
DIRT ROAD SURFACE = 10'

## PLAN VIEW

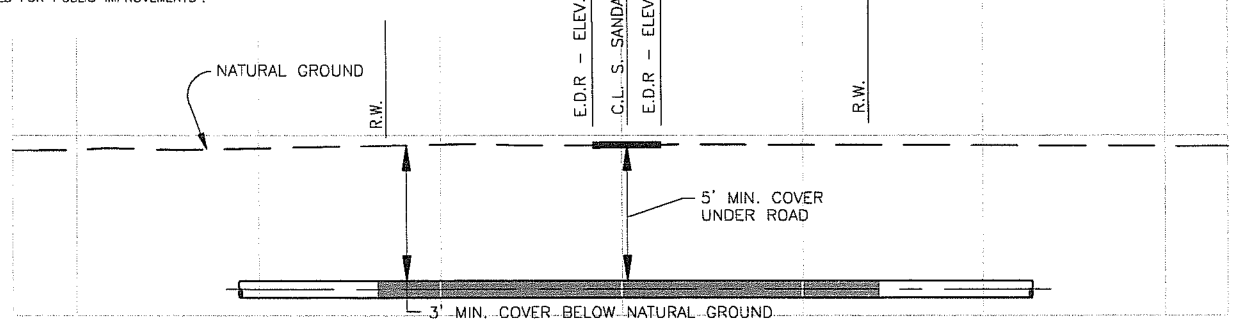
SCALE: 1" = 30'

## 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.




3' MIN. COVER BELOW NATURAL GROUND AND DITCHES OUTSIDE OF ROAD RIGHT OF WAY. PIPE DEPTH TO BE VERIFIED BY CONTRACTOR USING POTHOLING METHOD TO DETERMINE LOCATIONS AND ELEVATIONS OF EXISTING UTILITIES.

## PROFILE

NOT TO SCALE

| REVISIONS | | |
|---|---|---|
| NO. | DESCRIPTION | DATE |
| A | ISSUED FOR REVISION | 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 | 01/29/14 |
| | | |

| | | | |
|---|---|---|---|
| SCALE | AS NOTED | | |
| DRAWN | EMS | DATE | 10/08/13 |
| CHK'D | EMS | DATE | 01/22/14 |
| APPROVED | EMS | DATE | 01/29/14 |
| EMS JOB NO. | 5617 | | |
| AFE/P.O. NO. | | | |
| CLIENT FILE NO. | | | |
| EMS FILE NO. | 56173006 | | |

