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JIM MCCLURE
Asst. County Clerk, Recorder and Assessor

COUNTY CLERK, RECORDER AND ASSESSOR

October 3, 2008

Santa Barbara County Board of Supervisors
105 East Anapamu Street
Santa Barbara, CA 93101

Re: Valuation of the Santa Barbara Ranch Project –
WA – ACE Easement Exchange Appraisal

Honorable Board of Supervisors:

This letter is to notify the Santa Barbara County Board of Supervisors that the Santa Barbara Assessor's Office has concluded their value analysis on the property referred to as the Santa Barbara Ranch Project.

The task of the Assessor is to value the 2,566 acres of land coming out of the Williamson Act Contract as of September 10, 2008. The land is valued at its fair market value as though it were free of contractual restrictions. The valuation of the land was divided into 3 areas of appraisal; 1) the 274 acres described as residential development, 2) the 289 acres of the Agricultural Conservation Easement (ACE) that will remain out of contract, and 3) the remainder of the 2,003 acres that will go back into a Williamson Act contract.

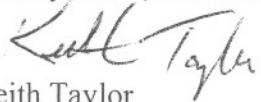
The Assessor certifies that the cancellation value of the land for purposes of determining the cancellation fee is as follows:

274 acres of residential development	\$ 58,000,000
289 acres of ACE not under contract	\$ 7,000,000
2,003 acres of ACE going back under contract	<u>\$ 20,000,000</u>
Total Value	\$ 85,000,000

The landowners and Department of Conservation will be notified of the current fair market value and are advised that they may request information from the Assessor that is relevant to the valuation, excluding third party information. They will also be notified of the opportunity to request a formal review from the Assessor.

Very truly yours,

Joseph E. Holland
County Clerk, Recorder and Assessor


Keith Taylor
Appraisal Division Manager

Cc: DOC, Division of Land Resource Protection, Mr. Steve Oliva, Chief Counsel
Mary Ann Slutzky, Deputy County Counsel, County of Santa Barbara
Dianne Black, Director of Development Services, County of Santa Barbara
Brent Daniels, Project Manager, L & P Consultants
Tom Figg, Project Planner, County of Santa Barbara
Rick Holly, Chief Deputy Assessor, County Assessor's Office

DOS PUEBLOS
AND
SANTA BARBARA RANCHES
GAVIOTA, CALIFORNIA

Date of Value:
September 25, 2008

Prepared For:
L & P Consultants
3 W. Carrillo Street, Suite 205
Santa Barbara, CA 93101

Date of Report:
October 7, 2008

Attention:
Brent Daniels

HAMMOCK, ARNOLD, SMITH & COMPANY
Real Estate Appraisers & Consultants

JAMES W. HAMMOCK, MAI
MICHAEL NEAL ARNOLD, MAI, MRICS
BENJAMIN F. SMITH, M.A., MAI
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215 W. FIGUEROA STREET
SANTA BARBARA
CALIFORNIA 93101

October 7, 2008

L & P Consultants
3 W. Carrillo Street, Suite 205
Santa Barbara, CA 93101

Attention: Brent Daniels

Reference: Dos Pueblos and Santa Barbara Ranches
Gaviota, California

Gentlemen:

In accordance with your request and authorization, the above referenced real property has been examined and appraised for the purpose of reporting to you my opinion of a proposed conservation easement as of September 25, 2008.

As a result of this investigation and analysis of matters pertinent to the property's value, I have concluded that the aggregate market value of the conservation easement, as of the date mentioned, was \$32,500,000.

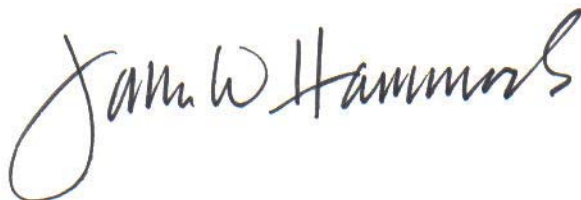
THIRTY TWO MILLION FIVE HUNDRED THOUSAND DOLLARS

On the following pages can be found an appraisal report setting forth some of the information and conclusions which, in part, form the basis for the opinion expressed.

This report is intended to conform to the Uniform Standards of Professional Appraisal Practice as promulgated by the Appraisal Foundation and the Standards of Professional Appraisal Practice and Code of Professional Ethics of the Appraisal Institute. My work would be classified as a Complete Appraisal, and this a Summary Report.

Respectfully submitted,

HAMMOCK, ARNOLD, SMITH & CO.



James W. Hammock, MAI
CA #AG004043

JWH:lz

INTRODUCTION

This appraisal involves land owned by two entities that will be referred to in this report as Schulte Interests, and Vintage Interests. Actual title is held in various names, depending on the parcel. The Schulte Interests ownership comprises land known commonly as the Dos Pueblos Ranch plus several blocks in the Naples Township (Naples). Vintage Interests ownership is solely in blocks of land in Naples, and known as Santa Barbara Ranch. All of the parcels and blocks whether in the Dos Pueblos Ranch or Naples, have been certified as legal parcels.

The opinion of value presented herein is the aggregate market value of all of the parcels. This is the simple arithmetic total of individual parcel values. It does not include any consideration of discounts for time, absorption, or development costs.

Both ownerships have been involved in a lengthy review process regarding approvals needed for a development plan. This plan is the culmination of years of controversy and litigation over the multi-lot portion known as the Naples Township. If approved it will result in a reduced development plan spread over both properties and the removal of future issues involving Naples. In addition, an existing Williamson Act contract will be cancelled and replaced by a larger conservation easement. The conservation easement will be in three parts, each related to different owners and different portions of the ranches.

