

**A SUMMARY APPRAISAL REPORT**

**OF**

**LAND AS VACANT**

**FOR ACQUISITION OF A  
PERMANENT UTILITY EASEMENT  
ON A PORTION OF THE EXISTING  
ELKHORN RANCH ROAD RIGHT OF WAY**

**LOCATED WEST OF SR 286 (SASABE HIGHWAY),  
NORTH OF THE U.S. - MEXICO INTERNATIONAL BORDER  
IN A PORTION OF  
SECTION 32, TOWNSHIP 18 SOUTH, RANGE 9 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.

REAL ESTATE APPRAISERS - CONSULTANTS

4547 E. FT. LOWELL ROAD • SUITE 401 • TUCSON, AZ 85712

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April 29, 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 Elkhorn Ranch Road right of way, located west of SR 286 (Sasabe Highway), north of the U.S. - Mexico International Border, in a portion of Section 32, Township 18 South, Range 9 East, G&SRB&M, Pima County, Arizona.

|                                     |                                               |
|-------------------------------------|-----------------------------------------------|
| <i>Project:</i>                     | Sierrita Gas Pipeline Project, EPNG Line 2177 |
| <i>Ownership:</i>                   | Pima County                                   |
| <i>Tax Parcel No.:</i>              | Not applicable                                |
| <i>Effective Date of Appraisal:</i> | April 16, 2014                                |
| <i>Date of Report:</i>              | April 29, 2014                                |

Dear Mr. Martin:

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

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

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   | \$1,351,200  |
| Market Value of Property Rights To Be Acquired | \$100        |
| Market Value of Remainder Property, Before     | \$1,351,100  |
| Market Value of Remainder Property, After      | \$1,351,100  |
| Severance Damages                              | -0-          |
| Special Benefits                               | -0-          |
| TOTAL COMPENSATION:                            |              |
| Market Value of Property Rights To Be Acquired | \$100        |
| Severance Damages                              | 0            |
| Special Benefits                               | <u>0</u>     |
| <b>TOTAL COMPENSATION</b>                      | <b>\$100</b> |

*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 33 foot width of the Elkhorn Ranch 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 Elkhorn Ranch 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 Elkhorn Ranch Road in Section 32, Township 18 South, Range 9 East (563 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

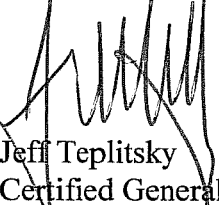
Mr. Douglas G. Martin, Attorney  
Martin, Kerrick & Bell, LLC

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

C146882 - Elkhorn Ranch



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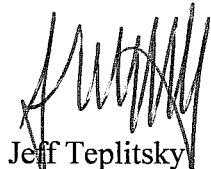
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## **PART I - CERTIFICATION**

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 Elkhorn Ranch Road right of way being a portion of Section 32, Township 18 South, Range 9 East, G&SRB&M, Pima County, Arizona. The land adjacent to the Elkhorn Ranch 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 563 acres according to the Pima County Assessor records.

### **"ATF" PARCEL LAND AREA:**

|              |                    |                                                             |
|--------------|--------------------|-------------------------------------------------------------|
| Before:      | 563.000 acres      | - (fee simple) - "ATF" parcel, approximate                  |
| Acquisition: | <u>0.038</u> acres | - (permanent utility easement)                              |
| Remainder:   | 562.962 acres      | - (fee simple unencumbered)                                 |
|              | <u>0.038</u> acres | - (permanent utility easement)                              |
|              | 563.000 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 under 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:**

All of Section 32; excepting that portion lying southeast of SR 286 thereof, Township 18 South, Range 9 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 (563 acres being in Section 32, Township 18 South, Range 9 East G&SRB&M), no legal description was provided to the appraiser by the client for purposes of this report.

**OWNERSHIP:**

According to State Land Department - State of Arizona documents, dated December 31, 1953, Pima County entered into a Right of Way Lease for Fresno Road (AKA Road No. 441) for public use. Fresno Road is currently known as Elkhorn Ranch Road. For purposes of

this appraisal, it is assumed that Elkhorn Ranch Road is currently owned and maintained by Pima County and that it will continue to be so into the foreseeable future (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:**

*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 33 foot width of the Elkhorn Ranch 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 Elkhorn Ranch 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 Elkhorn Ranch Road in Section 32, Township 18 South, Range 9 East (563 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

\$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 easement for a gas pipeline under 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 33 foot width of the Elkhorn Ranch 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 Elkhorn Ranch 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 Elkhorn Ranch Road in Section 32, Township 18 South, Range 9 East (563 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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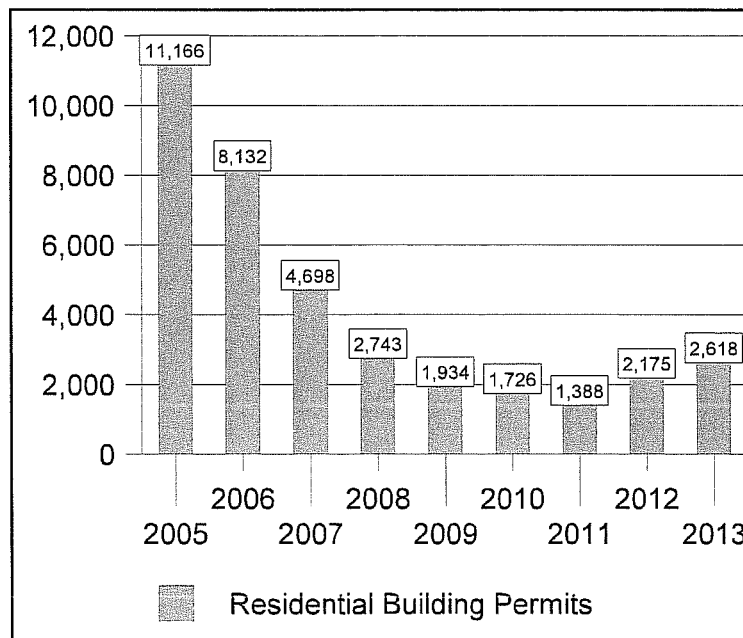
## PART IV - DESCRIPTION OF REAL ESTATE APPRAISED

### 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.



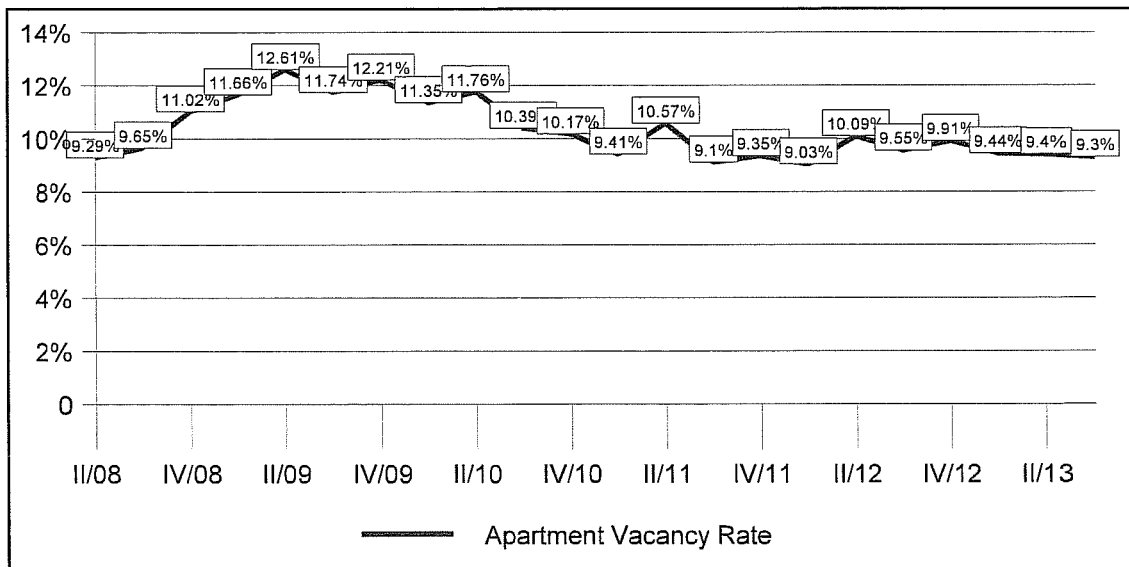
Overall, housing permits and sales had been increasing and a period of substantial growth occurred during 2004 and 2005 with unprecedented price increases having been experienced for most areas of Tucson. Building permit activity declined steadily in the Tucson Metropolitan area from a peak in 2005 of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

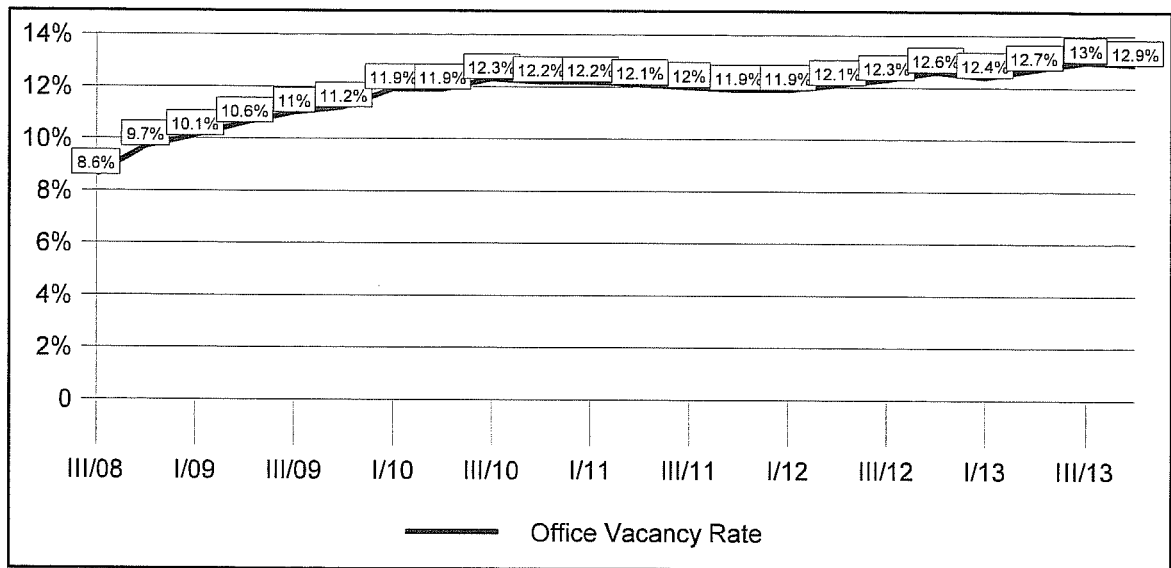


### ***Office Market***

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.



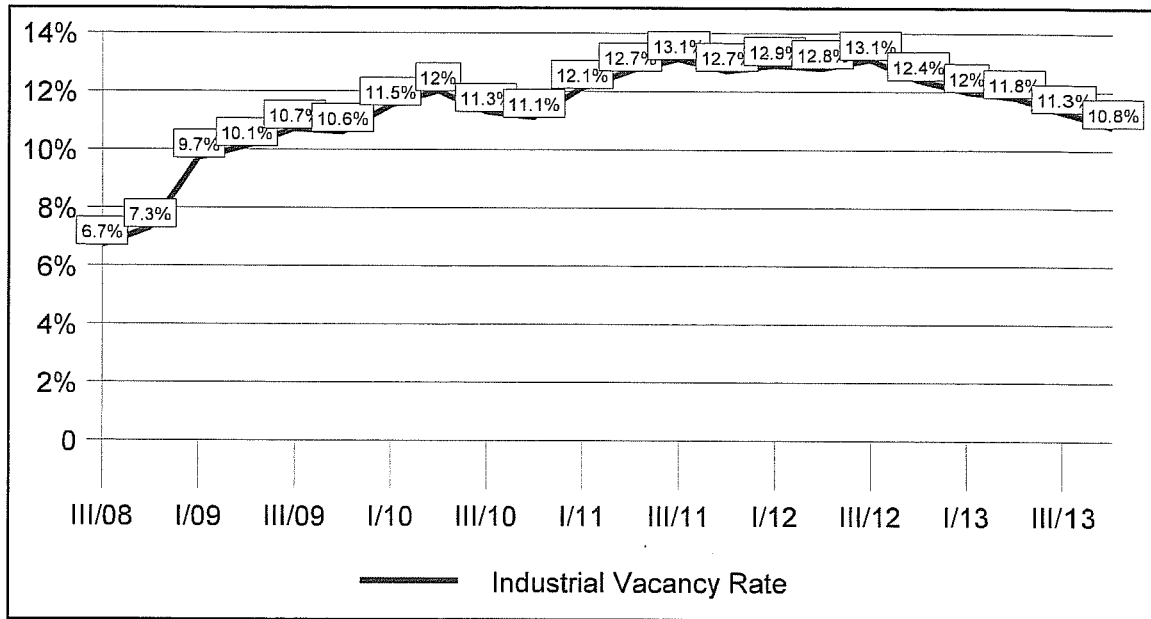
The slight increased overall annual vacancy rate indicates an office market which is coupled to the overall declining real estate market. There has been a decline in demand for owner/user office buildings which had made up a majority of office sales in 2006 and 2007. Market conditions stabilized in 2013.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

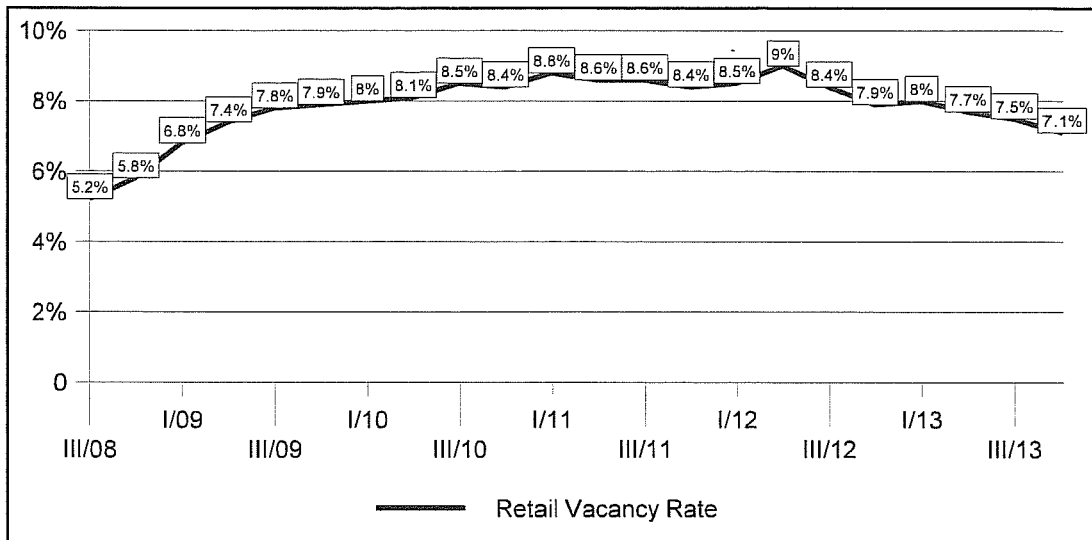
Retail space had maintained more constant levels of growth and absorption, with decreasing vacancy rates observed prior to mid-2007. In general, the market turned down starting at the end of 2007. Some reasons for a decline in market conditions includes contracts cancelled, development projects put on 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.

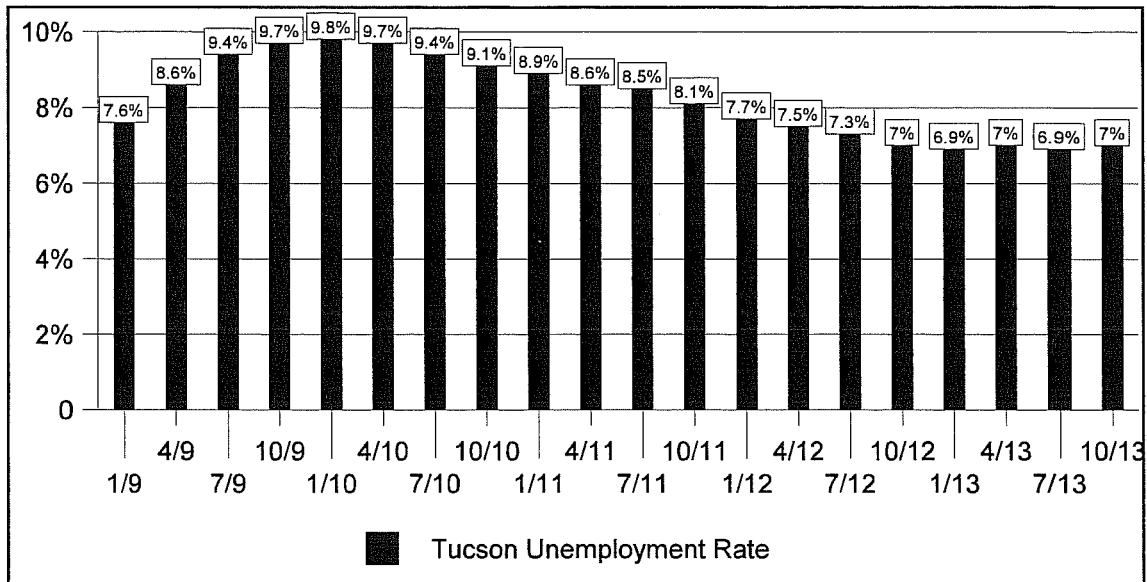
Figure 5 shows trends in the vacancy rate for retail properties in the Tucson market between Third Quarter 2008 and Fourth Quarter 2013, according to *The CoStar Retail Report, Tucson Retail Market, Year-End 2013*.



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.

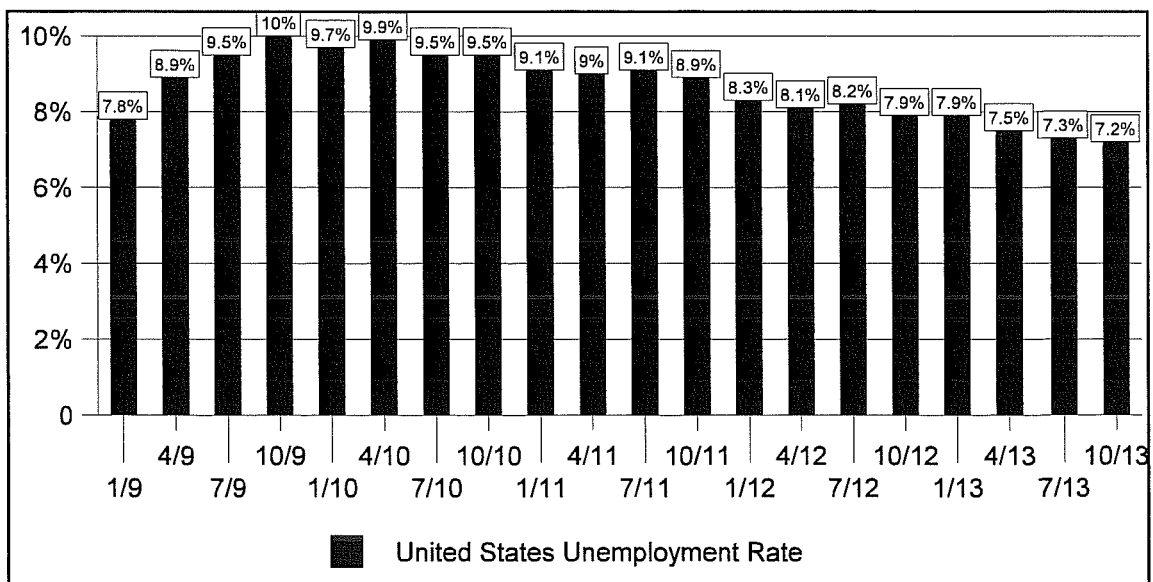


According to Arizona Department of Administration, Office of Employment and Population Statistics, the seasonally adjusted unemployment rate for metropolitan Tucson was as follows:



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 Roskrige 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 563 acres of range land being a part of the existing right of way for Elkhorn Ranch Road. The subject is mostly rectangular in shape. It is located west of SR 286 (Sasabe Highway) and 22.0 miles north of the U.S - Mexico International Border in all of Section 32; excepting that portion lying southeast of SR 286 thereof, Township 18 South, Range 9 East, in Pima County, Arizona (see Exhibits). The conclusion of the subject larger parcel is based on its location within the "ATF" parcel owned by the State of Arizona.

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

FEMA Map 04019C3875L, dated June 16, 2011, indicates all of the parcel to be 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. There are areas of the parcel which are located within the Riparian Habitat designation of Xeroriparian B (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 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<br>Area (SF) | Min. Area<br>per Unit<br>(SF) | Minimum Yards (feet) |      |      | Bldg.<br>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.

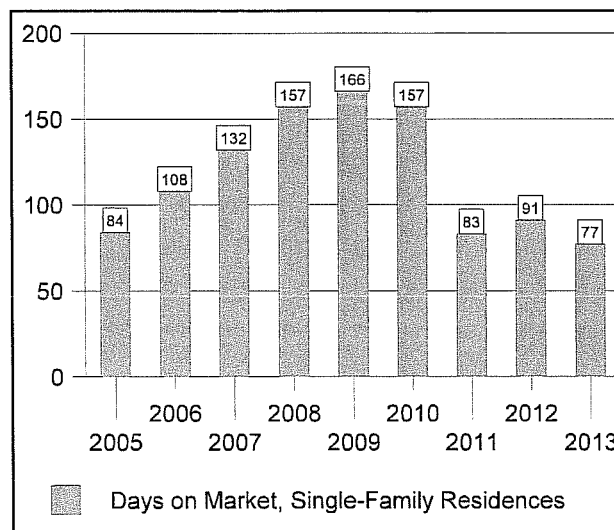
On the following pages is the Market Profile for residential land.

### 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.

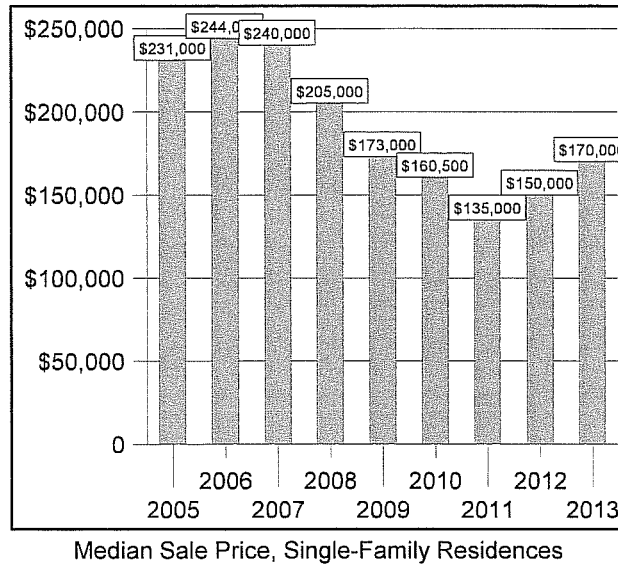
Starting in mid-2006, the market began to slow, and this trend continued into 2007, with a further slowdown in 2008 through 2010. Prices for residential properties leveled off and then decreased in all market areas. The demand for homes began to decline and fewer homes were purchased. The median price 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.

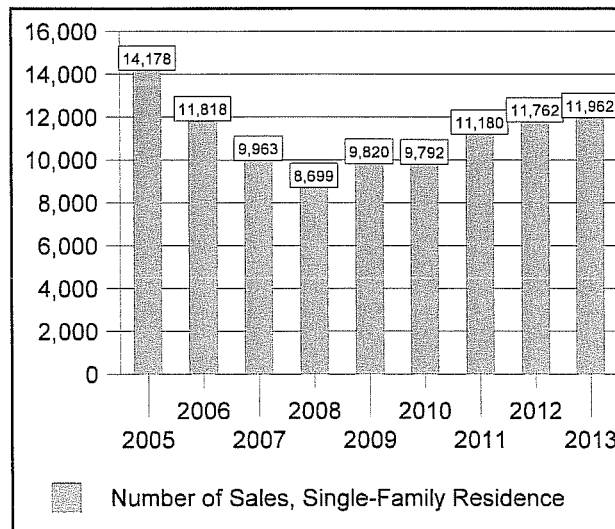


The following is the median sale price for single-family residences for the Tucson area, according to MLS. There was a significant decline in the median sale price for single-family residences starting in 2007. The median sale price declined through 2011. The decline in median sale prices is due to the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

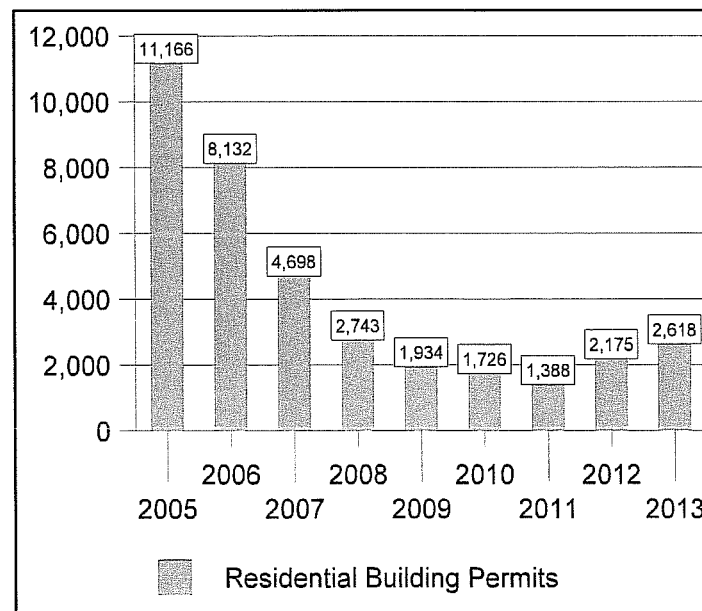


The number of sales of single-family residences in the Tucson area has also declined as fewer homes are purchased. The number of sales declined through 2008 and has gradually increased through 2013, which may be an indication that market conditions are stabilizing. However, the number of sales remains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



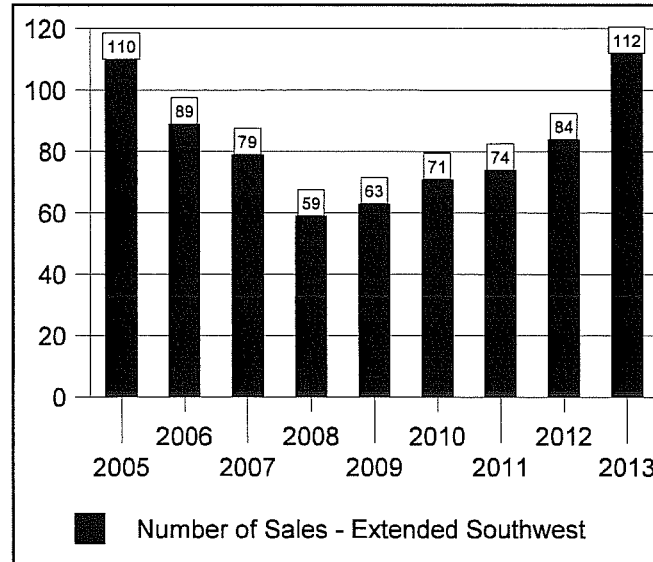
Starting in 2006, fewer single-family residential permits were issued due to the current oversupply of lots and residential homes on the market. According to the United States Census Bureau, Building Permits Survey, the number of single-family residential permits declined through 2012. There was limited 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.

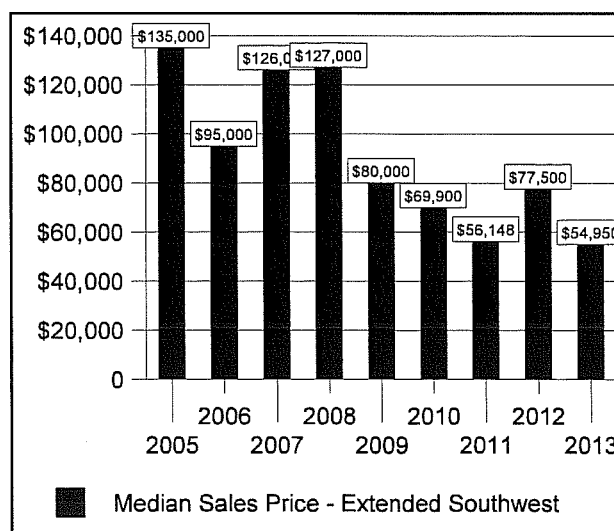




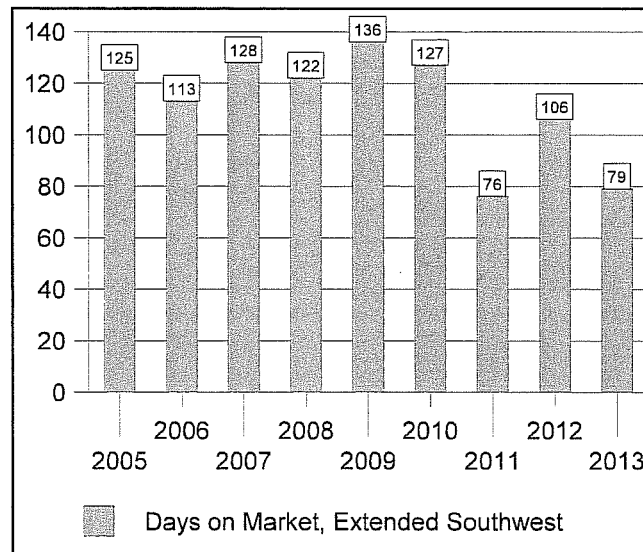
The following is the number of sales of residential properties in the subject sector, Extended Southwest, through 2013, according to MLS. This data indicates that the number of sales declined through 2008, then steadily began increasing through 2012, with a larger increase in 2013. Overall sales are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



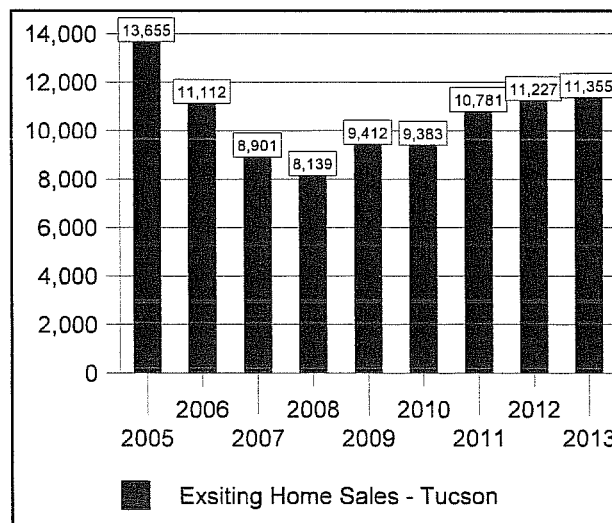
The following is the median sale price for residential properties in the subject Extended Southwest sector through 2013, according to MLS. This data indicates that the median sale price peaked in 2005, and had declined significantly in 2009. This decline stabilized in 2010, with an increase occurring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



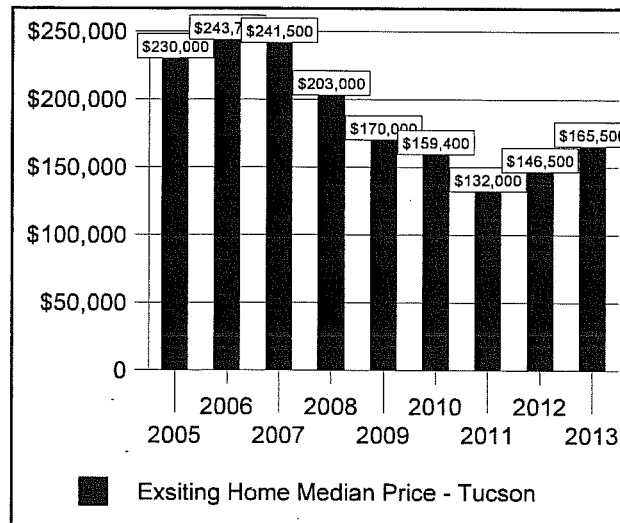
According to Multiple Listing Service (MLS), the days on market for sales of residences in the subject area, Extended Southwest had increased as properties have taken longer to sell. This data indicates that the days on market for residences remaining fairly high between 2005 through 2010, peaking in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



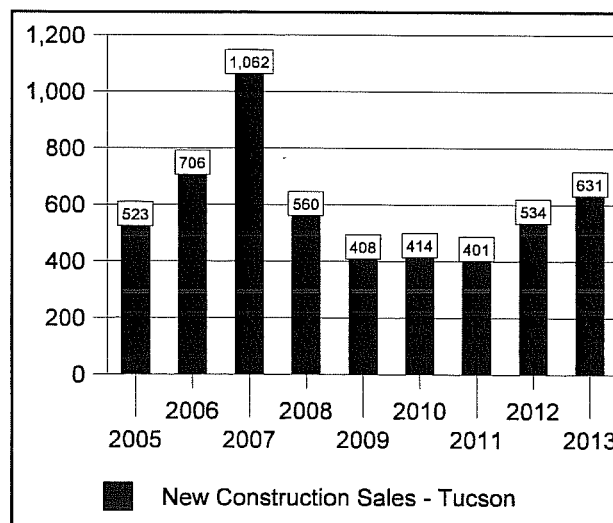
The following is the number of sales of existing single-family residences in the Tucson market through 2013, according to MLS. This data indicates that the number of sales declined from the peak in 2005 through 2008. The number of existing home sales in the Tucson market has steadily increased through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



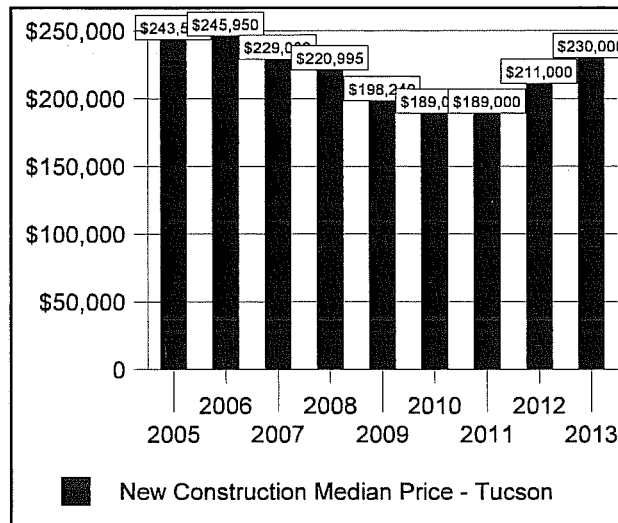
The following is the median sale price for existing single-family residences in the Tucson market through 2013, according to MLS. This data indicates that the median sale price peaked in 2006 and had declined significantly starting in 2008. This decline stabilized in 2012, with an increase in 2013. The 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 are 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 too 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 all of Section 32; excepting that portion lying southeast of SR 286 thereof, Township 18 South, Range 9 East, G&SRB&M, Pima County, Arizona. The “ATF” parcel has a size of 563 acres according to the Pima County Assessor records. The “ATF” parcel is traversed by the Elkhorn Ranch Road right of way. The conclusion of the larger parcel is based on the location of the subject property in an area where the contiguous land is owned by the State of Arizona. Based on the contiguous land uses the subject larger parcel is concluded to be RH zoned range land with a size of 563 acres. It is located west of SR 286 (Sasabe Highway) and 22.0 miles north of the U.S.-Mexico International Border, Pima County, Arizona. The topography of the parcel is generally level 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 the Riparian Habitat designation of Xeroriparian B. The subject parcel is identified as being located within the Buffer Overlay Zone according to the Pima County Zoning Code and is located in an area identified as Low Intensity Rural (LIR) according to the Pima County Comprehensive Plan. The existing RH zoning is consistent with the comprehensive plan designation of LIR.