SIERRITA GAS PIPELINE LLC

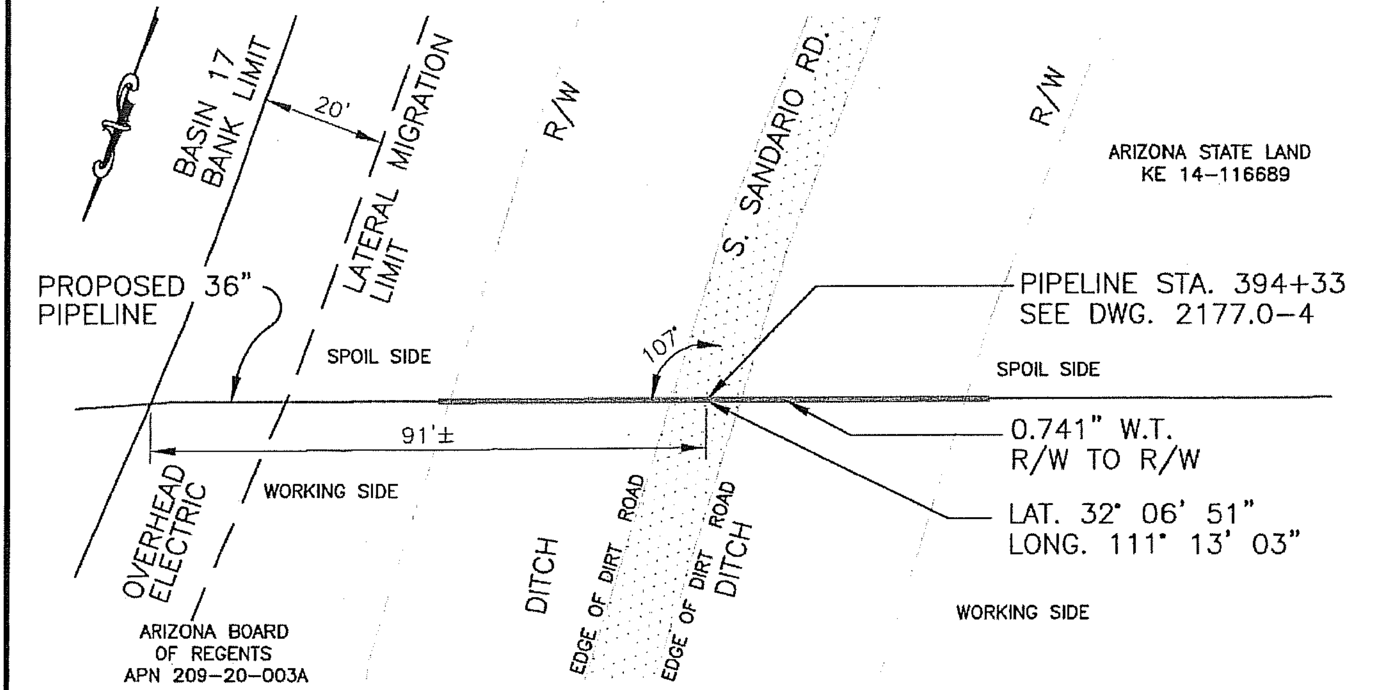
TITLE ROAD CROSSING DETAIL

S. SANDARIO RD. PIPELINE CROSSING

PIMA COUNTY ARIZONA

NO. 56173006 REV. E

# PIMA COUNTY, ARIZONA

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## PLAN VIEW

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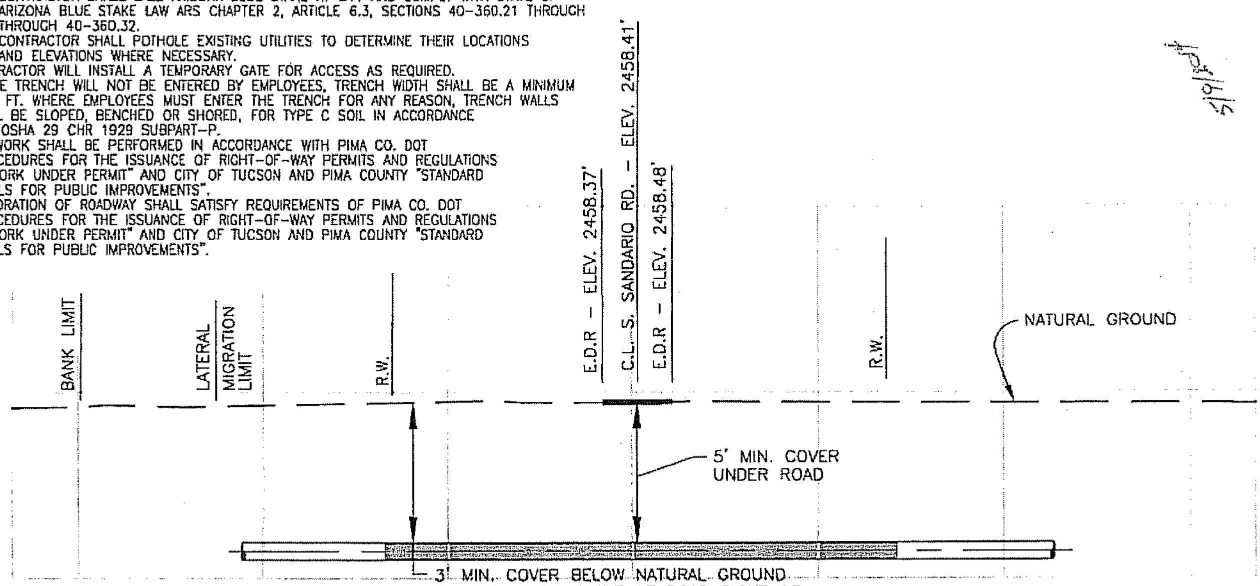


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## PROFILE

NOT TO SCALE

| REVISIONS | | |
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| E | ISSUED FOR PERMIT | 01/29/14 |
| F | ISSUED FOR PERMIT | 04/29/14 |

| | | | |
|---|---|---|---|
| SCALE | AS NOTED | | |
| DRAWN | EMS | DATE | 10/08/13 |
| CHK'D | EMS | DATE | 01/22/14 |
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| AFE/P.O. NO. | | | |
| CLIENT FILE NO. | | | |
| EMS FILE NO. | 56173006 | | |

SIERRITA GAS PIPELINE LLC

TITLE ROAD CROSSING DETAIL

S. SANDARIO RD. PIPELINE CROSSING

PIMA COUNTY ARIZONA

NO. 56173006 REV. F

**EXHIBIT H - SUBJECT PHOTOGRAPHS OF AREA TO BE ACQUIRED AND LARGER PARCEL**

PHOTO 1 - VIEW SOUTHEAST OF SUBJECT PROPERTY FROM SANDARIO ROAD

PHOTO 2 - VIEW EAST OF SUBJECT PROPERTY FROM SANDARIO ROAD

PHOTO 3 - VIEW SOUTH ALONG SANDARIO ROAD

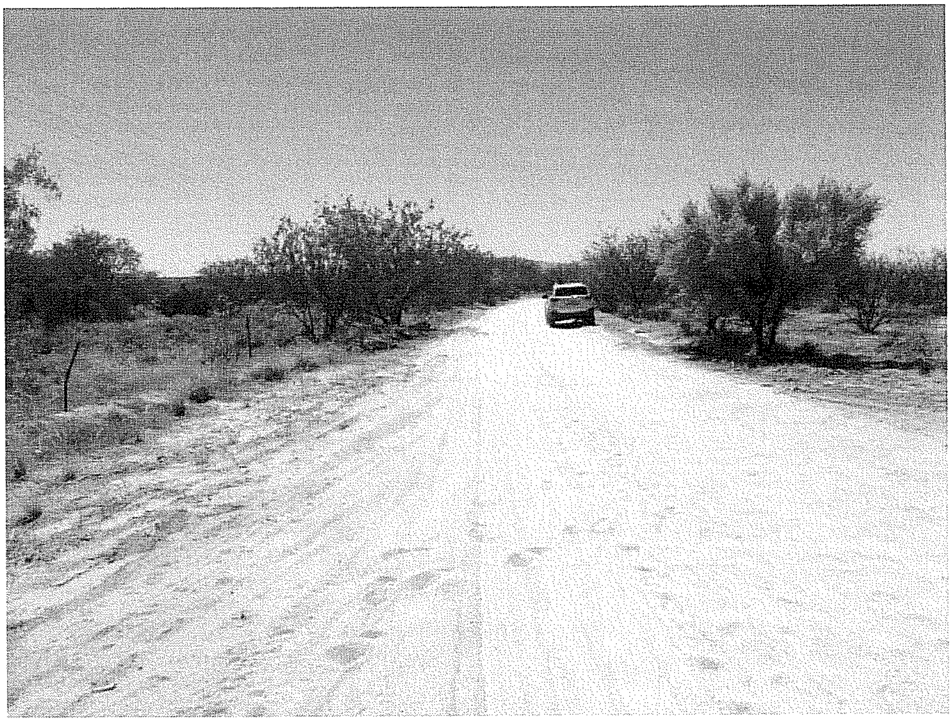


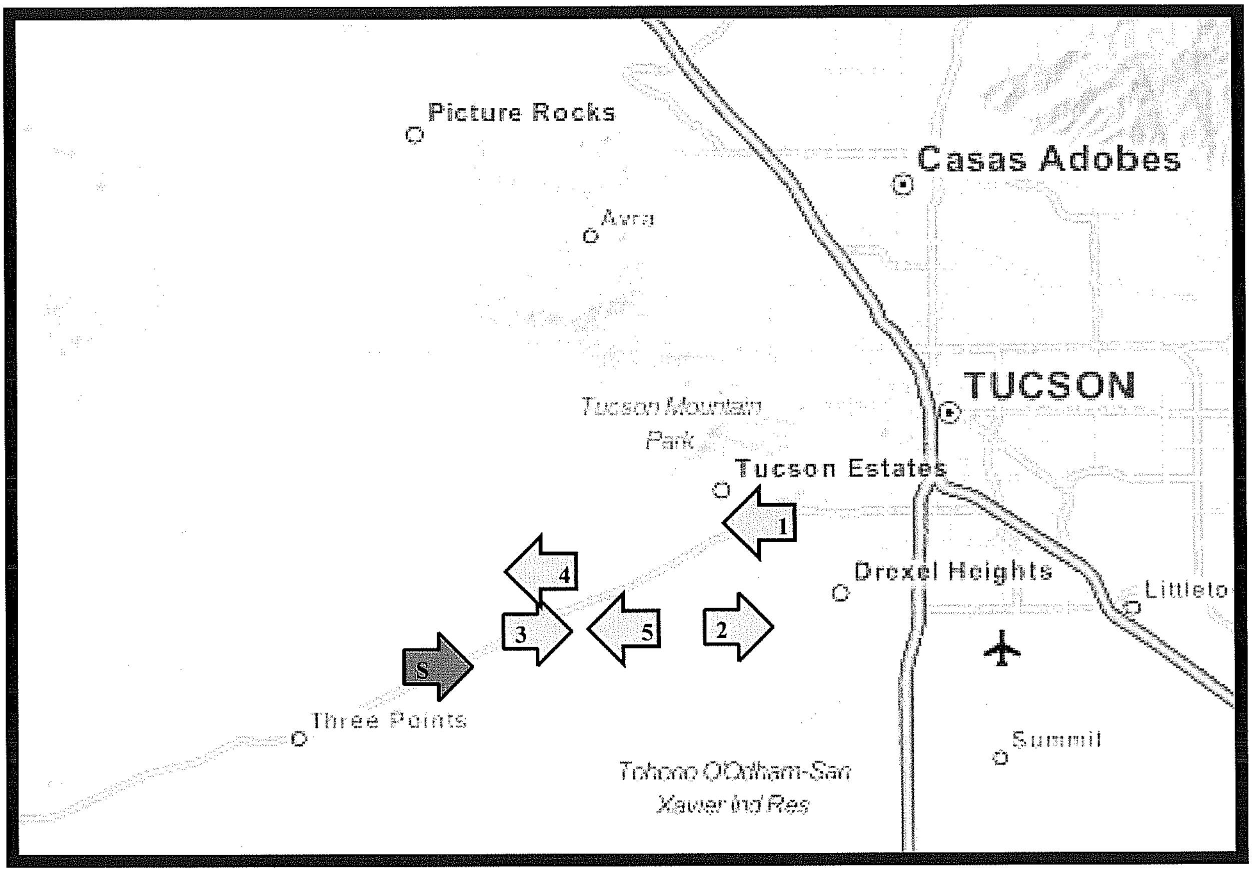
PHOTO 4 - VIEW NORTH ALONG SANDARIO ROAD