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SUMMARY OF SALIENT FACTS

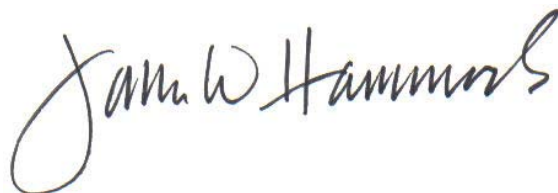
Property Address:	Dos Pueblos and Santa Barbara Ranches, Gaviota, California
Property Type:	Rural Ranch Land
Record Owner:	Schulte/Vintage Interests
Date of Value:	September 25, 2008
Purpose of Appraisal:	Market Value
Property Rights Appraised:	Fee Simple Interest and Conservation Easement
Intended Use of Appraisal:	Pending development approvals
Intended User of Appraisal Report:	Addressee and Assignees
Site Area:	Schulte Interests: 2,514.53 Acres Vintage Interests: 378.85 Acres
Zoning:	AG-II-100 and U-Unlimited Agriculture
Improvement Areas:	N/A
Highest and Best Use:	Ranch Residential
Valuation:	
Cost Approach:	N/A
Income Approach:	N/A
Market Approach:	
Aggregate Market Value:	
Without Easement:	\$90,000,000
With Easement:	\$50,000,000
Market Value – Conservation Easement:	\$32,500,000

CERTIFICATION

I certify that, to the best of my knowledge and belief:

- o the statements of fact contained in this report are true and correct.
- o the reported analyses, opinion, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- o 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.
- o I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- o my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- o 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.
- o my analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- o my reported analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- o I have made a personal inspection of the property that is the subject of this report.
- o no one provided significant professional assistance to the person signing this report.
- o the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report, I have completed the requirements under the continuing education program of the Appraisal Institute.



JAMES W. HAMMOCK, MAI
CA #AG004043

PREMISES OF APPRAISAL

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report has been made with the following general assumptions and limiting conditions:

- 1) As agreed upon with the client prior to the preparation of this appraisal, this is a Complete Appraisal because the Departure Provision of the Uniform Standards of Professional Appraisal Practice has not been invoked.
- 2) This is a Summary Appraisal Report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice. 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.
- 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 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 properly 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.

PURPOSE AND DATE OF APPRAISAL

The purpose of this appraisal is to set forth my opinion as to the market value of a conservation easement being considered for the fee simple estate in the real property described herein. Opinions and other matters expressed in this report are stated as of September 25, 2008.

SCOPE OF APPRAISAL

The scope of this appraisal is discussed in detail in various sections of this report. Generally an evaluation analysis has been completed including inspection of the subject property, consideration of highest and best use, and application of valuation analyses. Insofar as is practical, every effort has been made to verify as factual and true all data set forth in this report. However, no responsibility is assumed for the accuracy of any information furnished by others.

INTENDED USE OF APPRAISAL REPORT

The intended use of this appraisal report is to provide valuation information to assist the client with matters relating to pending development approvals.

INTENDED USER OF APPRAISAL REPORT

The intended user of this appraisal report is the addressee, L & P Consultants.

COMPETENCY PROVISION

Prior to accepting this assignment the property to be appraised and the nature of the valuation was discussed with the client. I have the knowledge and experience to complete this appraisal assignment and have appraised this property type before. Please see Appraiser's Experience Data included in the Addenda to this report for additional information.

DEFINITION OF TERMS

MARKET VALUE

Market value is the major focus of most real property appraisal assignments. Both economic and legal definitions of market value have been developed and refined. A current economic definition agreed upon by federal financial institutions in the United States of America is:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (a) Buyer and seller are typically motivated;
- (b) Both parties are well informed or well advised, and acting in what they consider their best interest;
- (c) A reasonable time is allowed for exposure in the open market;
- (d) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (e) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Source: (12 C.F.R. Part 34.42(g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994)

FEE SIMPLE ESTATE

The term, "fee simple estate", as used in this report, is defined as follows:

An absolute fee; a fee without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power, and taxation. An inheritable estate.

AGGREGATE MARKET VALUE (AMV)

The term, "aggregate", as used in this report, is defined as follows:

The sum of the appraised values of the individual units in a larger property, as if all of the units were available for retail sale, as of the date of the appraisal. The sum of the retail sales includes an allowance for lot premiums, if applicable, but excludes all allowances for carrying costs. Also called gross retail value.

CONSERVATION EASEMENT

The term, "conservation easement", as used in this report, is defined as follows:

A restriction that limits the future use of a property to preservation, conservation, or wildlife habitat.

THE SUBJECT PROPERTY

AREA DESCRIPTION

LOCATION

The Gaviota Coast is located in the south-central coastal area of Santa Barbara County. Set forth below are major points of interest and their locations relative to the property being appraised.

Gaviota	15 miles west
Refugio State Beach	6 miles west
Goleta Valley.....	6 miles east
Santa Barbara	10 miles east
Santa Ynez Mountain Crest	4 miles north

Please refer to the Area Map on the facing page for further information.

REGIONAL

The subject property is located on the Gaviota Coast west of the Goleta Valley, a portion of the larger Santa Barbara metropolitan area, which is situated on the south coast of Santa Barbara County. The area reaches fifty miles from the Ventura County line on the east to Gaviota on the west. It is approximately 100 miles northwest of Los Angeles and approximately 350 miles to the southeast of San Francisco. The area is renowned for its mild climate and picturesque setting.

The economy of the Santa Barbara metropolitan area is based primarily on tourism, agriculture, research and development, and government, including the Santa Barbara campus of the University of California. The population is approximately 200,000. There was substantial population growth in the area between 1940 and 1970. Reduced population growth in the 1970s through the 1990s is reflective of governmental constraints; high real estate prices; and physical constraints, such as limited resources, particularly water.

