

# **RESTRICTED USE APPRAISAL REPORT**

subject property

**348.2 ACRES OF RR-5 ZONED LAND  
and  
237.5 ACRE FEET OF WATER RIGHTS**

located at

**NEC of Pine Canyon Road (2000 North) and Droubay Road (1200 East)  
Unincorporated Tooele County, Utah**

date of valuation

**February 22, 2010**

date of report

**February 22, 2010**

prepared for

**CASTLE ARCH  
Attn: David Dawson  
650 Town Center Drive, Suite 780  
Costa Mesa, CA 92626**

prepared by

**INTERMOUNTAIN VALUATION GROUP, LLC  
Eric B. Christensen  
5505 South 900 East, Suite 115  
Salt Lake City, Utah 84117  
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**INTERMOUNTAIN  
VALUATION GROUP, LLC**

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# INTERMOUNTAIN VALUATION GROUP, LLC

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February 22, 2010

Castle Arch  
650 Town Center Drive, Suite 780  
Costa Mesa, CA 92626

Attn: David Dawson

Re: Restricted Use Appraisal Report - 348.2 acres of RR-5 zoned land and 237.5 acres feet of water rights, located at the NEC of Pine Canyon Road (2000 North) and Droubay Road (1200 East), Unincorporated Tooele County, Utah.

At your request for a restricted use appraisal concerning the market value of the aforementioned property, this report provides a limited amount of information relating to the basis, data, and analysis upon which the value estimate is predicated. The function of the report is to estimate market value of the subject property to assist Castle Arch, the client and sole intended user of this report, with investment decisions.

This is a restricted use appraisal report which is intended to comply with the reporting requirements set for under Standards Rule 2-2c of the Uniform Standards of Professional Appraisal Practice for a Restricted Use Appraisal Report. As such, it presents only limited discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the opinion of value. The appraiser's opinions and conclusions set forth in this report may not be understood properly without additional information in the appraiser's workfile. The supporting documentation concerning the data, reasoning, and analyses is retained in my work file. The depth of discussion contained in this report is specific to the needs of the client for the intended use stated above. I am not responsible for unauthorized use of this report. A limited amount of information relating to the subject property, the appraisal development, and the concluding value is provided as follows:

### **Intended User of the Appraisal**

The client and only intended user of this appraisal report is Castle Arch. Request for this report was made by Nationwide Property & Appraisal Services on behalf of Castle Arch.

### **Intended Use of the Appraisal**

The intended use of the appraisal is to assist the client, Castle Arch, with investment decisions.

### **Interest Valued**

The value estimate for the subject 348.2 acres of land is for all rights of ownership in fee simple, except easements of record, if any.

The value estimate for the subject 237.5 acre feet of water is made for Appropriative Water Rights<sup>1</sup>. The Utah Division of Water Rights regulates the appropriation and distribution of water in the state of Utah. The water rights are NOT appurtenant to the land and are transferable separately from the land.

### **Effective Date of Value**

The effective date of the value estimate is February 22, 2010 which was the date of last personal inspection of the subject property.

### **Date of Report**

The date of the report is the date of completion of the report which is February 22, 2010

### **Ownership**

Fee title ownership of the subject property is vested in the name of Castle Arch Real Estate and Investment Company, Inc.

### **Real Estate Appraised**

The subject property comprises 348.2 acres of RR-5 zoned land and 237.5 acre feet of water. The land is identified by six separate parcels as show on the table below.

<b>348.2 ACRES OF LAND</b>	
<b>Parcel No.</b>	<b>Size (Acres)</b>
03-014-0-0002	109.36
03-014-0-0005	76.26
03-014-0-0020	7.58
03-024-0-0003	75.94
03-024-0-0005	40.06
03-024-0-0007	39.00
<b>TOTAL</b>	<b>348.20</b>

The water rights are identified in the purchase contract included in the addendum of this report.

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<sup>1</sup>The Appraisal Journal, Winter 2008, *The Appraisal of Water Rights: Their Nature and Transferability*

### **Scope of Appraisal**

The intent of this appraisal report is to estimate the *as is* market value of the 348.2 acres of land and 237.5 acre feet of water. In order to accomplish this task, the property is identified and personally inspected by Eric B. Christensen. The existing condition of the subject property is considered, the neighborhood is analyzed, and the highest and best use of the property is evaluated. An investigation of comparable land sales and listings is made. Also, an investigation of comparable water rights sales and listings is made. This data is collected in the local market for similar types of properties and those properties located in the subject area or in comparable areas depending on the availability of data. To obtain this data contact was made with brokers, agents, property owners, water rights owners and government officials. I performed a sales comparison approach to value to determine the individual land value for the subject 348.2 acres as well as the water rights value of the 237.5 acre feet of water. In summary, values are concluded based upon a substantial amount of analysis, data collection, and valuation process. It is my opinion that the values concluded are well supported by the market data and analysis included in the appraisal report.

The subject property is located in the State of Utah, which is a non-disclosure state and market data is considered limited in this area. Therefore, this appraisal is not considered all inclusive as to all of the market data available.

This report is considered a restricted use report as requested by the client. It has been completed with the intent to conform with the Uniform Standards of Professional Appraisal Practice (USPAP) of both the Appraisal Foundation and the Appraisal Institute. This report also intended to conform with Title 12 CFR Part 34 of the Financial Institute Reform, Recovery and Enforcement Act of 1989 (FIRREA). This report is intended to conform with regulations currently promulgated by the Office of the Comptroller of the Currency (the "OCC Regulations"). The scope of reporting and market research are commensurate with the significance of the appraisal problem.