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

PHOTO 5 - VIEW NORTHEAST OF EASEMENT TO BE ACQUIRED

PHOTO 6 - VIEW SOUTHWEST OF EASEMENT TO BE ACQUIRED

## EXHIBIT J - COMPARABLE LAND SALES LOCATION MAP




| | |
|---|---|
| **Subject:** | **Southwest corner of SR 86 (Ajo Highway) and Sandario Road, including the Sandario Road right of way, Pima County** |
| Sale 1: | North side and south of Snyder Hill Road, west of San Joaquin Road, Pima County |
| Sale 2: | South side of Valencia Road, east and west sides of Sorrel Lane alignment, west of Camino de la Tierra, Pima County |
| Sale 3: | South side of Ajo Highway, east side of Continental Road alignment, near intersection of Ajo Highway and Valencia Road, Pima County |
| Sale 4: | North side of Peaceful Lane, east of Sandario Road, Pima County |
| Sale 5: | South side of Valencia Road, west of Valhalla Road, Pima County |

## EXHIBIT K - COMPARABLE LAND SALES, MAPS, AND PHOTOGRAPHS

LAND COMPARABLE NUMBER ONE (SALE) ID: RH 0298 6227A

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| LOCATION: | North side and south of Snyder Hill Road, west of San Joaquin Road |
| LEGAL DESCRIPTION: | Portions of Sections 5 and 6, Township 15 South, Range 12 East, and a portion of Section 31, Township 14 South, Range 12 East, G&SRB&M, Pima County, Arizona |
| STATE TAX PARCEL: | North Area - 212-38-1950 and 1960<br>South Area - 210-12-009A, 210-13-002A, 004A, and 0010 (Now 210-13-001A) |
| RECORD DATA: | Book 13741, at Page 1037 |
| DATE OF SALE: | February 8, 2010 |
| SELLER: | Title Security Agency of Arizona Trust No. 912 and Trust No. 813 (aka Ryan Ranch, LLC) |
| BUYER: | Pima County Flood Control District |
| CONFIRMED BY: | Douglas Laney, MAI, Pima County Public Works (520-740-6313)<br>TAB; March, 2011 |
| LAND DESCRIPTION: | This site is an irregular shaped property comprised of two noncontiguous areas located north and south of Snyder Hill Road. The north area has approximately 1,730 feet of frontage on the north side of Snyder Hill Road. The south area is separated from Snyder Hill Road by a strip of land approximately 30 feet deep and approximately 5,280 feet in length that abuts the property line parallel to Snyder Hill Road. The site has depths ranging from approximately 2,633 feet to approximately 4,895 feet. Physical and legal access to the property is by Snyder Hill Road. Snyder Hill Road is a two-lane, asphalt-paved roadway at this property. The topography is mostly level land. The site has numerous washes traversing the property, including the Black Wash Floodway. Electric and gas are available to the property. Water is by well and sewer is by septic |

system. According to FEMA Flood Insurance Rate Map 04019C2200K, dated February 8, 1999, the land is identified as being located in a Special Flood Hazard Area, Zone AO, which is designated as areas of 100-year shallow flooding where depths are between one (1) and three (3) feet; average depths of inundations are shown, but no flood hazard factors are determined. The northwestern portion of the property has average flood depths of two (2) feet, with the remaining portion of the property falling in an area with an average flood depth of one (1) foot. The portions of the property containing washes also fall within important riparian and conservation designated areas.