GOLETA VALLEY

The Goleta Valley is bounded on the east by the City of Santa Barbara, on the north by the Santa Ynez Mountains, on the south by the Pacific Ocean and on the west by agricultural lands. Total land area of the valley is approximately 30 square miles and the current population is approximately 75,000. Development and growth of the University of California at Santa Barbara, Vandenberg Air Force Base, and the attraction of research and development industries provided the primary impetus for the growth of the Goleta Valley starting in the 1960s.

Much of the development in the Goleta Valley during the late 1950s and through the 1960s was residential subdivisions. Goleta served as a bedroom community for Santa Barbara. Subsequent, there has been considerable commercial and light industrial development in Goleta. Much of that development has been business park space occupied by electronics and aerospace firms which include three of the ten largest employers in Santa Barbara County.

In the long term, the Goleta Valley economy is judged to be fairly strong. The mild climate and picturesque setting found in the area have in the past created demand for all types of real estate. Provided current restrictions on growth continue, demand for office and light industrial space in the Goleta Valley should exceed supply over the long term. However, as prices increase, local businesses have sometimes relocated to less expensive communities such as Santa Maria.

In November, 2001, voters approved a new City of Goleta. Its boundaries encompass central and west areas of the Goleta Valley. It extends west and includes the new Bacara resort hotel, a little more than two miles east of the subject land.

GAVIOTA COAST

The south-coastal front of the Santa Ynez Mountain, lying between the Goleta Valley and Gaviota, has remained essentially unchanged for many years. Most of the larger land parcels are still intact and devoted to uses which generally have been long established, i.e., cattle grazing, lemons, avocados, oil production, etc. The northerly, mountainous areas of Gaviota lie within the Los Padres National Forest. Numerous private land ownerships can be found within the Forest boundary also.

During the 1960s, there was speculation that extension of rural-urban development would occur on many of the ranches identified above. The possibility of ranchette lot subdivisions of 10 to 40 acre parcels prompted purchases of larger holdings in anticipation of future resale as smaller lots. In

the late 1960s and early 1970s, as concern over water availability and other factors relating to growth intensified, it became evident that urban expansion beyond the Goleta Valley was doubtful and extremely speculative to use as a basis for a large land purchase. The subject area, along the south-coastal front, is still much as it has been for the past 20 to 40 years; that is, an attractive rural, agricultural-oriented district with limited residential use, recreation activities in the oceanfront park areas, and some long-established natural resource production (oil & gas).

Economically the subject district is not particularly viable as an agricultural region. Most of the more recent buyers tend to be "gentlemen farmers" more interested in life style and specific residential amenities including open space and views. A very small number of individuals make their living solely on farming.

Set out on the following page are the results of a survey of the Gaviota Coast land use, showing the array of parcel sizes and ownerships. It covers the area inland from U.S. Highway 101 to the crest of the Santa Ynez Mountains.

LAND SURVEY - GAVIOTA COASTAL AREA (Non-Oceanfront)					
Size of Ownership	# of Owners	% of Total	Total Acres	% of Total	Average Size
Less than 100 acres	69	62.7	2,459	7.0	36
100-499 Acres	25	23.7	6,241	17.8	250
500-999 Acres	8	7.3	5,749	16.4	719
1,000 Acres +	<u>8</u>	7.3	<u>20,670</u>	58.9	2,584
Total Private Land	<u>110</u>		<u>35,119</u>		320
State (Gaviota/El Capitan)			3,300		
County (Tajiguas Land Fill)			1,565		
Federal (National Forest)			<u>27,150</u>		
Combined Private-Public Lands			<u>67,134</u>		

The results are interesting in the relationship of owners to land area. Over 60% of private owners have holdings less than 100 acres in size, but their combined land ownership is only 7.0% of the total land area. Conversely, there are only eight ownerships in excess of 1,000 acres but these represent almost 60% of the total private land area.

SURROUNDING INFLUENCES

East of the subject location, two holdings comprise the major portions of undeveloped lands. They are the Eagle Canyon and Embarcadero Ranches, each having in excess of 1,000 acres. Only the Embarcadero Ranch has experienced any residential development, with a 1960s era subdivision of 154 one-acre+ lots located in a narrow, elongated valley floor extending north from U.S. Highway 101. Adjoining the subject lands to the north and east is the Dos Pueblos Ranch, of which the subject is historically, a part. This combined ranch had nearly 3,000 acres as a single holding. These three large ranches remain essentially as they have been for many years, with some increased development to avocado groves, especially on the Dos Pueblos and Embarcadero Ranches.

Along the coastline, east of the subject, two land holdings are unique exceptions to the general rural nature of the area. Immediately east of the subject, ARCO sold, in 1998, 200 acres with approvals for a public golf course development having an 18-hole full size and 9-hole executive course plus ancillary improvements such as clubhouse, driving range, etc. It had been an active oil field prior to closure and cleanup. After close of escrow the buyer's request for an extension of approvals was denied by the Coastal Commission. They are now considering some form of residential use. Further east is the Bacara Resort/Spa, a 400 room destination resort completed in 2000. This project adjoins the existing Sandpiper Golf Course and the combination provides a strong concentration for tourism and conferences.

West of the subject property the Las Varas, El Capitan, Tajiguas, and Baron Ranches represent single holding in excess of 1,000 acres. The intervening lands along the coastal front show a broad mix of sizes from small 10 to 20 acre homesites to larger ranches having several hundred acres. The Los Padres national Forest contains within its boundaries much of the steeper backlands, representing the northerly areas of the south-coastal front.

