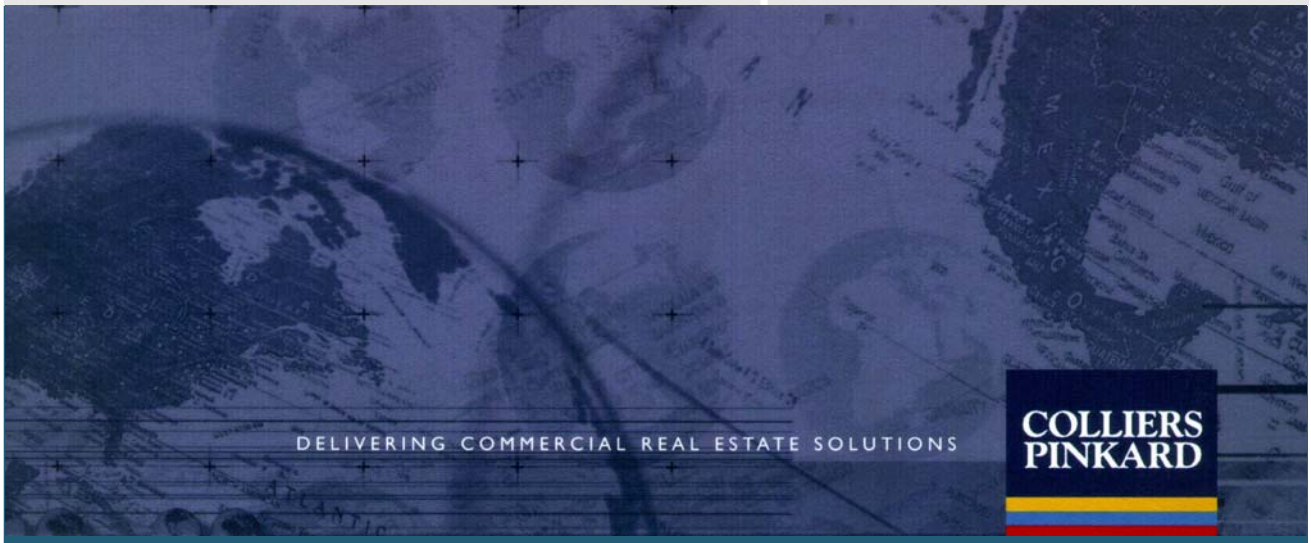
Global Breadth. Local Depth.



Appraisal Report of:

Union Pacific Railroad's Santa Cruz Subdivision

Prepared for:

Santa Cruz County
Regional Transportation Commission

As of:

September 4, 2009

07-117

COLLIERS PINKARD

210 W. Pennsylvania Avenue
Suite 310
Towson, MD 21204-4527
TEL (410) 337-7300
FAX (410) 583-8671
www.colliers.com

October 19, 2009

Mr. Luis Pavel Mendez
Deputy Director
Santa Cruz County Regional Transportation Commission
1523 Pacific Avenue
Santa Cruz, CA 95060-3911

Re: Santa Cruz Subdivision

Dear Mr. Mendez:

In accordance with your request, I have made the necessary inspection and analysis to appraise the above referenced property. The attached report provides essential data and detailed reasoning employed in reaching my opinion of value.

The purpose of the following report is to estimate the "fair and reasonable price" of the fee simple interest, easement and any other interests, in the property as of September 4, 2009. The intended use of the report is to assist Santa Cruz County Regional Transportation Commission and their representatives with the possible acquisition and funding of the appraised property.

The property being appraised consists of an existing railroad right of way that is located between Mile Post 0.00 in Watsonville Junction at the west side of Salinas Road in Monterey County and Mile Post 32.13 in Davenport just north of the Cemex cement plant in Santa Cruz County. The appraisal does not estimate the "fair and reasonable price" of: the track, structures or any other track materials; or the going concern. The appraised property is more specifically described in the accompanying report.

The value reported is qualified by certain definitions, underlying assumptions, contingent conditions, and certifications that are set forth in the attached report. The analysis contained in the report that follows is presented in a self-contained format.