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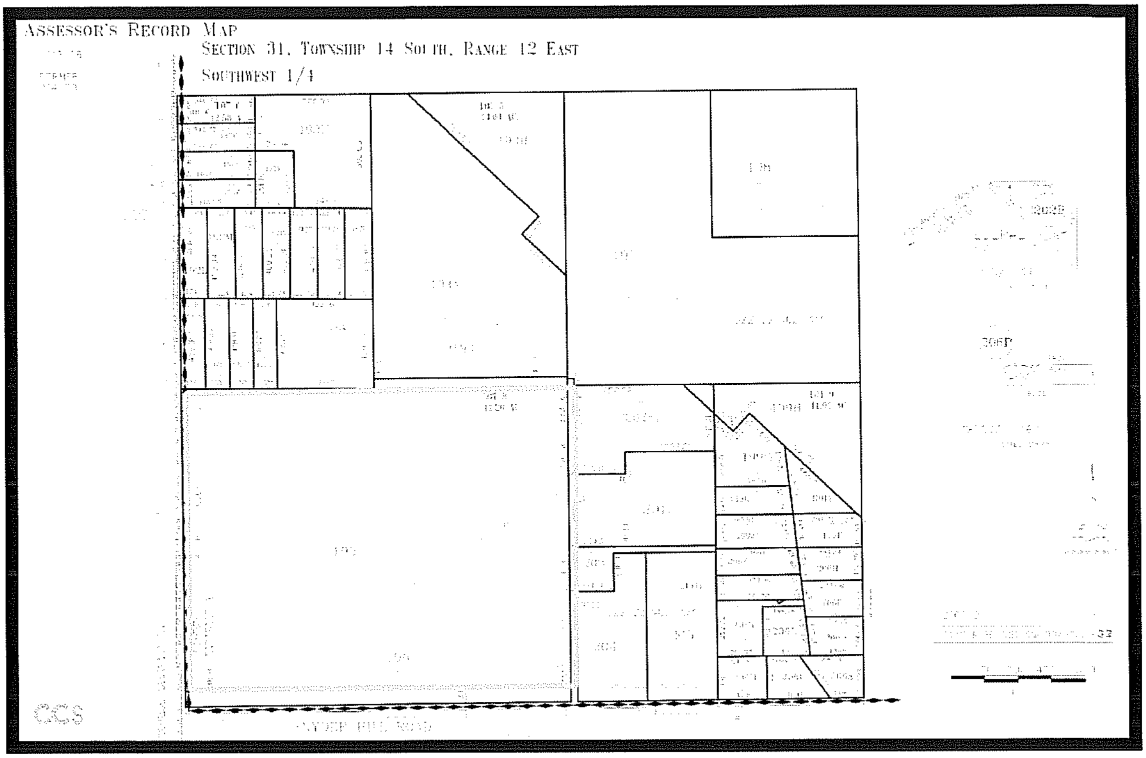
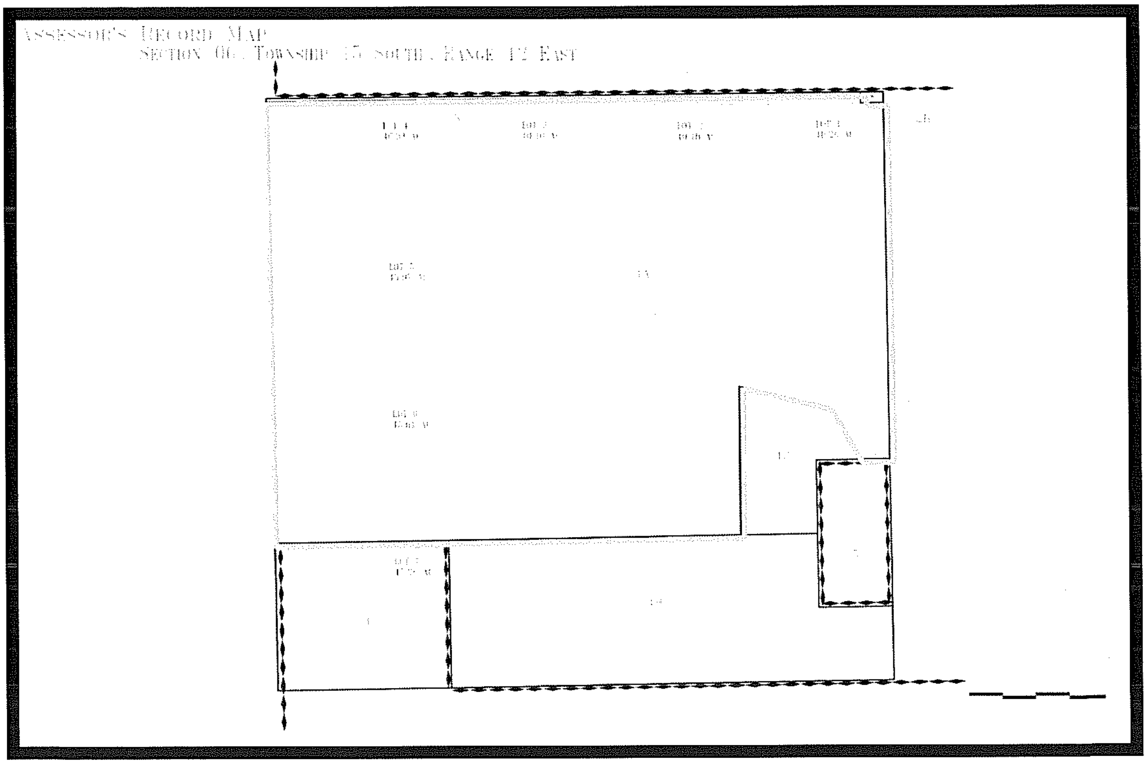
| LAND SIZE: | 813.67 acres |
| ZONING: | GR-1 (north of Snyder Hill Road) - Pima County<br>RH (south of Snyder Hill Road) - Pima County |
| PIMA COUNTY COMPREHENSIVE PLAN: | RT (north of Snyder Hill Road)<br>RT and LIU-3.0 (south of Snyder Hill Road) |
| REPORTED SALE PRICE: | $3,438,507 |
| PRICE PER ACRE: | $4,226 |
| MARKETING TIME: | Not applicable |
| TERMS OF SALE: | The terms of sale were negotiated to include a down payment in the amount of 33.33 percent, with 33.33 percent of the balance due one year from close of escrow and the final 33.33 percent due two years from close of escrow. However, the County paid the entire balance due within several months of the purchase, having the effect of an all cash transaction to the seller. |
| 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: | Purchased for open space |

COMMENTS:

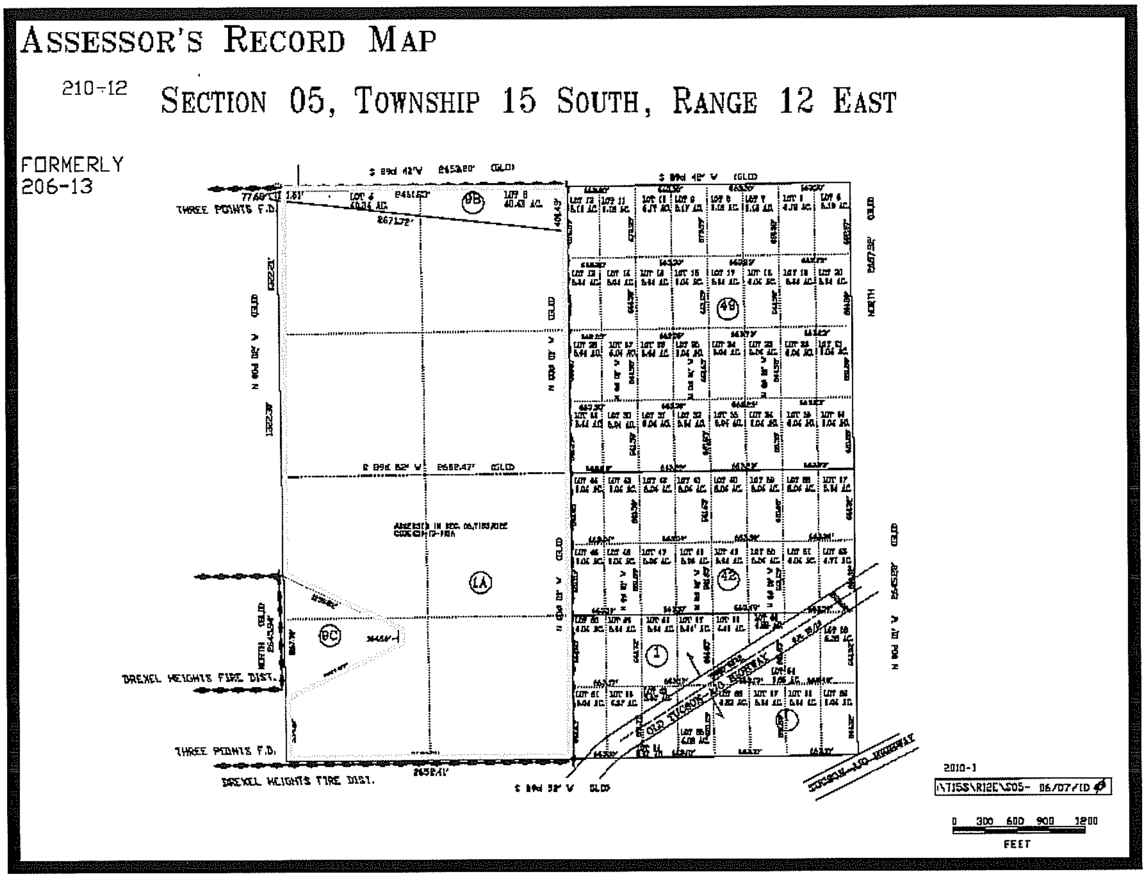
Portions of the property located to the south of Snyder Hill Road fall within the Ryan Airfield Airport Height Overlay Zone. Additionally, portions of the south property fall within a proposed 1/2 mile setback from the Tucson Trap and Skeet Club. Approximately 50 percent of the portion of the property located on the south side of Snyder Hill Road is in the floodway from the Black Wash. Approximately three percent of the portion of the property located on the north side of Snyder Hill Road is in the floodway from the Black Wash.