NAPLES HISTORY

The Townsite of Naples was subdivided in 1888. It was originally comprised of approximately 872 acres and consisted of roughly 250 blocks of approximately 3.7 acres each, unless reduced by perimeter property lines on the ocean. The blocks were laid out in a grid-like fashion with streets shown on the subdivision map separating the blocks.

The blocks were originally sold on speculation that the Southern Pacific Railroad would traverse the Townsite. However, the railroad did not reach the Townsite until about 1901. In the interim, speculation ceased, the subdivider, Williams, died and his widow became insolvent. Many blocks and lots which in the interim were created by further subdividing the original blocks were foreclosed upon by both sellers and the tax assessor. Buildings which had been built on speculation such as a general store, post office and small hotel were abandoned.

In 1919, a man by the name of Wiley purchased the Dos Pueblos Ranch, which this Townsite was formerly a part of, and began consolidating Townsite ownership by acquiring the estate of the Williams' and most of the Blocks or lots that had been sold and retained by third parties. He operated the Townsite as part of his Dos Pueblos Ranch, running cattle and dry farming. The old buildings which had been abandoned were either razed or relocated as employee housing for the ranch. The Townsite name fell into disuse and had all but disappeared excepting on recorded maps.

In 1942, Signal Oil acquired Wiley's interest and continued acquiring any parcels owned by others. In 1977, Morehart Land Co. acquired Dos Pueblos Ranch from Signal Oil, including the Naples Townsite. Subsequently, the ranch portion was sold to Rudolph Schulte, with Naples being retained by the Morehart family.

In the mid-1980s the County of Santa Barbara enacted an Antiquated Subdivision Ordinance in an effort to control growth in several areas of county that had old substandard lot subdivisions. The intent was to require merger of as

many small lots as necessary, under one ownership, to create a larger parcel that met zoning standards. In the late 1980s, after refusal by the County to issue a building permit for a new residence on one of the Naples' lots, a lawsuit was filed. Following a series of court actions including decisions/appeals, in 1994 the California Supreme Court issued a ruling, in favor of the property owners, and against the County. In essence, it found the "merger provision" of the County's Antiquated Subdivision Ordinance to be invalid and a violation of the State Subdivision Map Act.

In September, 1995 the County of Santa Barbara adopted an Official Map of Naples, that recognized 275 lots distributed over four ownership interests as follows:

Schulte	16 Lots
ARCO	25 Lots
Vintage Interests'	219 Lots
Morehart Interests	14 Lots

Beginning in the late 1990s Vintage Communities negotiated a purchase of Naples' from Moreharts and began exercising a series of phased options, ultimately acquiring all of Moreharts interests except for 14 lots. A Memorandum of Understanding between the County, Osgood/Vintage and Moreharts was reached to allow the processing of the Osgood/Vintage plan while maintaining the legal status of the existing lots.

MARKET CONDITIONS

Residential real estate in the south-coastal region saw large increases in median prices from 2000 to 2005, averaging 15% to 25% per year. Beginning in 2006-07 and continuing into 2008 the market leveled off and began to decline. Median home prices in mid-2008 are 10% to 15% lower than in 2007, but not throughout the entire market. Higher priced areas such as Montecito have remained strong and even show an increase. Lower priced areas such as Goleta, etc., have declined. These reductions are much less than in north county areas (Santa Maria, Lompoc, etc.) which have experienced price reductions of 20% to 40%.

SITE DESCRIPTION

INTRODUCTION

The land being appraised consists of numerous parcels of the Dos Pueblos Ranch and Santa Barbara Ranch (Naples) lying on both sides of the U.S. Highway 101 freeway on the Gaviota Coast.

A Proposed Final Environmental Impact Report for the project was prepared by URS Corporation, and dated June, 2008. It contains extensive discussions and descriptions of existing/proposed property conditions, improvements, uses, and utilities. By reference this report is made a part of this appraisal. Brief summary information is presented on the following pages.

PARCELS/AREAS

Set out below is a chart showing parcel identifications, Assessor parcel numbers, acre areas and ownership for each parcel:

Parcel Number	Assessor Parcel Number	Acres	Ownership
Dos Pueblos Ranch:			
North of Highway 101:			
1	79-060-66(por.) 79-090-21 & 30 81-240-18	1,918.87	Schulte Interests
2	79-060-66(por.)	309.46	"
3	79-040-05 79-040-65	76.27	"
South of Highway 101:			
1	79-080-27	15.67	"
2	79-080-31	36.97	"
5	79-080-28	0.68	"
6	79-080-30	46.86	"
7	79-080-29	57.37	"
8	79-080-26	3.81	"

Santa Barbara Ranch:			
Naples Block:			
4	79-160-77	1.70	Schulte Interests
5	79-160-86	8.64	"
9	79-160-76	3.65	"
10	79-160-75	3.45	"
14A	79-160-82	0.93	"
14B	79-160-79	0.93	"
14C	79-160-83	0.93	"
14D	79-160-80	0.93	"
15	79-160-84	3.70	"
16	79-160-85	3.70	"
17	79-160-81	3.70	"
18	79-160-26	2.74	"
28, 29, 44, 45, 57A & 72C	79-160-58 thru 65	12.41	Vintage Interests
21	79-140-64	13.57	Schulte Interests
55	79-140-38 & 63	8.96	Vintage Interests
73	79-140-42	1.16	"
74	79-140-58	3.46	"
83	79-140-60	1.90	"
84	79-140-43	3.20	"
101	79-140-12	3.75	"
102	79-140-20	3.80	"
103	79-140-15	3.80	"
110	79-140-16	3.80	"
111	79-140-17	3.80	"
112	79-140-18	3.75	"
129	79-150-20	3.80	"
130	79-150-16	3.80	"
131	79-150-31	3.80	"
138	79-150-24	3.80	"
139	79-150-22	3.80	"
140	79-150-21	3.80	"
157	79-150-51	4.03	"
158	79-150-23	3.80	"
159	79-150-29	3.80	"
160	79-150-26	3.80	"