This restricted use appraisal report sets forth only conclusions. Supporting documentation is retained in a work file.

### **Highest and Best Use**

The highest and best use of the subject property *as is*, is to hold for future residential development.

Development of the subject residential acreage is not warranted until existing supplies of residential lots in Greater Salt Lake market area, including Tooele, are absorbed. In the 2009 Mid-Year Symposium, Meterostudy indicated 314 months of supply for single-family detached lots and 98 months of supply for multi-family attached pads based on current demand.

**Sales Comparison Approach to Value**

Recent sales of properties considered directly comparable to the subject were researched. The most recent sales of land and water rights with the same general use potential are used. These sales are analyzed and compared to the subject lots. This analysis is contained in the work file. The results of this analysis are presented as follows:

**VALUE CONCLUSIONS:**

- *As Is* Value of 348.2 acres of RR-5 zoned land @ \$11,000 per acre . \$3,830,000 (Rounded)
- *As Is* Value of 237.5 acre feet of water @ \$6,500 per acre foot . . . . \$1,540,000 (Rounded)

**ASSUMPTIONS AND LIMITING CONDITIONS**

- 1) As agreed upon with the client prior to the preparation of this appraisal, this is a Limited Appraisal because it invokes the Departure Provision of the Uniform Standards of Professional Appraisal Practice, specifically, Standards Rule 1-3a. As such, information pertinent to the valuation has not been considered and/or the full valuation process has not been applied. Depending on the type and degree of limitations, the reliability of the value conclusion provided herein may be reduced.
- 2) This is a Restricted Appraisal Report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2c of the Uniform Standards of Professional Appraisal Practice for a Restricted Appraisal Report. As such, it presents no 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 client and for the intended use stated below. The appraiser is not responsible for unauthorized use of this report.
- 3) No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report.
- 4) The property is appraised free and clear of any or all liens and encumbrances unless otherwise stated in this report.
- 5) Responsible ownership and competent property management are assumed unless otherwise stated in this report.
- 6) The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
- 7) All engineering is assumed to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
- 8) It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
- 9) It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report.
- 10) It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in this appraisal report.
- 11) It is assumed that all required licenses, certificates of occupancy, or other legislative or administrative authority from any local, state, or national governmental, or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.
- 12) Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.
- 13) It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass

unless otherwise stated in this report.

- 14) The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.
- 15) Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans with Disabilities Act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.
- 16) Any proposed improvements are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.
- 17) The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
- 18) Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.
- 19) Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news sales, or other media without prior written consent and approval of the appraiser.

**CERTIFICATION**

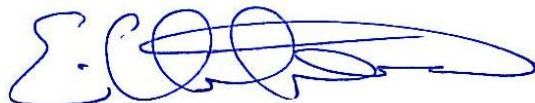
I certify that I have made an investigation and analysis of the following property:

**348.2 ACRES OF RR-5 ZONED LAND  
and  
237.5 ACRE FEET OF WATER RIGHTS  
NEC of Pine Canyon Road (2000 North) and Droubay Road (1200 East)  
Unincorporated Tooele County, Utah**

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 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. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Practice.
8. I have made a personal inspection of the property that is the subject of this report.
9. No one provided significant real property appraisal assistance to the person signing this certification.
10. The use of this report is subject to the requirements of the Appraisal Institute, relating to review by its duly authorized representatives.
11. I have performed an appraisal of the subject property within the prior three years.

Dated: February 22, 2010



Eric B. Christensen

Utah State-Certified General Appraiser Certificate 5491821-CG, Expires 5-31-2011
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**QUALIFICATIONS**

ERIC B. CHRISTENSEN

5505 SOUTH 900 EAST, SUITE 115

SALT LAKE CITY, UTAH 84117

PHONE - (801) 558-2518 FAX - (801) 264-0301

**Professional History:**

Appraiser and Consultant of Commercial and Residential Real Estate, The Cook Group - 1995 to 2007

Intermountain Valuation Group, LLC - 2007 to present

**Education:**

Bachelor of Science Degree in Business Management

**Specialized Courses:**

Appraisal Institute

410 - USPAP Part A, SLC - 2000

420 - USPAP Part B, Chicago - 2002

430 - USPAP Part C, SLC - 2000

500 - Advanced Residential Form & Narrative Report Writing, SLC - 2001

510 - Advanced Income Capitalization, SLC - 2001

520 - Highest and Best Use and Market Analysis - San Diego - 2006

530 - Advanced Sales Comparison and Cost Approaches, SLC - 2003

540 - Report Writing and Valuation Analysis, SLC - 2000

550 - Advanced Applications - St. Paul - 2006

Wardley Schools

Uniform Standards of Professional Appraisal Practice, SLC - 2003

**Professional Affiliations and Licenses:**

Associate Member in the Appraisal Institute

Effective Date: 10/16/2000

IIN: 529590710

State Certified General Appraiser

Utah License Number: 5491821-CG

Expiration Date: 5/31/2011

**Property Types Appraised:**

Apartments

Banks

Condominium Projects

Convenience Stores

Fast Food Restaurants

Gasoline Stations

Industrial Buildings

Hotels

Medical

Motels

Multi-Family Residential

Office Buildings

Service Stations

Single Family Residential

Residential Subdivisions

Restaurants

Retail Buildings

Retail Strip Centers

Shopping Centers

Storage Facilities

Warehouse Buildings

Water shares and rights

Vacant Land