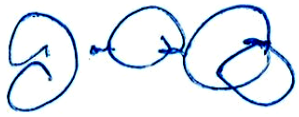
Based on my analysis, the opinion of the "fair and reasonable price" of the fee simple, easement and any other interests in the subject property, as set forth, documented, and qualified in the attached report under conditions prevailing on September 4, 2009, is:

Fourteen Million Three Hundred Thousand Dollars
($14,300,000)

This appraisal has been prepared in accordance with: the Uniform Standards of Professional Appraisal Practice (USPAP) as promulgated by the Appraisal Foundation; the Code of Professional Ethics; the Standards of Professional Practice of the Appraisal Institute; and by the State of California Valuation Procedures and Guidelines for Public Acquisition of Railroad Rights of Way Pursuant to Public Utilities Code dated January 1994.

Thank you for this opportunity to have been of service.

Respectfully submitted,



Gary R. Anglemyer, MAI
Senior Appraiser

Self-Contained Appraisal Report
Union Pacific RR's Santa Cruz Subdivision

Table of Contents

APPENDIX

Introduction

Property Identification

The subject is known as Union Pacific's Santa Cruz Subdivision located between Mile Post 0.00 in Watsonville Junction at the west side of Salinas Road in Monterey County and Mile Post 32.13 in Davenport just north of the Cemex cement plant in Santa Cruz County. The appraiser was provided with the respective railroad right of way valuation maps that describe the subject property. These maps are retained in the appraiser's file. A map showing the right of way as the Santa Cruz Branch Line is shown below. Please note that the Big Trees Rail Line is not a part of this appraisal. Representative photographs are provided in Appendix Three, which is located at the end of this report. Additional information about the corridor is presented in the Corridor Description section of this report.

Purpose and Intended Use of Appraisal

The purpose of this appraisal is to estimate the "fair and reasonable price" of the fee simple, easement and any other interests, in the subject property. The appraisal will be used to assist Santa Cruz County Regional Transportation Commission (SCCRTC) and their representatives with the potential acquisition and funding of the subject property.

Definition of Appraised Value

Appraised value is defined by the State of California Valuation Procedures and Guidelines for Public Acquisition of Railroad Rights of Way Pursuant to Public Utilities Code, Section 7551.3, dated January 1994, as:

> "Fair and Reasonable Price – A price wherein there is a reasonable balance between the value of what is given and what is received in the acquisition of rights to railroad right of way."

Other Definitions

Net Liquidation Value (NLV) is defined by the *Dictionary of Real Estate, Fourth Edition,* page 194, by the Appraisal Institute, as:

> In the valuation of transportation/communications corridors, the current appraised market value of such properties for other than rail transportation purposes, less all cost of dismantling and disposition of improvements necessary to market the remaining properties available for their highest and best use and complying with applicable zoning, land use, and environmental regulations (49 C.F.R. 1152.34).

Note: NLV is a minimum valuation standard, which is relatively unique to the railroad industry and primarily Federal government regulatory proceedings before the Surface Transportation Board (STB) and its predecessor agency, the Interstate Commerce Commission (ICC). The NLV Standard assumes that the line which is the subject of the valuation is not a viable railroad operation and that the highest and best use of the property would be non-rail use as of the effective date of appraisal. Thus, the valuation is based on the liquidation of the assets rather than the operation of the line as a going concern. Also of note, NLV includes two components: The value of the underlying land; and the net salvage value (NSV) of the track and materials (gross salvage value less cost of removal). This appraisal only addresses the land value. It does not include consideration of any NSV.

Property Rights Appraised

The property rights appraised are primarily the fee simple and easement interests as defined below.

> Fee simple is defined by *The Dictionary of Real Estate Appraisal, Fourth Edition*, copyright 2002, page 113, by the Appraisal Institute as:
>
> > "An absolute ownership unencumbered by any other interest or estate; subject only to the limitations imposed by the government powers of taxation, eminent domain, police power and escheat."
>
> An *easement* is defined by *The Dictionary of Real Estate Appraisal, Fourth Edition*, copyright 2002, page 113, by the Appraisal Institute as:

"An interest in real property that conveys use, but not ownership, of a portion of an owner's property. Access or right of way easements may be acquired by private parties or public utilities. Governments dedicate conservation, open space, and preservation easements."