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



# COMPARABLE SALE ONE
# PLAT MAPS AND AERIAL PHOTO




LAND COMPARABLE NUMBER TWO (SALE) ID: CR3 0038 6329A

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| LOCATION: | South side of Valencia Road, east and west sides of the Sorrel Lane alignment, west of Camino de la Tierra |
| LEGAL DESCRIPTION: | Lots 1 - 260 and Common Areas A-C, Belnor Vista II, and a portion of Section 17, Range 15 East, Township 13 South, G&SRB&M, Pima County, Arizona |
| STATE TAX PARCEL: | 138-26-320A, 320B and 138-49-0010 through 2630 |
| RECORD DATA: | Book 13935, at Page 2426 |
| DATE OF SALE: | November 15, 2010 |
| SELLER: | National Bank of Arizona |
| BUYER: | Southern Arizona Land Trust, Inc. |
| CONFIRMED BY: | Aaron Mendenhall, listing broker (520-747-4000) TH; April 18, 2012 |
| LAND DESCRIPTION: | This site is a mostly rectangular shaped interior property with approximately 2,000 feet of frontage along Valencia Road. Valencia Road is a four-lane asphalt paved roadway with center turn lane, concrete curbs and sidewalks but no streetlights at the subject property. The site is currently raw land covered with native desert vegetation but is a fully platted and recorded 260 lot single family residential subdivision known as Belnor Vista II with several internal subdivision streets proposed but not in place as of the date of sale. The Belnor Vista II subdivision includes parcels 138-49-0010 through 2630. Additionally, there are two parcels fronting on Valencia (138-26-320A and 320B),which are planned for commercial uses and would require rezoning. The topography ranges from level to rolling with some hills. All utilities are available to the property line. According to FEMA Flood Insurance Rate Map 04019C2270L, dated June 16, 2011, a majority of 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 two larger washes transversing the site in an east-west direction that are identified as |

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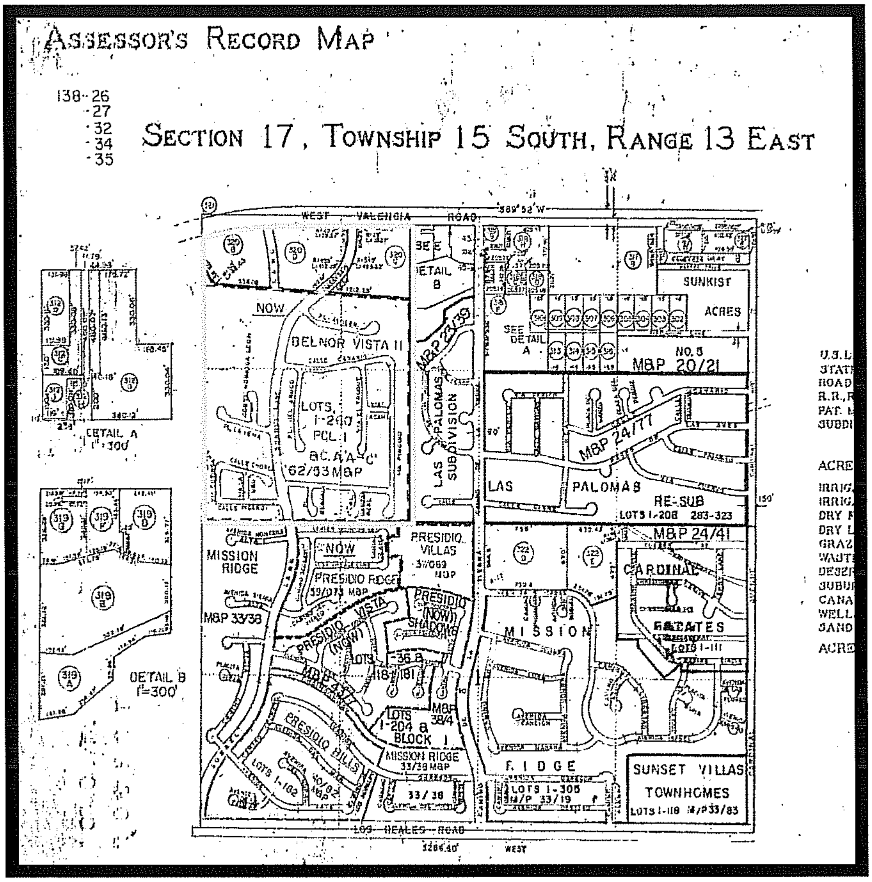
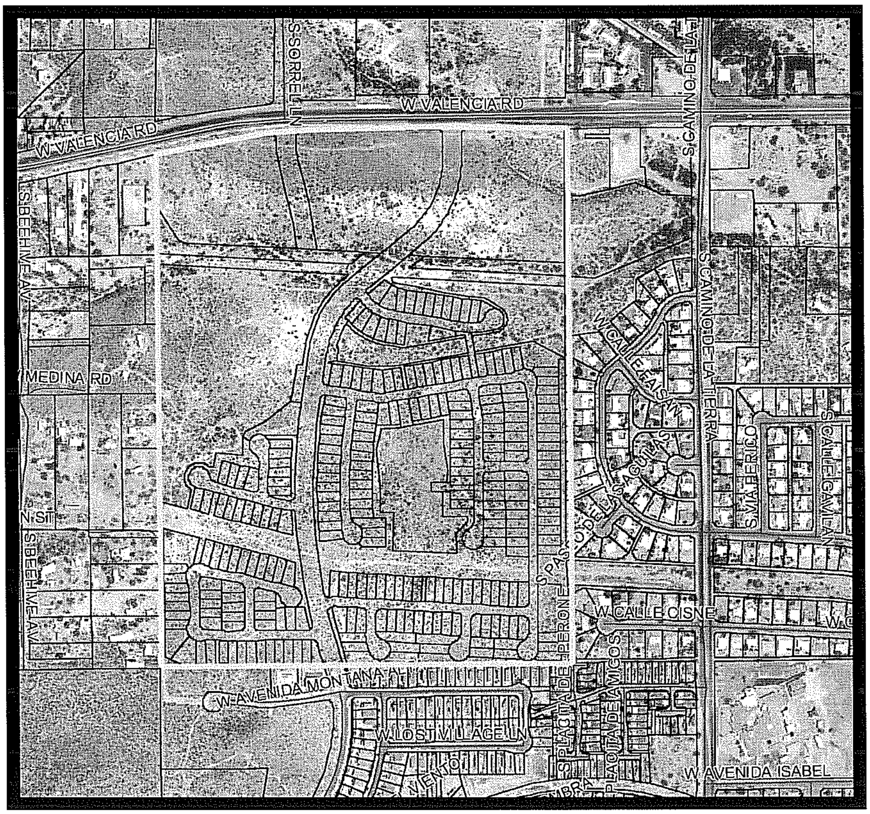
| | being located in Zone A which is a Special Flood Hazard Area subject to inundation by the 1% annual chance flood with no base flood elevations determined. There are also several smaller washes transversing the site which will also need to be taken into account with any development. |
| LAND SIZE: | 4,995,200 square feet or 114.67 acres |
| NUMBER OF LOTS: | 260 |
| ZONING: | CR-3 and GR-1 |
| REPORTED SALE PRICE: | $650,000 |
| PRICE PER ACRE: | $5,668 |
| PRICE PER LOT: | $2,500 |
| MARKETING TIME: | 530 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: | Hold for investment |
| COMMENTS: | This was an REO sale. |