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

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

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

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

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

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

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

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 33 foot width of the Elkhorn Ranch 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 Elkhorn Ranch 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 Elkhorn Ranch Road in Section 32, Township 18 South, Range 9 East (563 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 Elkhorn Ranch 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/<br>County                                                                                     | Sale Price      | Land Size<br>(Acres) | Price Per<br>Acre | Zoning |
|----------|------------------|------------------------------------------------------------------------------------------------------------------|-----------------|----------------------|-------------------|--------|
| 1.       | 6/2009           | East and west sides of<br>the Santa Cruz River,<br>east of Interstate 19/<br>Santa Cruz County                   | \$1,628,970     | 548.39               | \$2,970           | GR     |
| 2.       | 1/2010           | Santa Rita Road, east of<br>Interstate 19/<br>Pima County                                                        | \$1,566,320     | 779.33               | \$2,010           | RH     |
| 3.       | 12/2010          | Near the south side of<br>Ragged Top Road, west<br>of Waterman Road,<br>south of Silverbell Road/<br>Pima County | \$900,000       | 602.00               | \$1,495           | RH     |
| 4.       | Escrow<br>8/2012 | North of Santa Rita<br>Road, east of Interstate<br>19/<br>Pima County                                            | \$1,440,000     | 450.00               | \$3,200           | RH     |
| 5.       | 12/2012          | Arivaca Ranch Road/<br>Pima County                                                                               | \$1,500,000 (*) | 599.12               | \$2,504           | RH     |
|          |                  |                                                                                                                  |                 | 563 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) | 563.00 (*) | 548.39      | 779.33      | 602.00     | 450.00      | 599.12      |
| Zoning            | RH         |             | RH          | RH         | RH          | RH          |
| Land Use          | Open Range | Open Range  | Open Range  | Open Range | Open Range  | Open Range  |
| Sale Price        |            | \$1,628,970 | \$1,566,320 | \$900,000  | \$1,440,000 | \$1,500,000 |
| Price per Acre    |            | \$2,970     | \$2,010     | \$1,495    | \$3,200     | \$2,504     |

(\*) = "ATF" Parcel

### Summary of Adjustments

|                          |             |             |            |             |                |
|--------------------------|-------------|-------------|------------|-------------|----------------|
| Unadjusted Price / Acre  | \$2,970     | \$2,010     | \$1,495    | \$3,200     | \$2,504        |
| Property Rights          | <u>0</u>    | <u>0</u>    | <u>0</u>   | <u>0</u>    | <u>-13.75%</u> |
| Adjusted Price           | \$2,970     | \$2,010     | \$1,495    | \$3,200     | \$2,159        |
| Financing                | <u>0</u>    | <u>0</u>    | <u>0</u>   | <u>0</u>    | <u>0</u>       |
| Adjusted Price           | \$2,970     | \$2,010     | \$1,495    | \$3,200     | \$2,159        |
| Conditions of Sale       | <u>-20%</u> | <u>-10%</u> | <u>0</u>   | <u>-25%</u> | <u>0</u>       |
| Adjusted Price           | \$2,376     | \$1,809     | \$1,495    | \$2,400     | \$2,159        |
| Date/Market Conditions   | <u>-15%</u> | <u>-10%</u> | <u>-5%</u> | <u>0</u>    | <u>0</u>       |
| 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                 | <u>0</u>    | <u>0</u>    | <u>0</u>   | <u>0</u>    | <u>0</u>       |
| Net Adjustment           | -10%        | 10%         | 20%        | 10%         | 0%             |
| Indicated Value / Acre   | \$1,818     | \$1,791     | \$1,704    | \$2,640     | \$2,159        |

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **SALES COMPARISON APPROACH SUMMARY, BEFORE:**

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

#### **SALES COMPARISON APPROACH CONCLUSION, BEFORE ACQUISITION:**

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

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

563.00 acres times \$2,400 per acre = \$1,351,200

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

**\$1,351,200**

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

### **DESCRIPTION:**

Sierrita Gas Pipeline, LLC is seeking to acquire a portion of the Elkhorn Ranch 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). Elkhorn Ranch Road is identified as a 33 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 Elkhorn Ranch Road right of Way totals 0.038 acres (33 feet times 50 feet equals 1,650 square feet; 1,650 square feet divided by 43,560 square feet equals 0.038 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 Elkhorn Ranch 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 Elkhorn Ranch Road surface. The contractor will assure that vehicular traffic on Elkhorn Ranch 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 0.038 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 \$2,400 per acre. The market value of the permanent utility easement area to be acquired is \$2,400 per acre times 0.038 acres, equaling \$91, times 90 percent, equaling \$82, rounded to \$100.



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

|                                             |               |       |
|---------------------------------------------|---------------|-------|
| 0.038 acres x \$2,400 per acre =            | \$91          |       |
| Percentage of rights to be acquired (90%) = | <u>x 0.90</u> | \$82  |
|                                             | 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:    | \$1,351,200  |
| Value of Property Rights To Be Acquired: | <u>(100)</u> |
| Value of Remainder Property Before:      | \$1,351,100  |

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

**\$1,351,100**

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

### **DESCRIPTION:**

After the acquisition, the remainder "ATF" parcel will consist of a mostly rectangular shaped parcel undiminished in size by the land to be acquired. The gross area of the "ATF" parcel is 563 acres of which 0.038 acres will be encumbered with a permanent utility easement. Therefore, a total of 562.962 acres will be unencumbered fee simple land and 0.038 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 33 foot width of the Elkhorn Ranch 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 Elkhorn Ranch 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 Elkhorn Ranch Road in Section 32, Township 18 South, Range 9 East (563 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 mostly rectangular in shape and the size is unchanged. The highest and best use of the "ATF" parcel is considered to be the same as in the before condition.

**LAND VALUE AFTER ACQUISITION, CONCLUSION:**

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

*Land Value, After, Unencumbered (Fee Simple):*  
562.962 acres x \$2,400 per acre = \$1,351,109

*Land Value, After, Encumbered with Utility Easement:*  
0.038 acres x \$2,400 per acre = \$91  
Percentage of rights remaining (10%) = x 0.10

*Land Value, After, Unencumbered and Encumbered Land:* 9  
Rounded to: \$1,351,118  
\$1,351,100

**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 \$1,351,100.

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

**\$1,351,100**

## ***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 \$1,351,200. The market value of the property rights to be acquired of \$100 is deducted from the market value of \$1,351,200 to arrive at the market value of the remainder, before, of \$1,351,100. The market value of the remainder, after, is estimated at \$1,351,100. Therefore, there are no severance damages reflected to the "ATF" parcel.

|                                      |                    |
|--------------------------------------|--------------------|
| Value of Remainder Property, Before: | \$1,351,100        |
| Value of Remainder Property, After:  | <u>(1,351,100)</u> |
| Severance Damages:                   | -0-                |

## ***SECTION G - SUMMARY OF VALUE CONCLUSIONS***

|                                                  |              |
|--------------------------------------------------|--------------|
| Market Value of "ATF" Parcel, Before Acquisition | \$1,351,200  |
| Market Value of Property Rights To Be Acquired   | \$100        |
| Market Value of Remainder Property, Before       | \$1,351,100  |
| Market Value of Remainder Property, After        | \$1,351,100  |
| Severance Damages                                | -0-          |
| Special Benefits                                 | -0-          |
| TOTAL COMPENSATION:                              |              |
| Market Value of Property Rights To Be Acquired   | \$100        |
| Severance Damages                                | 0            |
| Special Benefits                                 | <u>0</u>     |
| <b>TOTAL COMPENSATION</b>                        | <b>\$100</b> |

*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 33 foot width of the Elkhorn Ranch 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 Elkhorn Ranch 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 Elkhorn Ranch Road in Section 32, Township 18 South, Range 9 East (563 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 33 foot width of the Elkhorn Ranch 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 Elkhorn Ranch 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 Elkhorn Ranch Road in Section 32, Township 18 South, Range 9 East (563 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**

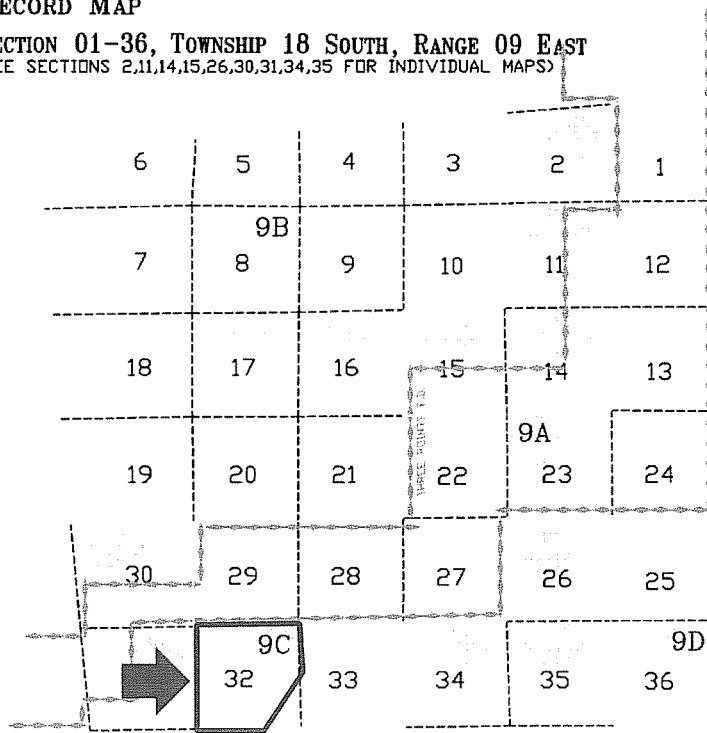
|             |                                                                                               |
|-------------|-----------------------------------------------------------------------------------------------|
| Exhibit A   | Assessor's Map of Subject Property                                                            |
| 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<br>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 Right of Way Lease                                                                       |
| Exhibit M.1 | Qualifications of Jeff Teplitsky                                                              |
| Exhibit M.2 | Qualifications of Company                                                                     |

## EXHIBIT A - SUBJECT MAP

### ASSESSOR'S RECORD MAP

301-40

SECTION 01-36, TOWNSHIP 18 SOUTH, RANGE 09 EAST  
(SEE SECTIONS 2,11,14,15,26,30,31,34,35 FOR INDIVIDUAL MAPS)



2002-1

\\T18S\R09E\51-36-02/21/02

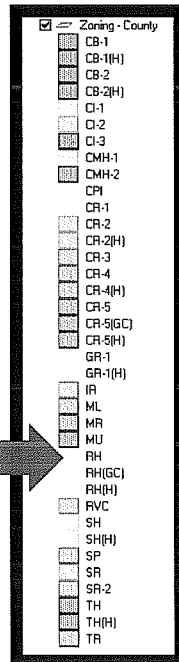
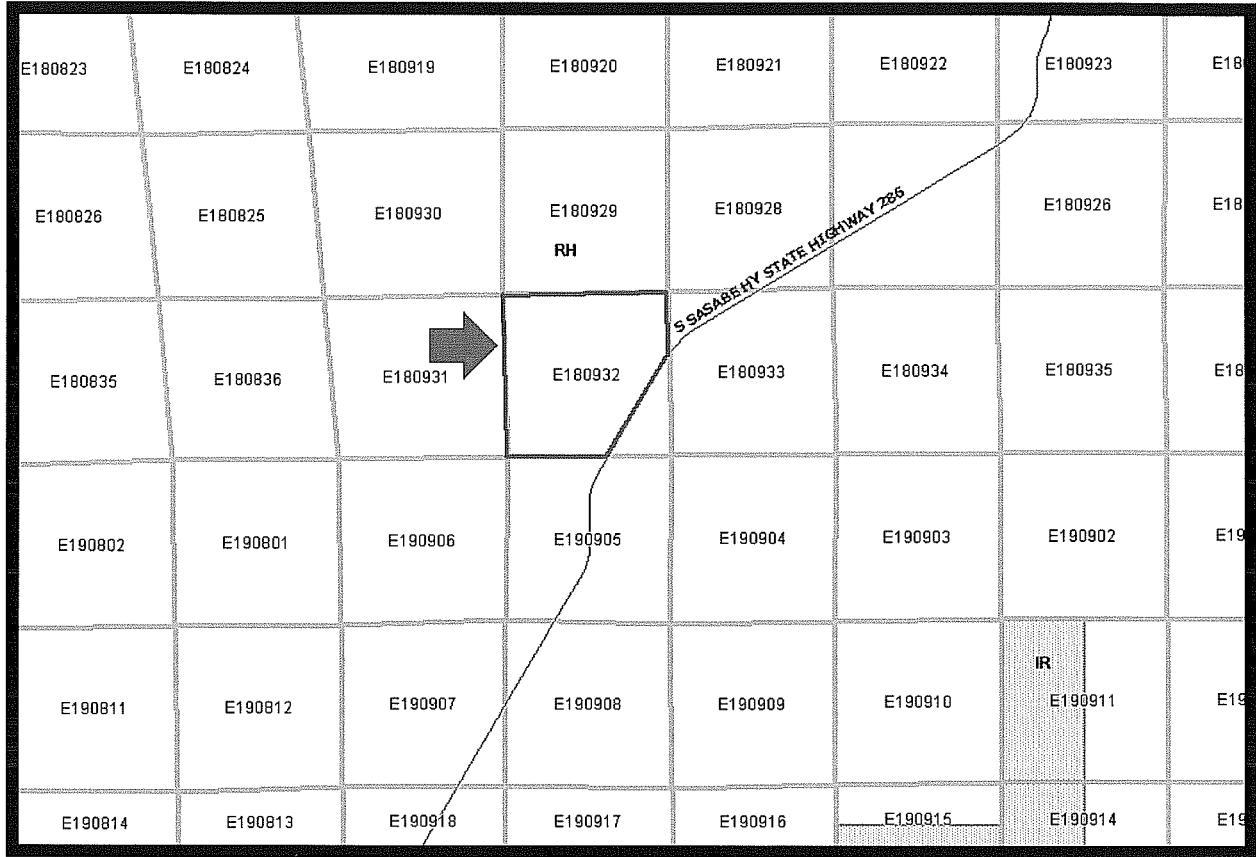
0 1800 3600 5400 7200

FEET

## EXHIBIT B - AERIAL PHOTOGRAPHS

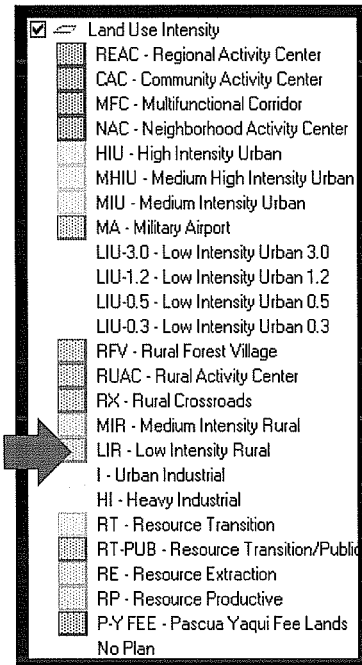


# EXHIBIT C - ZONING MAP

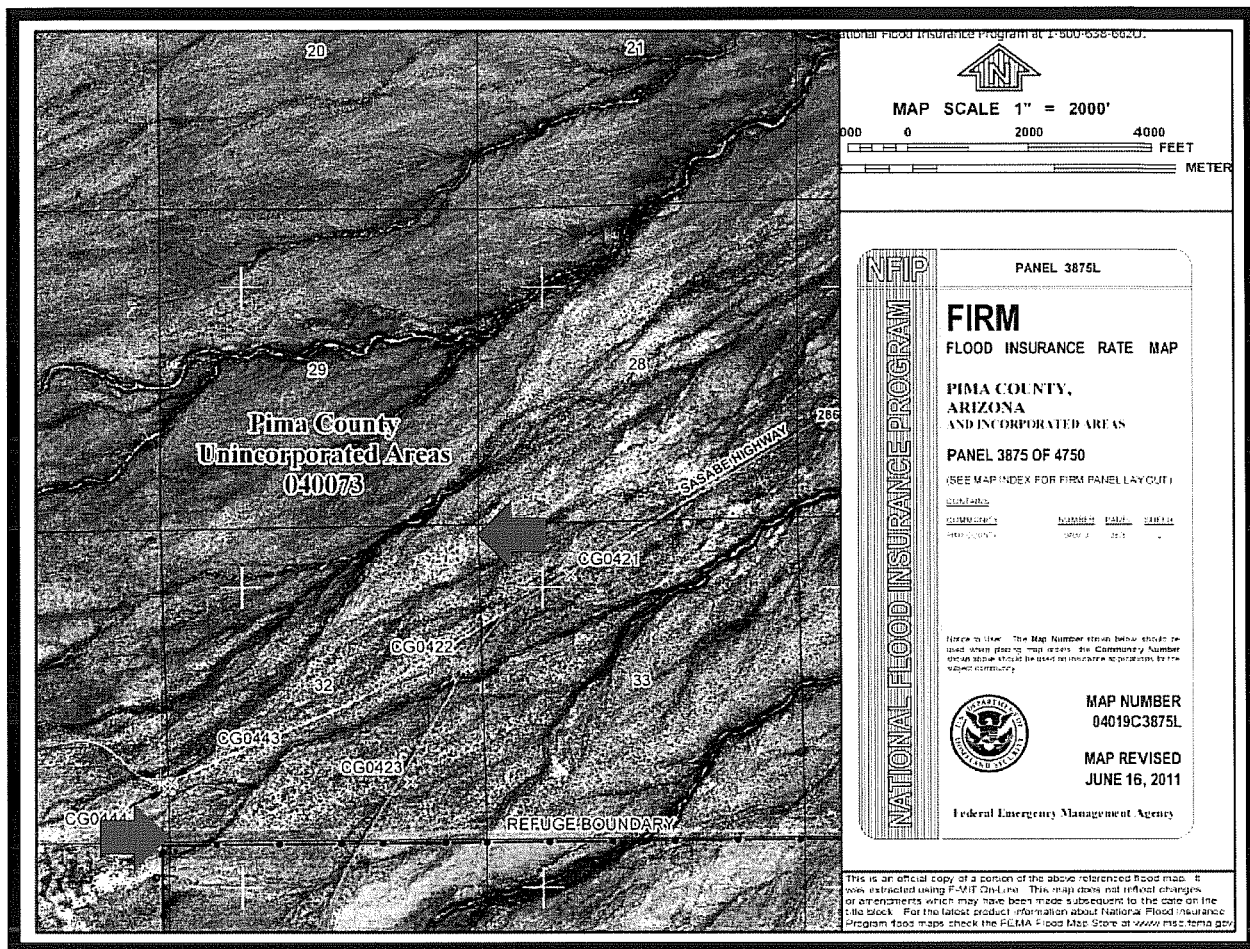




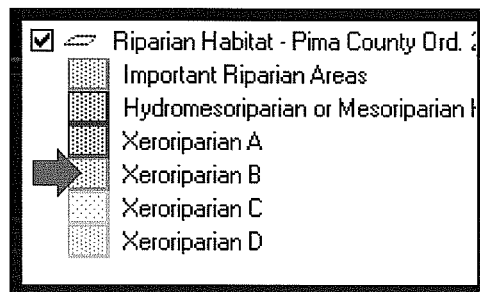
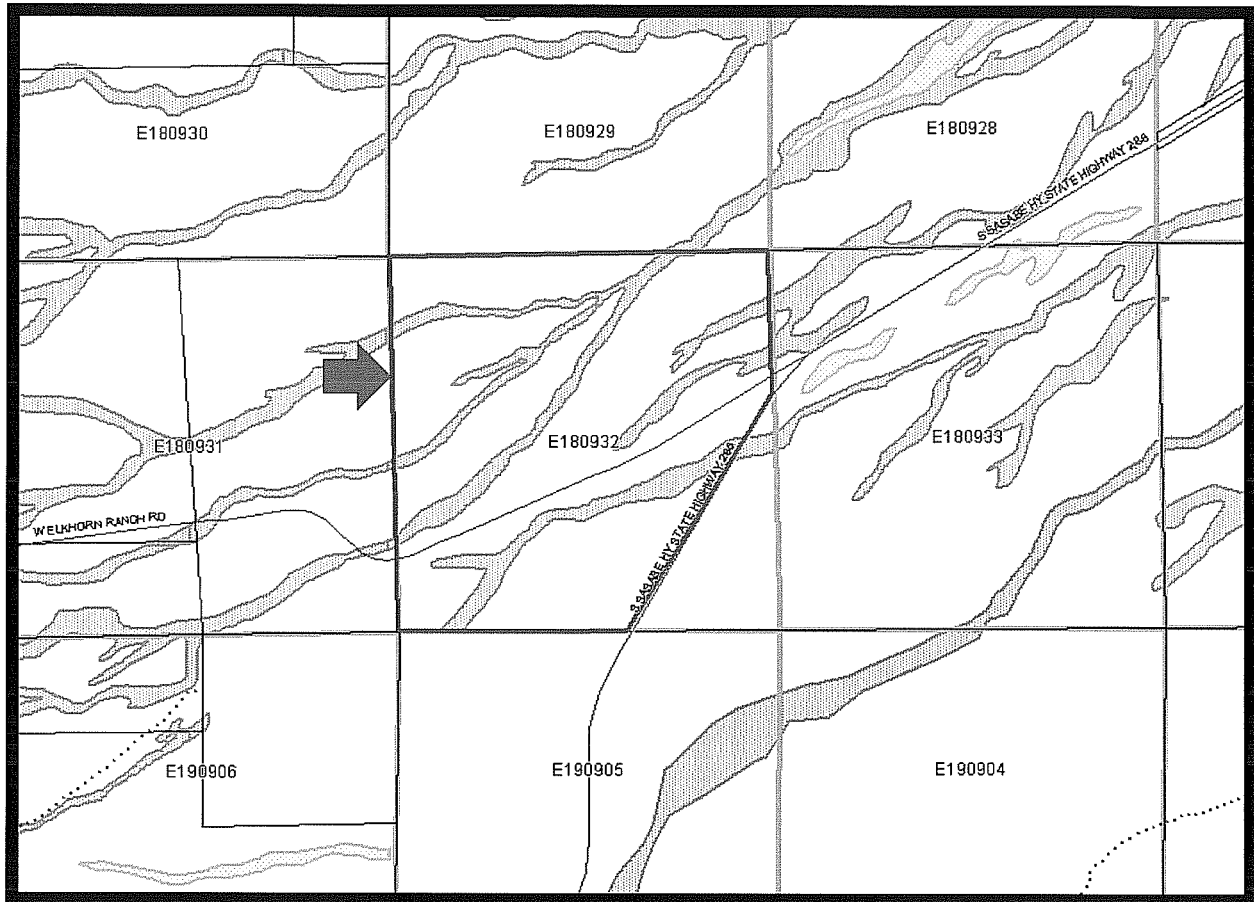
## EXHIBIT D - COMPREHENSIVE PLAN LAND USE MAP



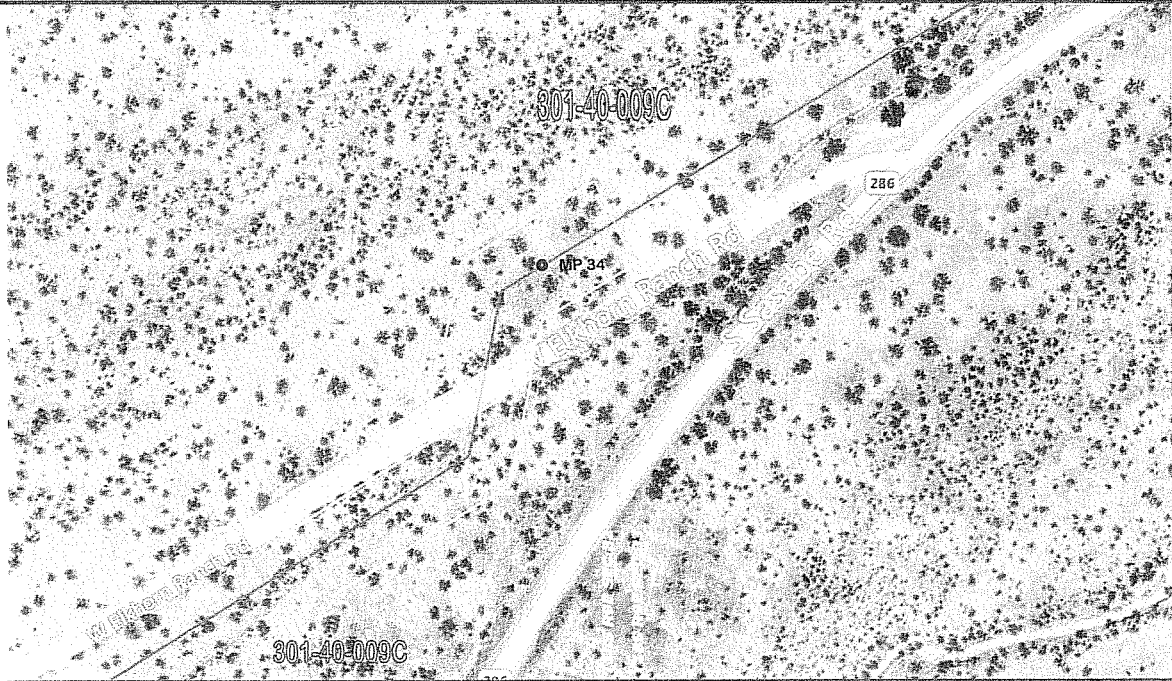
## EXHIBIT E - FLOOD PLAIN MAP



# EXHIBIT F - RIPARIAN HABITAT MAP







REFERENCE: EMS Engineering Plan and Profile Drawing No: 56173022 and Sierrita Gas Pipeline Alignment Sheet 2177.O-14

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

### LEGEND:

Sierrita Gas Pipeline



L2177 PROPOSED LINE

L2177 MILE POST

WORK AREA LIMITS (Adjacent)

WORK AREA IN ROADWAY

PARCEL LINES



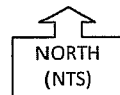
SECTION LINE

**MP 34.0: Elkhorn Ranch Road**

**33' Roadway**

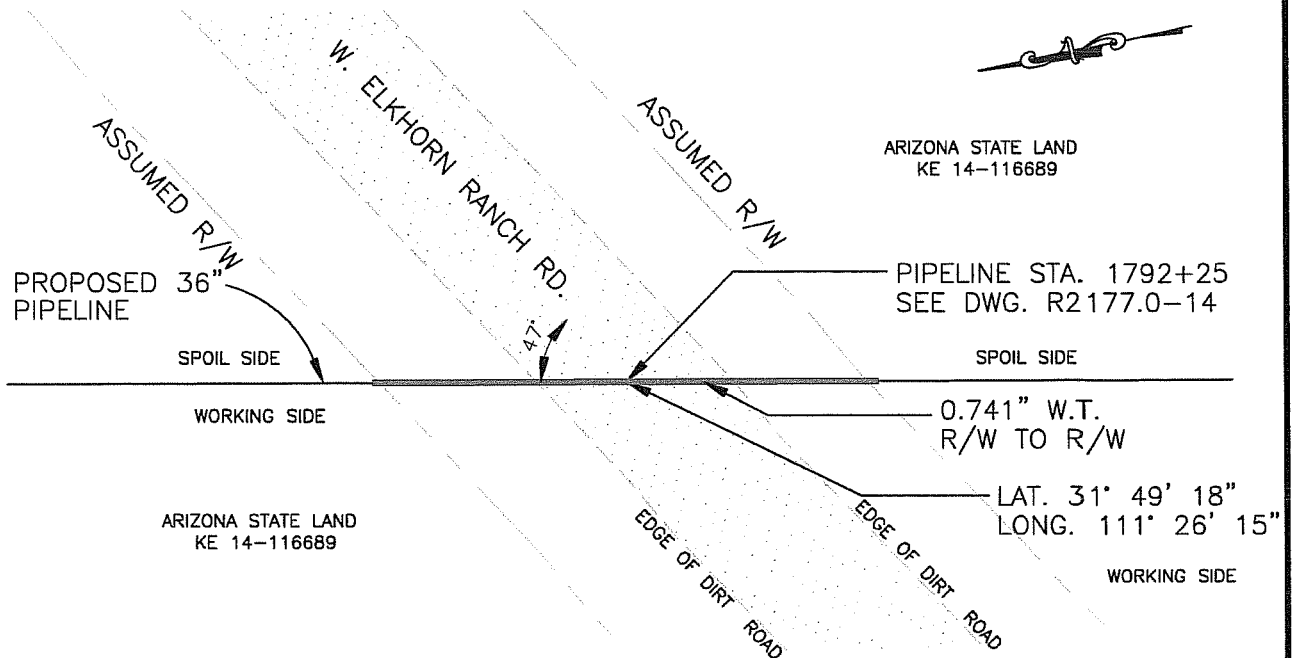
**Open Cut Trench and Construction Equipment Crossing**

T18S, R9E, Section 32/33  
Pima County Arizona



**Sierrita**  
Gas Pipeline LLC

# PIMA COUNTY, ARIZONA



PIPELINE CROSSING LENGTHS  
R/W - R/W = 60'  
DIRT ROAD SURFACE = 33'

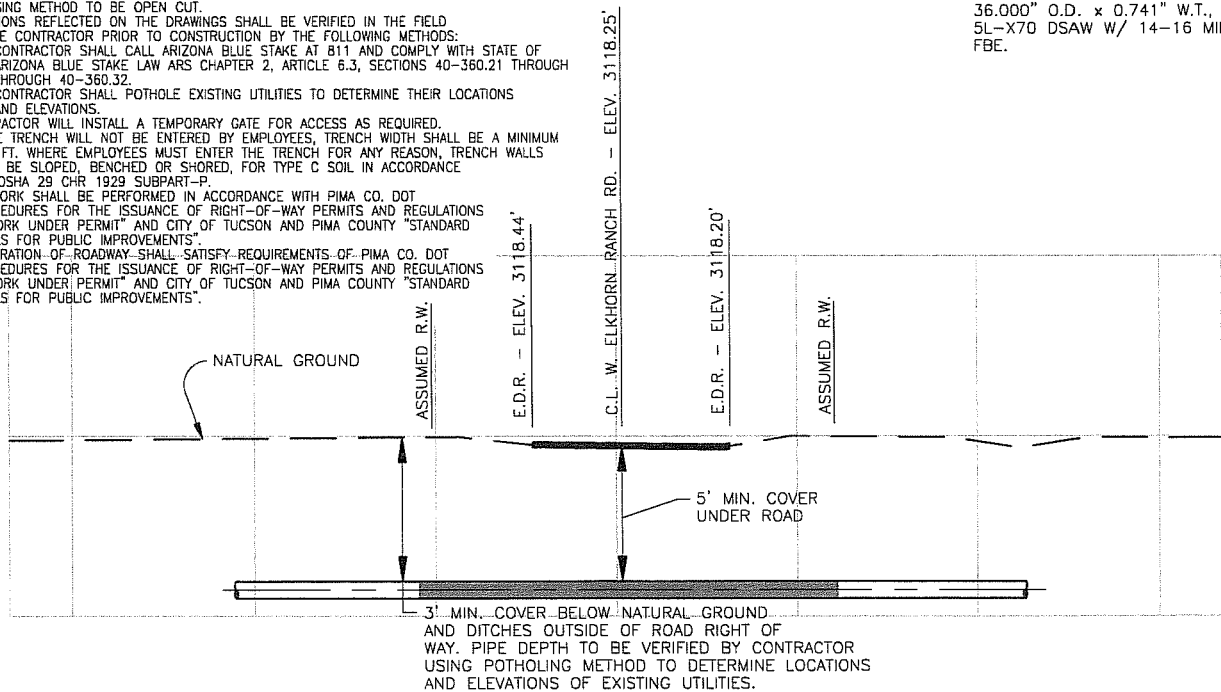
PLAN VIEW  
SCALE: 1" = 30'

## NOTES:

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

## PIPE DESCRIPTION:

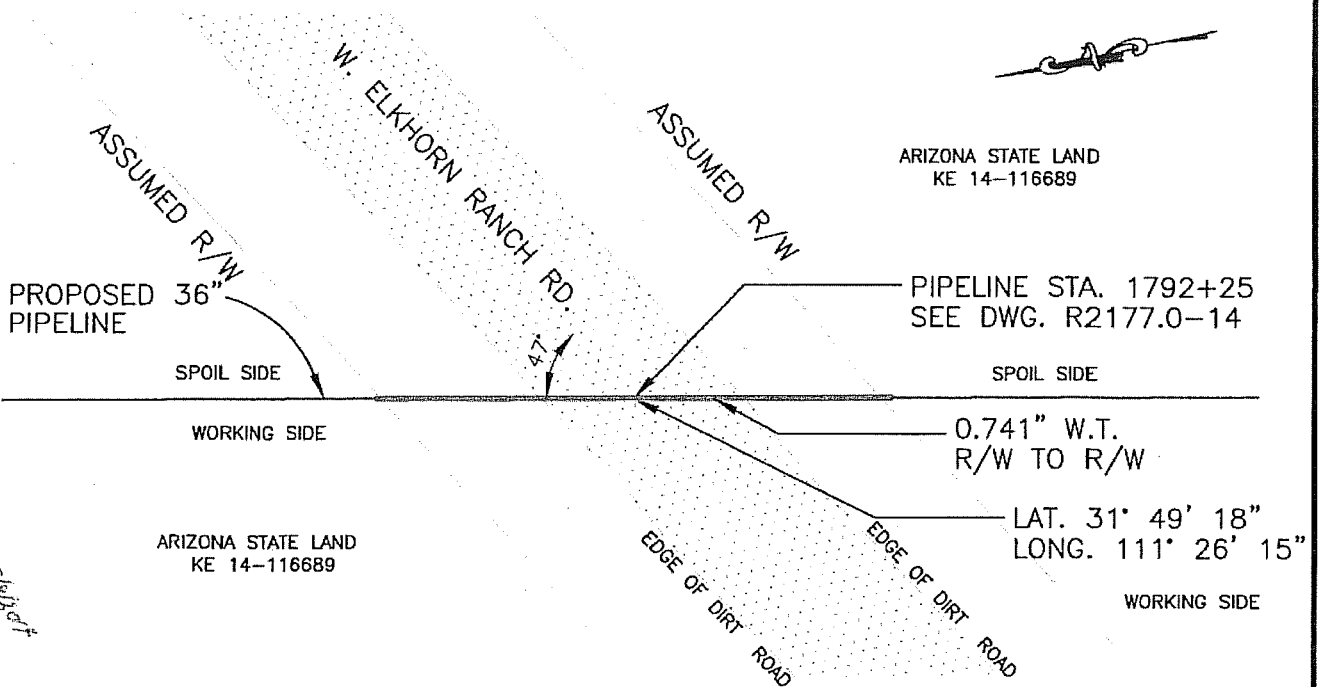
36.000" O.D. x 0.741" W.T., API 5L-X70 DSAW W/ 14-16 MILS FBE.



PROFILE  
NOT TO SCALE

| REVISIONS |                   |          | SCALE AS NOTED  |          |               | SIERRITA GAS PIPELINE LLC                                                                   |  |  |
|-----------|-------------------|----------|-----------------|----------|---------------|---------------------------------------------------------------------------------------------|--|--|
| NO.       | DESCRIPTION       | DATE     | DRAWN           | EMS      | DATE          |                                                                                             |  |  |
| A         | ISSUED FOR REVIEW | 11/14/13 | CHK'D           | EMS      | DATE 01/28/14 | TITLE ROAD CROSSING DETAIL<br>W. ELKHORN RANCH RD. PIPELINE CROSSING<br>PIMA COUNTY ARIZONA |  |  |
| B         | ISSUED FOR PERMIT | 12/20/13 | APPROVED        | EMS      | DATE 01/29/14 |                                                                                             |  |  |
| C         | ISSUED FOR PERMIT | 01/15/14 | EMS JOB NO.     | 5617     |               |                                                                                             |  |  |
| D         | ISSUED FOR PERMIT | 01/23/14 | AFE/P.D. NO.    |          |               |                                                                                             |  |  |
| E         | ISSUED FOR PERMIT | 01/29/14 | CLIENT FILE NO. |          |               |                                                                                             |  |  |
|           |                   |          | EMS FILE NO.    | 56173022 |               | NO. 56173022                                                                                |  |  |
|           |                   |          |                 |          |               | REV. E                                                                                      |  |  |

# PIMA COUNTY, ARIZONA



PIPELINE CROSSING LENGTHS  
R/W - R/W = 60'  
DIRT ROAD SURFACE = 33'

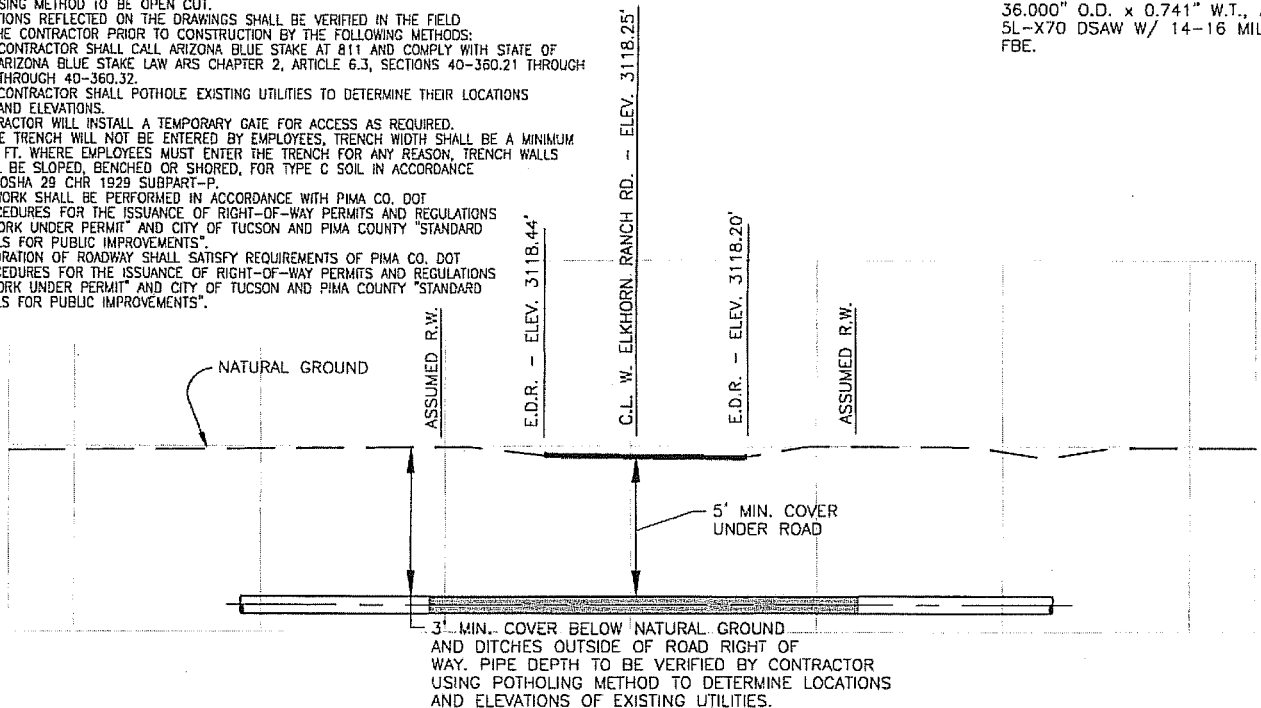
PLAN VIEW  
SCALE: 1" = 30'

## NOTES:

- CROSSING METHOD TO BE OPEN CUT.
- LOCATIONS REFLECTED ON THE DRAWINGS SHALL BE VERIFIED IN THE FIELD BY THE CONTRACTOR PRIOR TO CONSTRUCTION BY THE FOLLOWING METHODS:
  - CONTRACTOR SHALL CALL ARIZONA BLUE STAKE AT 811 AND COMPLY WITH STATE OF ARIZONA BLUE STAKE LAW ARS CHAPTER 2, ARTICLE 6.3, SECTIONS 40-360.21 THROUGH 40-360.32.
  - CONTRACTOR SHALL POTHOLE EXISTING UTILITIES TO DETERMINE THEIR LOCATIONS AND ELEVATIONS.
- CONTRACTOR WILL INSTALL A TEMPORARY GATE FOR ACCESS AS REQUIRED.
- 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.
- 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".
- RESTORATION OF ROADWAY SHALL SATISFY REQUIREMENTS OF PIMA CO. DOT "PROCEDURES FOR THE ISSUANCE OF RIGHT-OF-WAY PERMITS AND REGULATIONS OF WORK UNDER PERMIT" AND CITY OF TUCSON AND PIMA COUNTY "STANDARD DETAILS FOR PUBLIC IMPROVEMENTS".