Note: In addition to the above property rights, some parcels have reversionary interests, unrecorded and questionable title, if any.

Date of Inspection and Effective Date of Appraisal

The subject was most recently inspected on December 12, 2007. However, the effective date of this appraisal is September 4, 2009, to account for the passing of time and changing market conditions. The ensuing report estimates the value of the property as of December 12, 2007 and subsequently adjusts it to September 4, 2009.

Property Ownership and History

The property is owned by Union Pacific Corporation. The property has not sold within the past five years. The property has been used as a corridor since it was assembled in the 1880s.

Scope of the Appraisal Process

The scope of this appraisal involves an inspection of the subject property and its surrounding area and an investigation of market evidence related to the valuation of the land only. The appraiser was provided with Valuation Maps, which formed the basis for the area measurements. Upon inspecting the site and obtaining the appropriate jurisdictional zoning information, the corridor was separated into thirty-five valuation parcels. Once the parcels were defined, a targeted search of land sales in the area was conducted. While close to 100 sales were identified, Forty-two were selected as being the most comparable to the lands abutting the appraised property.

A direct sales comparison was conducted for the individual appraisal parcels. The estimated values were totaled to arrive at the across the fence (ATF) value. This amount represents what the land located "across the fence" is worth and/or what one would have to pay to acquire the land prior to any adjustments for property rights, assemblage premiums, enhancement factors or acquisition costs.

Preliminary title information was also provided to the appraiser. The appraiser was provided with a former appraisal of the property that was prepared by Arthur Gimmy International dated April 2006. That appraisal, which identified a certain amount of land that did not have marketable title, along with other information developed in this appraisal was used to make a property rights adjustment.

Depending on the economics of the corridor and its highest and best use, corridors sell for a premium or a discount to the ATF benchmark or "par" value. A draft going concern valuation report prepared by Wilbur Smith Associates dated December 1, 2004 was provided to the appraiser. The report is considered in the Highest and Best Use Analysis section of this appraisal report and is provided in Appendix Four of this report.

A net liquidation value (NLV) was also developed in this assignment. This methodology is akin to a subdivision analysis or a discounted cash flow analysis within the income approach to value. In the course of this analysis, the ATF value estimates are adjusted for a sale of the property to an independent or abutting land owner. The adjusted values are then incorporated into a discounted cash flow analysis, which projects a selling period, deducts all expenses and profit associated with the piecemeal disposition of the land and discounts the cash flow to a net present value. Additional information about the valuation methodology is provided in the Approach to Value and Income Approach sections of this report.

Corridor Description

The subject of this appraisal is an existing rail corridor and related land that extends from just north of Davenport to Watsonville Junction. The land is almost entirely located in Santa Cruz County except for a small stretch between the Pajaro River and Salinas Road, which is located in Monterey County. The right of way passes through the towns and cities of Davenport, Santa Cruz, Capitola, Twin Lakes, Live Oak, Soquel, Sea Cliff, Aptos, Rio Del Mar, La Selva Beach, and Watsonville.

Based on our segmentation of the right of way and area measurements from the valuation maps and any other available sources, the right of way consists of roughly 29.8 linear miles and 301.53 acres of land area, net of public street crossings, bridges and identified parcels that are to be retained by Union Pacific. The gross length is 32.13 miles. The right of way generally ranges from 17' to 320' in width and averages about 83' in width. Elevations also vary widely from at-grade to as much as 50' above or below grade. A substantial portion is heavily impacted by steep topography because of its course along the coast which involves several arroyos gullies, cliffs, and beaches.

The right of way begins just north of the town of Davenport. This area is dominated by a cement batch plant and a small single family residential community. Proceeding from Davenport, it crosses mainly through coastal benches of grazing and vegetable agricultural land until the City of Santa Cruz. The agricultural stretch is mixed with level tilled row crop land and extremely steep or recessed topographical problems.