161	79-150-27	3.80	“
162	79-150-33	3.80	“
163	79-150-04	3.80	“
164	79-150-09	3.80	“
165	79-150-05	3.80	“
166	79-150-10	3.80	“
167	79-150-30	3.80	“
168	79-150-29	3.69	“
185	79-150-56	3.80	“
186	79-150-06	3.80	“
187	79-150-36	3.80	“
188	79-150-57	33.49	“
200	79-090-29	189.79	“
193	79-150-41	0.95	“
195	79-150-11	3.80	“
196	79-150-55	3.80	“
243	79-150-07	3.80	“
244	79-150-12	3.80	“
245	79-150-08	3.10	“
246	79-150-13	2.61	“

The Naples Blocks owned by Schulte Interests lie south of the freeway. All of the Naples Blocks owned by Vintage Interests are north of the freeway except for Naples Blocks 28, 29, 44, 45, 57A and 72C which are in a 12.41 acre block south of the freeway.

Set out below are land area totals, by ownership:

Schulte Interests:	2,514.53 Acres
Vintage Interests:	<u>378.85</u> Acres
Total Land Area:	<u>2,893.38</u> Acres

ZONING

Zoning is primarily AG-11-100, Rural Agriculture -100 acre minimum parcel size. A very small portion of Naples lots is zoned U-Unlimited Agriculture. This is an old County designation that allows 10 acre parcels.

Existing zoning is less critical due to the existence of Certificates of Compliance, allowing the small lots to stand as legal non-conforming parcels, and the proposed development plan under review.

COASTAL COMMISSION

Most of the southerly areas, on both sides of the freeway are within the Coast Commission's area of regulations. Projects at the local level are appealable to the Coastal Commission and subject to further review.

SOILS

A soils report was not reviewed. It is an assumption of this appraisal that the subject soils are of adequate loadbearing capacity to support existing improvements and standard construction consistent with the highest and best use of the site.

UTILITIES

There is a rather extensive system of utilities serving most areas of the range except remote backland. Private well water and septic systems are in place. Electricity and telephone are run throughout most areas.

TOPOGRAPHY

The subject areas exhibit a broad array of topographic features ranging from level ocean bluff and canyon bottom areas to moderate and steep sloping ridges, hillsides and backlands.

ARCHEOLOGICAL RESOURCES

No investigation has been made by the appraiser to determine the potential for the existence of any archeological resources at the subject site. It has been assumed the property has no archeological resources that would impact the value of the subject site.

EARTHQUAKE ZONES

No investigation has been made by the appraiser to determine the existence of earthquake fault-lines on or near the subject property. There is little evidence to support the idea that property values in the area of the subject are affected by proximity to earthquake faults. It has been assumed that is the case.

HAZARDOUS WASTE AND TOXIC MATERIALS

No investigation has been made by the appraiser to determine the potential for the existence of hazardous waste or toxic materials, either within the improvements or underground. It has been assumed the property is free of any such substances.

EASEMENTS AND ENCROACHMENTS

It has been assumed that there are no easements or encroachments that would have a material effect on the use of the property. Utility easements are usually located along the perimeter of the land and do not affect its use. Inspection revealed no visual evidence of any encroachments. A survey of property boundaries is usually required to determine extent of encroachments.

ACCESS

Primary access to the land from U.S. Highway 101 is via the Dos Pueblos Ranch on and off-ramp intersection. Ranch roads are either asphalt paved or gravel. An extensive system of ranch roads serves much of the land.

FLOOD HAZARD

Areas near the ocean and next to Dos Pueblos Creek are subject to flooding during winter storms. Most of the land is at elevations above any flood hazard.

IMPROVEMENTS/PLANTINGS

There are a considerable number of structures on the land, primarily south of the freeway and in the canyon area north of the freeway. All are on lands owned by the Schulte Interests.

These improvements are all older and in varying levels of condition. Many are occupied by ranch employees and others.

While extensive in number, the improvements would be secondary to the land and locations in appeal and value. They obviously enhance the overall character of the property but do not add significantly to land value.

Similarly, areas north and south of the freeway are planted with avocados, lemons and cherimoyas. While extensive, they do not create significant additional value.

WILLIAMSON ACT

The Schulte Interests land north of the freeway and a portion of Vintage Interest land is in an agriculture preserve (77 AP 014). The affect is to estimate real estate taxes on the land's economic value as agriculture, rather than its higher open market value as an exclusive residential ranch. Contracts are for ten years, renewing each year so that there is always a ten year term. The area of the land covered by the contract is 2,566 acres.

MAP

In the Addenda are fold-up maps showing the existing parcel alignment both without and with the proposed easement.

DATA, ANALYSES & CONCLUSIONS

**HIGHEST AND BEST USE –
(Without Conservation Easement)**

DEFINITION

Highest and best use, as used in this report, is defined as follows:

That reasonable and probable use that will support the highest present value, as defined, as of the effective date of the appraisal.

Alternatively, that use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in highest land value.

In fact, each of the subject parcels is a legal parcel. Most are non-conforming due to less land area than required under current zoning regulations. In theory, nearly all could be used as a site for at least a single family residence so long as health and safety regulations could be met. A fairly extensive system of access and utilities (electricity, telephone, and water) already exist throughout the property. Sewage disposal would be by private septic systems, similar to those already existing.

The three large parcels north of the freeway have been treated as one parcel for valuation purposes. This combined parcel of 2,300+ acres could be a single large ranch or split into four, 600± acre parcels, each with enough land for homesites and agriculturally developable area to qualify as agriculture preserves.