## PIPE DESCRIPTION:

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



PROFILE  
NOT TO SCALE

## REVISIONS

| NO. | DESCRIPTION       | DATE     |
|-----|-------------------|----------|
| A   | ISSUED FOR REVIEW | 11/14/13 |
| B   | ISSUED FOR PERMIT | 12/20/13 |
| C   | ISSUED FOR PERMIT | 01/15/14 |
| D   | ISSUED FOR PERMIT | 01/23/14 |
| E   | ISSUED FOR PERMIT | 01/29/14 |

| SCALE           | AS NOTED |
|-----------------|----------|
| DRAWN           | EMS      |
| DATE            | 10/08/13 |
| CHK'D           | EMS      |
| DATE            | 01/28/14 |
| APPROVED        | EMS      |
| DATE            | 01/28/14 |
| EMS JOB NO.     | 5617     |
| AFE/P.O. NO.    |          |
| CLIENT FILE NO. |          |
| EMS FILE NO.    | 56173022 |

## SIERRITA GAS PIPELINE LLC

|                                        |                      |
|----------------------------------------|----------------------|
| TITLE                                  | ROAD CROSSING DETAIL |
| W. ELKHORN RANCH RD. PIPELINE CROSSING |                      |
| PIMA COUNTY                            | ARIZONA              |
| NO.                                    | 56173022             |
| REV.                                   | E                    |

Sheet 2, Call up  
EX-125 6/30/2016



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

**PHOTO 1 - VIEW NORTH OF SUBJECT PROPERTY  
FROM ELKHORN RANCH ROAD**



**PHOTO 2 - VIEW SOUTHWEST OF SUBJECT PROPERTY  
FROM ELKHORN RANCH ROAD**

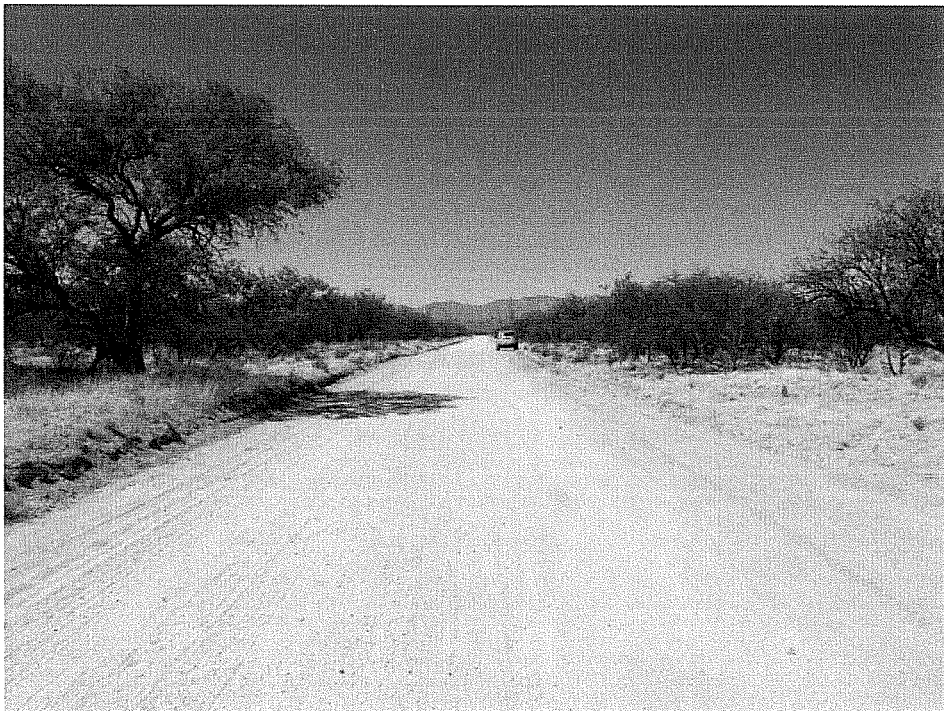




PHOTO 3 - VIEW NORTHEAST ALONG ELKHORN RANCH ROAD

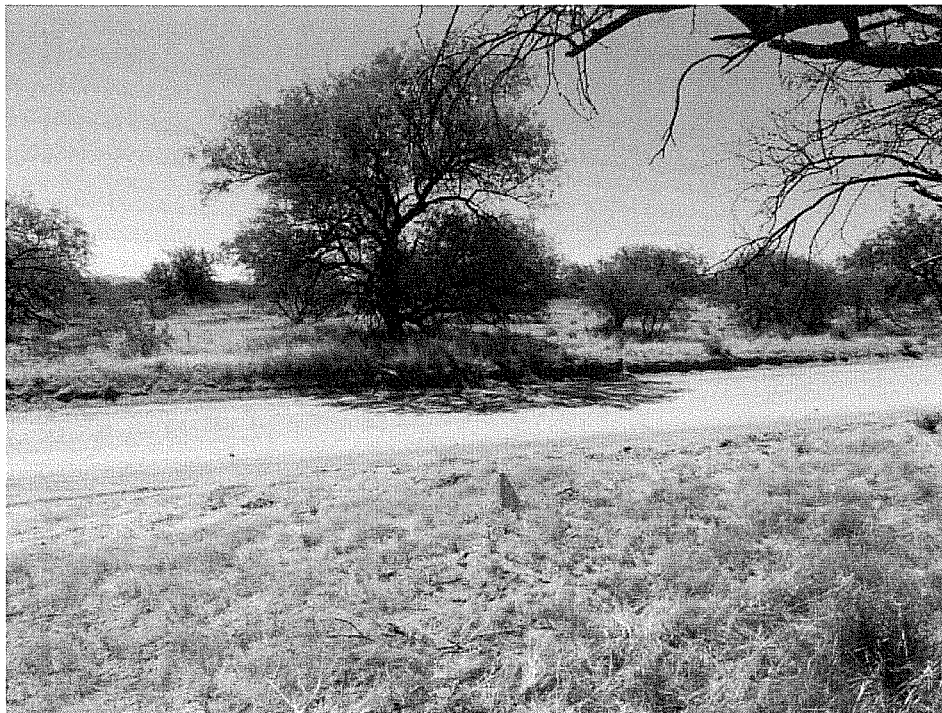


PHOTO 4 - VIEW SOUTHWEST ALONG ELKHORN RANCH ROAD



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

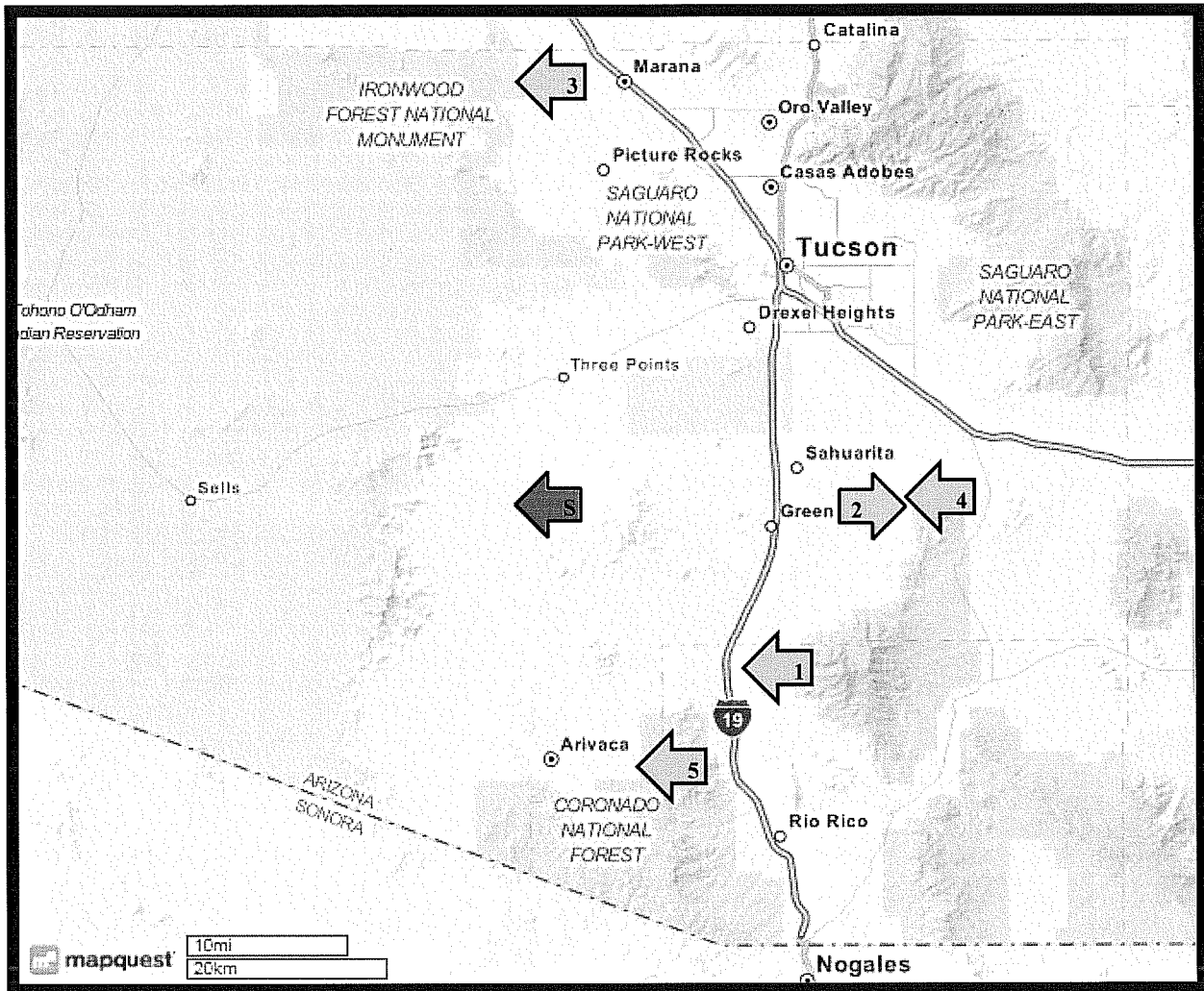
**PHOTO 5 - VIEW SOUTH OF EASEMENT TO BE ACQUIRED**



**PHOTO 6 - VIEW NORTH OF EASEMENT TO BE ACQUIRED**



## EXHIBIT J - COMPARABLE LAND SALES LOCATION MAP



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

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

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

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

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

**Sale 5:** Arivaca Ranch Road, Pima County

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

LAND COMPARABLE NUMBER 1 (SALE)

ID: SCL 0101 GR 6604

LOCATION: East and west sides of the Santa Cruz River, east of Interstate 19, Santa Cruz County, Arizona

LEGAL DESCRIPTION: A portion of Sections 7 and 18, Township 20 South, Range 13 East, and a portion of Sections 12 and 13, Township 20 South, Range 12 East, G&SRB&M, Santa Cruz County, Arizona

STATE TAX PARCEL: 111-20-004 (portion), 111-23-005 and 012  
111-24-001A, 111-28-006A

RECORD DATA: Document Number 2009-05888

DATE OF SALE: June 25, 2009

SELLER: James Clayton Olson Trust

BUYER: Laurinda Oswald (Oswald Cattle Company)

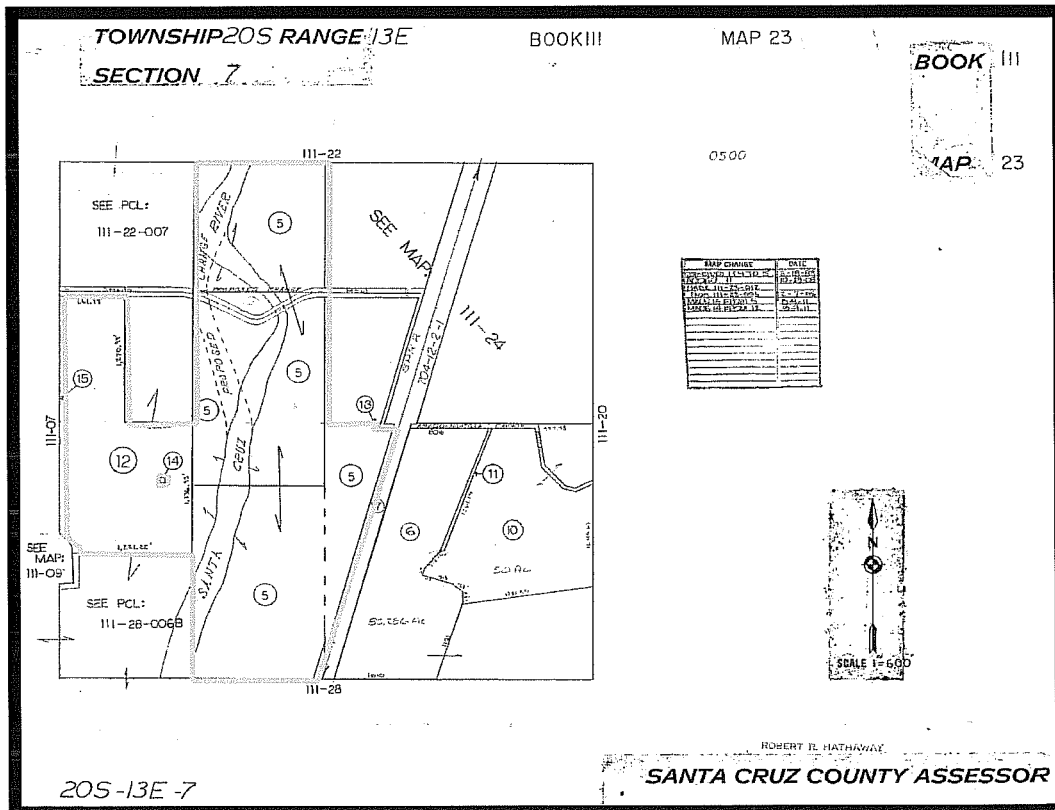
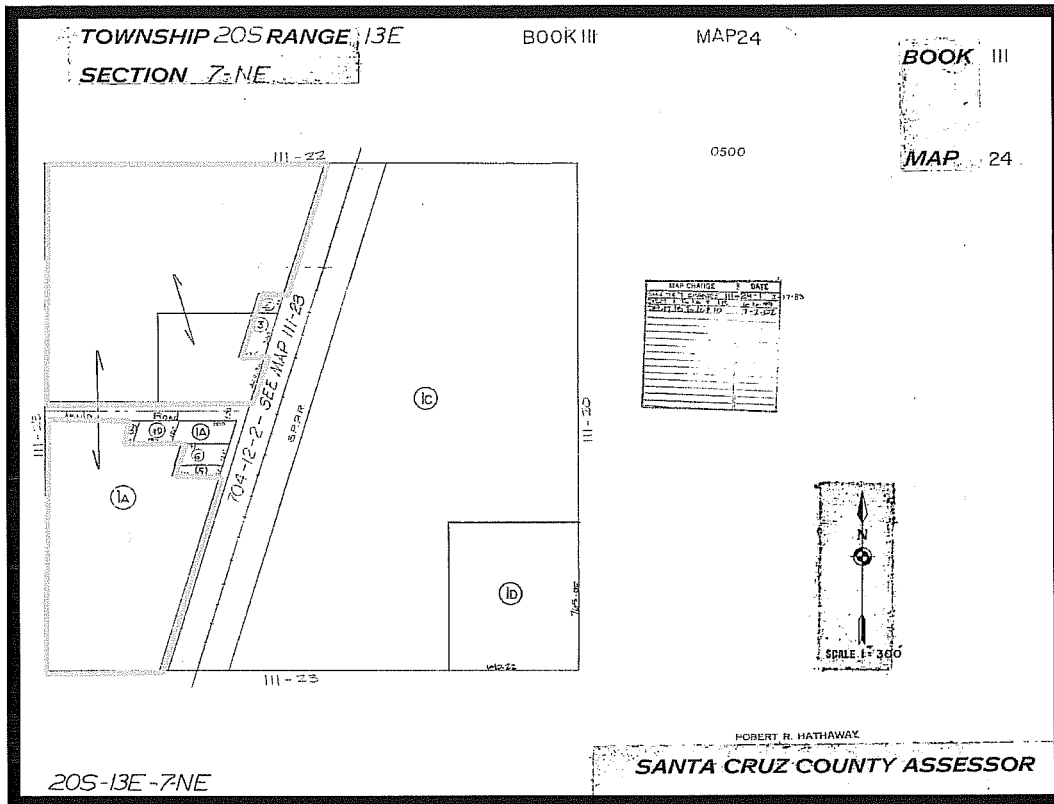
CONFIRMED BY: Laurinda Oswald, buyer (520-398-2883)  
Greg Vinikoor, broker (520-954-3977)  
JT; May, 2013

LAND DESCRIPTION: This site is a long, irregular shaped property comprised of five parcels. The site is bisected north-south by the Santa Cruz River and east-west by river tributaries/washes and by Amado Road. Amado Road is a two-lane, dirt roadway in the vicinity of this property. The topography is mostly level. Utilities available to the property include water, electric and telephone. Sewer will be by septic and gas by bottled propane. According to FEMA Flood Insurance Rate Maps 04023C0035C and 0045C dated December 2, 2011, the majority of the land is identified as being located in a Special Flood Hazard Area, Zone AE, which is designated as areas subject to flooding by the 1% annual chance flood, with base flood elevations determined. Additionally, the portion of the site that falls within the Santa Cruz River area is identified as Zone AE (striped), which is designated as areas in which the floodway is the channel of a stream plus any

adjacent floodplain areas that must be kept free of encroachment so that the 1% annual chance flood can be carried without substantial increases in flood heights. Small areas on the west side of the site fall in Special Flood Hazard Zone A and Flood Area Zone X (shaded). Flood Zone A is designated as areas subject to flooding by the 1% annual chance flood, with no base flood elevations determined. Flood Zone X (shaded) is areas of 0.2% annual chance flood; areas of 1% annual chance flood with average depths of less than 1 foot or with drainage areas less than 1 square mile; and areas protected by levees from 1% annual chance flood.

|                      |                                                                                                                                                                                                                                                                                                                                           |
|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| LAND SIZE:           | 548.39 acres                                                                                                                                                                                                                                                                                                                              |
| ZONING:              | GR (Santa Cruz County)                                                                                                                                                                                                                                                                                                                    |
| REPORTED SALE PRICE: | \$1,628,970                                                                                                                                                                                                                                                                                                                               |
| PRICE PER ACRE:      | \$2,970                                                                                                                                                                                                                                                                                                                                   |
| MARKETING TIME:      | Six months                                                                                                                                                                                                                                                                                                                                |
| TERMS OF SALE:       | This was an all cash to the seller transaction.                                                                                                                                                                                                                                                                                           |
| PRIOR SALE:          | Records of the Santa Cruz County Assessor indicate that no transaction has occurred within five years of the date of valuation.                                                                                                                                                                                                           |
| CONDITIONS OF SALE:  | The property was purchased by an adjacent property owner, who paid a premium to assemble the property for future expansion of the Oswald Cattle Company. The buyer indicated that she paid a premium for the property as part of both expansion of her cattle operation and to preserve and restore the land which was poorly maintained. |
| INTENDED USE:        | Cattle ranch/investment                                                                                                                                                                                                                                                                                                                   |
| COMMENTS:            | There was a conservation easement located on the property, which was not affected by the sale. The water rights had been transferred prior to the sale but the purchaser indicated that it did not affect the planned use as the buyer could supply water.                                                                                |

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





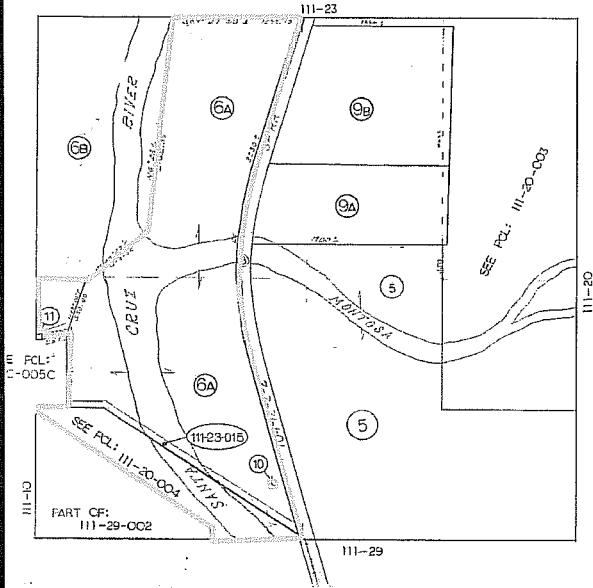
TOWNSHIP 20S RANGE 13E  
SECTION 18

BOOK III

MAP 28

BOOK III

MAP 28

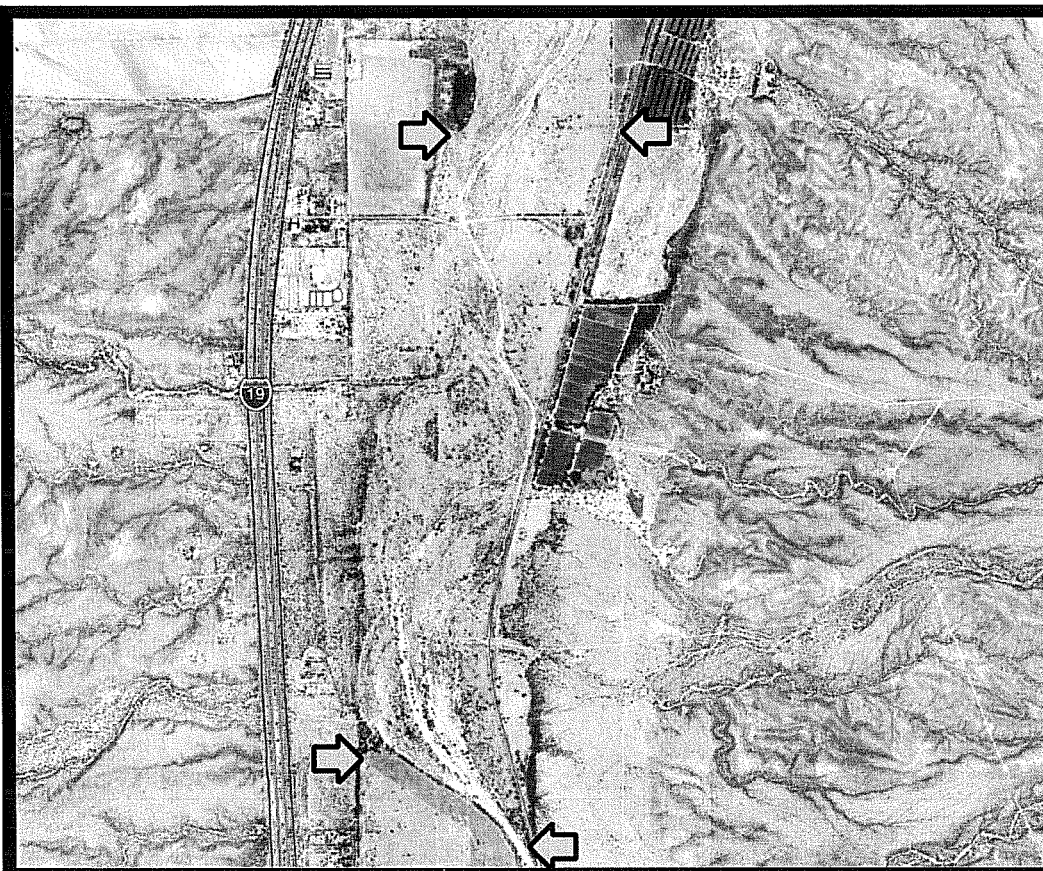


|            |      |      |
|------------|------|------|
| 111-29-001 | 2.45 | 2.45 |
| 111-29-002 | 2.45 | 2.45 |
| 111-29-003 | 2.45 | 2.45 |
| 111-29-004 | 2.45 | 2.45 |
| 111-29-005 | 2.45 | 2.45 |
| 111-29-006 | 2.45 | 2.45 |
| 111-29-007 | 2.45 | 2.45 |
| 111-29-008 | 2.45 | 2.45 |
| 111-29-009 | 2.45 | 2.45 |
| 111-29-010 | 2.45 | 2.45 |
| 111-29-011 | 2.45 | 2.45 |
| 111-29-012 | 2.45 | 2.45 |
| 111-29-013 | 2.45 | 2.45 |
| 111-29-014 | 2.45 | 2.45 |
| 111-29-015 | 2.45 | 2.45 |
| 111-29-016 | 2.45 | 2.45 |
| 111-29-017 | 2.45 | 2.45 |
| 111-29-018 | 2.45 | 2.45 |
| 111-29-019 | 2.45 | 2.45 |
| 111-29-020 | 2.45 | 2.45 |



20S-13E-18

ROBERT D. HATHAWAY  
SANTA CRUZ COUNTY ASSESSOR



LAND COMPARABLE NUMBER 2 (SALE)

ID: RH 0281 5992

LOCATION: Along Santa Rita Road and private easement roadways, east of Interstate 19, Pima County, Arizona

LEGAL DESCRIPTION: A portion of Sections 10, 15, 22, 23, and 27, Township 18 South, Range 15 East, G&SRB&M, Pima County, Arizona

STATE TAX PARCELS: 305-53-002H  
305-53-004D and 004H  
305-56-001B, 001C  
305-58-0330, 0360, and 0370  
305-57-004B, 013B, 013C, and 013E

RECORD DATA: Book 13722, at Page 2221

DATE OF SALE: January 11, 2010

SELLER: Natalie Lebrecht and Avra Valley Rand & Properties, LLC

BUYER: Rosemont Copper Company

CONFIRMED BY: Walter Unger, seller's agent, (520-975-5207)  
TAB; October, 2009

LAND DESCRIPTION: This site consists of 11 parcels with a total land area of just over 779 acres of which 489 acres are contiguous and the balance of the parcels are in the same area, but not contiguous. Portions of the property have frontage on Santa Rita Road. The site is accessed from I-19 via Santa Rita Road and Sahuarita Road. Access to the parcels are mostly on dirt private easement roadways off of Santa Rita Road. Santa Rita Road is a two-lane, dirt road. The topography is level to rolling terrain. There are electric lines that run across portions of the property. Public water and sewer are not available. Water would be by well and sewer by septic. According to FEMA Flood Insurance Rate Maps 04019C3450K and 04019C3950K, the site is not identified as being located in a Special Flood Hazard Area. There are washes on the property that would be regulated by local floodplain ordinances. Portions of the property are located in areas identified as Important



Riparian and Xeroriparian C. The property has good mountain views and valley views to the west.

LAND SIZE: 779.33 acres

ZONING: RH, Pima County

REPORTED SALE PRICE: \$1,566,320

PRICE PER ACRE: \$2,010

MARKETING TIME: The property was on the market for a total of one year before it went into escrow in December, 2009.

TERMS OF SALE: This sale includes favorable terms that affected the sale price, resulting in a higher purchase price. The agent indicated a 10 percent adjustment for favorable terms.

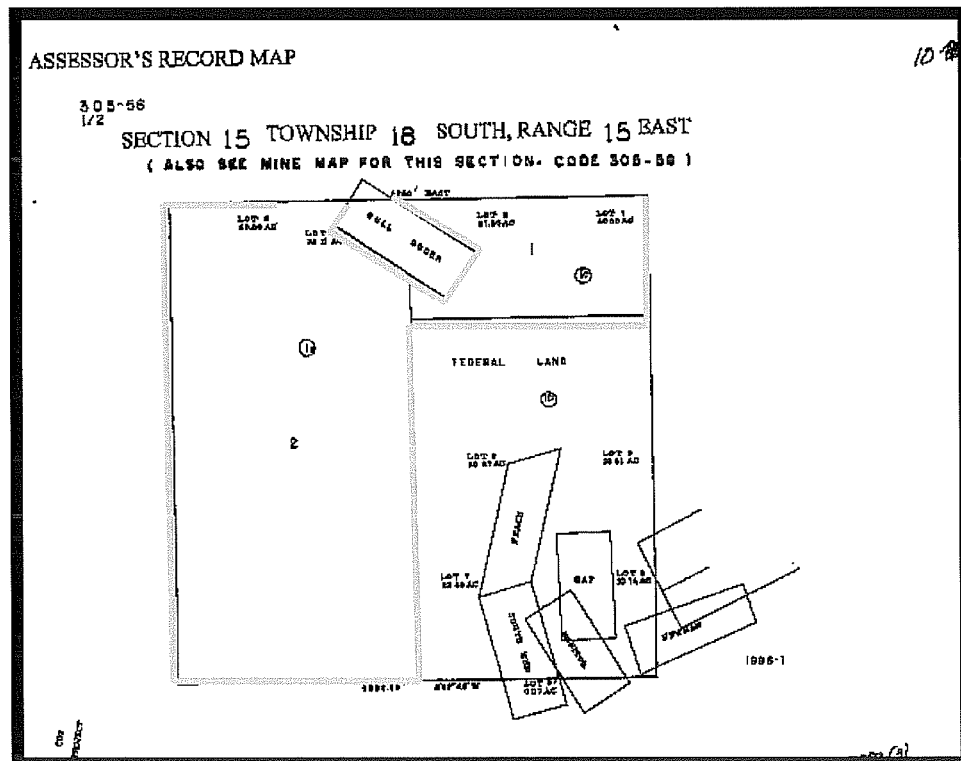
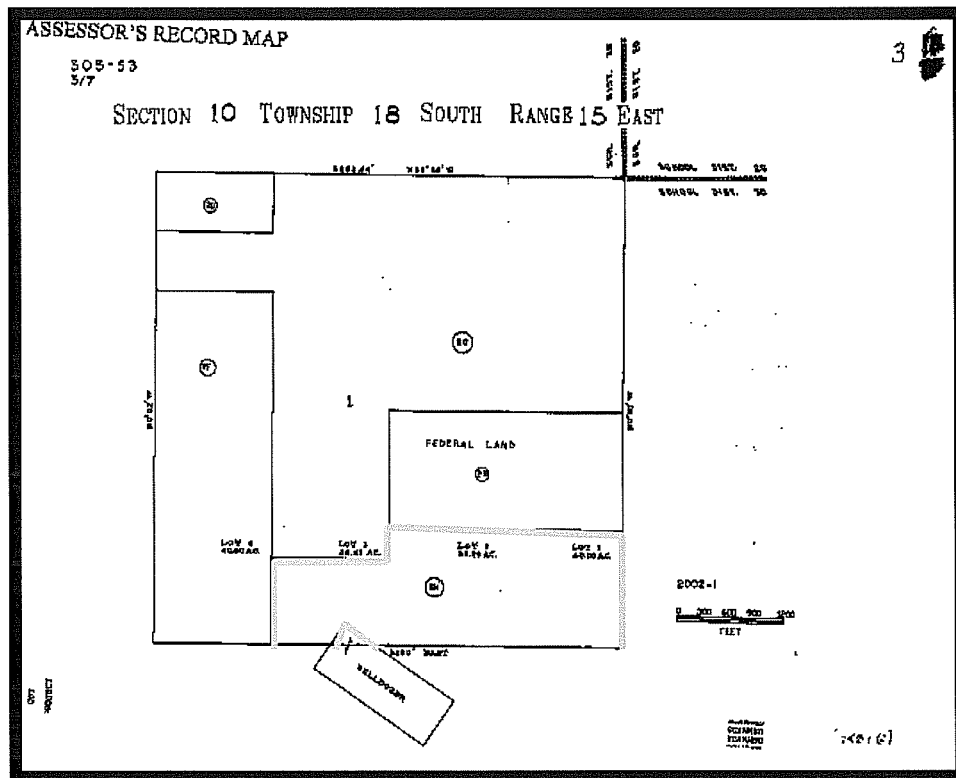
PRIOR SALE: Records of the Pima County Assessor indicate that no transaction has occurred within three years of the date of valuation.

CONDITIONS OF SALE: This sale is reported to have occurred under normal market conditions.

INTENDED USE: Open buffer space for an open pit mine to be developed to the east.

COMMENTS: This property sold near the asking price at very favorable terms that impacted the sales price.

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



## 12

808-87  
1/4

The map displays the Fort Belknap Reservation, Montana, with various land parcels and geographical features. Key elements include:

- Geographical Features:** The map shows the border between Montana and Idaho, with the Snake River and its tributaries (Snake River, Lost River, and Lost River) flowing through the region. The town of Fort Belknap is located in the upper right corner.
- Land Parcels:** The reservation is divided into numerous numbered parcels, including parcels 1 through 10, 12 through 15, 17 through 20, 22 through 25, 27 through 30, 32 through 35, 37 through 40, 42 through 45, 47 through 50, 52 through 55, 57 through 60, 62 through 65, 67 through 70, 72 through 75, 77 through 80, 82 through 85, 87 through 90, 92 through 95, 97 through 100, 102 through 105, 107 through 110, 112 through 115, 117 through 120, 122 through 125, 127 through 130, 132 through 135, 137 through 140, 142 through 145, 147 through 150, 152 through 155, 157 through 160, 162 through 165, 167 through 170, 172 through 175, 177 through 180, 182 through 185, 187 through 190, 192 through 195, 197 through 200, 202 through 205, 207 through 210, 212 through 215, 217 through 220, 222 through 225, 227 through 230, 232 through 235, 237 through 240, 242 through 245, 247 through 250, 252 through 255, 257 through 260, 262 through 265, 267 through 270, 272 through 275, 277 through 280, 282 through 285, 287 through 290, 292 through 295, 297 through 300, 302 through 305, 307 through 310, 312 through 315, 317 through 320, 322 through 325, 327 through 330, 332 through 335, 337 through 340, 342 through 345, 347 through 350, 352 through 355, 357 through 360, 362 through 365, 367 through 370, 372 through 375, 377 through 380, 382 through 385, 387 through 390, 392 through 395, 397 through 400, 402 through 405, 407 through 410, 412 through 415, 417 through 420, 422 through 425, 427 through 430, 432 through 435, 437 through 440, 442 through 445, 447 through 450, 452 through 455, 457 through 460, 462 through 465, 467 through 470, 472 through 475, 477 through 480, 482 through 485, 487 through 490, 492 through 495, 497 through 500, 502 through 505, 507 through 510, 512 through 515, 517 through 520, 522 through 525, 527 through 530, 532 through 535, 537 through 540, 542 through 545, 547 through 550, 552 through 555, 557 through 560, 562 through 565, 567 through 570, 572 through 575, 577 through 580, 582 through 585, 587 through 590, 592 through 595, 597 through 600, 602 through 605, 607 through 610, 612 through 615, 617 through 620, 622 through 625, 627 through 630, 632 through 635, 637 through 640, 642 through 645, 647 through 650, 652 through 655, 657 through 660, 662 through 665, 667 through 670, 672 through 675, 677 through 680, 682 through 685, 687 through 690, 692 through 695, 697 through 700, 702 through 705, 707 through 710, 712 through 715, 717 through 720, 722 through 725, 727 through 730, 732 through 735, 737 through 740, 742 through 745, 747 through 750, 752 through 755, 757 through 760, 762 through 765, 767 through 770, 772 through 775, 777 through 780, 782 through 785, 787 through 790, 792 through 795, 797 through 800, 802 through 805, 807 through 810, 812 through 815, 817 through 820, 822 through 825, 827 through 830, 832 through 835, 837 through 840, 842 through 845, 847 through 850, 852 through 855, 857 through 860, 862 through 865, 867 through 870, 872 through 875, 877 through 880, 882 through 885, 887 through 890, 892 through 895, 897 through 900, 902 through 905, 907 through 910, 912 through 915, 917 through 920, 922 through 925, 927 through 930, 932 through 935, 937 through 940, 942 through 945, 947 through 950, 952 through 955, 957 through 960, 962 through 965, 967 through 970, 972 through 975, 977 through 980, 982 through 985, 987 through 990, 992 through 995, 997 through 1000.
- Infrastructure:** The map shows several roads, including the Snake River Road, Lost River Road, and Fort Belknap Road. It also indicates the location of the Fort Belknap Reservation and the town of Fort Belknap.
- Other Labels:** The map includes labels for 'FEDERAL LAND', 'MONTANA', and 'IDAHO'. It also shows various numbered parcels and specific locations like 'FORT BELKNAP' and 'MONTANA'.