**COMPARABLE LAND SALE TWO**
**PLAT MAP AND AERIAL PHOTO**



LAND COMPARABLE NUMBER THREE (SALE) ID: SP 0048 6539C

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| LOCATION: | South side of Ajo Highway, east side of Continental Road alignment near the intersection of Ajo Highway and Valencia Road. |
| LEGAL DESCRIPTION: | A portion of Section 13, Township 15 South, Range 11 East, G&SRB&M, Pima County, Arizona |
| STATE TAX PARCEL: | 209-15-006H, 006J and 209-16-006H |
| RECORD DATA: | Fee Number 2012-2580447 |
| DATE OF SALE: | September 14, 2012 |
| SELLER: | Tucson 516 LLC |
| BUYER: | SBH Sendero LP |
| CONFIRMED BY: | Bob Banbauer (602-531-4837)<br>TH; December 12, 2012 |
| LAND DESCRIPTION: | This site is an irregular shaped interior property with 2,137.17 feet of frontage on Ajo Highway. The site has a maximum depth of one mile. Ajo Highway is a two-lane, asphalt-paved roadway with no curbs, sidewalks or streetlights in the vicinity of this property. Ajo Highway and has a 2011 traffic count of 7,000 vehicles per day to the west of this site. The topography is level, sloping in a northwesterly direction. The land is covered with native desert vegetation. All utilities except sewer are available to the property. Sewer is located 1.5 miles to the east of this site. According to FEMA Flood Insurance Rate Maps 04019C2245L and 04019C2850L, both dated June 16, 2011, the land is identified as being 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. There are several small and medium washes transversing the property in a mostly in a north-south direction. Portions of the property along the larger washes mostly in a north-south direction falls within the designated riparian habitat classifications of Hydromesoriparian and Xeroriparian C. |

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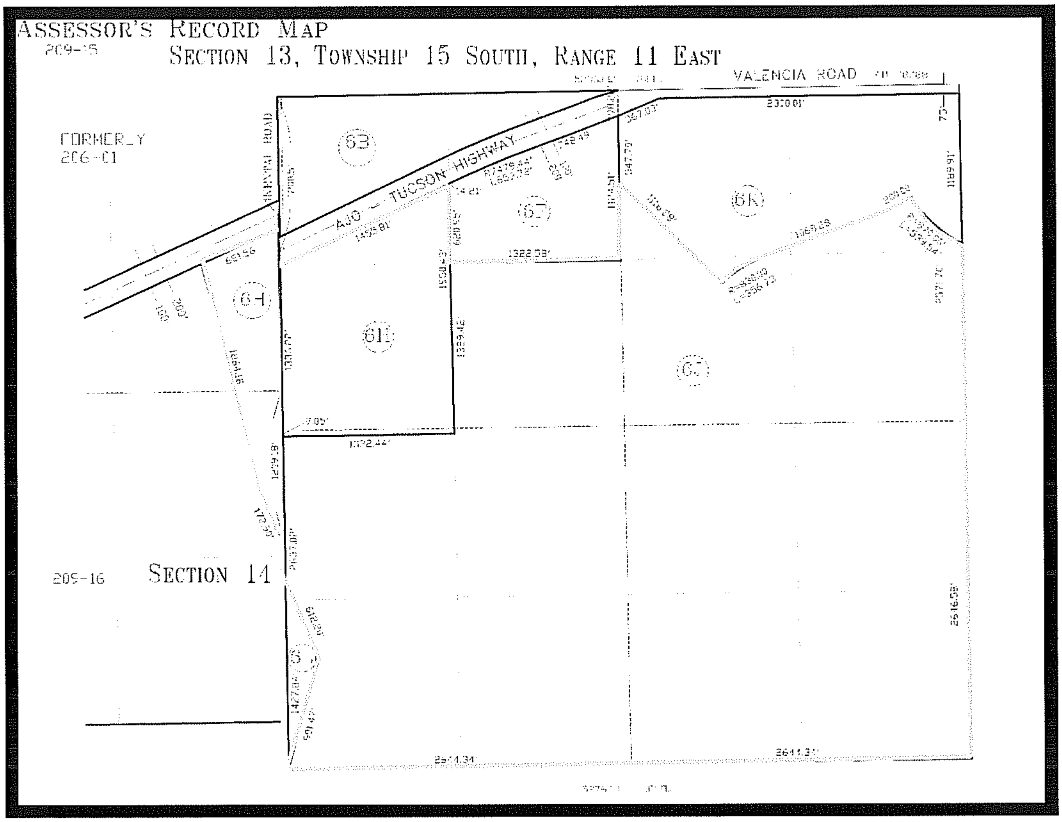
| LAND SIZE: | 516.73 acres or 22,508,759 square feet |
| ZONING: | SP (residential, commercial and industrial uses) - AEZ (see comments) |
| REPORTED SALE PRICE: | $2,842,035 |
| PRICE PER ACRE: | $5,500 |
| PRICE PER SQ. FT.: | $0.13 |
| MARKETING TIME: | Over two years |
| TERMS OF SALE: | This was an all cash to the seller transaction. |
| PRIOR SALE: | There was a non-arms length transfer which occurred on September 7, 2012, and was an internal transfer between related parties. Records of the Pima County Assessor indicate that this property sold as part of a larger parcel (containing a total of 738 acres) at a reported price of $16,605,000 ($0.52 per square foot) on July 19, 2006 as recorded in Docket 12849, at Page 376. This was an auction with the University of Arizona as the seller and only one bidder. |
| CONDITIONS OF SALE: | This sale is reported to have occurred under normal market conditions. |
| INTENDED USE: | Land investment and eventual development with a combination of residential and industrial uses. |
| COMMENTS: | The property is part of the Sendero Pass Master Plan which covers a total of 837 acres, to be developed with a mix of residential, commercial and industrial uses.<br><br>The property is identified as being located in the Airport Environs Zone of Ryan Airfield. A majority of the site is located in multiple height overlay zones and a portion is located in the Compatible Use Zone 2 overlay. |