The right of way immediately enters into an industrial neighborhood at the north boundary of Santa Cruz and proceeds to cross through a large single family residential community. After passing by a secondary sewerage treatment plant, it enters into the Santa Cruz station yard. It resumes along Beach Street and directly in front of the Santa Cruz wharf and beach until crossing the San Lorenzo River.

The right of way then crosses through a long landlocked stretch of land which includes a mix of industrial uses initially and then various residential medium-density housing projects. It then crosses a cliff and a bridge at the city of Capitola where land uses are mainly residential. It has good utility for a long stretch at this point because of its frontage and depth. After passing through a state park, it resumes through the Seacliff residential community, which includes mostly modest medium density apartments and some single family housing.

The right of way then crosses the town of Aptos in an arching direction. Land uses at this point are almost entirely commercial. Leaving Aptos, it crosses by a long stretch of residential land which is above average in quality and maintenance and passed a golf course and beach. After a buffer of open space land, it crosses through the town of La Selva Beach and Manresa State Beach.

The final south leg of the corridor passes through rural residential and row crop land until the city of Watsonville. Most of the land in Watsonville is used for industrial purposes and most of this stretch is landlocked. For purposes of this appraisal, the right of way ends at Salinas Road just past the Pajaro River in Monterey County and Watsonville Junction, where it connects with the mainline.

Market Area Analysis

This chapter provides a snapshot of current economic conditions, real estate market conditions and corridor-related conditions. The discussion begins with an overview of national and regional economic conditions.

Economic performance indicators compiled by the Bureau of Economic Analysis indicate that U.S. economic growth weakened in 2007. Real GDP growth slowed in 36 states, with declines in construction, insurance and finance restraining growth in many of the states. A downturn in the insurance and financial industries accounted for nearly half of the slowdown in economic growth in 2007. Nationally, real economic growth slowed from 3.1% in 2006 to 2.0% in 2007, one percentage point below the average growth of 3% for the period 2002-2006. Per capita personal income slowed somewhat in 2007, but was equal to the average of the previous four years. Unemployment stayed just under five percent to end the year. The economic outlook for 2008 is bleak, but not dire. GDP growth is expected, but at a rate well below the historical average of about 3%. Inflationary pressures, rising unemployment, volatile food and energy prices, as well as a shaky housing market are all key factors contributing to the short term economic uncertainty.

A year-end capital market trend synopsis by Colliers Pinkard suggests that economic conditions in 2007 were less than ideal for real estate markets throughout the country. The sub-prime residential mortgage meltdown and concerns over liquidity caused lenders to tighten their underwriting standards. Nearly all housing market indicators, including existing and new home sales, housing starts and residential construction, show double digit decreases in the percentage change in activity from 2006 through 2007. Commercial interest rates rose as much as 120 basis points, interest-only periods were less common, and both loan-to-value and debt coverage ratios became more conservative. Commercial lenders were pricing deals at rates that reflect their need to hold loans in-house indefinitely in order to compensate for a less reliable pool of buyers. According to a report by Colliers International, commercial real estate will continue to tread water until stability returns to the world's debt markets. Furthermore, real estate markets are expected to fluctuate over the next year, while the general direction is still expected to be positive as fundamentals are unlikely to weaken substantially.

Santa Cruz County home prices, including new and existing, condos, and single-family, have risen at a pace consistent with California averages. Prices in the region are generally considered less affordable relative to other areas in the state. Although it is improving, the housing affordability index hovered around 20% in the second half of 2007 – well below state and national averages. Median home prices as of May 2008 for the three most populated regions of the county are as follows: Santa Cruz - $645,000; Watsonville - $394,000; and Scotts Valley - $647,000. Since May, 2007, Santa Cruz experienced an average median home price decline of 15%; Watsonville and Scotts Valley declined as well at a rate of 42.50% and 14.8% respectively.