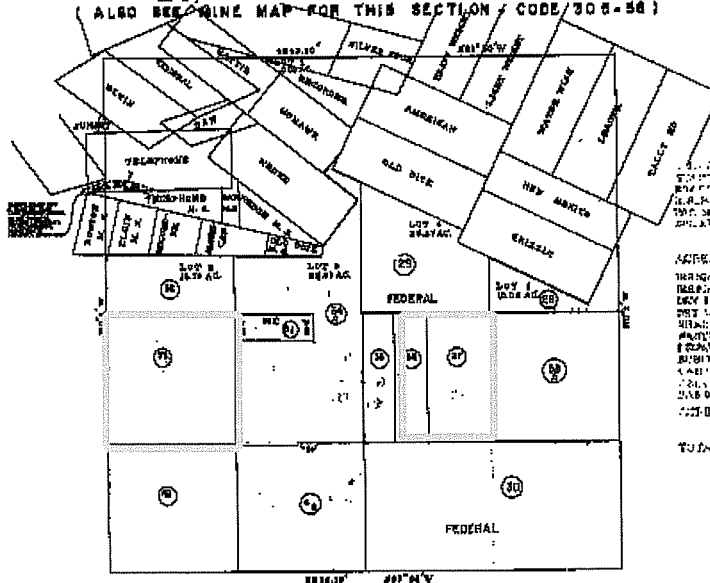
SEE PAGE 8, PAGE 9, ETC.  
2008-1

181522 (44-75)

## 134

305-58  
1/2

( ALSO SEE ~~LINE~~ MAP FOR THIS SECTION / CODE 305-58 )



1. The first step is to identify the problem or question that needs to be answered. This involves understanding the context and the specific requirements of the task.

[illegible]

**TOTAL ASSUMPTIONS**

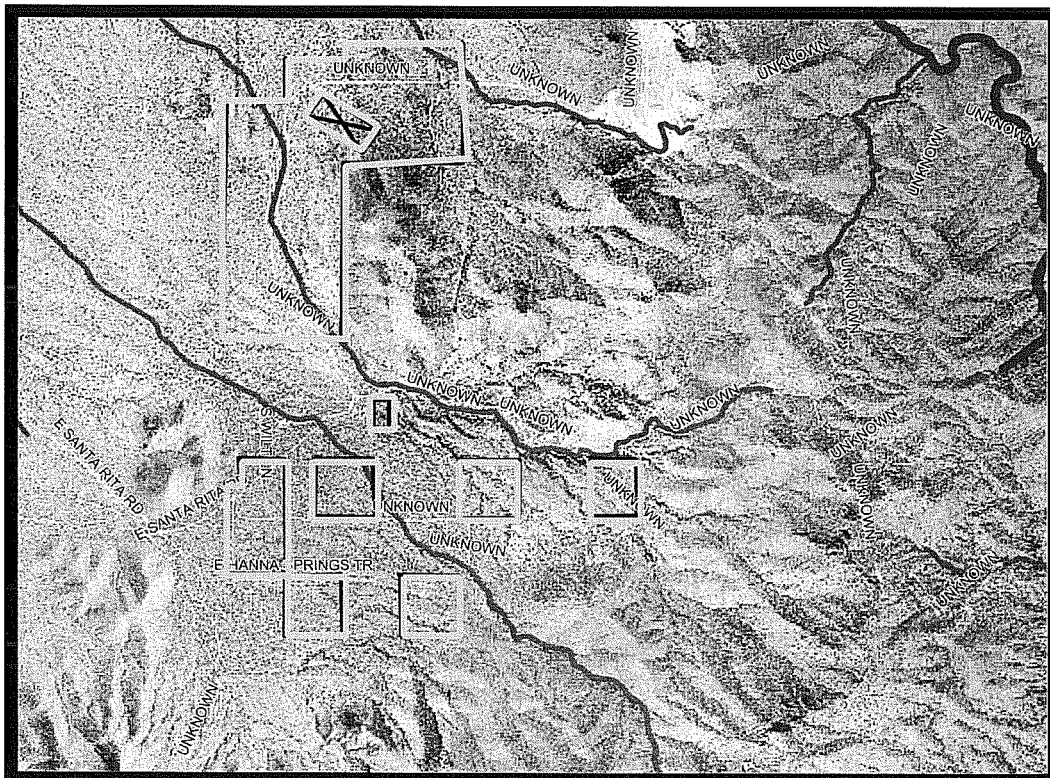
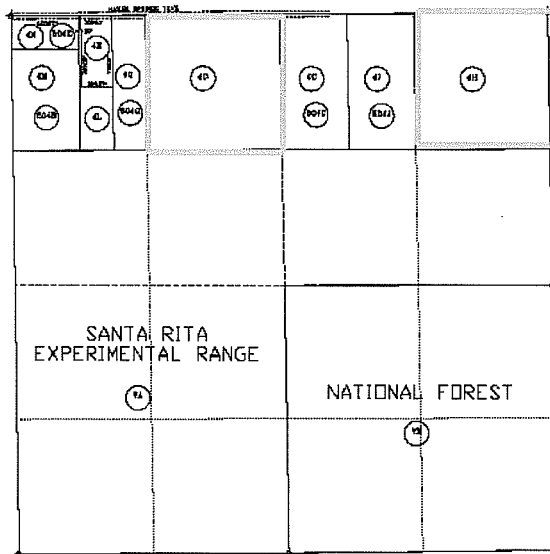


EQOTR-B  
SEE BOOK 6 PAGE 77 R.3.

191523

24076

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



LAND COMPARABLE NUMBER 3 (SALE)

ID: RH 0355 6473

LOCATION: Near the south side of Ragged Top Road, west of Waterman Road and south of Silverbell Road, Pima County, Arizona

LEGAL DESCRIPTION: Section 32, Township 11 South, Range 9 east of the G&SRB&M, Pima County, Arizona, except the northwest quarter of the northwest quarter; and except the southwest quarter of the southwest quarter; and that except a portion of the northwest quarter of the northeast quarter.

STATE TAX PARCEL: 208-06-003E

RECORD DATA: Affidavit of Fee No.: 2010-2460342

DATE OF SALE: December 23, 2010

SELLER: Avra Valley Ranch & Properties

BUYER: Torrance Potter Family Trust

CONFIRMED BY: Walter Unger, listing broker (602) 445-4141  
TAB; August, 2012

LAND DESCRIPTION: This site is situated within the Ironwood National Monument with approximately 3,400 feet of frontage near Ragged Top Road. Access to the property is from Ragged Top Road across property owned by the Federal Bureau of Land Management, which will require an access easement across 30 feet that separates Ragged Top Road from the parcel. Ragged Top is a rough graded roadway that requires 4-wheel drive for access. The topography is rolling with some steeper sloping areas. No utilities are available to the property. Water would be by private well and septic is required. According to the Pima County Assessor, the land is identified as being located within FEMA Flood Insurance Rate Map 04019C1000L (unprinted) Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain. There are local washes which cross the property which are regulated by local floodplain ordinances.

|                      |                                                                                                                                                                                                                                                                                                                                                                                                             |
|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| LAND SIZE:           | 602 acres                                                                                                                                                                                                                                                                                                                                                                                                   |
| ZONING:              | RH                                                                                                                                                                                                                                                                                                                                                                                                          |
| REPORTED SALE PRICE: | \$900,000                                                                                                                                                                                                                                                                                                                                                                                                   |
| PRICE PER ACRE:      | \$1,495                                                                                                                                                                                                                                                                                                                                                                                                     |
| MARKETING TIME:      | 7 - 8 months                                                                                                                                                                                                                                                                                                                                                                                                |
| TERMS OF SALE:       | This was an all cash transaction to the seller or terms equivalent to cash.                                                                                                                                                                                                                                                                                                                                 |
| PRIOR SALE:          | Records of the Pima County Assessor indicate that no transaction has occurred within three years of the date of valuation.                                                                                                                                                                                                                                                                                  |
| CONDITIONS OF SALE:  | This sale is reported to have occurred under normal market conditions.                                                                                                                                                                                                                                                                                                                                      |
| INTENDED USE:        | Investment                                                                                                                                                                                                                                                                                                                                                                                                  |
| COMMENTS:            | <p>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.</p> <p>This site has good views of the valley and is surrounded by BLM land and is contained entirely within the Ironwood National Monument.</p> |

ASSESSOR'S RECORD MAP

200-66

SECTION 32, TOWNSHIP 11 SOUTH, RANGE 09 EAST

3B

3F

3E

3D

TOWNSHIP 11 SOUTH

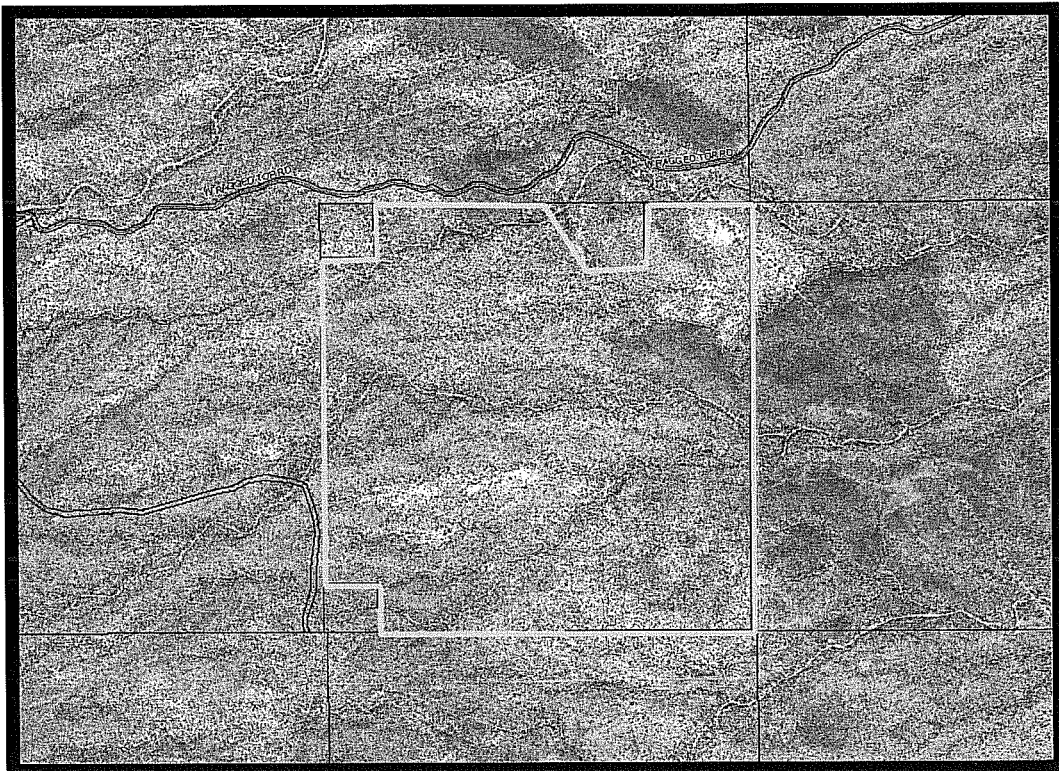
RANGE 09 EAST

N

0 100 200 300 400  
FEET

2002-2

2002-03-04 08:11:04



LAND COMPARABLE NUMBER 4 (ESCROW)

ID: RH 0356 6473

LOCATION: North of Santa Rita Road, along private easement roadway, east of Interstate 19, Pima County, Arizona

LEGAL DESCRIPTION: Portions of the North half and a portion of the Southwest quarter of Section 10, Township 18 , Range 15 East, G&SRB&M, Pima County, Arizona

STATE TAX PARCEL: 305-53-002D, 002F, 002G

RECORD DATA: In escrow (August, 2012)

DATE OF LIST: Listed since January, 2010

SELLER: Terra Bella Ranches, LLC

BUYER: Rosemont Copper

CONFIRMED BY: Walter Unger, Listing agent (602) 445-4141  
TAB; August, 2012

LAND DESCRIPTION: This site is a mostly rectangular shaped interior property, accessed by private dirt easement roadway. This easement is accessed from Santa Rita Road which travels west from the area of this property to Sahuarita Road and Interstate 19. The topography is sloping with some rolling higher hills in some areas. Electricity is available to the property. Water will be by a well and sewer will be by septic. According to FEMA Flood Insurance Rate Map 04019C3500L (unprinted), the land is identified as being located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain. There are local washes which cross the property and would be regulated by local floodplain ordinances.

LAND SIZE: 450 acres

ZONING: RH (Pima County)

REPORTED SALE PRICE: \$1,440,000

PRICE PER ACRE: \$3,200



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

**ASSESSOR'S RECORD MAP**

305-53  
577

SECTION 10, TOWNSHIP 18 SOUTH RANGE 15 EAST

5282.61' 392°54'W

LOT 4 4700 AC.

LOT 3 30.43 AC.

LOT 2 3273 AC.

LOT 1 4000 AC.

FEDERAL LAND

DULLDOZER

SCHOOL DIST. 30

SCHOOL DIST. 30

2002-1

0 100 200 300

MANNING MANNING



LOCATION: Arivaca Ranch Road, Pima County, Arizona

LEGAL DESCRIPTION: Portions of the following Sections, Township, Ranges, G&SRB&M, Pima County, Arizona:  
Section 8, Township 21 South, Range 11 East  
Section 17, Township 21 South, Range 11 East  
Section 18, Township 21 South, Range 11 East  
Section 27, Township 21 South, Range 11 East  
Section 29, Township 21 South, Range 11 East  
Section 24, Township 21 South, Range 10 East  
Section 35, Township 21 South, Range 10 East

STATE TAX PARCEL: 302-24-059E and 060A; 302-31-0070, 011D, 012C, 012J, 0150, 017A, 017E, 017J, and 017L; 302-54-0190

RECORD DATA: Document Number 20123660419

DATE OF SALE: December 31, 2012

SELLER: P & P Ranch, LLC

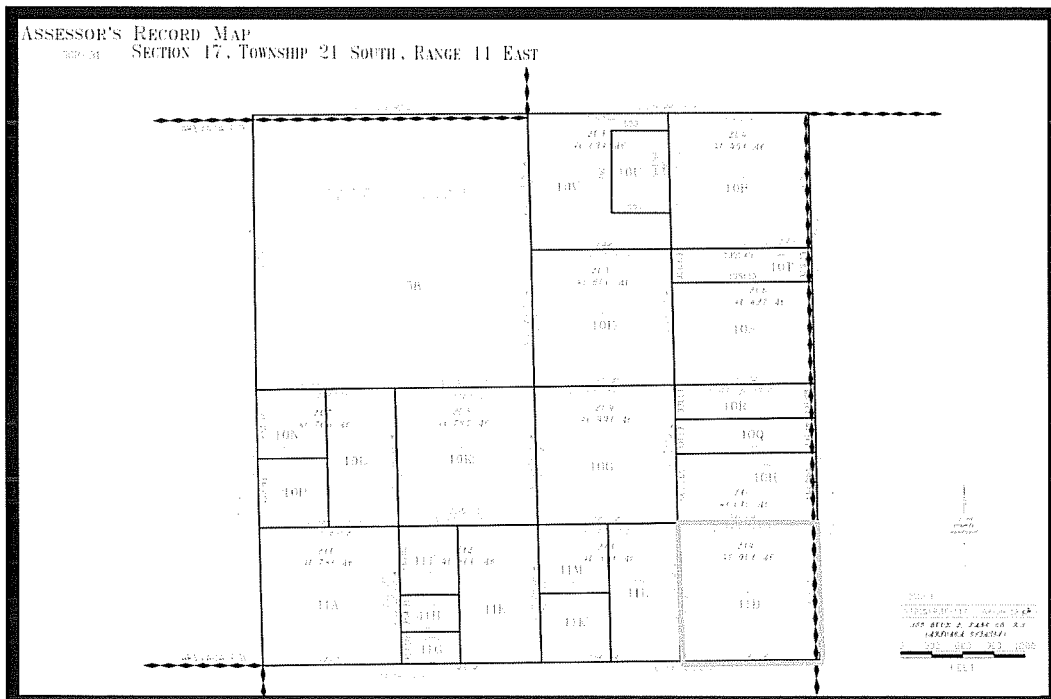
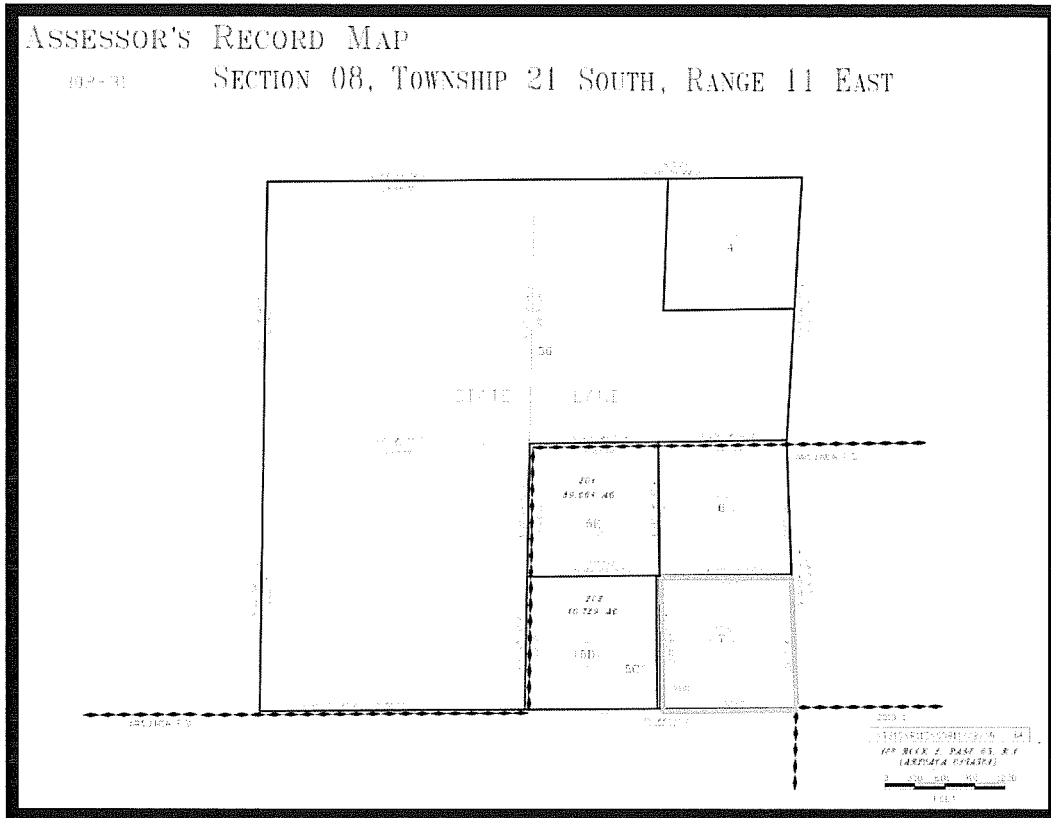
BUYER: Arivaca Ranch, LLC

CONFIRMED BY: Ted Despain, Harley Hendricks Realty (520-444-3897)  
JT; May, 2013

LAND DESCRIPTION: This property is comprised of 12 mostly non-contiguous parcels totaling 599.12 acres in size. The topography ranges from rolling to mountainous. Vegetation is primarily plains and desert grassland. Electricity and telephone are available to the headquarters in Section 35. Domestic water is provided by a private well. There is an irrigation well that was not operable at the time of sale. There are 16 wells and 30 dirt tanks throughout the property. Sewer would be by septic and gas by bottled propane. According to FEMA Flood Insurance Rate Maps 04019C4650L, dated June 16, 2011, and 04019C4675L, an unprinted panel dated June 16, 2011, the land is identified as being located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain. Portions of the property fall within riparian habitat areas.

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

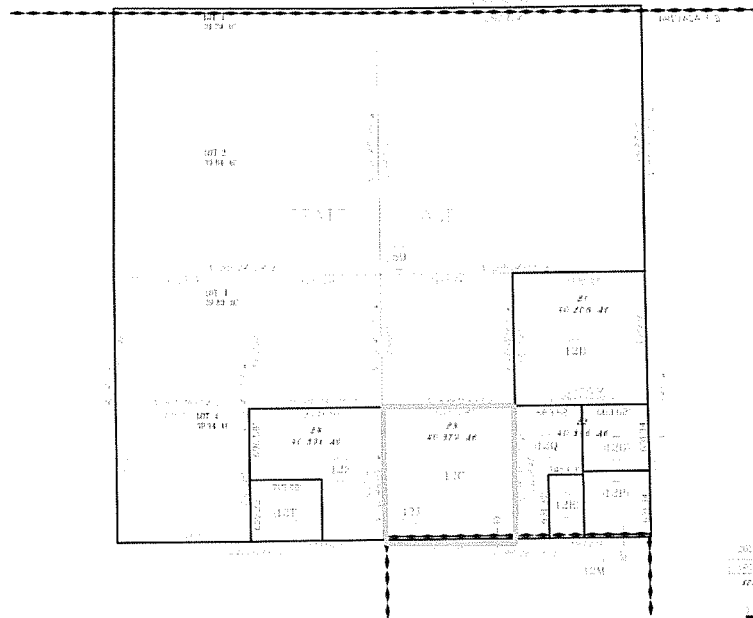
# COMPARABLE LAND SALE FIVE PLAT MAPS AND AERIAL PHOTO (4 Pages)



# ASSESSOR'S RECORD MAP

02-31

SECTION 18, TOWNSHIP 21 SOUTH, RANGE 11 EAST

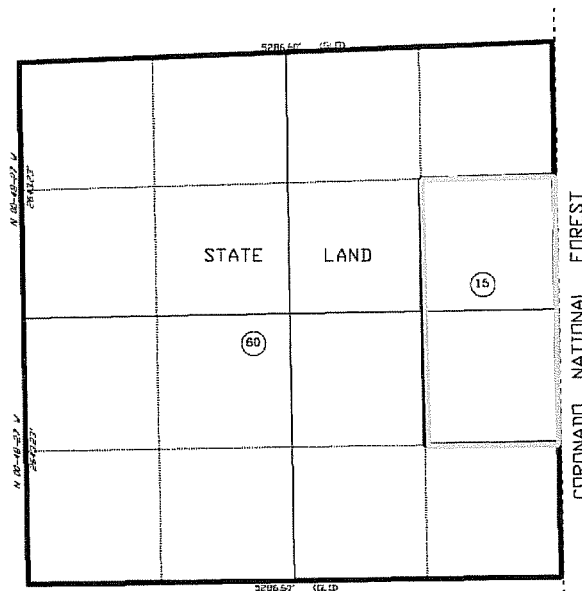


1992-1  
 INTENSIFIED-06/03/91  
 JOB BOOK 2, PAGE 70, R.F.  
 (ARROWHEAD SYSTEMS)  
 0 300 600 900 1200  
 FEET

# ASSESSOR'S RECORD MAP

302-31

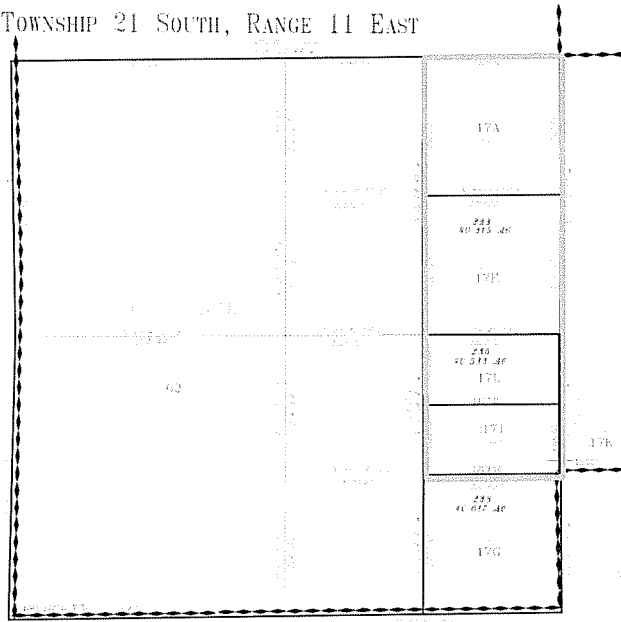
SECTION 27, TOWNSHIP 21 SOUTH, RANGE 11 EAST



1992-1  
 INTENSIFIED-06/03/91  
 JOB BOOK 2, PAGE 70, R.F.  
 (ARROWHEAD SYSTEMS)  
 0 300 600 900 1200  
 FEET

# ASSESSOR'S RECORD MAP

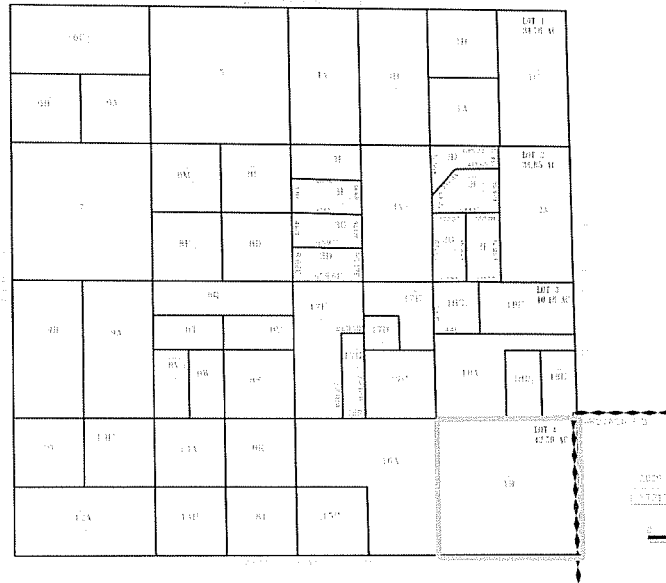
308 31 SECTION 29, TOWNSHIP 21 SOUTH, RANGE 11 EAST



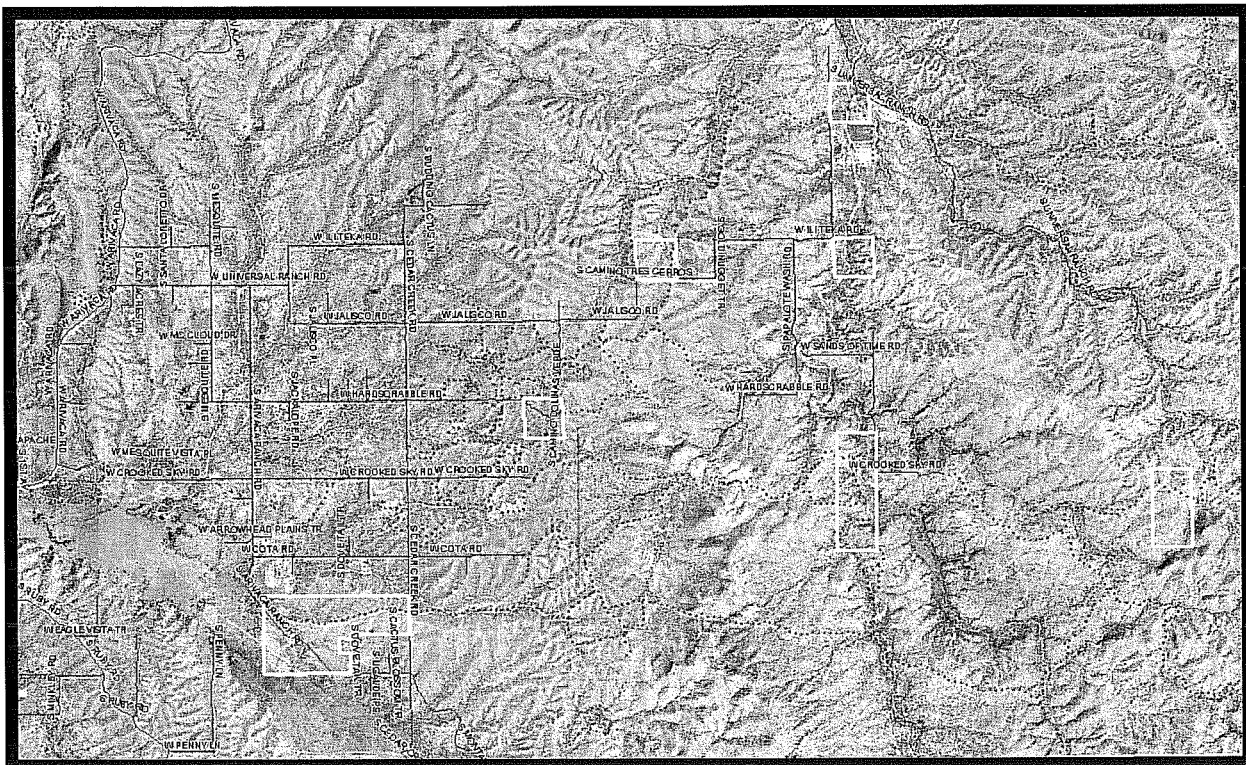
# ASSESSOR'S RECORD MAP

308 34 SECTION 24, TOWNSHIP 21 SOUTH, RANGE 10 EAST

308 34



## SECTION 35, TOWNSHIP 21 SOUTH, RANGE 10 EAST





# EXHIBIT L - ROAD RIGHT OF WAY LEASE (4 Pages)

STATE LAND DEPARTMENT  
STATE OF ARIZONA

RIGHT OF WAY LEASE

R/W No. 1112

THIS INDENTURE made and entered into this 31st day of December 1953, by and between the State of Arizona, hereinafter called the Grantor, and PIMA COUNTY

of Tucson, State of Arizona, hereinafter called the Permittee,

WITNESSETH, that pursuant to the authority vested in the State Land Commissioner, the Permittee is hereby granted a right of way on, over and across the state lands hereinafter described under the provisions of Article 10, Chapter 11, Arizona Code, 1939, as amended.

The granting of said right of way is predicated upon an application duly filed by the Permittee and approved by the Governor of the State of Arizona, together with an alignment map showing the definite location and establishing the width of said right of way, both of which are made and become a part of this permit.

It is understood and agreed by Permittee that the state lands covered by

## STATE LAND DEPARTMENT

PHOENIX, ARIZONA

LEASE SUPPLEMENT

PIMA COUNTY  
BOARD OF SUPERVISORS  
TUCSON ARIZONA

|               |                        |
|---------------|------------------------|
| 9             | 1142                   |
| KIND OF ENTRY | LEASE OR REFERENCE NO. |

| ACCOUNT NO.<br>FUND SUB. | DESCRIPTION           | SEC. | TWP. | RANGE | ACREAGE |
|--------------------------|-----------------------|------|------|-------|---------|
| 49                       | THRU NE               | 34   | 18   | 8     | 83      |
| 21                       | THRU CENTER E TO WEST | 35   | 18   | 8     | 7 43    |
| 30                       | THRU S2               | 36   | 18   | 8     | 7 76    |
| 53                       | THRU SW               | 31   | 18   | 9     | 3 91    |
| 30                       | THRU S2 SENE          | 32   | 18   | 9     | 7 71    |
| 3                        | THRU NW               | 33   | 18   | 9     | 1 51    |
|                          |                       |      |      |       | 29 15*  |

PIMA COUNTY BOARD OF SUPERVISORS

SIGNATURE OF LESSEE

DATE 8-10-60

STATE LAND COMMISSIONER

Acting Deputy

DATE

ASLD000241

W. E. HARRIS RANKIN JR.  
185/082/34

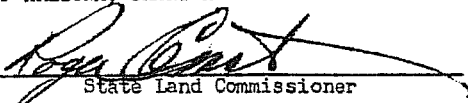
5. The Grantor excepts and reserves out of the grant hereby made all oil, gases, coal, ores, limestone, minerals, fossils and fertilizer of every name and description that may be found in or upon the land described herein, or any part thereof; and the lands herein described are subject to the execution by Grantor of drilling permits and leases for the purpose of prospecting for, and the extraction of oil, gases, coal, ores, limestone, minerals, fossils and fertilizers, as provided by law.
6. The said Permittee shall give Grantor notice in writing of the abandonment of said premises or termination of these presents, and upon receipt of such notice, or upon evidence of abandonment of said highway by nonuse, this lease shall be cancelled.

NOW, THEREFORE, in accordance with the provisions of Section 11-601, Article 6, Arizona Code Annotated, 1939, as amended, and agreeable to the conditions heretofore set forth, the Permittee herein is authorized to locate, construct, operate and maintain said right of way on, over and across the state lands described herein.

IN WITNESS WHEREOF, the said Grantor has caused these presents to be signed in duplicate by said Grantor, at Phoenix, Arizona, on the date and year first above written, and the said Permittee has caused these presents to be executed by its duly authorized officer at the place and on the date and year as set forth herein.

STATE OF ARIZONA, GRANTOR

By

  
State Land Commissioner

By

Deputy State Land Commissioner

Signed in the County of Pima, State of Arizona, on this    day  
of    MAR 10 1954   , 19  .

BOARD OF SUPERVISORS  
PIMA COUNTY, ARIZONA

PERMITTEE

By

  
Title

CHAIRMAN BOARD OF SUPERVISORS

STATE LAND DEPARTMENT  
PHOENIX, ARIZONA

R/W No. 1142

APPLICATION FOR NON-RENTAL RIGHT OF WAY OVER STATE LANDS  
FOR COUNTY HIGHWAY PURPOSES

County of Pima

THE STATE LAND COMMISSIONER, PHOENIX, ARIZONA:

The Board of Supervisors of Pima County, having found it necessary for the public use to establish, open, relocate or alter a County highway, a portion of which traverses State lands, hereby makes application for a right of way for an indefinite period of time, pursuant to Article 10, Chapter 11, Arizona Code, 1939, as amended, on, over and across the following described State lands:

| Subdivision                    | Section | Township | Range | Acres | Width           |
|--------------------------------|---------|----------|-------|-------|-----------------|
| Strip of land 60' wide thru    | 31      | 18 S     | 9 E   | 7.83  | 1/2             |
| " " " " "                      | 32      | 18 S     | 9 E   | 7.71  | 1/2 (60' width) |
| " " " " "                      | 35      | 18 S     | 8 E   | 7.43  | 1/2 30' each    |
| " " " " "                      | 36      | 18 S     | 8 E   | 7.76  | 1/2 side of     |
| " " " " "                      | 33      | 18 S     | 9 E   | 1.51  | 1/2 centerline  |
| part of SE 1/4 NE 1/4          | 34      | 18 S     | 8 E   | .83   | 1/2             |
| This road to be designated as: |         |          |       |       |                 |
| Fresnal Road, No. 441          |         |          |       |       |                 |

An alignment map showing the definite location and width of said right of way across said lands is attached hereto and made a part of this application.

The State lands required for said right of way have the following improvements thereon.

and the owner of said improvements has been reimbursed for the value thereof.

There is (is not) water of any description on any of the lands applied for. If there is, state whether streams, ponds, wells, tanks, reservoirs, etc.

The land applied for ~~is~~ (is not) under cultivation at this time.

I, Lambert Kautenburger, acting as agent for the applicant named herein, do hereby certify under the penalty of perjury that the information contained and the statements herein made are to the best of my knowledge and belief true, correct and complete.

DATED this 24th day of December, 19 53.

BOARD OF SUPERVISORS, Pima COUNTY

By Lambert Kautenburger

Title Chairman of the Board of  
Supervisors

Preliminary approval granted, subject to approval by the Governor.

STATE LAND COMMISSIONER

By [Signature]

TO THE STATE LAND COMMISSIONER:

Application approved this 31st day of December, 19 53, in accordance with Article 10, Chapter 11, Arizona Code, 1939, as amended.