# COMPARABLE LAND SALE THREE
# PLAT MAP AND AERIAL PHOTO

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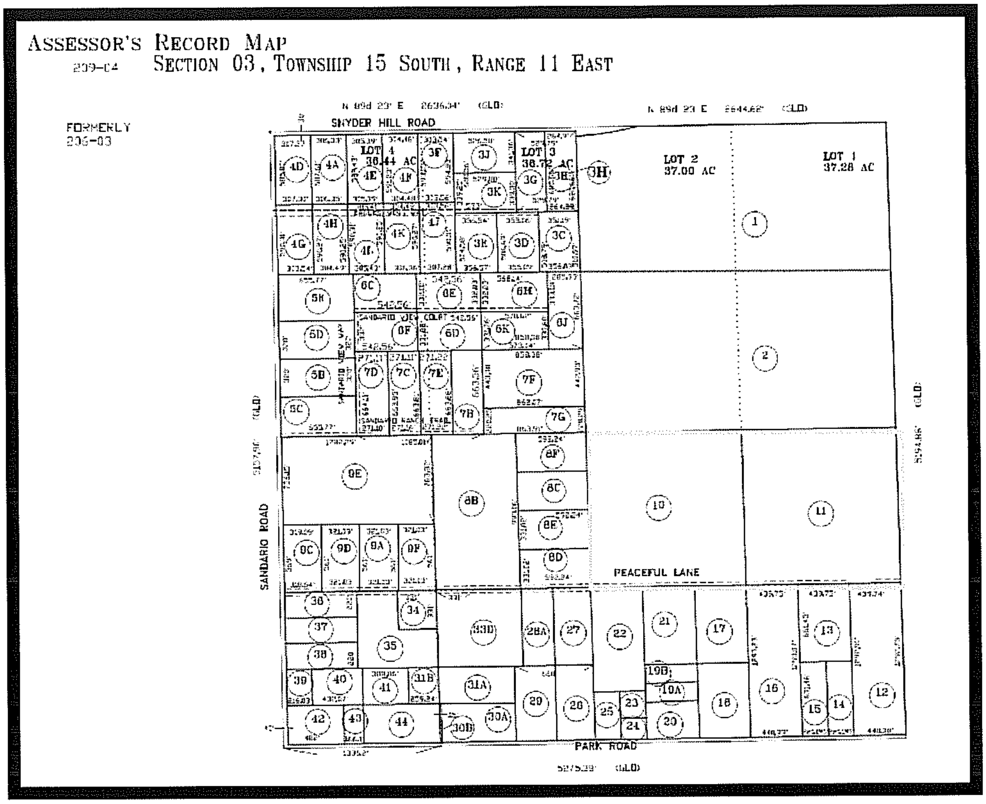
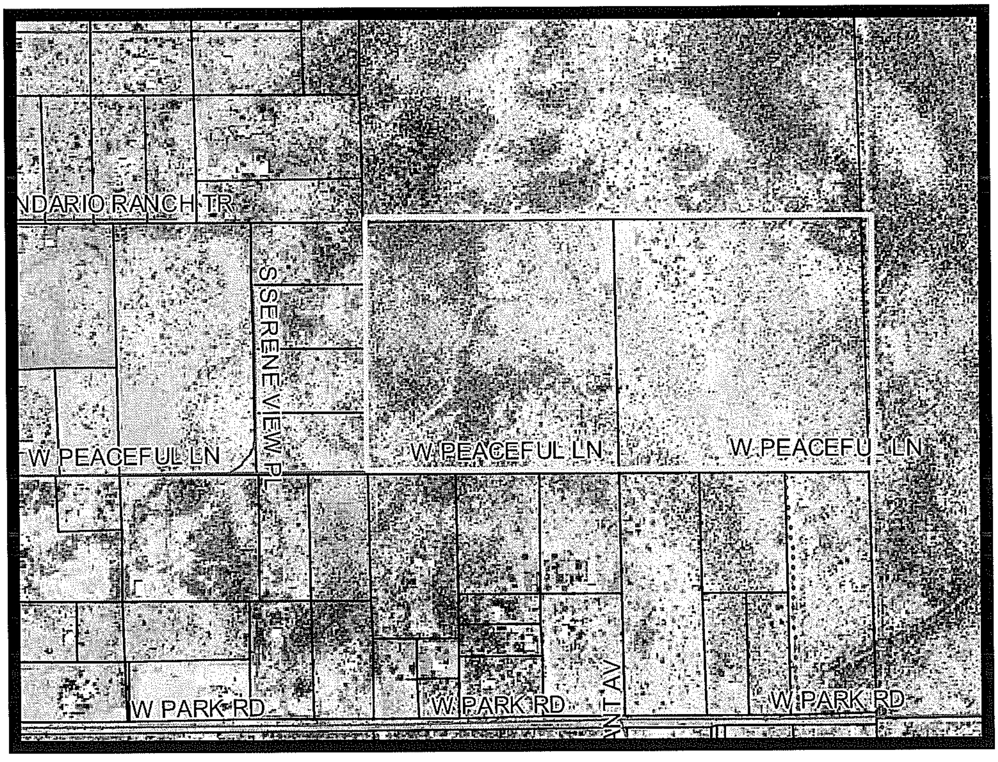
|---|---|
| LAND SIZE: | 80.0 acres |
| ZONING: | RH (Pima County) |
| REPORTED SALE PRICE: | $105,000 |
| PRICE PER ACRE: | $1,313 |
| MARKETING TIME: | Six months |
| TERMS OF SALE: | This was an all cash to the seller transaction. |
| PRIOR SALE: | Records of the Pima County Assessor indicate that this property sold at a reported price of $135,000 on March 16, 2011 as recorded at Fee Number 2011-0750588. |
| CONDITIONS OF SALE: | This sale is reported to have occurred under normal market conditions. |
| INTENDED USE: | Land investment |
| COMMENTS: | The land previously had two manufactured homes on it but they both were removed prior to the prior March, 2011 sale transaction. |