The Naples blocks north of the freeway will be considered as potential ranchette parcels except for several located in a drainage area whose developability is questionable. Similar, the Naples blocks and the Dos Pueblos Ranch parcels south of the freeway will be valued either as single sites or combined with others to result in a developable lot.

**APPROACH TO VALUE –
(Without Conservation Easement)**

The Comparable Sales Approach will be used to value the parcels in question. The approach relies on sales of parcels having similar characteristics to provide a range of values appropriate for the land under consideration. Neither the Cost nor Income Approaches are helpful. Most of the value lies in the land and the level of income produced, if any, is insufficient to warrant an investment based on income. Existing improvements are mostly older ranch employee-type housing or service buildings, barns, shop, sheds, etc.). The main residence of the Dos Pueblos Ranch on Parcel Six would likely be updated by any new owner.

Comparable sales from a wide array of south-coastal locations have been assembled in order to provide a good selection of prices within which to place the values of the subject parcels. The data is summarized, by area, on the following pages.

CARPINTERIA VALLEY – TORO CANYON				
No.	Address/A.P.N.	Acres	Sale Date	Sale Price
1.	7225 Gobernador Canyon 1-160-07 & 08	2.00	5/08	849,000
2.	Via Real 1-080-27	6.25	7/07	1,000,000
3.	3040 Foothill Road 155-140-65	3.00	5/08	1,105,000
4.	256 Toro Canyon Road 5-670-10	1.00	2/08	1,200,000
5.	7271 Shepard Mesa Road 1-120-14	2.97	3/07	1,300,000
6.	7331 Shepard Mesa Road 1-120-22	2.87	5/07	1,500,000
7.	6680 Casitas Pass Road 1-090-24	5.57	8/07	1,650,000
8.	Rancho Monte Allegre 155-170-71	10.00	5/07	1,920,000
9.	812 Toro Canyon Road 155-230-02	13.86	4/07	2,100,000
10.	4050 Foothill Rd. 4-002-06	8.00	1/08	2,300,000
11.	Rancho Monte Allegre 155-170-73	10.00	2/07	2,500,000
12.	Rancho Monte Allegre 4-002-05	10.00	5/07	2,910,000
13.	455 Toro Canyon Road 5-050-11	2.34	11/07	2,950,000
14.	3050 Foothill Road 155-140-67	20.00	6/07	3,000,000
15.	574 Toro Canyon Park Road 155-170-33	55.78	9/07	3,600,000
16.	6701 Casitas Pass Road 1-090-34 & 35	41.15	4/08	4,000,000
17.	Rancho Monte Allegre 155-170-60	24.40	3/08	4,900,000
18.	Rancho Monte Allegre 155-170-59	21.07	3/08	5,400,000

This area provides a broad array of coastal valley, foothill and steeper backland parcels. Five of the sales are in Rancho Monte Allegre, a newly developing exclusive foothill project of 25 parcels. The sales range in price from ±\$2,000,000 to \$5,000,000. Most are in lower foothill view locations. The remaining data range in price from ±\$1,000,000 to \$3,000,000 for parcels of three to twenty acres. This region offers many of the same amenities of the subject property.

MONTECITO				
No.	Address/A.P.N.	Acres	Sale Date	Sale Price
1.	119 Hixon 7-331-15	0.70	308	\$1,110,000
2.	2890 Hidden Valley Lane 155-080-31	3.81	5/08	1,350,000
3.	1510 Willina Lane 9-203-04	0.70	4/08	1,550,000
4.	380 Ortega Ridge Road 5-080-11	1.00	6/08	1,710,000
5.	311 Ennisbrook 7-530-34	1.00	4/08	1,750,000
6.	700 Romero Canyon Road 155-050-12	1.06	8/07	1,750,000
7.	403 Woodley 9-020-70	1.00	4/08	2,200,000
8.	744 Ashley Road 11-120-61	1.10	5/08	2,360,000
9.	960 Lilac Drive 7-110-40	1.00	9/07	2,525,000
10.	819 Ashley Road 11-040-42	1.92	9/07	2,950,000
11.	974 Park Lane 7-070-30	2.23	9/07	3,364,000
12.	2745 Bella Vista Road 155-030-40	3.38	7/08	3,850,000
13.	813 Romero Canyon Road 7-080-39	5.50	4/08	4,500,000
14.	1437 S. Jameson Lane 9-320-17	3.27	3/08	4,600,000
15.	1395 Oak Creek Canyon 11-280-11 & 22	6.00	3/08	4,800,000
16.	1664 East Valley Road 7-120-45	3.08	10/07	4,975,000
17.	1254 Eat Valley Road 11-120-21 & 37	5.00	8/07	5,100,000

Montecito is an ultra – high end residential area. Lots having from one to five acres show prices of \$1,750,000 to \$5,000,000. This area sets the upper limit of value for all of the south coast for residential estates.

SANTA BARBARA				
No.	Address/A.P.N.	Acres	Sale Date	Sale Price
1.	281 Schulte Lane 55-230-02	1.88	6/08	\$700,000
2.	1100 Tunnel Road 23-060-36	1.12	1/07	825,000
3.	112 Ontare Hills Lane 55-160-58	1.00	11/07	900,000
4.	Las Canoas Road 21-030-37	3.00	3/07	1,038,000
5.	110 Ontare Hills Lane 55-160-57	1.00	11/07	1,050,000
6.	101 Ontare Hills Lane 55-160-62	1.00	5/07	1,065,000
7.	1704 Paterna Lane 19-184-08	0.50	3/08	1,700,000
8.	3455 Marina Drive 47-022-04	1.17	4/07	1,775,000

These lots are mostly in Santa Barbara City foothill areas and range in price from \$700,000 to \$1,775,000 for single family lots of 0.50 to 3.00 acres.