[Signature]  
GOVERNOR

The following to be completed by the State Land Department only:

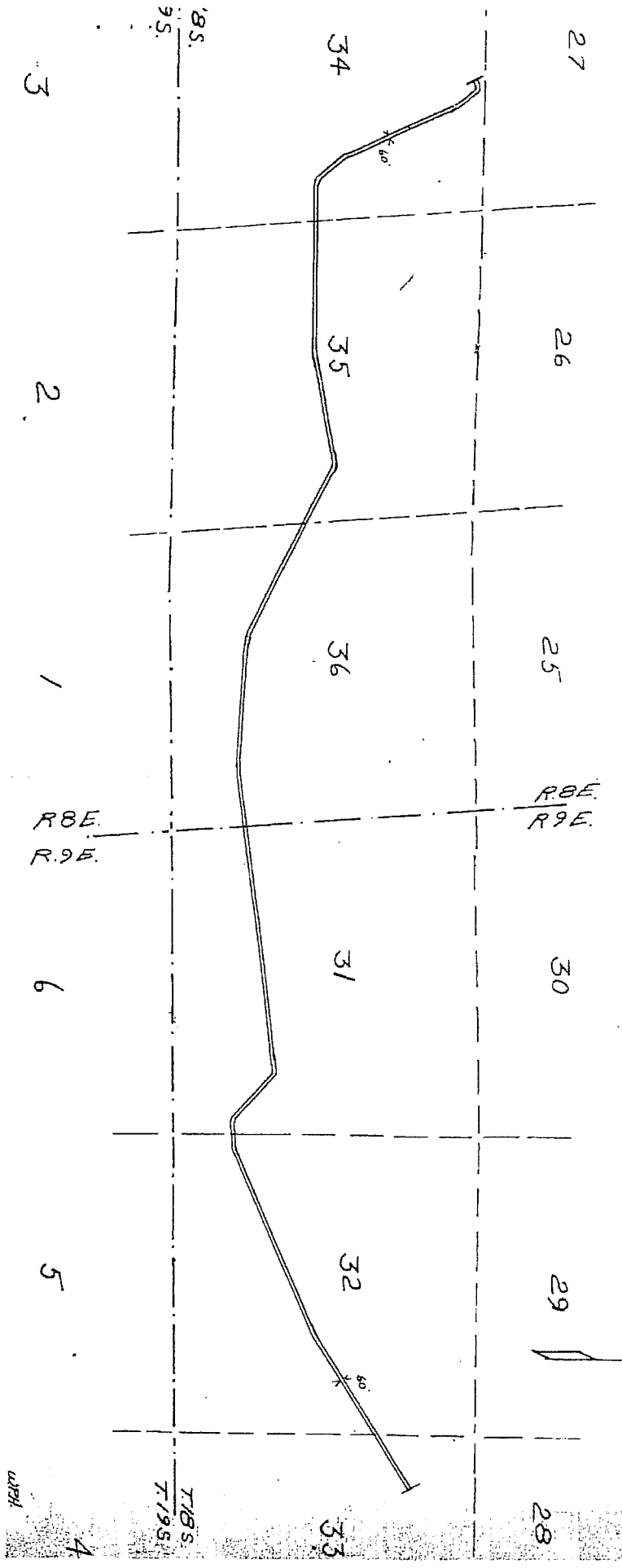
Entered in Tract Book DNKS Date 1/7/54

649

FRESNAL ROAD No. 441

T18S-R8E T18S-R9E

BRUCE B. ELLIS COUNTY ENGINEER  
NOVEMBER 19, 1953



## 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<sup>1</sup>*

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

---

1. AI refers to the Appraisal Institute.

LICENSURE:

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

Licensed Real Estate Broker, State of Arizona  
No. SE019639000

PROFESSIONAL ASSOCIATIONS:

Practicing Affiliate, Appraisal Institute

EXPERIENCE:

Licensed Real Estate Broker, State of Arizona

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

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

## **EXHIBIT M.2 - QUALIFICATIONS OF COMPANY**

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

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

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

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

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

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

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





**A SUMMARY APPRAISAL REPORT**

**OF**

**LAND AS VACANT**

**FOR ACQUISITION OF A  
PERMANENT UTILITY EASEMENT  
ON A PORTION OF THE EXISTING  
LAS DELICIAS ROAD RIGHT OF WAY**

**LOCATED WEST OF SR 286 (SASABE HIGHWAY),  
NORTH OF THE U.S - MEXICO INTERNATIONAL BORDER  
IN A PORTION OF  
SECTION 14, TOWNSHIP 19 SOUTH, RANGE 8 EAST  
G&SRB&M, PIMA COUNTY, ARIZONA**

**FOR**

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

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

**OWNERSHIP: PIMA COUNTY**

**EFFECTIVE DATE OF APPRAISAL**

**APRIL 16, 2014**

BAKER, PETERSON, BAKER & ASSOCIATES, INC.

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

• Over 35 Years of Service •

April 28, 2014

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

RE: An appraisal report of land as vacant for the acquisition of a permanent utility easement on a portion of the existing Las Delicias Road right of way, located west of SR 286 (Sasabe Highway), north of the U.S. - Mexico international border, in a portion of Section 14, Township 19 South, Range 8 East, G&SRB&M, Pima County, Arizona.

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

Dear Mr. Martin:

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

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

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

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

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

*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 33 foot width of the Las Delicias 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 Las Delicias 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 Las Delicias Road in Section 14, Township 19 South, Range 8 East (640 acres). The concluded value of the "ATF" larger parcel will be used to estimate the just compensation due to the property owner for the acquisition of the permanent utility easement.

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

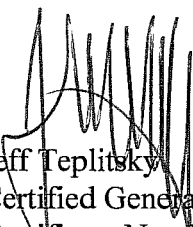
Mr. Douglas G. Martin, Attorney  
Martin, Kerrick & Bell, LLC

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

C146883 - Las Delicias

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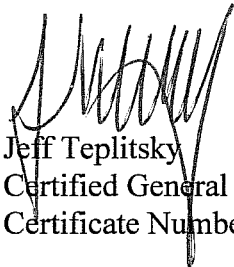
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## PART I - CERTIFICATION

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 Las Delicias Road right of way being Section 14, Township 19 South, Range 8 East, G&SRB&M, Pima County, Arizona. The land adjacent to the Las Delicias Road right of way owned by the State of Arizona will be valued for this appraisal report as the "ATF" parcel. The "ATF" parcel has a total size of 640 acres according to the Pima County Assessor records.

### **"ATF" PARCEL LAND AREA:**

|              |                                                                           |
|--------------|---------------------------------------------------------------------------|
| Before:      | 640.000 acres - (fee simple) - "ATF" parcel                               |
| Acquisition: | <u>0.038</u> acres - (permanent utility easement)                         |
| Remainder:   | 639.962 acres - (fee simple unencumbered)                                 |
|              | <u>0.038</u> acres - (permanent utility easement)                         |
|              | 640.000 acres - (encumbered/unencumbered with permanent utility easement) |

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

### **ZONING:**

RH (Rural Homestead) - Pima County

### **PIMA COUNTY COMPREHENSIVE PLAN:**

LIR (Low Intensity Rural)

### **TAX PARCEL NUMBER:**

Not applicable

### **REAL ESTATE TAXES:**

None - government exemption

**DELINQUENT TAXES:**

Not applicable

**FULL CASH VALUE:**

Not applicable

**INTENDED USE OF REPORT:**

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

**INTENDED USERS OF REPORT:**

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

**INTEREST APPRAISED:**

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

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

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

**PURPOSE:**

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

**DEFINITION OF JUST COMPENSATION:**

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

**MARKET VALUE DEFINITION:**

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

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

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

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

**PROJECT INFLUENCE:**

City of Phoenix v. Clauss, 177 Ariz. 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 14, Township 19 South, Range 8 East, G&SRB&M, Pima County, Arizona. Because an "ATF" valuation methodology is being utilized to estimate the market value of the subject property as if it is a hypothetical parcel of land (640 acres being Section 14, Township 19 South, Range 8 East GSRB&M), no legal description was provided to the appraiser by the client for purposes of this report.

**OWNERSHIP:**

According to recorded documents, dated April 4, June 6, July 1, and August 1, 1921, Las Delicias Road (AKA Road No. 36) was established for public use by the Pima County Board of Supervisors. Title to the subject property is in the name of the Pima County based on this information provided by the client (see Exhibits).

**SALES HISTORY:**

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

**ASSUMPTIONS AND LIMITING CONDITIONS:**

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

**HYPOTHETICAL CONDITIONS:**

*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 33 foot width of the Las Delicias 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 Las Delicias 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 Las Delicias Road in Section 14, Township 19 South, Range 8 East (640 acres). The concluded value of the "ATF" larger parcel will be used to estimate the just compensation due to the property owner for the acquisition of the permanent utility easement.

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

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

**HIGHEST AND BEST USE:**

Before the Acquisition, As Vacant:

Land Investment

After the Acquisition, As Vacant:

Land Investment

**ESTIMATE OF JUST COMPENSATION:**

Market Value of Property Rights To Be Acquired

\$100

Severance Damages

0

Special Benefits

0**TOTAL JUST COMPENSATION****\$100**

### PART III - SCOPE OF THE APPRAISAL

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

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

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

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

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

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

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

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

*Hypothetical Condition - Subject Larger Parcel Size and Valuation Method (No. 22).*

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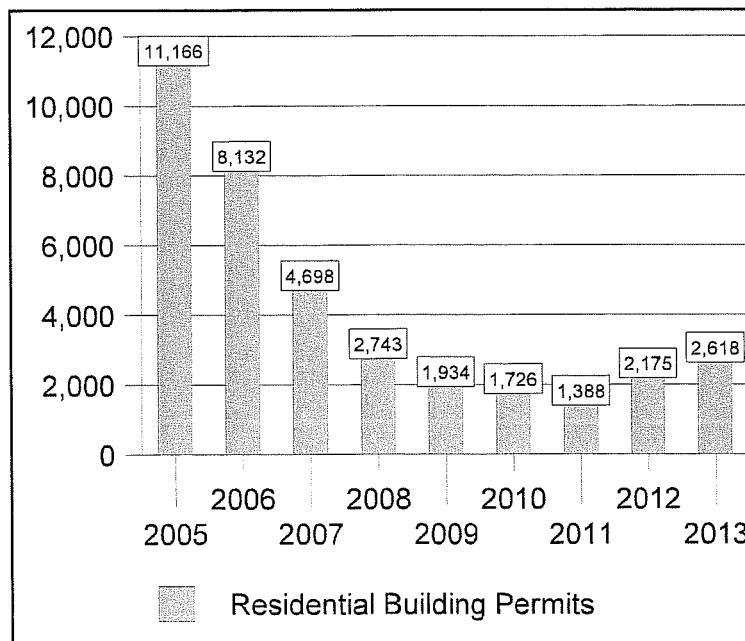
## PART IV - DESCRIPTION OF REAL ESTATE APPRAISED

### 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.



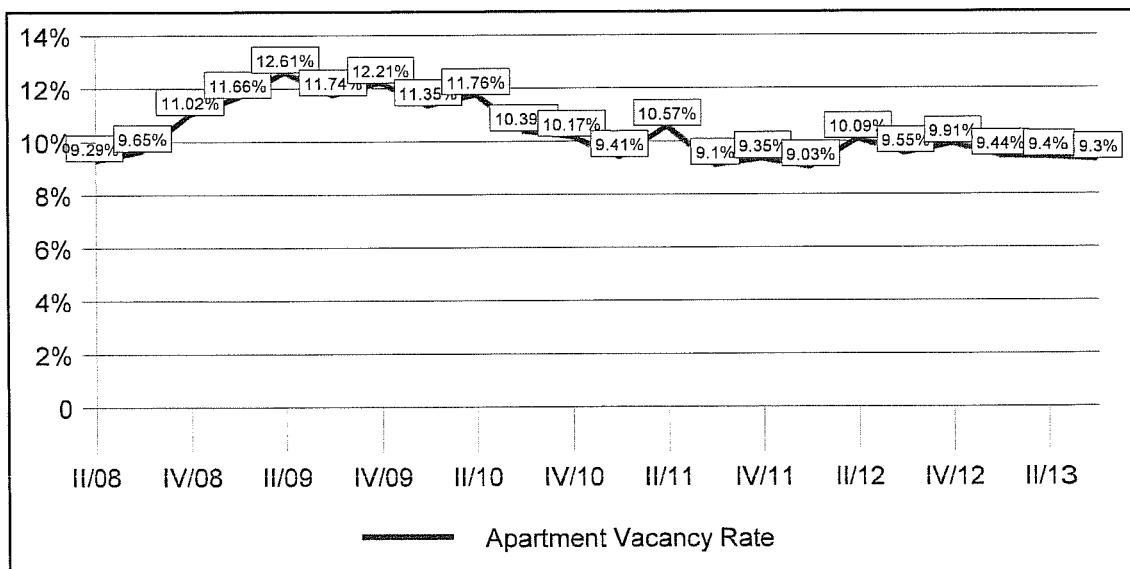
Overall, housing permits and sales had been increasing and a period of substantial growth occurred during 2004 and 2005 with unprecedented price increases having been experienced for most areas of Tucson. Building permit activity declined steadily in the Tucson Metropolitan area from a peak in 2005 of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

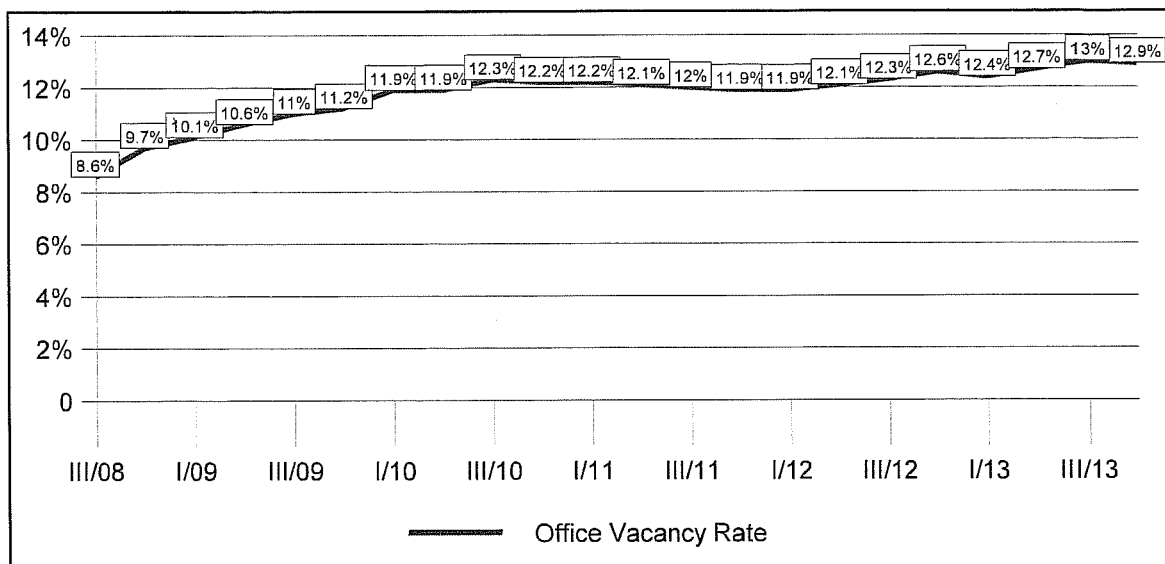


### ***Office Market***

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.



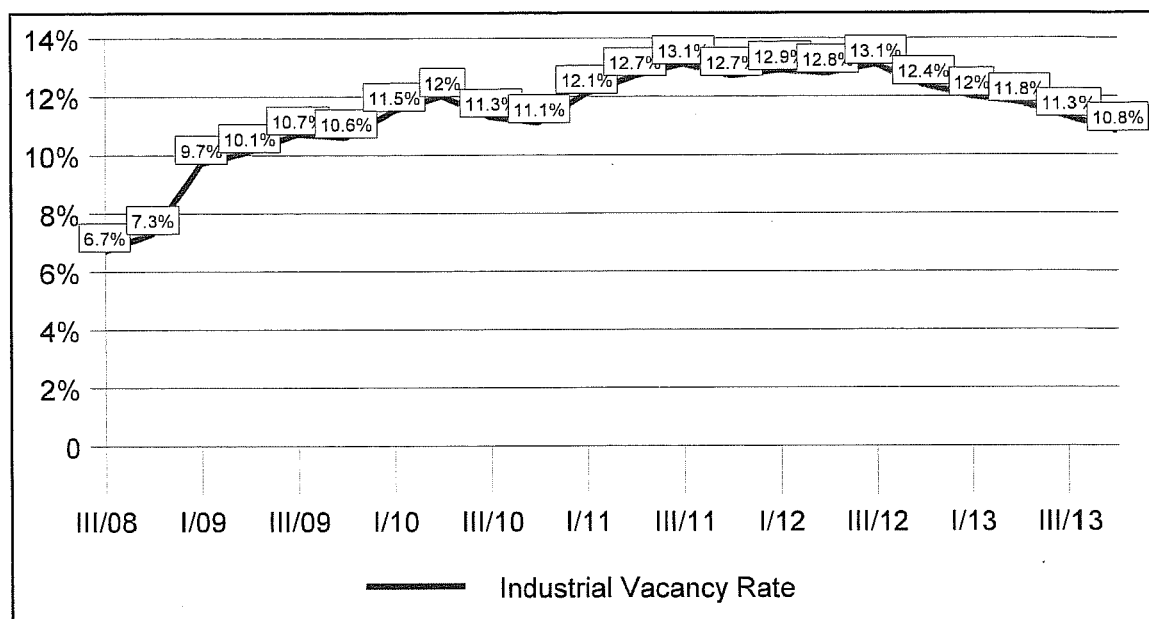
The slight increased overall annual vacancy rate indicates an office market which is coupled to the overall declining real estate market. There has been a decline in demand for owner/user office buildings which had made up a majority of office sales in 2006 and 2007. Market conditions stabilized in 2013.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

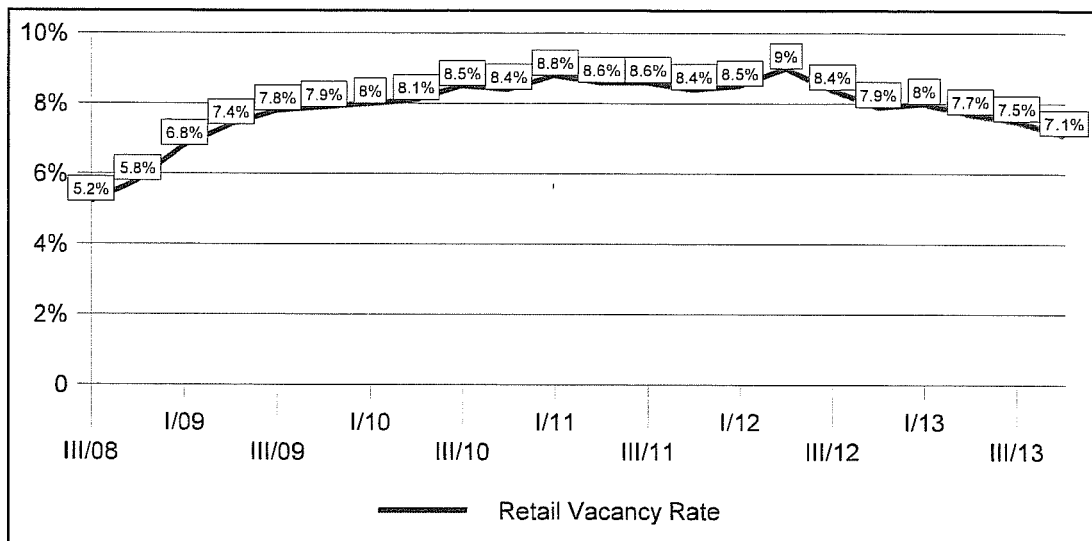
Retail space had maintained more constant levels of growth and absorption, with decreasing vacancy rates observed prior to mid-2007. In general, the market turned down starting at the end of 2007. Some reasons for a decline in market conditions includes contracts cancelled, development projects put on 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.

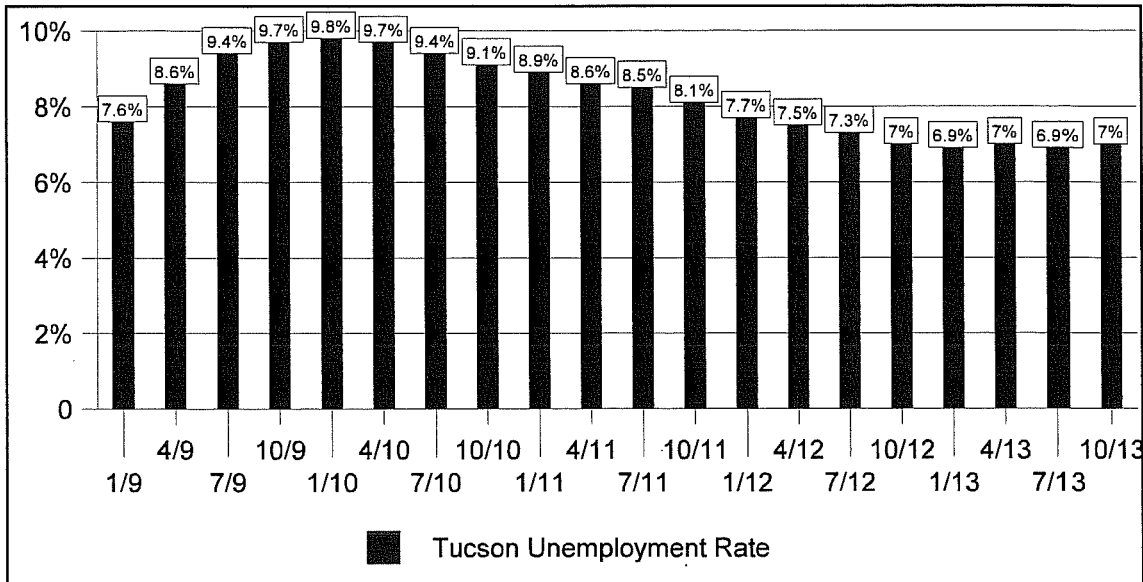
In the Fourth Quarter 2013, five buildings totaling 44,860 square feet were completed. This compares to seven buildings totaling 173,193 square feet in the Third Quarter 2013, seven buildings totaling 49,284 square feet in the Second Quarter 2013, and six retail buildings totaling 129,833 square feet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



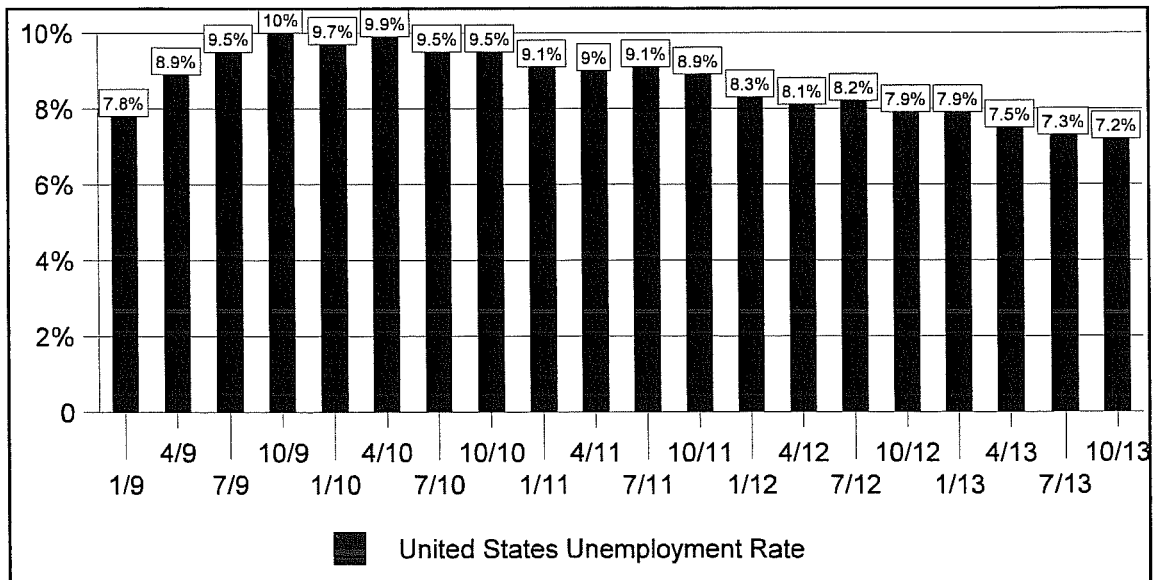
The vacancy rate for retail properties increased starting through early 2011. The retail vacancy rate remained mostly stable in 2011 but peaked in the Second Quarter 2012. The retail vacancy rate declined since that time, with the decline continuing through 2013. This indicates that the retail market 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 Roskrige Mountains and portions of the Tohono O'Odham Nation north of State Route 86 (Ajo Highway) and it includes the Altar Valley that is south of State Route 86 (Ajo Highway), west of the Sierrita Mountains, north of the U.S.-Mexican Border and east of the Baboquivari Mountains.

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

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

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

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

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

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

**SUBJECT SITE: (LARGER PARCEL DESCRIPTION):**

The following subject site description is based on a hypothetical larger parcel that consists of 640 acres of range land being a part of the existing right of way for Las Delicias Road. The subject is rectangular in shape. It is located 2.3 miles west of SR 286 (Sasabe Highway) and 20.0 miles north of the U.S - Mexico International Border in Section 14, Township 19 South, Range 8 East, in Pima County, Arizona (see Exhibits). The conclusion of the subject larger parcel is based on its location within the "ATF" parcel owned by the State of Arizona.

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



FEMA Maps 04019C3850L and 3875L, both dated June 16, 2011, indicates all of this parcel to be located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain. There are numerous wash areas and arroyos transversing the parcel. There are areas of the parcel which are located within the Riparian Habitat designations of Important Riparian Area and Xeroriparian B (as seen in the map in Exhibit F).

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

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

1. Preserve and protect the open space characteristics of those lands in the vicinity of the public preserves while at the same time permitting the economically reasonable use of lands;
2. Protect and enhance existing public preserves in Pima County as a limited and valuable resource;
3. Establish mechanisms that will protect the public preserves and result in an ecologically sound transition between the preserves and more urbanized development;
4. Assure the continued existence of adequate wildlife habitat and foster the unimpeded movement of wildlife in the vicinity of Pima County's public preserves;
5. Provide for an aesthetic visual appearance from and to Pima County's public preserves;
6. Promote a continued economic benefit to the region by protecting the public preserves for the enjoyment of residents and visitors alike; and
7. Neither promote nor discourage changes in underlying zoning, but rather provide continuing performance standards for the unique lands within the buffer overlay zone.

#### **ZONING:**

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

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

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

Specific development requirements include the following:

#### RH ZONING REQUIREMENTS

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

#### PIMA COUNTY COMPREHENSIVE PLAN:

The subject parcel is located in an area identified as Low Intensity Rural (LIR) according to the Pima County Comprehensive Plan (see 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.

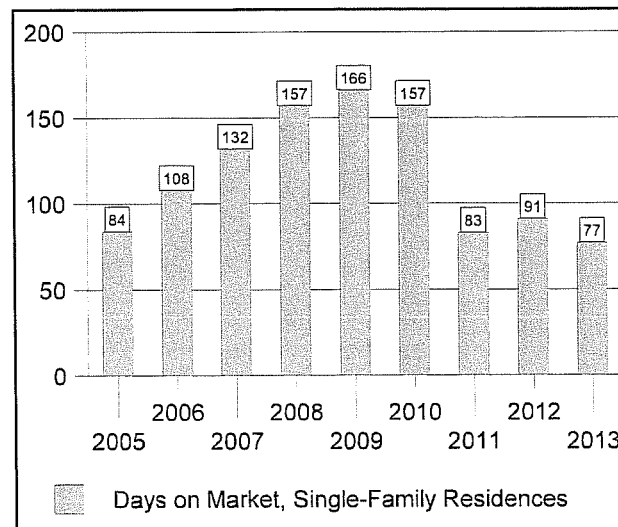
On the following pages is the Market Profile for residential land.

## 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.

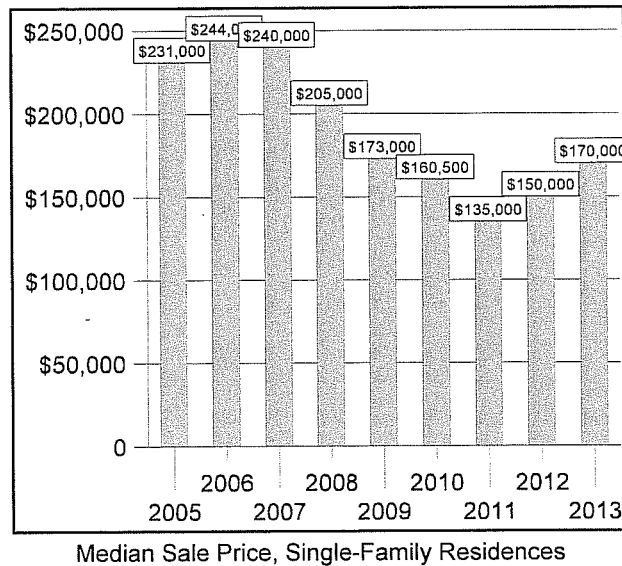
Starting in mid-2006, the market began to slow, and this trend continued into 2007, with a further slowdown in 2008 through 2010. Prices for residential properties leveled off and then decreased in all market areas. The demand for homes began to decline and fewer homes were purchased. The median price 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.

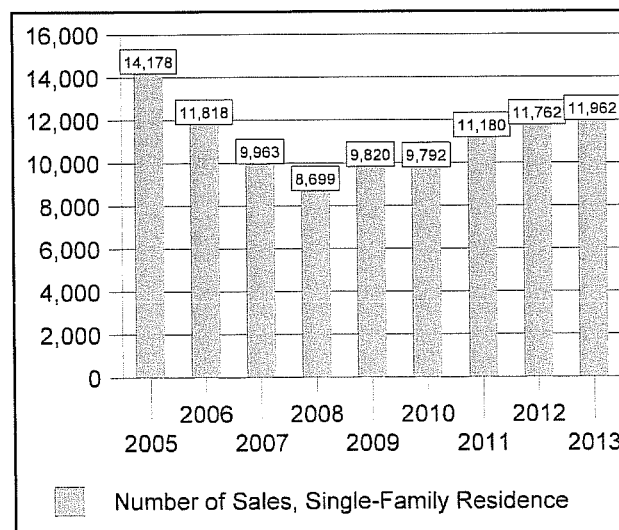


The following is the median sale price for single-family residences for the Tucson area, according to MLS. There was a significant decline in the median sale price for single-family residences starting in 2007. The median sale price declined through 2011. The decline in median sale prices is due to the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

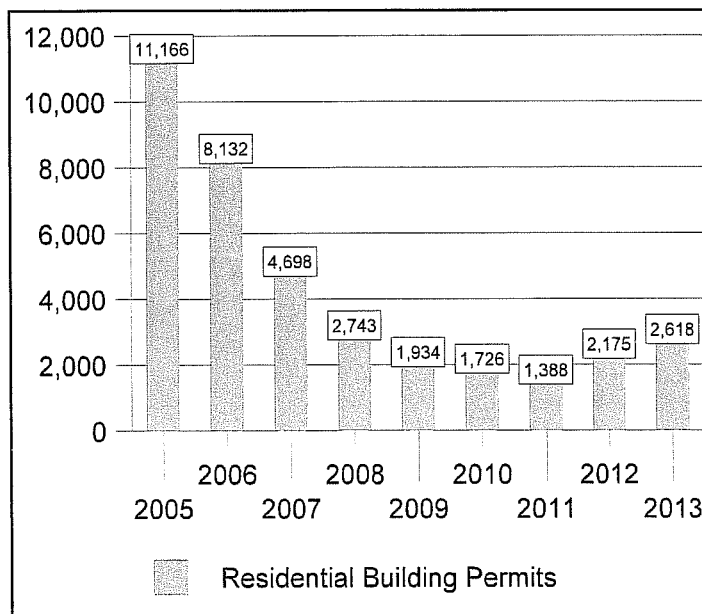


The number of sales of single-family residences in the Tucson area has also declined as fewer homes are purchased. The number of sales declined through 2008 and has gradually increased through 2013, which may be an indication that market conditions are stabilizing. However, the number of sales remains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

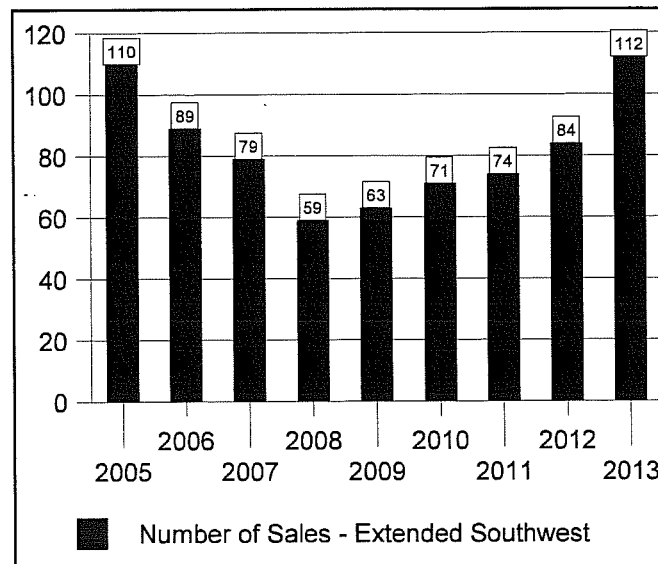


Starting in 2006, fewer single-family residential permits were issued due to the current oversupply of lots and residential homes on the market. According to the United States Census Bureau, Building Permits Survey, the number of single-family residential permits declined through 2012. There was limited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

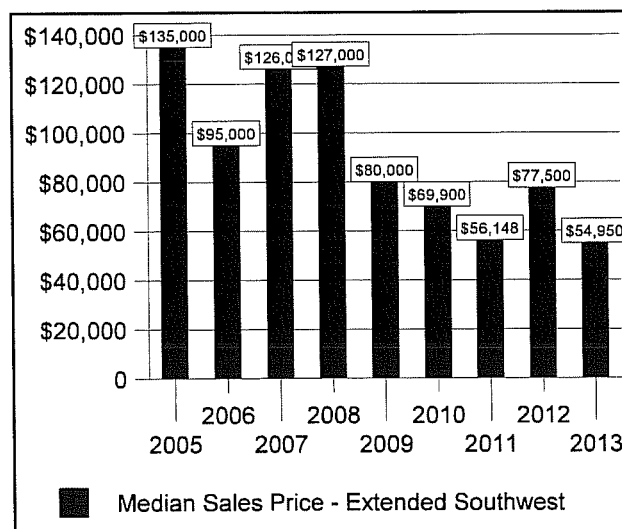
Overall, housing permits and sales had been increasing and a period of substantial growth occurred during 2004 and 2005 with unprecedented price increases having been experienced for most areas of Tucson. Building permit activity declined steadily in the Tucson Metropolitan area from a peak in 2005 of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



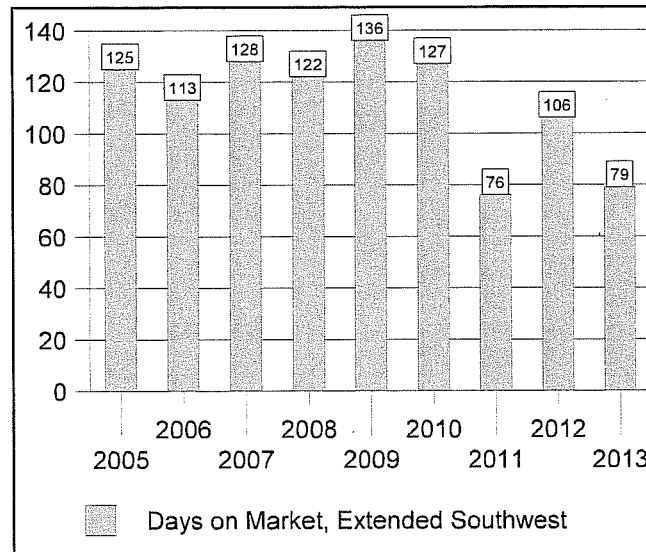
The following is the number of sales of residential properties in the subject sector, Extended Southwest, through 2013, according to MLS. This data indicates that the number of sales declined through 2008, then steadily began increasing through 2012, with a larger increase in 2013. Overall sales are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



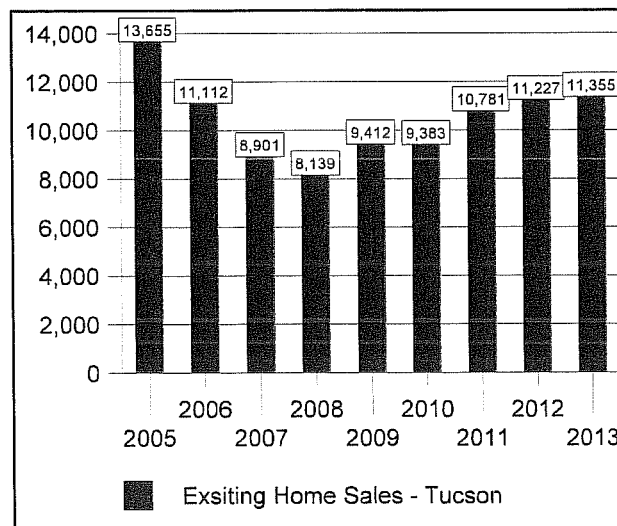
The following is the median sale price for residential properties in the subject Extended Southwest sector through 2013, according to MLS. This data indicates that the median sale price peaked in 2005, and had declined significantly in 2009. This decline stabilized in 2010, with an increase occurring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



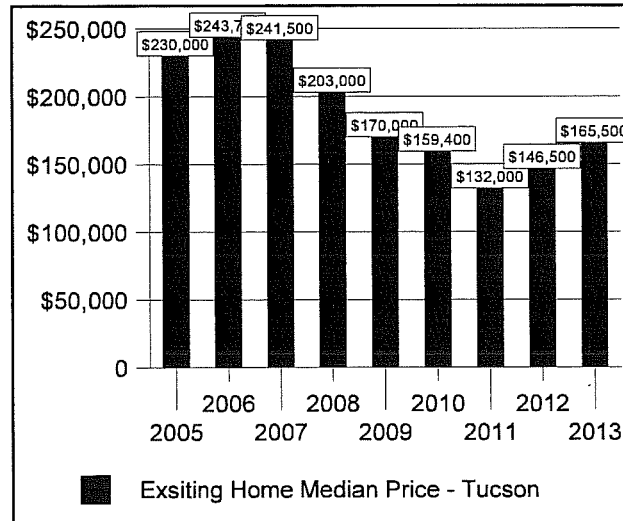
According to Multiple Listing Service (MLS), the days on market for sales of residences in the subject area, Extended Southwest had increased as properties have taken longer to sell. This data indicates that the days on market for residences remaining fairly high between 2005 through 2010, peaking in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



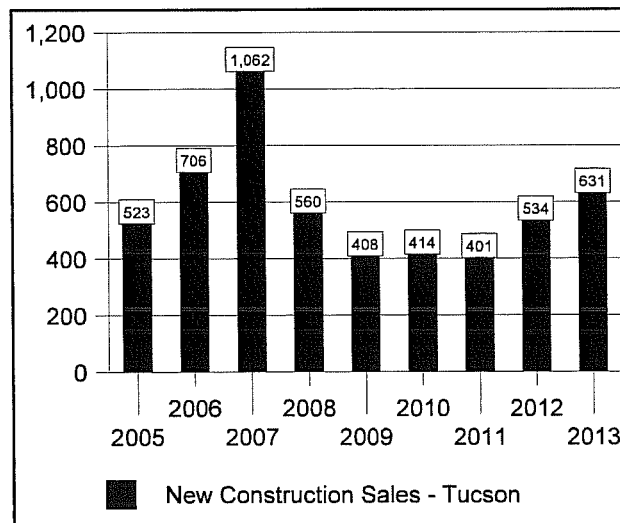
The following is the number of sales of existing single-family residences in the Tucson market through 2013, according to MLS. This data indicates that the number of sales declined from the peak in 2005 through 2008. The number of existing home sales in the Tucson market has steadily increased through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

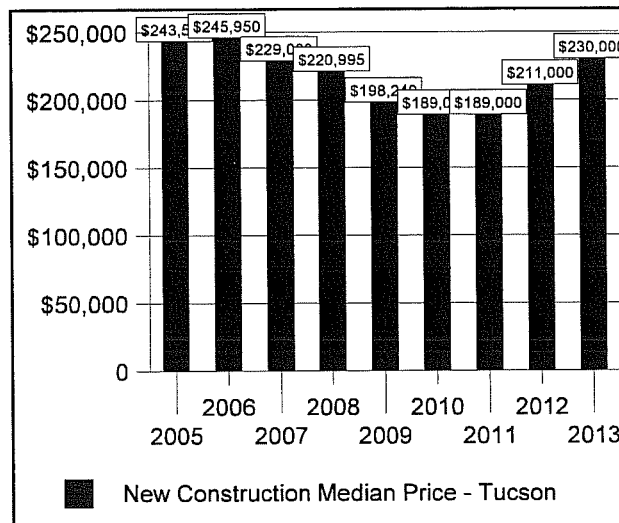


The following is the number of sales of new construction single-family residences in the Tucson market through 2013, according to MLS. This data indicates that the number of sales peaked in 2007. The number of new construction sales in the Tucson market declined significantly in 2008, then dropping further 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 are 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 inquiries 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 too 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 begins to stabilize and increase.