# COMPARABLE LAND SALE FOUR
# PLAT MAP AND AERIAL PHOTOGRAPH



LAND COMPARABLE NUMBER FIVE (SALE) ID: SP 0052 6821

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| LOCATION: | South side of Valencia Road, west of Valhalla Road |
| LEGAL DESCRIPTION: | A portion of Section 18, Township 15 South, Range 12 East, G&SRB&M, Pima County, Arizona |
| STATE TAX PARCEL: | 210-40-022A and 023E |
| RECORD DATA: | Fee Number 2014-0780444 |
| DATE OF SALE: | March 19, 2014 |
| SELLER: | IMH Special Asset NT 140, LLC |
| BUYER: | Pomegranate Farms - Tucson, LLC |
| CONFIRMED BY: | Will White, selling broker (520-514-7454)<br>JT; March 26, 2014 |
| LAND DESCRIPTION: | This site is an irregular shaped interior property with about 3,646 feet of frontage on Valencia Road. The site has a maximum depth of one mile. There is an irregularly shaped parcel located within this property that contains 43.67 acres which is not part of this site. Valencia Road is a two-lane, asphalt-paved roadway with no curbs, sidewalks or streetlights in the vicinity of this property. Valencia Road has a 2010 traffic count of 4,000 vehicles per day to the east of this site. The topography is level, sloping in a northwesterly direction. The land is covered with native desert vegetation. The property has full land entitlements but the sewer and water utilities have not been installed. A sewer connection is located about a half mile to the east of this site. Water will require substantial investments to develop the infrastructure. Electric and telephone is to the site on Valencia Road. According to FEMA Flood Insurance Rate Maps 04019C2245L and 04019C2850L, both dated June 16, 2011, the land is identified as being 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. There are several small and medium washes transversing the property in a mostly in a north-south direction. Small portions of the property along |

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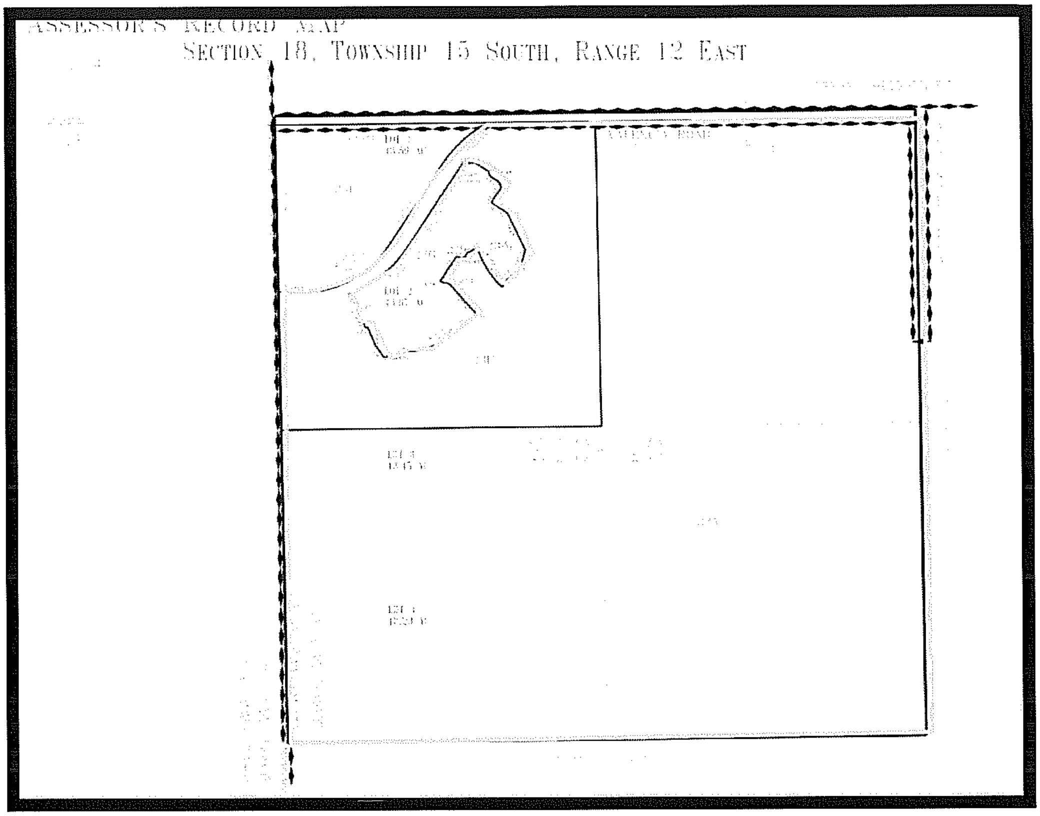
| | the larger washes along the north property line, mostly in an east-west direction, fall within the designated riparian habitat classifications of Hydromesoriparian and Xeroriparian C and H. |
| LAND SIZE: | 587.00 acres or 25,569,720 square feet |
| ZONING: | SP (residential, commercial and industrial uses) |
| REPORTED SALE PRICE: | $4,000,000 |
| PRICE PER ACRE: | $7,155 |
| MARKETING TIME: | Two years |
| TERMS OF SALE: | This was an all cash to the seller transaction. |
| PRIOR SALE: | There was a non-arms length transfer which occurred on January 18, 2011 and involved a trustee's deed due to foreclosure proceedings. Records of the Pima County Assessor indicate that no market 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: | Land investment and eventual development with a combination of residential and industrial uses. |
| COMMENTS: | The property is part of the Pomegranate Farms Master Plan which covers a total of 631 acres, to be developed with a mix of residential, commercial and industrial uses. The plan supports a maximum of 4,525 residential units with a target of 3,463 units.<br><br>The property is <u>not</u> located in the Airport Environs Zone of Ryan Airfield; the site is adjacent to the east of it. |

**COMPARABLE LAND SALE FIVE**
**PLAT MAP AND AERIAL PHOTO**




## EXHIBIT L.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 L.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.