GOLETA VALLEY				
No.	Address/A.P.N.	Acres	Sale Date	Sale Price
1.	270 Vereda Pradera 79-275-01	1.00	10/06	\$1,074,000
2.	1415 Twinridge Road 153-221-01	1.00	12/06	1,195,000
3.	1410 Via Del Rey 69-010-38	5.33	1/08	1,500,000
4.	Alto Drive 59-320-12	1.00	3/08	1,350,000
5.	1260 Via Brigitte 59-460-08	0.70	3/07	1,445,000
6.	Via Veneto 59-460-09	0.70	4/07	1,514,500
7.	Via Brigitte 59-460-17	0.70	7/07	1,595,000
8.	1270 Via Brigitte 59-460-16	0.70	2/08	1,650,000
9.	1755 N. Fairview Avenue 153-170-24	40.00	5/06	2,025,000
10.	1170 Old San Marcos Road 153-320-02	40.00	7/07	2,100,000
11.	398 Winchester Canyon Road 79-070-57	40.00	4/07	2,310,000

The Goleta Valley is somewhat similar, but more developed, to the Carpinteria Valley with level valley land low foothills, and steeper backlands. All of these sales are in valley foothill locations. Nos. 5 thru 8 are in new private development; the remainder are at locations scattered across the foothills. Typical price range is \$1,000,000 to \$2,000,000 for lots of one to forty acres. The larger parcels have mostly steep to very steep hillsides.

GAVIOTA COAST				
No.	Location/A.P.N.	Acres	Sale Date	Sale Price
1.	El Capitan Ranch 81-260-04	10.00	5/06	\$1,500,000
2.	Farren Road 79-090-36	16.00	4/05	2,550,000
3.	El Capitan Ranch 1-260-18	23.46	8/07	2,900,000
4.	Hollister Ranch 83-680-05	100.76	8/06	3,000,000
5.	Gaviota Village 81-130-72 & 73	44.37	Escrow	3,000,000±
6.	Dos Pueblos Orchid 79-080-17+	61.85	3/07	6,300,000
7.	Refugio Canyon Road 81-040-12 & 52	106.43	3/07	8,200,000
8.	Eagle Canyon Ranch 79-200-02, 05 & 09	60.87	5/07	20,000,000

The sales shown are typical of the wide array of properties and prices. There is no consistent grouping as found in other south-coastal districts. The highest priced sale is an ocean front holding purchased to develop a large ranch estate.

LARGE RANCH SALES					
No.	Name	Acres	Sale Date	Sale Price	Sale Price Per Acre
1.	Rancho La Patera	780	10/07	\$11,750,000	\$15,064
2.	Rancho Dos Vistas	1,406	6/07	15,500,000	11,024
3.	Rancho Del Ciervo	780	2008 Escrow	16,500,000	21,154
4.	Las Varas Ranch	1,800	Offers 2004-05	40,000,000 50,000,000	22,222 27,777
5.	Bixby Ranch	24,130	1/07	135,000,000	5,595

Large ranch sales are included to provide a basis for estimating value for the large Schulte ownership north of the freeway. The five sales are the most recent to occur along the south-coastal region. They provide a range of prices per acre of \$5,595 to \$27,777. Data No. 3 is a Goleta foothill ranch that was in escrow but did not close. No. 4 is not a sale but offers that were made to purchase that were considered by the owners. No. 3 is an escrow of a Goleta Valley foothill ranch that did not close due to issues relating to water and fire damage.

DISCUSSION

A wide array of sales have been assembled in order to provide a clear picture of prices for different sized lots and different locations. Set out below is a summary, by area, of typical lot sizes and price ranges:

<u>Area</u>	<u>Acre Range</u>	<u>Price Range</u>
Carpinteria – Toro Canyon	2.0 – 5.0	\$1,000,000 - \$2,500,000
“	10.0 – 50.0	2,000,000 – 5,000,000
Montecito	1.0 – 2.0	1,250,000 – 3,000,000
“	3.0 – 6.0	3,500,000 – 5,000,000
Santa Barbara	1.0 – 2.0	750,000 – 1,700,000
Goleta Valley	1.0 – 5.0	1,000,000 – 1,600,000
	40	2,000,000+
Gaviota	10.0 – 100.0	1,500,000 – 10,000,000
Large Ranches	800 – 2,000	10,000,000 – 50,000,000+

Some of the sales have older improvements similar to some of the subject parcels. The sales are primarily land purchases. Existing improvements, as well as plantings (avocados, etc.) act to enhance overall appeal but are not significant aspects such as size, location, views, etc., that are related to land.

The sales data shows a lower end of prices of \$750,000 to \$1,000,000 for a one to two acre lot regardless of the location along the south coast. There are less costly lots in the price range of \$500,000 to \$1,000,000 but these usually have less than one acre of land and are at far inferior locations. Given the characteristics of the Naples' blocks, an average value of \$750,000 is judged to be reasonable. Some will be worth much more but some will have lower values due to constraints and location.

There are several blocks and parcels of land ranging in size from nine to 190 acres. Values from \$1,500,000 to \$7,500,000 have been selected. The highest value is assigned to Parcel 6 which has the older main Dos Pueblos ranch house and the larger 190 acre parcel. These values fit well within the range of sales of \$1,500,000 to \$10,000,000.

The larger 2,400 acre Schulte holding north of the freeway will be valued at \$12,500 per acre. This is supported by ranch sales ranging from \$5,500 to \$25,000 per acre.

In the valuations set out below I have combined the Schulte Interests land north of the freeway into one large ranch parcel. Also, a selection has been made as to Naples' lots resulting in 30 buildable lots and roughly 20 lots unbuildable due to locations in flood areas or drainages with steep hillsides.