**HIGHEST AND BEST USE, BEFORE, AS VACANT:**

The Fifth Edition of *The Dictionary of Real Estate Appraisal* (Appraisal Institute, Chicago, 2010), defines highest and best use as follows:

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

The subject larger parcel is a part of the hypothetical “ATF” parcel of land that is Section 14, Township 19 South, Range 8 East, G&SRB&M. The “ATF” parcel has a size of 640 acres according to the Pima County Assessor records. The “ATF” parcel is traversed by the Las Delicias Road right of way. The conclusion of the larger parcel is based on the location of the subject property in an area where the contiguous land is owned by the State of Arizona. Based on the contiguous land uses the subject larger parcel is concluded to be RH zoned range land with a size of 640 acres. It is located 2.3 miles west of SR 286 (Sasabe Highway) and 20.0 miles north of the U.S.-Mexico International Border, Pima County, Arizona. The topography of the parcel ranges from level areas to rolling terrain. 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 the 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 the parcel are located within the 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 33 foot width of the Las Delicias 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 Las Delicias 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 Las Delicias Road in Section 14, Township 19 South, Range 8 East (640 acres). The concluded value of the "ATF" larger parcel will be used to estimate the just compensation due to the property owner for the acquisition of the permanent utility easement.

Because the subject property is the actual right of way for Las Delicias 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/<br>County                                                                                     | Sale Price      | Land Size<br>(Acres) | Price Per<br>Acre | Zoning |
|----------|------------------|------------------------------------------------------------------------------------------------------------------|-----------------|----------------------|-------------------|--------|
| 1.       | 6/2009           | East and west sides of<br>the Santa Cruz River,<br>east of Interstate 19/<br>Santa Cruz County                   | \$1,628,970     | 548.39               | \$2,970           | GR     |
| 2.       | 1/2010           | Santa Rita Road, east of<br>Interstate 19/<br>Pima County                                                        | \$1,566,320     | 779.33               | \$2,010           | RH     |
| 3.       | 12/2010          | Near the south side of<br>Ragged Top Road, west<br>of Waterman Road,<br>south of Silverbell Road/<br>Pima County | \$900,000       | 602.00               | \$1,495           | RH     |
| 4.       | Escrow<br>8/2012 | North of Santa Rita<br>Road, east of Interstate<br>19/<br>Pima County                                            | \$1,440,000     | 450.00               | \$3,200           | RH     |
| 5.       | 12/2012          | Arivaca Ranch Road/<br>Pima County                                                                               | \$1,500,000 (*) | 599.12               | \$2,504           | RH     |
|          |                  |                                                                                                                  |                 | 640 Acres            |                   | RH     |
|          |                  |                                                                                                                  |                 |                      |                   |        |

(\*) = Allocated price for deeded land



## SUMMARY OF COMPARABLE SALES ADJUSTMENTS

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

(\*) = "ATF" Parcel

### Summary of Adjustments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **SALES COMPARISON APPROACH SUMMARY, BEFORE:**

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

#### **SALES COMPARISON APPROACH CONCLUSION, BEFORE ACQUISITION:**

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

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

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

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

**\$1,536,000**

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

### **DESCRIPTION:**

Sierrita Gas Pipeline, LLC is seeking to acquire a portion of the Las Delicias 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). Las Delicias Road is identified as a 33 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 Las Delicias Road right of Way totals 0.038 acres (33 feet times 50 feet equals 1,650 square feet; 1,650 square feet divided by 43,560 square feet equals 0.038 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 Las Delicias 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 Las Delicias Road surface. The contractor will assure that vehicular traffic on Las Delicias 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 0.038 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 \$2,400 per acre. The market value of the permanent utility easement area to be acquired is \$2,400 per acre times 0.038 acres, equaling \$91, times 90 percent, equaling \$82, rounded to \$100.

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

$$\begin{array}{r r r r} 0.038 \text{ acres} \times \$2,400 \text{ per acre} = & \$91 & & \\ \text{Percentage of rights to be acquired (90\%)} = & \underline{\times 0.90} & & \\ & & & \$82 \\ & \text{Rounded to:} & & \$100 \end{array}$$

**MARKET VALUE OF PART TO BE ACQUIRED**

**\$100**

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

### **REMAINDER PROPERTY BEFORE:**

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

|                                          |              |
|------------------------------------------|--------------|
| Value of Property Before Acquisition:    | \$1,536,000  |
| Value of Property Rights To Be Acquired: | <u>(100)</u> |
| Value of Remainder Property Before:      | \$1,535,900  |

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

**\$1,535,900**

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

### **DESCRIPTION:**

After the acquisition, the remainder "ATF" parcel will consist of a rectangular shaped parcel undiminished in size by the land to be acquired. The gross area of the "ATF" parcel is 640 acres of which 0.038 acres will be encumbered with a permanent utility easement. Therefore, a total of 639.962 acres will be unencumbered fee simple land and 0.038 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 33 foot width of the Las Delicias 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 Las Delicias 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 Las Delicias Road in Section 14, Township 19 South, Range 8 East (640 acres). The concluded value of the "ATF" larger parcel will be used to estimate the just compensation due to the property owner for the acquisition of the permanent utility easement.

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



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

**HIGHEST AND BEST USE, AFTER, AS VACANT:**

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

**LAND VALUE AFTER ACQUISITION:**

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

**LAND VALUE AFTER ACQUISITION, CONCLUSION:**

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

|                                                             |               |             |
|-------------------------------------------------------------|---------------|-------------|
| <i>Land Value, After, Unencumbered (Fee Simple):</i>        |               |             |
| 639.962 acres x \$2,400 per acre =                          |               | \$1,535,909 |
| <i>Land Value, After, Encumbered with Utility Easement:</i> |               |             |
| 0.038 acres x \$2,400 per acre =                            | \$91          |             |
| Percentage of rights remaining (10%) =                      | <u>x 0.10</u> |             |
|                                                             |               | 9           |
| <i>Land Value, After, Unencumbered and Encumbered Land:</i> |               | \$1,535,918 |
|                                                             | Rounded to:   | \$1,535,900 |

**MARKET VALUE CONCLUSION, AFTER:**

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

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

**\$1,535,900**

## ***SECTION F - SEVERANCE DAMAGES***

### **DESCRIPTION OF SEVERANCE DAMAGES:**

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

### **CONCLUSION OF SEVERANCE DAMAGES:**

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

|                                      |                    |
|--------------------------------------|--------------------|
| Value of Remainder Property, Before: | \$1,535,900        |
| Value of Remainder Property, After:  | <u>(1,535,900)</u> |
| Severance Damages:                   | -0-                |

## ***SECTION G - SUMMARY OF VALUE CONCLUSIONS***

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

### **TOTAL COMPENSATION:**

|                                                |              |
|------------------------------------------------|--------------|
| Market Value of Property Rights To Be Acquired | \$100        |
| Severance Damages                              | 0            |
| Special Benefits                               | <u>0</u>     |
| <b>TOTAL COMPENSATION</b>                      | <b>\$100</b> |

*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 33 foot width of the Las Delicias 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 Las Delicias 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 Las Delicias Road in Section 14, Township 19 South, Range 8 East (640 acres). The concluded value of the "ATF" larger parcel will be used to estimate the just compensation due to the property owner for the acquisition of the permanent utility easement.

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

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

## PART V - ASSUMPTIONS AND LIMITING CONDITIONS

1. **Definitions.** "Appraisal," as herein defined, is the process of completing a service; namely, a valuation assignment. "Subject property" refers to the property which is the subject of the assignment. "Appraisers" are those persons, whether one or more, who have accepted the assignment and who have participated in the analyses, opinions, and conclusions formed in the appraisal. "Company" refers to Baker, Peterson, Baker & Associates, Inc. "Report" refers to this written document containing the analyses, opinions, and conclusions which constitute the appraisal.
2. **Liability.** The liability of Baker, Peterson, Baker & Associates, Inc., including any or all of its employees, and including the appraisers responsible for this report, is limited to the Client only, and to the fee actually received by the Company. Further, there is no accountability, obligation or liability to any third party. If this report is placed in the hands of any person other than the Client, the Client is responsible for making such party aware of all assumptions and limiting conditions related thereto. The appraisers are in no way responsible for any costs incurred to discover or correct any deficiencies of any type present in the subject property, whether physical, financial, or legal.
3. **Title.** No opinion as to title is rendered. Data related to ownership and legal description was provided by the Client or was obtained from available public records and is considered reliable. Unless acknowledged in this report, no title policy or preliminary title report were provided. Title is assumed to be marketable and free and clear of all liens, encumbrances, and restrictions except those specifically discussed in the report. The property is appraised assuming responsible ownership, competent management and ready availability for its highest and best use.
4. **Survey or Engineering.** No survey or engineering analysis of the subject property has been made by the appraisers. It is assumed that the existing boundaries are correct and that no encroachments exist. The appraisers assume no responsibility for any condition not readily observable from customary investigation and inspection of the premises which might affect the value thereof, excepting those items which are specifically mentioned in the report.
5. **Data Sources.** The report is based, in part, upon information assembled from a wide range of sources and, therefore, the incorporated data cannot be guaranteed. An impractical and uneconomic expenditure of time would be required in attempting to furnish unimpeachable verification in all instances, particularly as to engineering and market-related information. It is suggested that the Client consider independent verification within these categories prior to any transaction involving a sale, lease, or other significant commitment of the subject property, and that such verification be performed by appropriate recognized specialists.

6. ***Subsequent Events.*** The date of valuation to which the conclusions and opinions expressed in this report apply is set forth in the letter of transmittal. The appraisers assume no responsibility for economic or physical factors occurring after the date of valuation which may affect the opinions in this report. Further, in any prospective valuation assignment, the appraisers cannot be held responsible for unforeseeable events that alter market conditions prior to the date of valuation. Such prospective value estimates are intended to reflect the expectations and perceptions of market participants along with available factual data, and should be judged on the market support for the forecasts when made, not whether specific items in the forecasts are realized.
7. ***Adjustments.*** The appraisers reserve the right to make such adjustments to the analyses, opinions, and conclusions set forth in this report as may be required by consideration of additional data or more reliable data which may become available subsequent to issuance of the report.
8. ***Special Rights.*** No opinion is expressed as to the value of any subsurface (oil, gas, mineral) or aerial rights or whether the property is subject to surface entry for the exploration or removal of materials except where expressly stated in the report.
9. ***Value Distribution.*** The distribution of total value in this report between land and improvements applies only under the specified highest and best use of the subject property as herein described. The allocations of value among the land and improvements do not apply to any other property other than the property which is the subject of this report.
10. ***Legal or Special Opinions.*** No opinion is intended to be expressed for matters which require legal expertise, specialized investigation, or a level of professional or technical knowledge beyond that customarily employed by real estate appraisers.
11. ***Personal Property.*** Unless expressly stated within this report, no consideration has been given as to the value of any personal property located on the premises, or to the cost of moving or relocating such personal property. Only the real property has been considered.
12. ***Soil Conditions.*** Unless expressly stated within this report, no detailed soil studies covering the subject property were available to the appraisers. Therefore, it is assumed that existing soil conditions are capable of supporting development of the subject property in a manner consistent with its highest and best use without extraordinary foundation or soil remedial expense. Further, it is assumed that there are no hidden or unapparent matters (hazardous materials, toxic substances, etc.) related to the soil or subsoil which would render the subject more or less valuable by knowledge thereof.

13. ***Court Testimony.*** Testimony or attendance in court or at any other hearing (including depositions) is not required by reason of rendering this appraisal or issuing this report, unless such arrangements have previously been made and are part of a contract for services.
14. ***Exhibits.*** Maps, floor plans, photographs, and any other exhibits contained in this report are for illustration only, and are provided as an aid in visualizing matters discussed within the report. They should not be considered as surveys or scale renderings, or relied upon for any other purpose.
15. ***Statute, Regulation, and License.*** Unless otherwise stated within the report, the subject property is assumed to be in full and complete compliance with all applicable federal, state, and local laws related to zoning, building codes, fire, safety, permits, and environmental regulations. Further, it is assumed that all required licenses, certificates of occupancy, consents or other legislative or administrative authorizations have been, or can be, readily obtained or renewed as related to any use of the subject property on which the value estimate contained herein is based.
16. ***Hidden or Unapparent Conditions.*** It is assumed that there are no hidden or unapparent conditions which, if known, would affect the analyses, opinions or conclusions contained in this report. This includes, but is not limited to, electrical, mechanical, plumbing, and structural components.
17. ***Hazardous/Toxic Substances.*** In this appraisal assignment, no observation was made of the existence of potentially hazardous material used in the construction and/or maintenance of the improvements, or from any other source, whether borne by land or air, including, but not limited to, asbestos, lead, toxic waste, radon, and urea formaldehyde. While not observed, and while no information was provided to confirm or deny the existence of such substances (unless expressly stated herein), it is emphasized that the appraisers are not qualified to detect or analyze such substances. Unless otherwise stated, no consideration has been given to the presence of, nature of, or extent of such conditions, nor to the cost to “cure” such conditions or to remove any toxic or hazardous substances which could potentially affect the value or marketability of the property. Any such conclusions must be based upon the professional expertise of persons qualified to make such judgments. Thus, any person or other entity with an interest in the subject property is urged to retain an expert if so desired. This value estimate assumes that there is no such material on or in the property.
18. ***Americans with Disabilities Act of 1990.*** The ADA became effective on January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could

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

19. ***Disclosure.*** Disclosure of the contents of this report is governed by the By-Laws and Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report, including the value estimate, the identity of the appraisers or their professional designations, or the company with which the appraisers are associated, shall be used for any purpose by anyone other than the Client as herein stated, without the prior written consent of the appraisers. Nor shall it be conveyed, in whole or in part, in the public through advertising, news, sales, listings, or any other media without such prior written consent. Possession of this report does not carry with it any right of public distribution.
20. ***Type of Report.*** This is an appraisal report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice for an Appraisal Report. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.
21. ***Endangered and Threatened Species.*** The appraisers have not made a specific survey of the subject property to determine whether or not it has any plant or wildlife which are identified as an endangered or threatened species by the U. S. Fish and Wildlife Service. While not observed and while no information was provided to confirm or deny the existence of any endangered or threatened species on the subject property (unless expressly stated herein), it is emphasized that the appraisers are not qualified to detect or analyze such plants or wildlife. Any such conclusions must be based upon the professional expertise of persons qualified to make such judgments. Thus, any person or other entity with an interest in the subject property is urged to retain an expert if so desired. It is possible that a survey of the property could reveal that the site contains endangered or threatened plants or wildlife. If so, this fact could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible endangered or threatened species in estimating the value of the property.
22. ***Subject Larger Parcel Size and Valuation Method.*** Based on a Right-of-Way Use Permit submitted by Sierrita Gas Pipeline, LLC to the Pima County Department of Transportation, the proposed permanent utility easement for the gas pipeline is entirely within the 33 foot width of the Las Delicias 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 Las Delicias 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 Las Delicias Road in Section 14, Township 19, South, Range 8 East (640 acres). The concluded value of the "ATF" larger parcel will be used to estimate the just compensation due to the property owner for the acquisition of the permanent utility easement.

23. ***Value of the Remainder Land, After.*** This appraisal report includes the appraisal of the market value of the remainder land, as if the pipeline project was complete. As the pipeline project is not complete as of the effective date of value, the appraisal of the market value of the remainder land, after, is based upon the hypothetical condition that the project was completed based upon the plans provided to the appraiser by Sierrita Gas Pipeline, L.L.C., a Delaware limited liability company (hereinafter referred to as Sierrita Gas Pipeline, LLC). If the pipeline project is not completed as indicated by the plans provided by Sierrita Gas Pipeline, LLC, to the appraiser, then the conclusions in this report are subject to change. Per USPAP, the use of this hypothetical condition might have affected the assignment results.
24. ***Grazing Leases.*** The subject 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<br>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 Right of Way Establishment                                                               |
| Exhibit M.1 | Qualifications of Jeff Teplitsky                                                              |
| Exhibit M.2 | Qualifications of Company                                                                     |

## EXHIBIT A - SUBJECT MAP

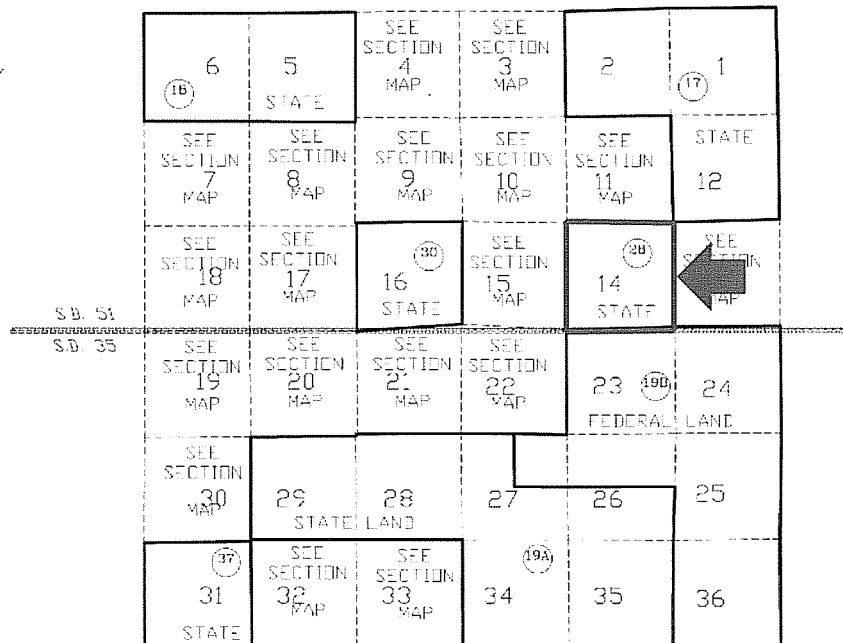
ASSESSOR'S RECORD MAP

301-52

## SECTION 1-36, TOWNSHIP 19 SOUTH, RANGE 08 EAST

SEE SECTIONS 3,4,7-11,13,15,17-22,30,32,33 FOR INDIVIDUAL MAPS

FORMERLY  
301-53



PINO  
 COUNTY  
 ASSessor

1596-1

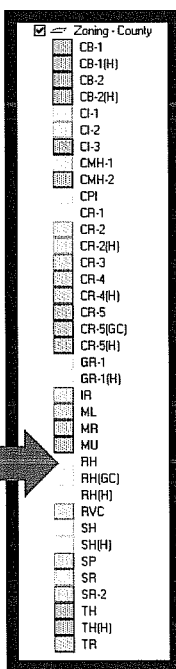
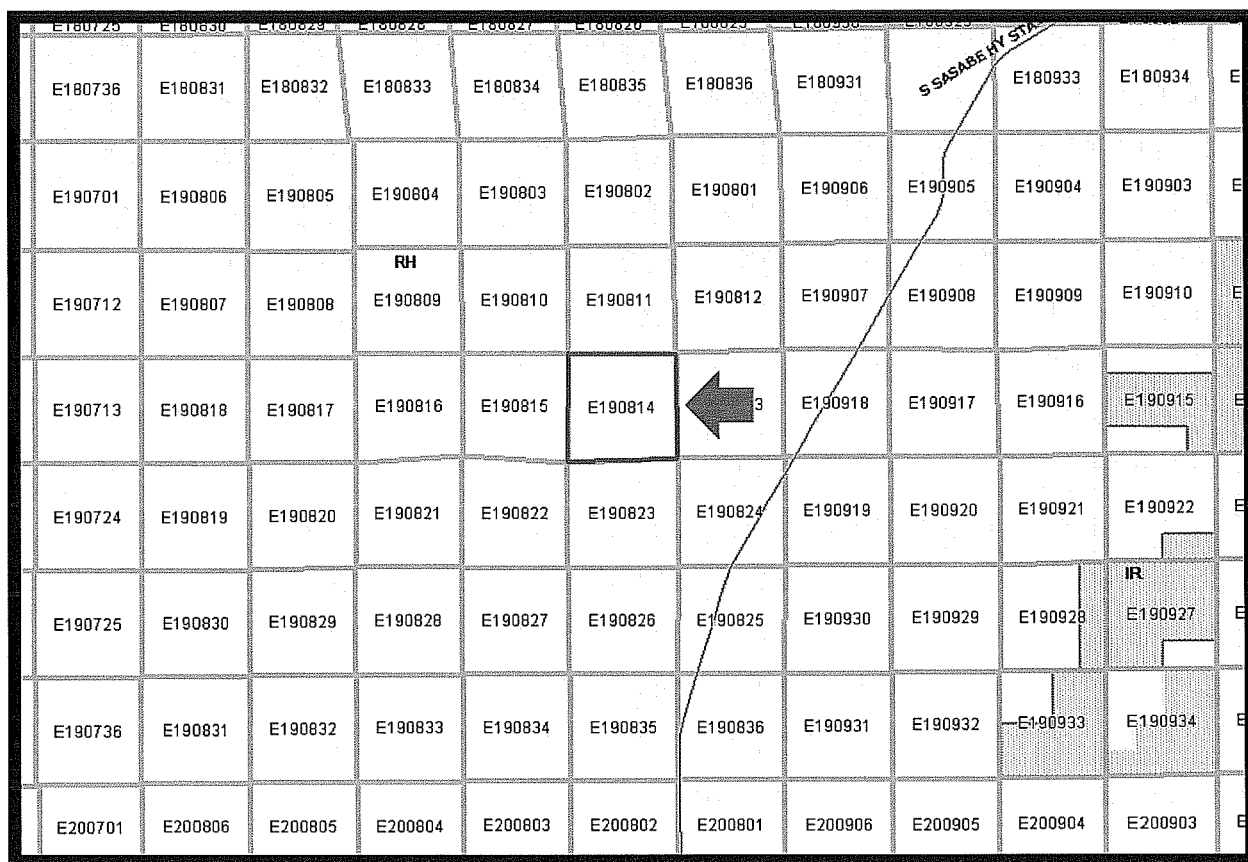
ALL INFORMATION CONTAINED HEREIN IS UNCLASSIFIED  
DATE 01-23-97 BY 60322 UCBAW

0 3600 7200  
FEET

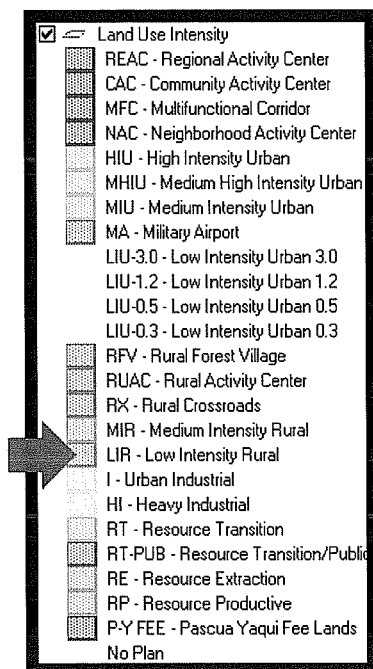
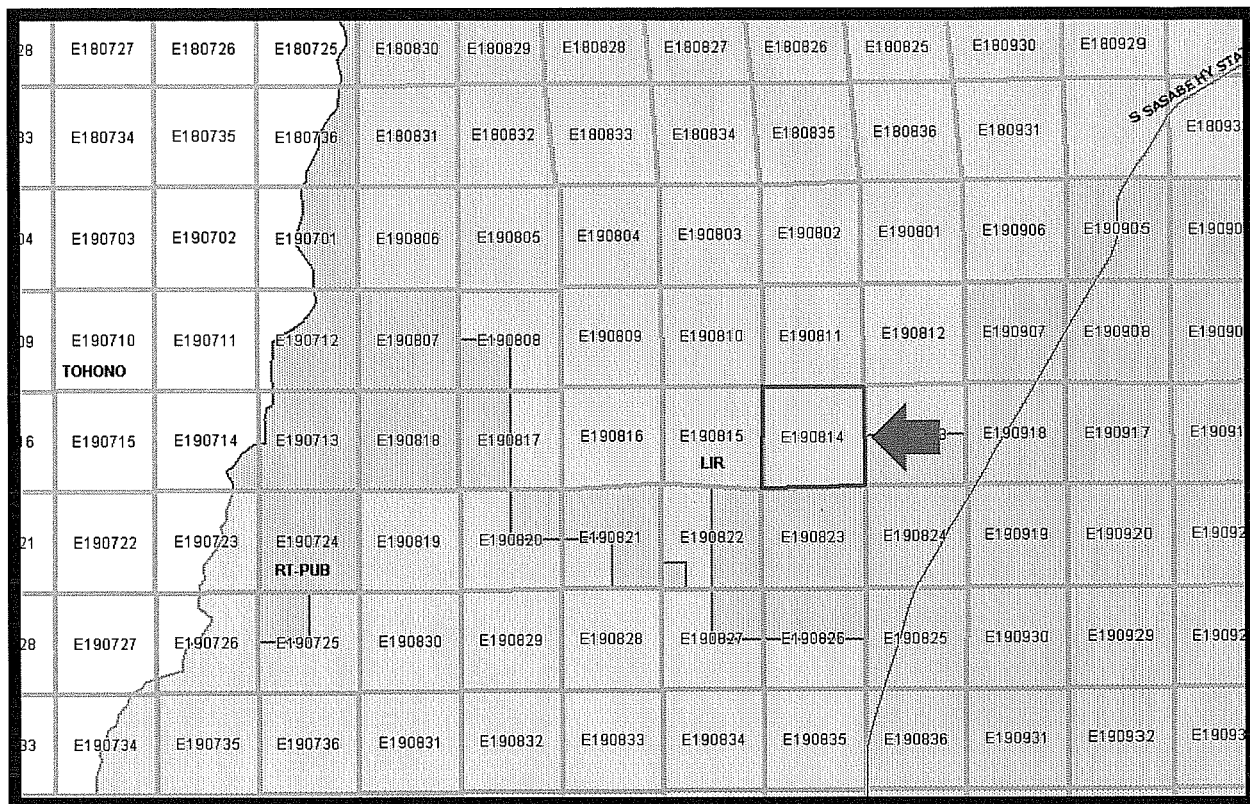
## EXHIBIT B - AERIAL PHOTOGRAPH



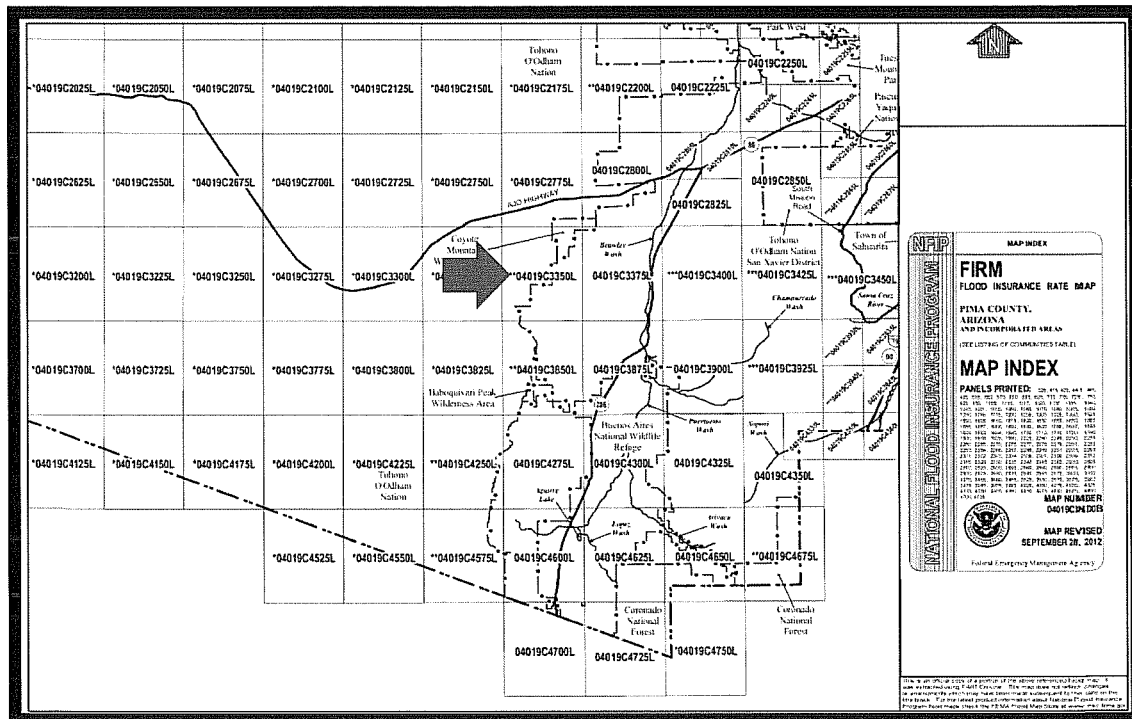
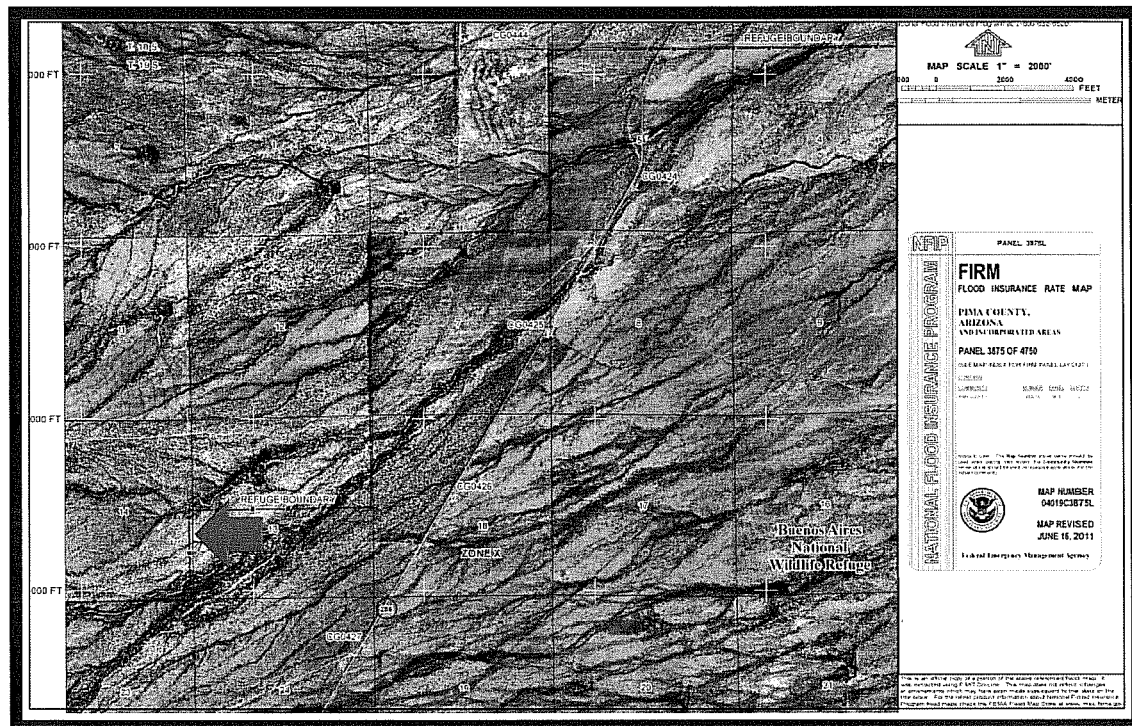
# EXHIBIT C - ZONING MAP



## EXHIBIT D - COMPREHENSIVE PLAN LAND USE MAP

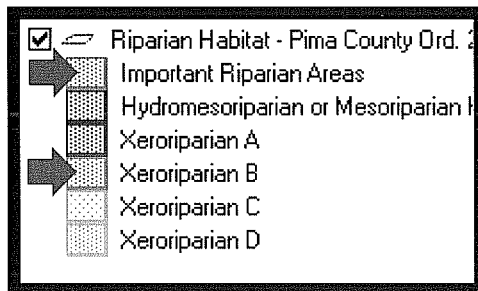
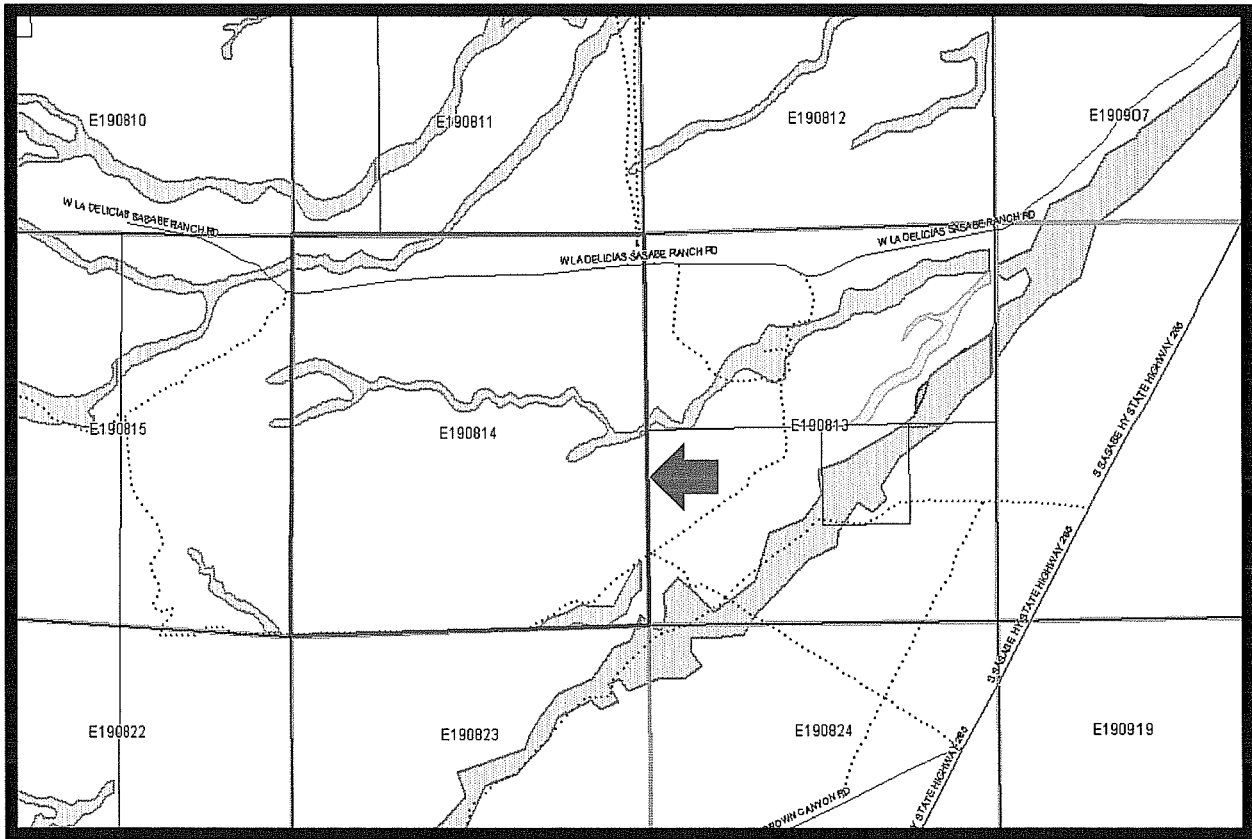