<u>Dos Pueblos Ranch Parcel or Naples Block Ident.</u>	<u>Acres±</u>	<u>Market Value</u>
Parcels 1, 2 & 3	2,400	\$30,000,000
Block 200	190	7,500,000
Parcels 7 & 8	61	5,000,000
Parcel 6	47	7,500,000
Parcel 2	37	5,000,000
Block 188	34	3,500,000
Parcel 1	15	2,000,000
Block 21	14	2,000,000
Blocks 28+	13	2,000,000
Block 5	9	1,500,000
Block 55	9	1,500,000
Naples' Small Blocks: 30 Blocks @ \$750,000/Block =		<u>22,500,000</u>
Aggregate Market Value:		<u>\$90,000,000</u>

The above market value total is the simple arithmetic sum of the various values. It does not consider factors such as time, absorption, costs, profit, etc.

CONSERVATION EASEMENTS

Three conservation easements are under consideration, each affecting a different portion of the property in question. These easements presume approval of the development plan which propose the elimination of many Naples' lots north of the freeway, realignment of Dos Pueblos Ranch parcels, some Naples' lots and extinguishment of future parcels north of the freeway on Dos Pueblos Ranch areas.

Set out below are the proposed easement areas, identification of the easement holder/owner and underlying land owner.

<u>Land Owner</u>	<u>Acres</u>	<u>Land Trust</u>
Santa Barbara Ranch (Vintage Interests)	483	California Rangeland Trust
Dos Pueblos Ranch (Schulte Interests)	1,181	California Rangeland Trust
Dos Pueblos Ranch (Schulte Interests)	1,020	Land Trust Santa Barbara County

Land areas above do not match those shown earlier in the description of the property. This is due to the existence of an option to purchase land by Vintage from Schulte and the exclusion of areas north of the freeway to be developed by Vintage.

For comparison purposes, the chart below focuses on the main differences in development rights as a result of the proposed easements.

Without Easement/Dev. Plan		With Easement/Dev. Plan	
Dos Pueblos/Naples Parcel/Block No.	HBU/Main Dev. Rights	Dos Pueblos/S.B. Ranch Lot No.	HBU/Main Dev. Rights
Parcels 1, 2 & 3	1 – 4	DP 11	1
Block 200	1	See DP 10 c	----
Parcels 7 & 8	1	DP 12 & 13	2
Parcel 6	1	DP 14 & 15	2
Parcel 2	1	DP 16 & 20	2
Block 188	1	See SBR 185	----
Parcel 1	1	DP 15 (por.)	----
Block 21	1	DP 10 c (por.)	----
Blocks 28+	1	SBR 57	----
Block 5	1	See DP 17	----
Block 55	1	See SBR 185	----
Naples' Lots N/O 101	30±	See SBR 185	----
		DP 10 c	- 0 -
		DP 17	- 0 -
		DP 18	- 0 -
		SBR 185	<u>1</u>
TOTALS:	<u>41 – 45</u>		<u>8</u>

**HIGHEST AND BEST USE –
(With Conservation Easement)**

The development plan, if approved, combined with the conservation easement will remove a portion but not all, of the land’s potential. The areas to be covered by the easement are planned to have substantially less main residential home sites. These areas where homes will be allowed have the same highest and best use as before. The areas where the easement impact is most obvious are as follows:

Without Easement		With Easement	
Parcel/Block No.	Dev. Rights	D.P./SBR#	Dev. Rights
1, 2 & 3	1 – 4	DP 11	1
Naples’ Lots N/O 101	30±	SBR 185	1

There is a slight reshuffling in other areas as some new individual lots are created, others combined, and others committed to common area uses without any main residential potential.

If affect, the highest and best use of the property, in the after condition, with the easement is still ranch-residential, but in a substantially reduced scale.

**APPROACH TO VALUE –
(With Conservation Easement)**

As in the prior approach, the same market data will be used to support opinions of value.

<u>Dos Pueblos Ranch Parcel or S.B. Ranch Lot</u>	<u>Acres</u>	<u>Market Value</u>
DP-11	2,003	\$25,000,000
DP-12	21	1,500,000
DP-13	41	3,500,000
DP-14	36	5,000,000
DP-15	35	2,500,000
SBR 185	182	7,500,000
DP-16	17	2,500,000
DP-20	15	<u>2,500,000</u>
Aggregate Market Value:		<u><u>\$50,000,000</u></u>

The above market value total is the simple arithmetic sum of the various values. It does not consider factors such as time, absorption, costs, profit, etc.

MARKET VALUE – Conservation Easement

The two opinions of aggregate market value have been reached, as follows:

Aggregate Market Value Without Easement:	<u>\$90,000,000</u>
Aggregate Market Value With Easement:	<u>\$50,000,000</u>

The difference is attributable to the impact of the conservation easement, primarily the elimination of 30± Naples lots north of the freeway. The majority of other lands are rearranged into roughly the same number of developable parcels and are already provided with utilities, etc.

In my opinion the difference in value between the two values developed needs to be reduced for costs to provide access, utilities, etc. An estimate of costs to provide services to the Naples’ lots of \$200,000 per lot was provided by L & P Consultants. Using this amount plus 25% for uncertainties, cost escalation, etc., as a deduction from the value difference results in the following estimate of easement value:

Aggregate Market Value Without Easement:	\$90,000,000
Less Aggregate Market Value With Easement:	<u>(\$50,000,000)</u>
Subtotal:	\$40,000,000
Less Costs: \$200,000 x 30 Lots x 1.25 =	<u>(7,500,000)</u>
Market Value – Conservation Easement:	<u>\$32,500,000</u>