## EXHIBIT E - FLOOD PLAIN MAPS



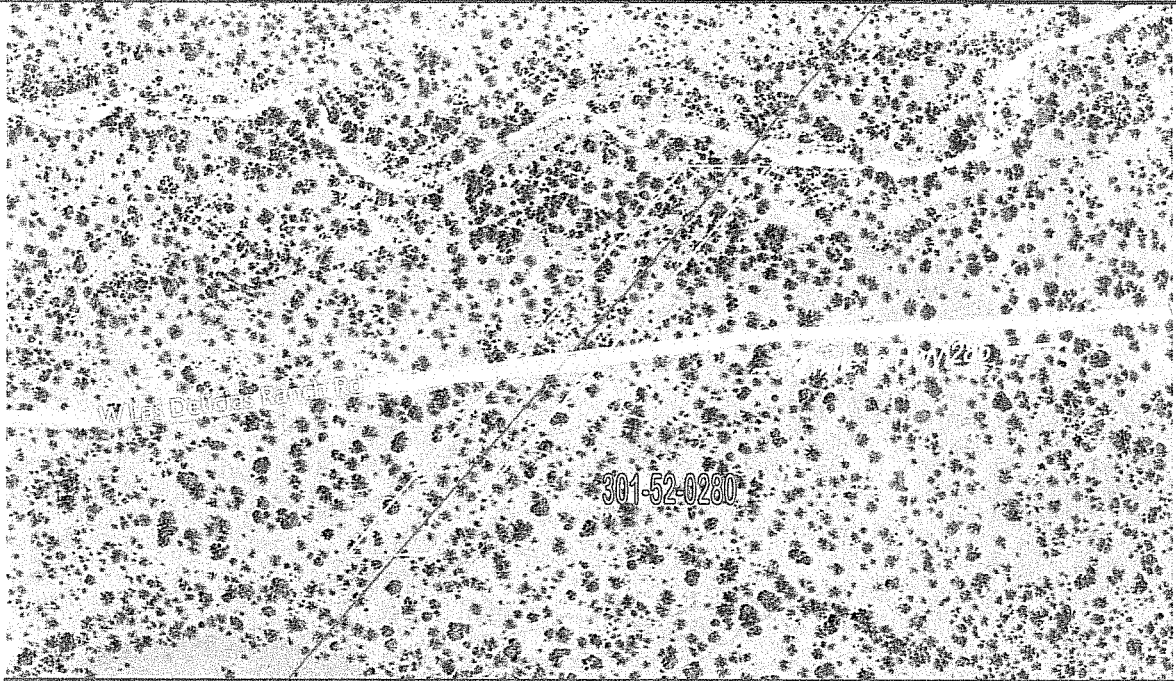
- 
 • PANEL NOT PRINTED - AREA IN ZONE D  
 - - - PANEL NOT PRINTED - FOREST AREA IN ZONE D, AREA OUTSIDE FOREST IN ZONE X  
 . . . PANEL NOT PRINTED - NO SPECIAL FLOOD HAZARD AREAS

## EXHIBIT F - RIPARIAN HABITAT MAP









REFERENCE: EMS Engineering Plan and Profile Drawing No: 56173012 and Sierrita Gas Pipeline Alignment Sheet 2177.O-16

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

## **LEGEND:**

APPROXIMATE SCALE



L2177 PROPOSED LINE

L2177 MILE POST

WORK AREA LIMITS (Adjacent)

WORK AREA IN ROADWAY

PARCEL LINES

SECTION LINE

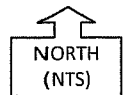
*MP 37.5: La Delicias Sasabe Ranch Road*

*33' Roadway*

*Open Cut Trench and Construction Equipment Crossing*

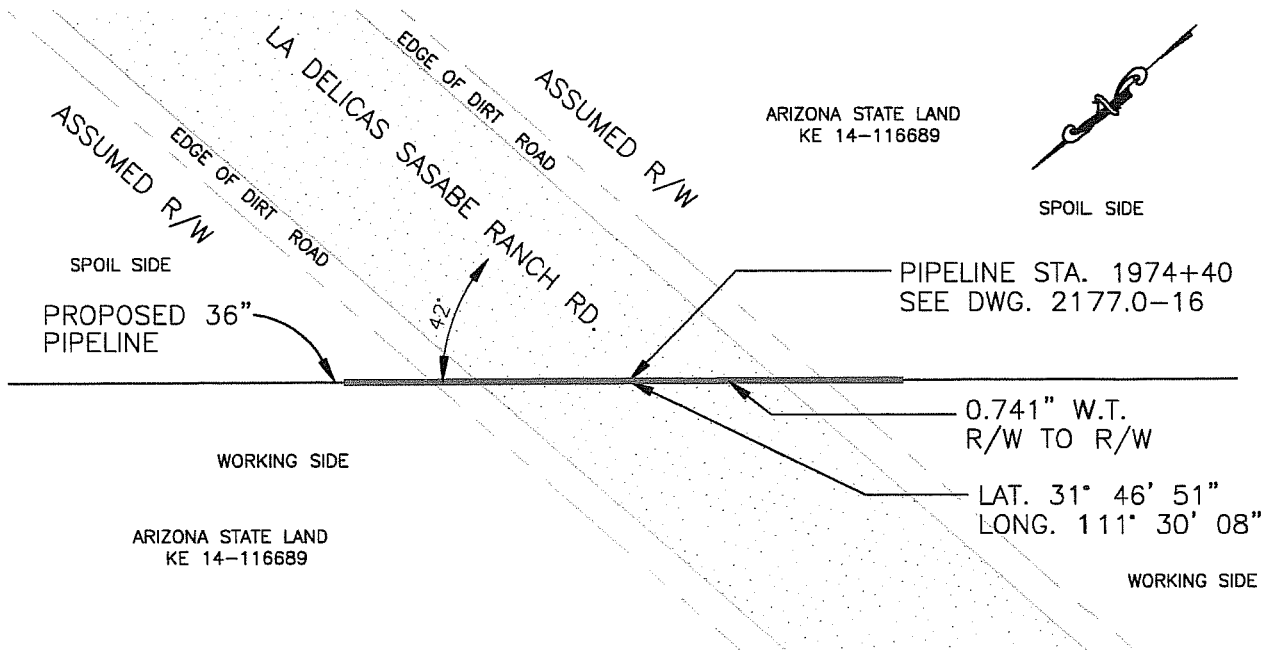
T19S, R8E, Section 14

Pima County Arizona



**Sierrita**  
Gas Pipeline LLC

# PIMA COUNTY, ARIZONA



PIPELINE CROSSING LENGTHS  
R/W - R/W = 43'  
DIRT ROAD SURFACE = 33'

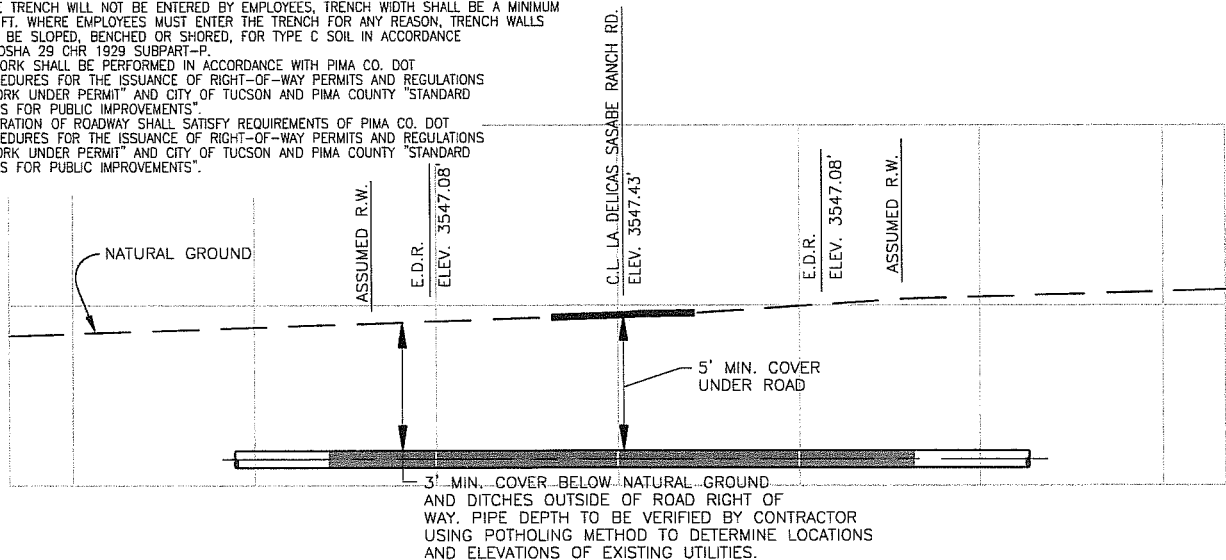
PLAN VIEW  
SCALE: 1" = 30'

## NOTES:

- CROSSING METHOD TO BE OPEN CUT.
- LOCATIONS REFLECTED ON THE DRAWINGS SHALL BE VERIFIED IN THE FIELD BY THE CONTRACTOR PRIOR TO CONSTRUCTION BY THE FOLLOWING METHODS:
  - CONTRACTOR SHALL CALL ARIZONA BLUE STAKE AT 811 AND COMPLY WITH STATE OF ARIZONA BLUE STAKE LAW ARS CHAPTER 2, ARTICLE 6.3, SECTIONS 40-360.21 THROUGH 40-360.32.
  - CONTRACTOR SHALL POTHOLE EXISTING UTILITIES TO DETERMINE THEIR LOCATIONS AND ELEVATIONS.
- CONTRACTOR WILL INSTALL A TEMPORARY GATE FOR ACCESS AS REQUIRED.
- 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.
- 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".
- RESTORATION OF ROADWAY SHALL SATISFY REQUIREMENTS OF PIMA CO. DOT "PROCEDURES FOR THE ISSUANCE OF RIGHT-OF-WAY PERMITS AND REGULATIONS OF WORK UNDER PERMIT" AND CITY OF TUCSON AND PIMA COUNTY "STANDARD DETAILS FOR PUBLIC IMPROVEMENTS".

## PIPE DESCRIPTION:

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



PROFILE  
NOT TO SCALE

## REVISIONS

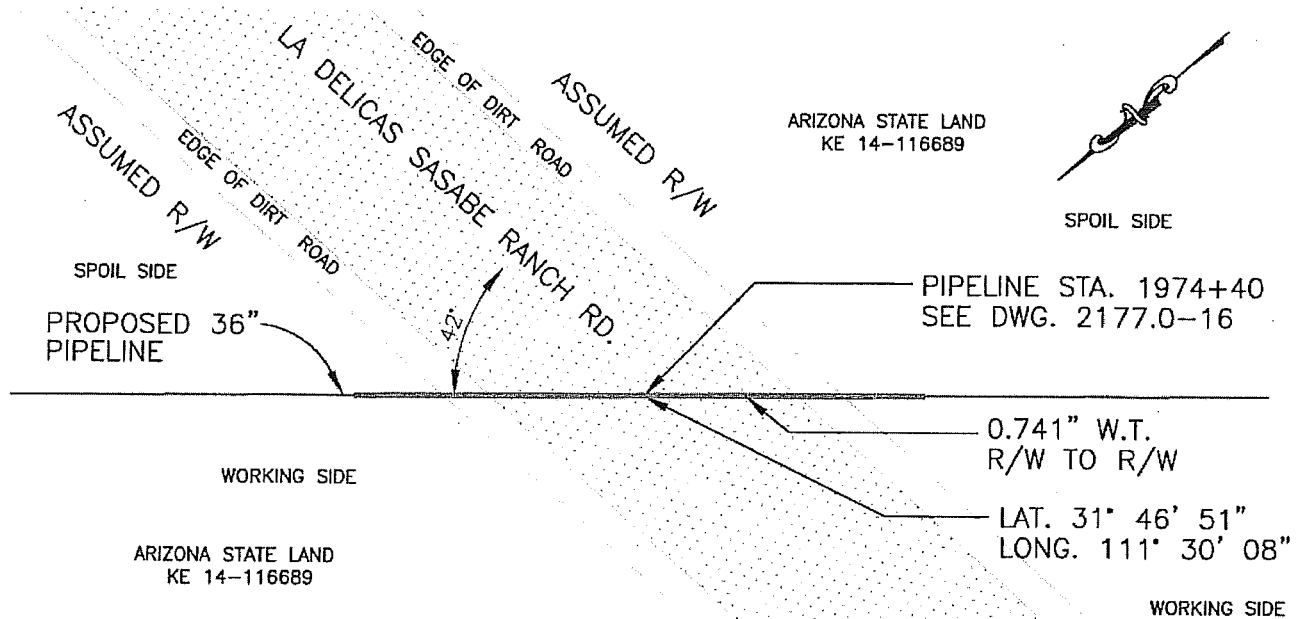
| NO. | DESCRIPTION       | DATE     |
|-----|-------------------|----------|
| A   | ISSUED FOR REVIEW | 11/14/13 |
| B   | ISSUED FOR PERMIT | 12/20/13 |
| C   | ISSUED FOR PERMIT | 01/15/14 |
| D   | ISSUED FOR PERMIT | 01/23/14 |
| E   | ISSUED FOR PERMIT | 01/30/14 |

| SCALE           |          | AS NOTED      |
|-----------------|----------|---------------|
| DRAWN           | EMS      | DATE 10/08/13 |
| CHK'D           | EMS      | DATE 01/30/14 |
| APPROVED        | EMS      | DATE 01/30/14 |
| EMS JOB NO.     | 5617     |               |
| AFE/P.D. NO.    |          |               |
| CLIENT FILE NO. |          |               |
| EMS FILE NO.    | 56173012 |               |

## SIERRITA GAS PIPELINE LLC

|                                               |          |                      |
|-----------------------------------------------|----------|----------------------|
| TITLE                                         |          | ROAD CROSSING DETAIL |
| LA DELICAS SASABE RANCH RD. PIPELINE CROSSING |          |                      |
| PIMA COUNTY                                   |          | ARIZONA              |
| NO.                                           | 56173012 |                      |
| REV.                                          | E        |                      |

# PIMA COUNTY, ARIZONA



PIPELINE CROSSING LENGTHS  
R/W - R/W = 43'  
DIRT ROAD SURFACE = 33'

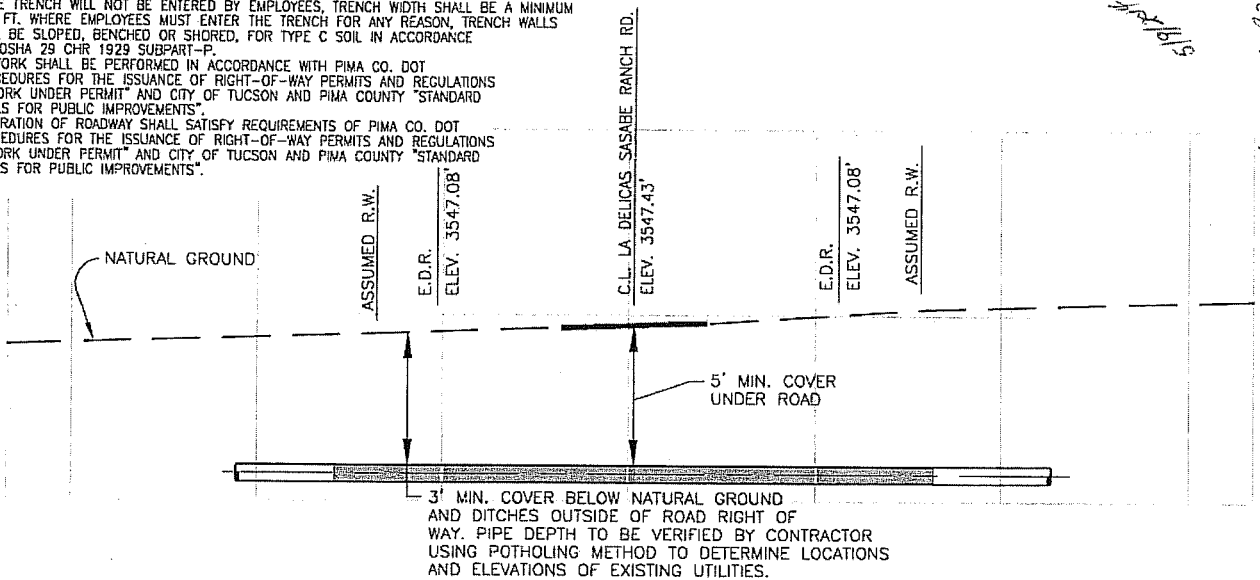
PLAN VIEW  
SCALE: 1" = 30'

## NOTES:

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- 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".
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## PIPE DESCRIPTION:

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



PROFILE  
NOT TO SCALE

| REVISIONS |                   |          | SCALE AS NOTED  |          | SIERRITA GAS PIPELINE LLC                     |                      |
|-----------|-------------------|----------|-----------------|----------|-----------------------------------------------|----------------------|
| NO.       | DESCRIPTION       | DATE     | DRAWN           | EMS      |                                               |                      |
| A         | ISSUED FOR REVIEW | 11/14/13 | CHK'D           | EMS      | DATE 10/08/13                                 |                      |
| B         | ISSUED FOR PERMIT | 12/20/13 | APPROVED        | EMS      | DATE 01/30/14                                 |                      |
| C         | ISSUED FOR PERMIT | 01/15/14 | EMS JOB NO.     | 5617     | TITLE                                         | ROAD CROSSING DETAIL |
| D         | ISSUED FOR PERMIT | 01/23/14 | AFE/P.O. NO.    |          | LA DELICAS SASABE RANCH RD. PIPELINE CROSSING |                      |
| E         | ISSUED FOR PERMIT | 01/30/14 | CLIENT FILE NO. |          | PIMA COUNTY                                   | ARIZONA              |
|           |                   |          | EMS FILE NO.    | 56173012 | NO.                                           | 56173012             |
|           |                   |          |                 |          | REV.                                          | E                    |

Scott D. C. 6/30/14  
EXPIRES 6/30/14

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

**PHOTO 1 - VIEW SOUTHWEST OF SUBJECT PROPERTY  
FROM LAS DELICIAS RANCH ROAD**



**PHOTO 2 - VIEW NORTH OF SUBJECT PROPERTY  
FROM LAS DELICIAS RANCH ROAD**

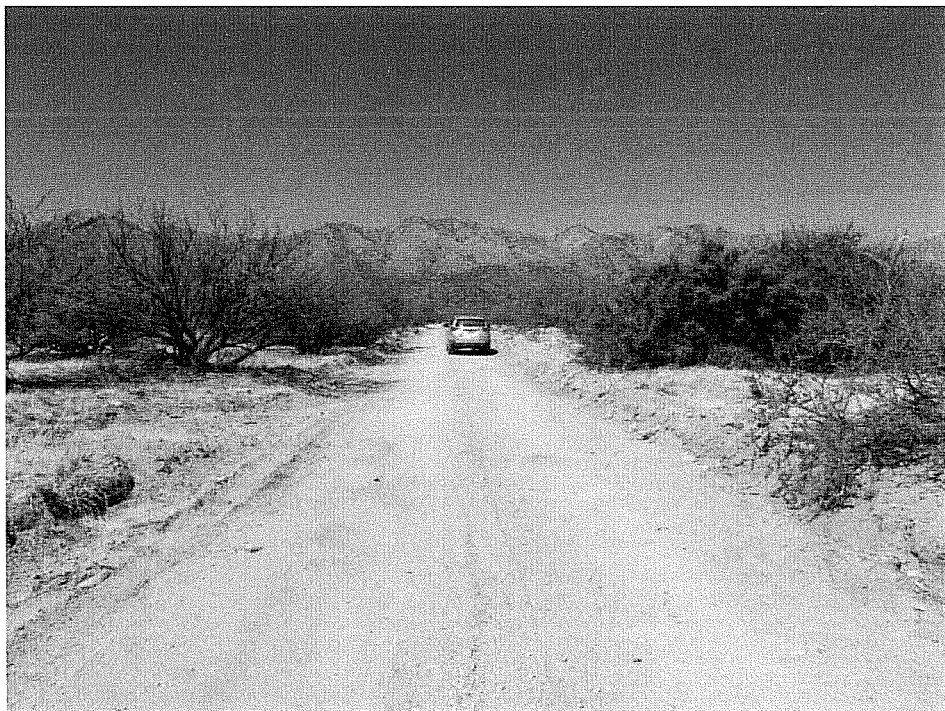




PHOTO 3 - VIEW EAST ALONG LAS DELICIAS RANCH ROAD

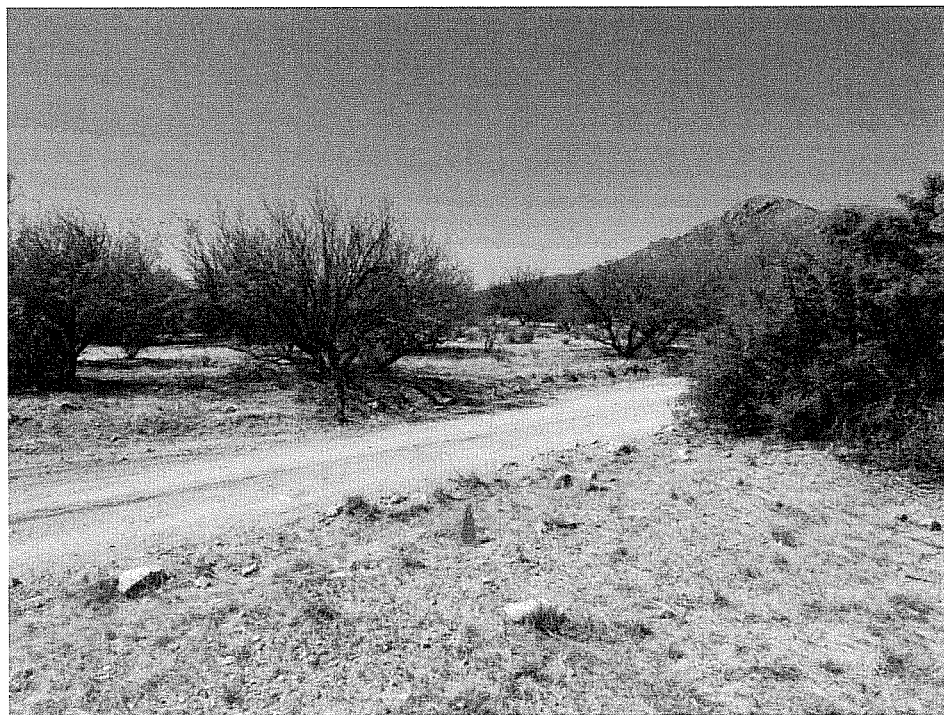


PHOTO 4 - VIEW WEST ALONG LAS DELICIAS RANCH ROAD

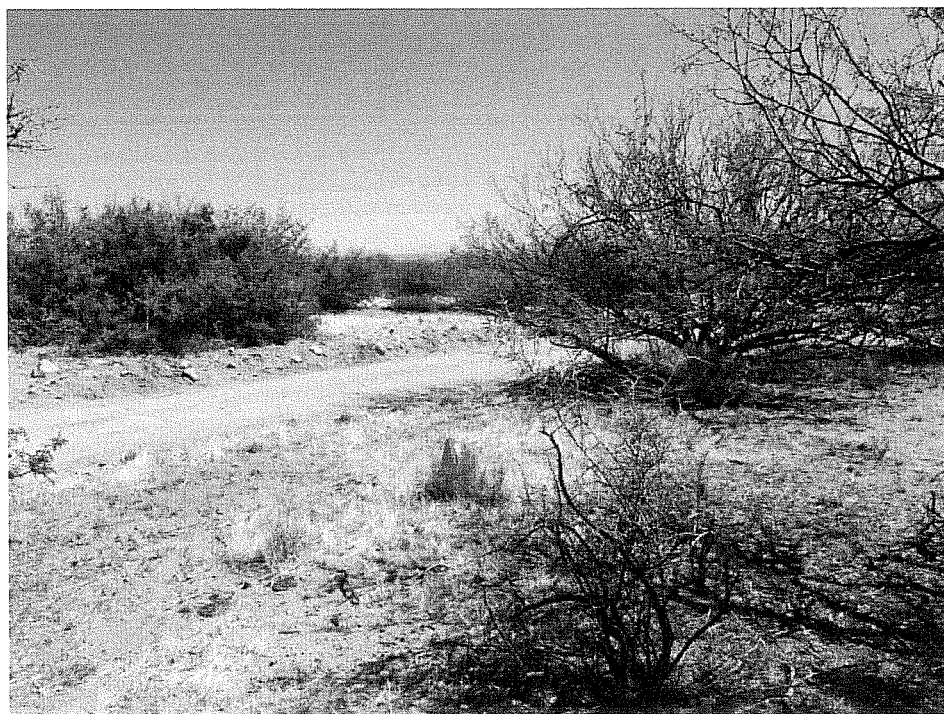


**EXHIBIT I - SUBJECT PHOTOGRAPHS OF AREA TO BE ACQUIRED  
AND LARGER PARCEL**

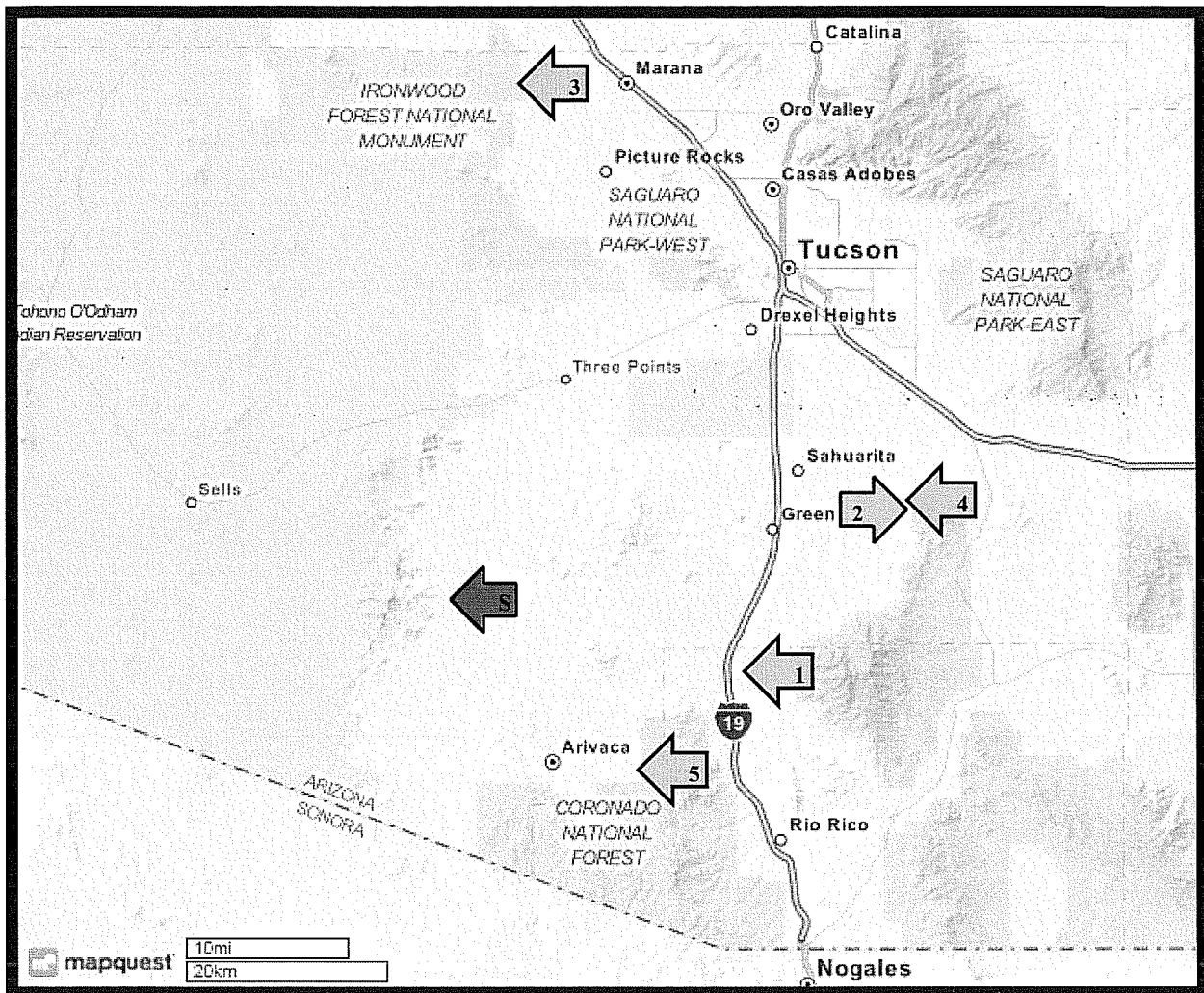
**PHOTO 5 - VIEW SOUTHWEST OF EASEMENT TO BE ACQUIRED**



**PHOTO 6 - VIEW NORTHEAST OF EASEMENT TO BE ACQUIRED**



## EXHIBIT J - COMPARABLE LAND SALES LOCATION MAP



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

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

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

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

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

Sale 5: Arivaca Ranch Road, Pima County



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

### LAND COMPARABLE NUMBER 1 (SALE)

ID: SCL 0101 GR 6604

LOCATION: East and west sides of the Santa Cruz River, east of Interstate 19, Santa Cruz County, Arizona

LEGAL DESCRIPTION: A portion of Sections 7 and 18, Township 20 South, Range 13 East, and a portion of Sections 12 and 13, Township 20 South, Range 12 East, G&SRB&M, Santa Cruz County, Arizona

STATE TAX PARCEL: 111-20-004 (portion), 111-23-005 and 012  
111-24-001A, 111-28-006A

RECORD DATA: Document Number 2009-05888

DATE OF SALE: June 25, 2009

SELLER: James Clayton Olson Trust

BUYER: Laurinda Oswald (Oswald Cattle Company)

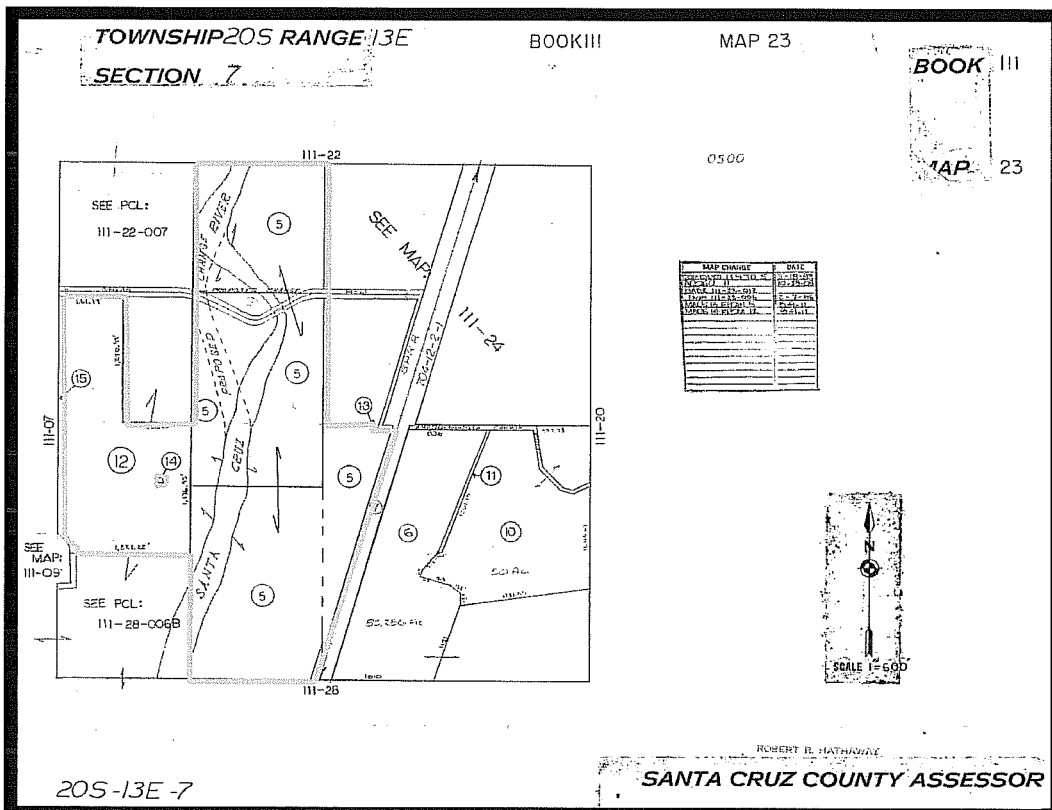
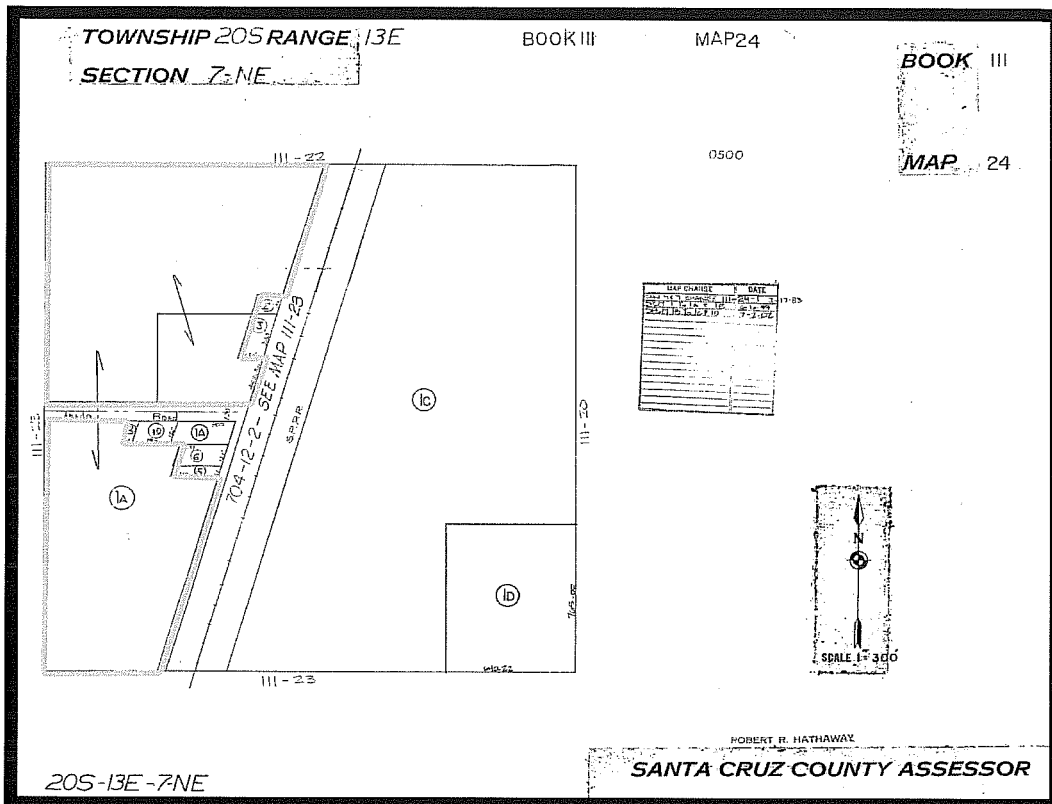
CONFIRMED BY: Laurinda Oswald, buyer (520-398-2883)  
Greg Vinikoor, broker (520-954-3977)  
JT; May, 2013

LAND DESCRIPTION: This site is a long, irregular shaped property comprised of five parcels. The site is bisected north-south by the Santa Cruz River and east-west by river tributaries/washes and by Amado Road. Amado Road is a two-lane, dirt roadway in the vicinity of this property. The topography is mostly level. Utilities available to the property include water, electric and telephone. Sewer will be by septic and gas by bottled propane. According to FEMA Flood Insurance Rate Maps 04023C0035C and 0045C dated December 2, 2011, the majority of the land is identified as being located in a Special Flood Hazard Area, Zone AE, which is designated as areas subject to flooding by the 1% annual chance flood, with base flood elevations determined. Additionally, the portion of the site that falls within the Santa Cruz River area is identified as Zone AE (striped), which is designated as areas in which the floodway is the channel of a stream plus any

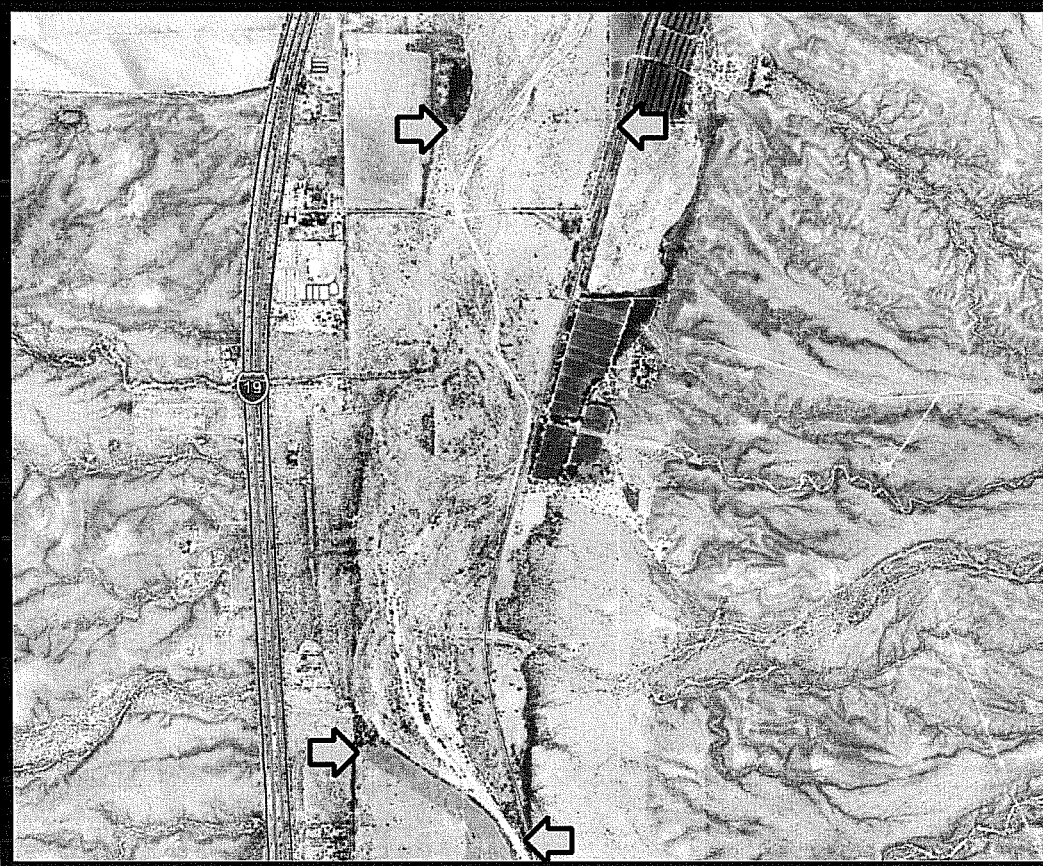
adjacent floodplain areas that must be kept free of encroachment so that the 1% annual chance flood can be carried without substantial increases in flood heights. Small areas on the west side of the site fall in Special Flood Hazard Zone A and Flood Area Zone X (shaded). Flood Zone A is designated as areas subject to flooding by the 1% annual chance flood, with no base flood elevations determined. Flood Zone X (shaded) is areas of 0.2% annual chance flood; areas of 1% annual chance flood with average depths of less than 1 foot or with drainage areas less than 1 square mile; and areas protected by levees from 1% annual chance flood.

|                      |                                                                                                                                                                                                                                                                                                                                           |
|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| LAND SIZE:           | 548.39 acres                                                                                                                                                                                                                                                                                                                              |
| ZONING:              | GR (Santa Cruz County)                                                                                                                                                                                                                                                                                                                    |
| REPORTED SALE PRICE: | \$1,628,970                                                                                                                                                                                                                                                                                                                               |
| PRICE PER ACRE:      | \$2,970                                                                                                                                                                                                                                                                                                                                   |
| MARKETING TIME:      | Six months                                                                                                                                                                                                                                                                                                                                |
| TERMS OF SALE:       | This was an all cash to the seller transaction.                                                                                                                                                                                                                                                                                           |
| PRIOR SALE:          | Records of the Santa Cruz County Assessor indicate that no transaction has occurred within five years of the date of valuation.                                                                                                                                                                                                           |
| CONDITIONS OF SALE:  | The property was purchased by an adjacent property owner, who paid a premium to assemble the property for future expansion of the Oswald Cattle Company. The buyer indicated that she paid a premium for the property as part of both expansion of her cattle operation and to preserve and restore the land which was poorly maintained. |
| INTENDED USE:        | Cattle ranch/investment                                                                                                                                                                                                                                                                                                                   |
| COMMENTS:            | There was a conservation easement located on the property, which was not affected by the sale. The water rights had been transferred prior to the sale but the purchaser indicated that it did not affect the planned use as the buyer could supply water.                                                                                |

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



ROBERT H. HATHAWAY  
**SANTA CRUZ COUNTY ASSESSOR**



LOCATION: Along Santa Rita Road and private easement roadways, east of Interstate 19, Pima County, Arizona

LEGAL DESCRIPTION: A portion of Sections 10, 15, 22, 23, and 27, Township 18 South, Range 15 East, G&SRB&M, Pima County, Arizona

STATE TAX PARCELS: 305-53-002H  
305-53-004D and 004H  
305-56-001B, 001C  
305-58-0330, 0360, and 0370  
305-57-004B, 013B, 013C, and 013E

RECORD DATA: Book 13722, at Page 2221

DATE OF SALE: January 11, 2010

SELLER: Natalie Lebrecht and Avra Valley Rand & Properties, LLC

BUYER: Rosemont Copper Company

CONFIRMED BY: Walter Unger, seller's agent, (520-975-5207)  
TAB; October, 2009

LAND DESCRIPTION: This site consists of 11 parcels with a total land area of just over 779 acres of which 489 acres are contiguous and the balance of the parcels are in the same area, but not contiguous. Portions of the property have frontage on Santa Rita Road. The site is accessed from I-19 via Santa Rita Road and Sahuarita Road. Access to the parcels are mostly on dirt private easement roadways off of Santa Rita Road. Santa Rita Road is a two-lane, dirt road. The topography is level to rolling terrain. There are electric lines that run across portions of the property. Public water and sewer are not available. Water would be by well and sewer by septic. According to FEMA Flood Insurance Rate Maps 04019C3450K and 04019C3950K, the site is not identified as being located in a Special Flood Hazard Area. There are washes on the property that would be regulated by local floodplain ordinances. Portions of the property are located in areas identified as Important

Riparian and Xeroriparian C. The property has good mountain views and valley views to the west.

LAND SIZE: 779.33 acres

ZONING: RH, Pima County

REPORTED SALE PRICE: \$1,566,320

PRICE PER ACRE: \$2,010

MARKETING TIME: The property was on the market for a total of one year before it went into escrow in December, 2009.

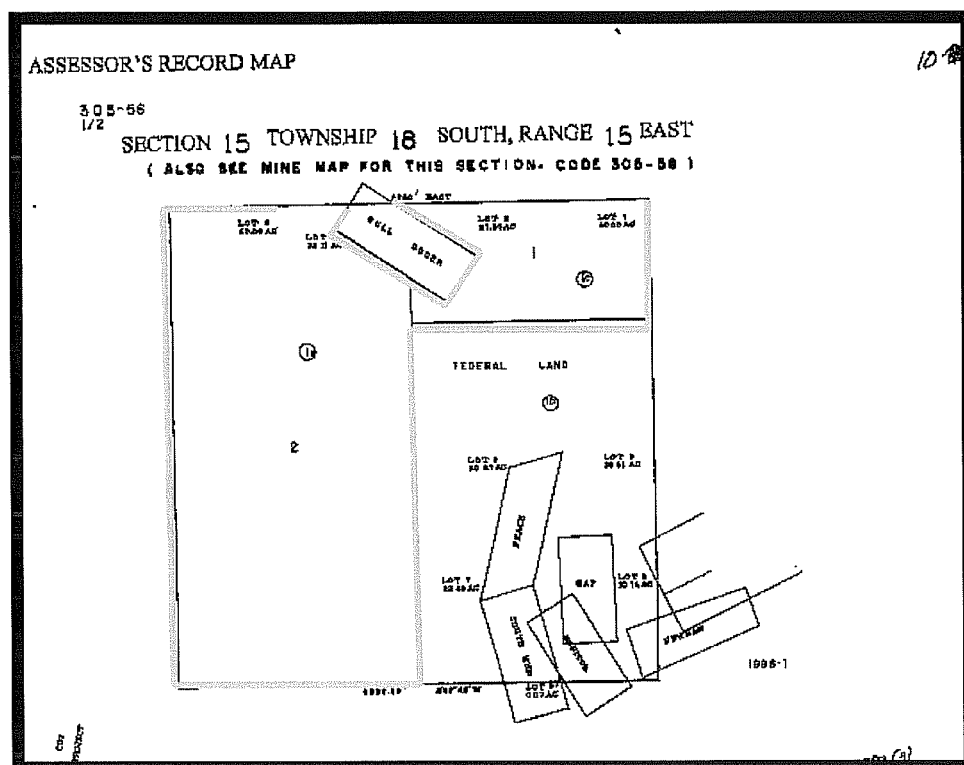
TERMS OF SALE: This sale includes favorable terms that affected the sale price, resulting in a higher purchase price. The agent indicated a 10 percent adjustment for favorable terms.

PRIOR SALE: Records of the Pima County Assessor indicate that no transaction has occurred within three years of the date of valuation.

CONDITIONS OF SALE: This sale is reported to have occurred under normal market conditions.

INTENDED USE: Open buffer space for an open pit mine to be developed to the east.

COMMENTS: This property sold near the asking price at very favorable terms that impacted the sales price.

[illegible]

## 12

308-57  
1/4

[illegible]

511 BOX 8, 8400 N.E.  
200th - E

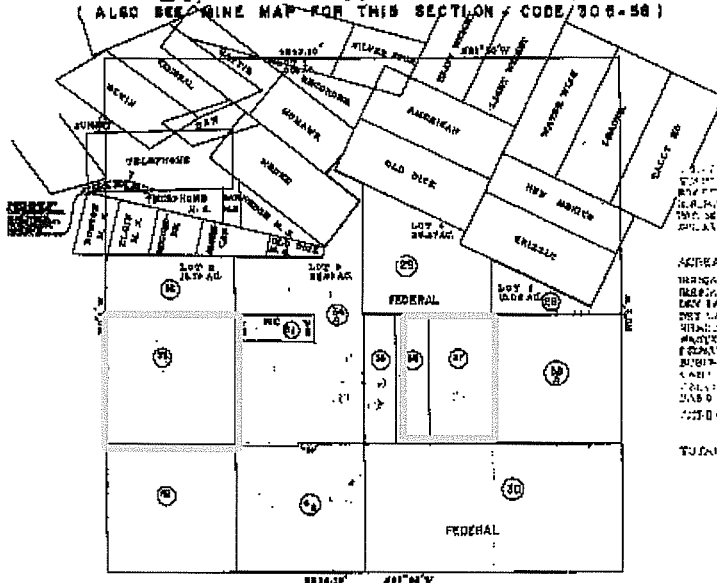
**DISCLAIMER:**

181522 ~~SECRET~~

## 13 4

305-58  
12

( ALSO SEE WINE MAP FOR THIS SECTION / CODE/700-50 )



APPEARANCE AND AGE OF THE DOOR

THE SECRETARY OF THE ARMY  
 WASHINGTON, D. C. 20315  
 DEPT. OF THE ARMY  
 HEADQUARTERS  
 1000 ARMY BUILDING  
 WASHINGTON, D. C. 20315  
 1000 ARMY BUILDING  
 WASHINGTON, D. C. 20315  
 1000 ARMY BUILDING  
 WASHINGTON, D. C. 20315

**TOTAL ASSETS:**

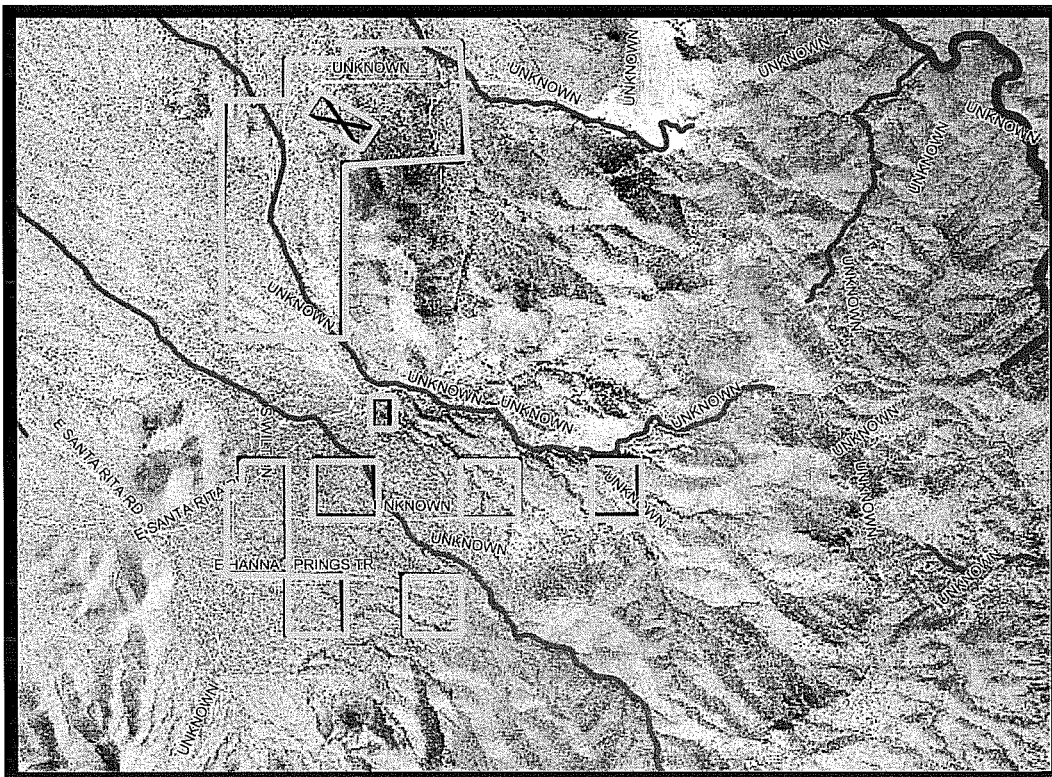
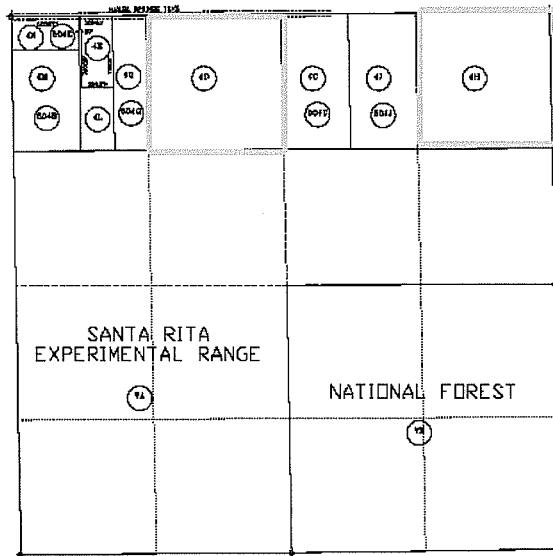
EOOT-11  
ALL BOOKS & PAPERS BY A.S.

181623

2007-07-16



ASSESSOR'S RECORD MAP  
305-53 SECTION 27, TOWNSHIP 18 SOUTH, RANGE 15 EAST



LOCATION: Near the south side of Ragged Top Road, west of Waterman Road and south of Silverbell Road, Pima County, Arizona

LEGAL DESCRIPTION: Section 32, Township 11 South, Range 9 east of the G&SRB&M, Pima County, Arizona, except the northwest quarter of the northwest quarter; and except the southwest quarter of the southwest quarter; and that except a portion of the northwest quarter of the northeast quarter.

STATE TAX PARCEL: 208-06-003E

RECORD DATA: Affidavit of Fee No.: 2010-2460342

DATE OF SALE: December 23, 2010

SELLER: Avra Valley Ranch & Properties

BUYER: Torrance Potter Family Trust

CONFIRMED BY: Walter Unger, listing broker (602) 445-4141  
TAB; August, 2012

LAND DESCRIPTION: This site is situated within the Ironwood National Monument with approximately 3,400 feet of frontage near Ragged Top Road. Access to the property is from Ragged Top Road across property owned by the Federal Bureau of Land Management, which will require an access easement across 30 feet that separates Ragged Top Road from the parcel. Ragged Top is a rough graded roadway that requires 4-wheel drive for access. The topography is rolling with some steeper sloping areas. No utilities are available to the property. Water would be by private well and septic is required. According to the Pima County Assessor, the land is identified as being located within FEMA Flood Insurance Rate Map 04019C1000L (unprinted) Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain. There are local washes which cross the property which are regulated by local floodplain ordinances.

|                      |                                                                                                                                                                                                                                                                                                                                                                                                             |
|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| LAND SIZE:           | 602 acres                                                                                                                                                                                                                                                                                                                                                                                                   |
| ZONING:              | RH                                                                                                                                                                                                                                                                                                                                                                                                          |
| REPORTED SALE PRICE: | \$900,000                                                                                                                                                                                                                                                                                                                                                                                                   |
| PRICE PER ACRE:      | \$1,495                                                                                                                                                                                                                                                                                                                                                                                                     |
| MARKETING TIME:      | 7 - 8 months                                                                                                                                                                                                                                                                                                                                                                                                |
| TERMS OF SALE:       | This was an all cash transaction to the seller or terms equivalent to cash.                                                                                                                                                                                                                                                                                                                                 |
| PRIOR SALE:          | Records of the Pima County Assessor indicate that no transaction has occurred within three years of the date of valuation.                                                                                                                                                                                                                                                                                  |
| CONDITIONS OF SALE:  | This sale is reported to have occurred under normal market conditions.                                                                                                                                                                                                                                                                                                                                      |
| INTENDED USE:        | Investment                                                                                                                                                                                                                                                                                                                                                                                                  |
| COMMENTS:            | <p>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.</p> <p>This site has good views of the valley and is surrounded by BLM land and is contained entirely within the Ironwood National Monument.</p> |

ASSESSOR'S RECORD MAP

200 96

SECTION 32, TOWNSHIP 11 SOUTH, RANGE 09 EAST

3B

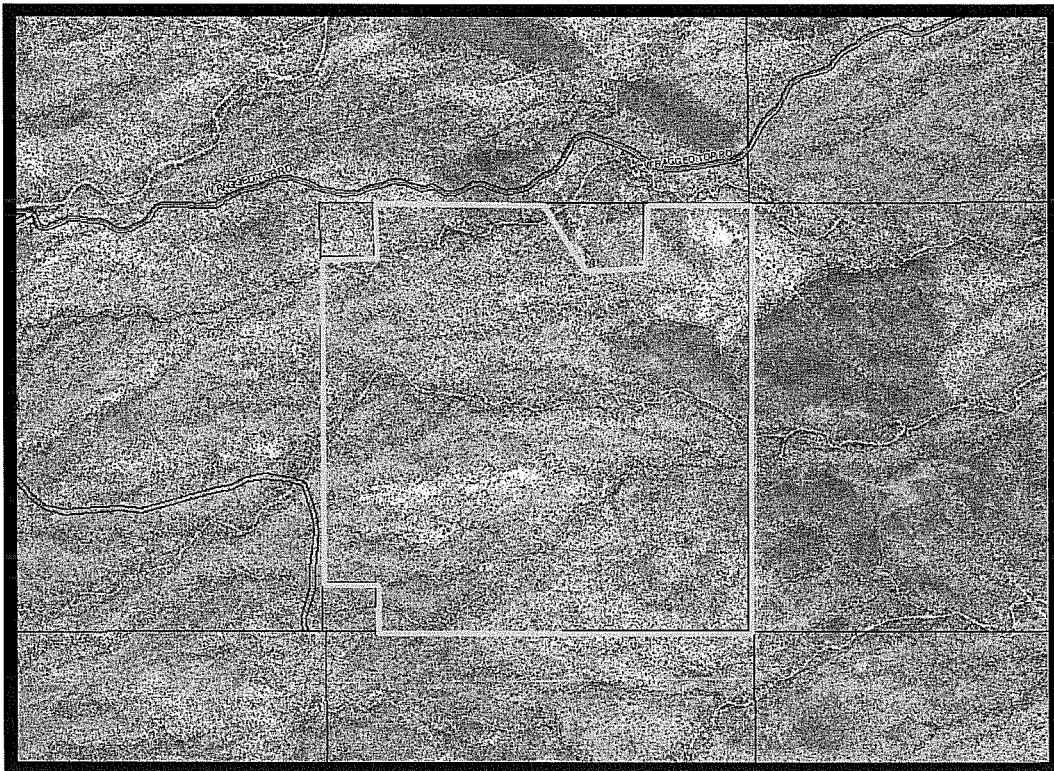
3F

3D

3E

0 100 200 300 400

FEET



LOCATION: North of Santa Rita Road, along private easement roadway, east of Interstate 19, Pima County, Arizona

LEGAL DESCRIPTION: Portions of the North half and a portion of the Southwest quarter of Section 10, Township 18 , Range 15 East, G&SRB&M, Pima County, Arizona

STATE TAX PARCEL: 305-53-002D, 002F, 002G

RECORD DATA: In escrow (August, 2012)

DATE OF LIST: Listed since January, 2010

SELLER: Terra Bella Ranches, LLC

BUYER: Rosemont Copper

CONFIRMED BY: Walter Unger, Listing agent (602) 445-4141  
TAB; August, 2012

LAND DESCRIPTION: This site is a mostly rectangular shaped interior property, accessed by private dirt easement roadway. This easement is accessed from Santa Rita Road which travels west from the area of this property to Sahuarita Road and Interstate 19. The topography is sloping with some rolling higher hills in some areas. Electricity is available to the property. Water will be by a well and sewer will be by septic. According to FEMA Flood Insurance Rate Map 04019C3500L (unprinted), the land is identified as being located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain. There are local washes which cross the property and would be regulated by local floodplain ordinances.

LAND SIZE: 450 acres

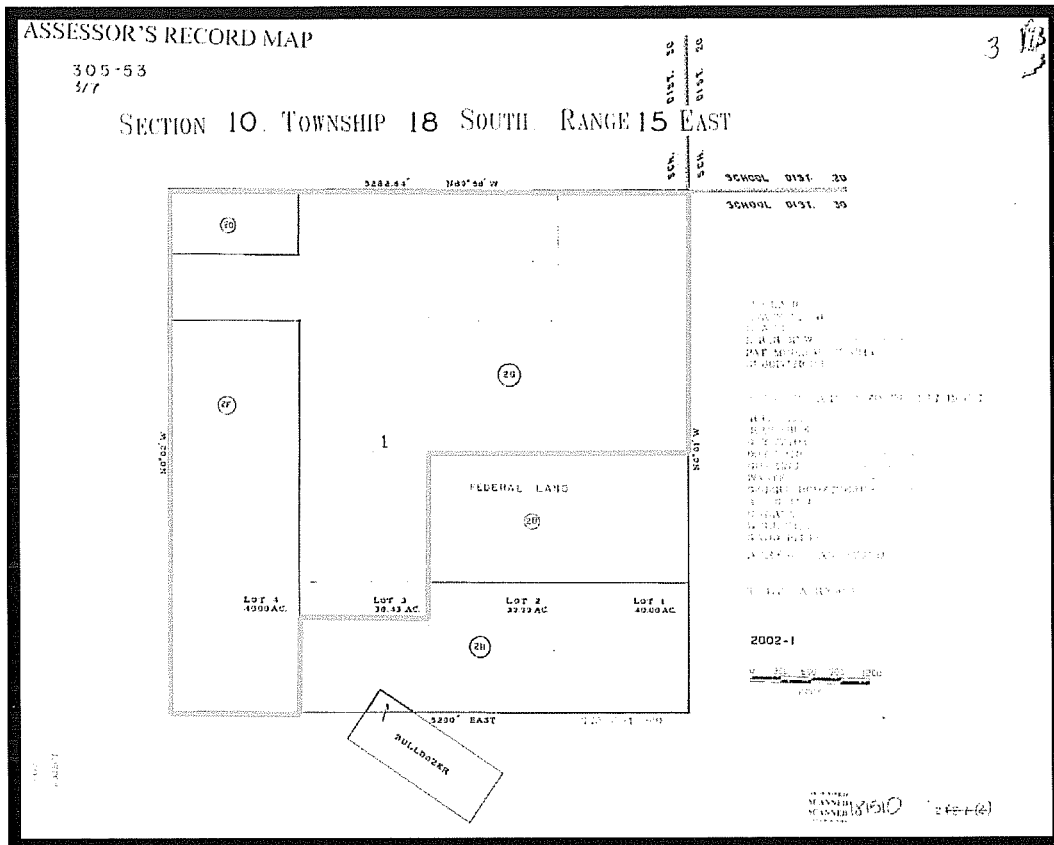
ZONING: RH (Pima County)

REPORTED SALE PRICE: \$1,440,000

PRICE PER ACRE: \$3,200

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

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



LOCATION: Arivaca Ranch Road, Pima County, Arizona

LEGAL DESCRIPTION: Portions of the following Sections, Township, Ranges, G&SRB&M, Pima County, Arizona:  
Section 8, Township 21 South, Range 11 East  
Section 17, Township 21 South, Range 11 East  
Section 18, Township 21 South, Range 11 East  
Section 27, Township 21 South, Range 11 East  
Section 29, Township 21 South, Range 11 East  
Section 24, Township 21 South, Range 10 East  
Section 35, Township 21 South, Range 10 East

STATE TAX PARCEL: 302-24-059E and 060A; 302-31-0070, 011D, 012C, 012J, 0150, 017A, 017E, 017J, and 017L; 302-54-0190

RECORD DATA: Document Number 20123660419

DATE OF SALE: December 31, 2012

SELLER: P & P Ranch, LLC

BUYER: Arivaca Ranch, LLC

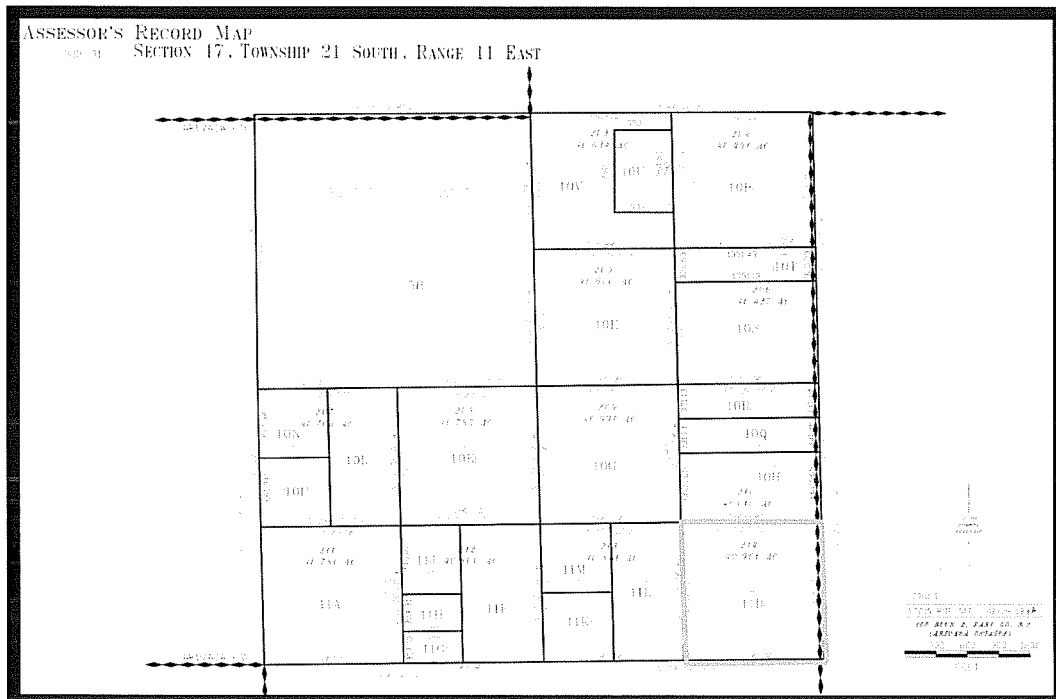
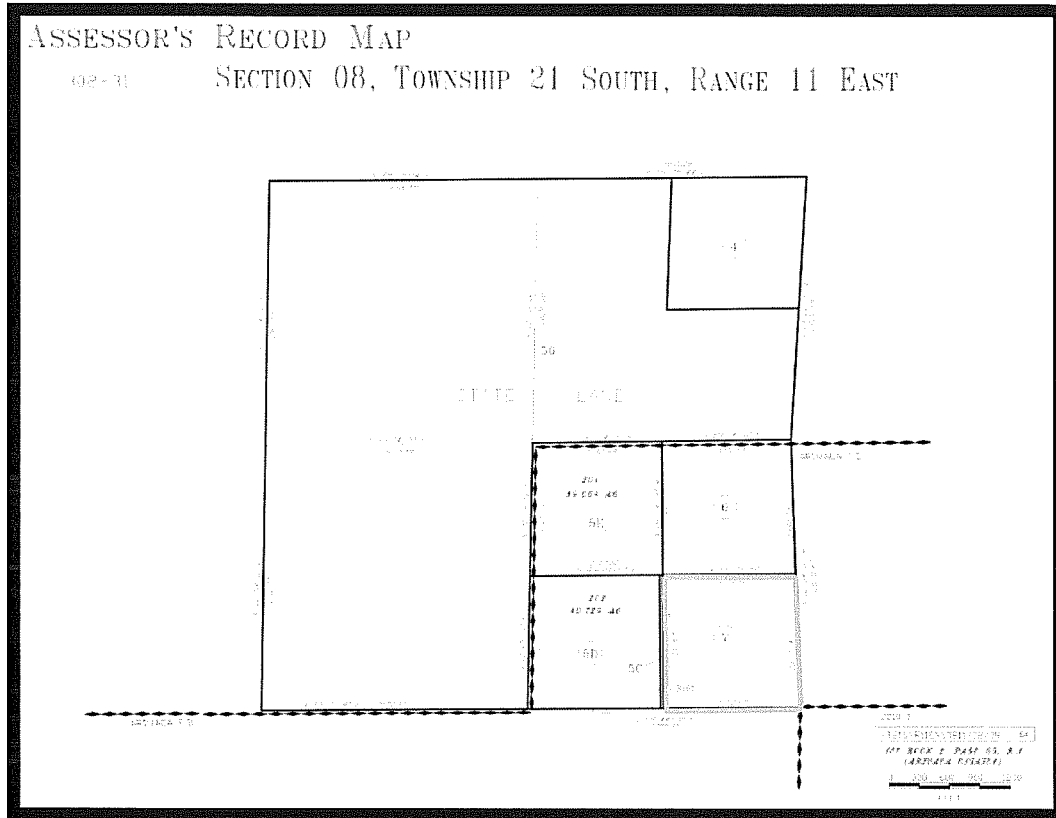
CONFIRMED BY: Ted Despain, Harley Hendricks Realty (520-444-3897) JT; May, 2013

LAND DESCRIPTION: This property is comprised of 12 mostly non-contiguous parcels totaling 599.12 acres in size. The topography ranges from rolling to mountainous. Vegetation is primarily plains and desert grassland. Electricity and telephone are available to the headquarters in Section 35. Domestic water is provided by a private well. There is an irrigation well that was not operable at the time of sale. There are 16 wells and 30 dirt tanks throughout the property. Sewer would be by septic and gas by bottled propane. According to FEMA Flood Insurance Rate Maps 04019C4650L, dated June 16, 2011, and 04019C4675L, an unprinted panel dated June 16, 2011, the land is identified as being located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain. Portions of the property fall within riparian habitat areas.



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

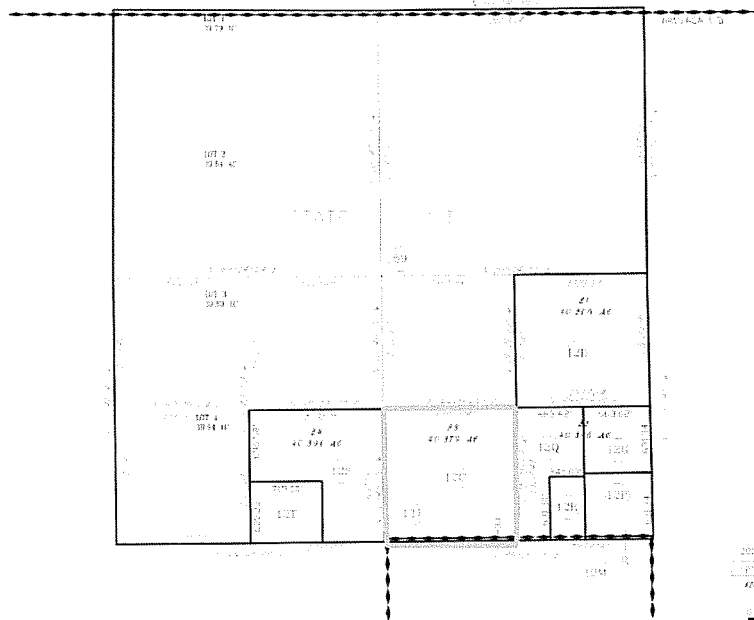
# COMPARABLE LAND SALE FIVE PLAT MAPS AND AERIAL PHOTO (4 Pages)



# ASSESSOR'S RECORD MAP

302-30

SECTION 18, TOWNSHIP 21 SOUTH, RANGE 11 EAST



# ASSESSOR'S RECORD MAP

302-31 SECTION 29, TOWNSHIP 21 SOUTH, RANGE 11 EAST

17A

17B

17C

17D

17E

62

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17BR

17BS

17BT

17BU

17BV

17BW

17BX

17BY

17BZ

17CA

17CB

17CC

17CD

17CE

17CF

17CG

17CH

17CI

17CJ

17CK

17CL

17CM

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17CO

17CP

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[illegible]



# EXHIBIT L - ROAD RIGHT OF WAY ESTABLISHMENT

(4 Pages)

Road No. 36

August 1, 1921

The Board now came to a final determination on the petition praying for the establishment of a road described as follows:

Beginning at a point on the Tucson-Sasabe road in Section 4, Township 19 South, Range 9 East, running thence Southwesterly across Sections 4, 5, 8, and 7 to the corner of Sections 12 and 13 of Township 19 South, Range 8 East, and of Sections 7 and 18 in Township 19 South of Range 9 East, running thence West along the sections lines between 12 and 13, 11 and 14, 10 and 15 to a point which is about a quarter of a mile East of the Southwest corner of Section 10 in said Township 19 South, Range 8 East.

It appearing to the Board that all notices had been duly posted and all other legal requirements complied with, and the Board being fully advised in the matter, upon motion by Woods, seconded by Mallory, the petition was ordered granted, the said road ordered established, and the County Engineer ordered to file the field notes, maps and plats of said road in the office of the County Recorder, for record.

-5004

STATE OF ARIZONA,  
COUNTY OF PIMA, } ss.

Sasabe Branch # 36

E.H. Whitworth, being first duly sworn,  
deposes and says:

That the attached notice, which is hereby made a part hereof, is a true and correct copy of four notices relative to the filing of a petition with the Board of Supervisors of Pima County, Arizona, praying that a public road be established as therein prayed for, and which were by affiant on the 30th day of June 1921, posted conspicuously as follows:

1. One notice on the county bulletin board at the county courthouse door, in the City of Tucson, Pima County, Arizona.

Three notices in public places in the vicinity of said proposed road as follows:

2. On a mesquite, 100' west of the Junction of prop. rd. with  
the Sasabe Road.

3. One on a mesquite 5/10 of a mile south west of the 1st. notice  
on the prop. road.

4. One on a mesquite 1.1 miles from the 1st. notice in a  
westerly direction, on the prop. road.

That the said notices were posted for a period of four weeks from the date of posting, to-wit: the 30th day of June 1921.

That this affidavit is made for the purpose of making proof that the said notices were posted as required by law and in compliance with paragraph 5057 of the Revised Statutes of Arizona, 1913.

E.H. Whitworth  
Subscribed and sworn to before me this 1 day of July 1921.

My commission expires \_\_\_\_\_

[Signature]  
Notary Public, in and for Pima County, Arizona.

-5005

Road No. 36

June 6, 1921

The Board of Viewers appointed to view out and locate a road described as follows:

Beginning at a point on the Tucson-Sasabe road in Sec. 4, T. 19 S., R. 9 E., running thence southwesterly across Sections 4, 5, 8 & 7 to the corner of Sections 12 and 13, T. 19 S., R. 8 E., and of sections 7 and 18 in T. 19 S., of R. 9 E., running thence west along the section lines between 12 and 13, 11 and 14, 10 and 15 to a point which is about a quarter of a mile east of the SW corner of Sec. 10 in said T. 19 S., R. 8 E.,

having made their report, the Board, upon motion by Baker, seconded by Woods, all members voting yes, accepted the report, and named August 1, 1921, at 10 o'clock A. M. as the day and hour for the final hearing on the petition on file to dedicate the above described road as a county road, and instructed the Clerk of the Board of Supervisors to post notices to this effect, as provided for by Section E., paragraph 5057 of the Revised Statutes of Arizona, 1913, Civil Code.



Sasabe Branch Road No. 36

April 4, 1921

A petition seeking the establishment of a highway, together with satisfactory evidence of the presentation of same, provided for by paragraph 5057 of the Revised Statutes of Arizona, 1913, Civil Code, having been filed in this office, came this day to be heard. The petition describes the location of the road as follows:

Beginning at a point on the Tucson-Sasabe Road in Section 4, Township 19 south, Range 9 east; running thence southwesterly across Sections 4, 5, 8 and 7 to the corner of Sections 12 and 13, of Township 19 south, Range 8 east, and of Sections 7 and 18 in Township 19 south of Range 9 east; running thence west along the section lines between 12 and 13, 11 and 14, 10 and 15 to a point which is about a quarter of a mile east of the southwest corner of Section 10 in said Township 19 south, Range 8 east.

The Board being fully advised in the matter, and acting under and by virtue of said Paragraph 5057, appointed R. W. Purdum, John Schumaker and the County Engineer as viewers to view out and locate the said road, and report their findings to the Board.

## 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<sup>1</sup>*

- "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.

**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.