California's housing market has consistently rated as one of the most expensive in the country. Median home values statewide nearly tripled from the beginning of 2000 to their peak in May of 2007. A sharp decline in prices began shortly thereafter and continued through the year. In terms of the first-time buyer housing affordability index, California experienced a 20% improvement in the third and fourth quarters of 2007, but remained about 25% below the national average. According to the California Association of Realtors, the lower end of the residential market is plagued with foreclosures and payment resets, while problems with the high-end are mostly related to the credit/liquidity crunch.

Highest and Best Use

This section of the report will examine the Highest and Best Use of the appraised property in its current "as is" condition. For the purpose of this report, Highest and Best Use is defined in the Dictionary of Real Estate Terminology, Fourth Edition, Copyright 2002, page 135, by the Appraisal Institute, as:

> "The reasonably probably and legal use of vacant land or an improved property, which 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"

Physically and collectively, the land is comprised of a long narrowly shaped corridor that has a length of 29.80 miles (net of street crossings and bridges) or 32.13 miles including street crossings bridges and an average width of approximately 83 feet. While the long narrow shape precludes most conventional real estate uses, it is highly conducive to linear right of way uses. In its current disposition, the corridor connects various critical points within the Santa Cruz and Monterey Area and beyond. It was assembled in the late 1880s for railroad transportation purposes but its uses have grown to include telephone lines, electric transmission lines, gas lines, flood control and recreational trails at some points. Other possible uses include fiber optic and coaxial cables, mass transit, bus-ways and road-ways.

Legally, the land is contiguous, shares a common use and is owned by a single entity. However, based on preliminary title reports and a prior appraisal provided to the appraisers, if disbanded and sold-off on a piecemeal basis, the real property suffers from substantial title deficiencies. The right of way is encumbered with various easements and utility uses. The land was assembled prior to the current zoning ordinances.

Economically, the only feasible uses are to either continue the current corridor use by one or more corridor users or subdivide the corridor into smaller parcels that would be sold off to adjacent landowners for non-corridor use. In the event the corridor is sold off to adjacent land owners for non-rail use, a Net Liquidation Value (NLV) methodology is employed. The NLV is typically fractions of the adjoining or across the fence (ATF) value as: the vast majority of the land must be discounted for atypical physical characteristics; sold off over a long period of time; reduced by the expenses associated with the sell-off; and discounted for time, risk, and profit. On the contrary, corridors with a current corridor highest and best use can often sell for premiums to the adjoining or ATF value or some factor typically greater than the NLV.

According to a draft going concern appraisal conducted by Wilbur Smith Associates dated March 15, 2004, a short line operator would serve eight shippers and be expected to receive $1,100,000 of revenue and incur $1,000,000 of operating expenses per annum or earnings before income taxes, depreciation, amortization, and allocations for necessary capital rehabilitation expenditures or net operating income. As can be seen, the net operating income from rail operations is nominal. Subsequent to the appraisal, the largest shipper, Cemex located at the northernmost end of the line has closed its business indefinitely. This shipper accounted for 1,750 of the total annual carloads of 2,427 or approximately 72% of the shipping revenue. Thus the going concern value would be substantially diminished at this time. A copy of this preliminary appraisal is included in Appendix Four of this report. The draft appraisal concludes to a going concern value of $845,000. The Net Liquidation Value (NLV) rendered herein is $14,300,000.

The maximally productive use is the use that is physically possible, legally permissible, financially feasible and that use which results in the greatest return to the land and the highest land value. Physically, a corridor use is clearly an ideal use for this special purpose asset but it could be absorbed into the adjoining land ownership. Legally, the corridor has significant title deficiencies, which affects the marketability and value of the underlying land if sold for an alternative use. The right of way has a much higher value if liquidated than if operated as a freight line. According to John Williams of the Woodside Consulting Group, who has extensive abandonment experience "there is no chance that the STB would deny an application by SCCRTC and its short line operator for abandonment of the Santa Cruz Subdivision." A copy of this report is included in Appendix Five of this report. Therefore, the highest and best use of the property is for liquidation. This use is physically possible, legally permissible, financially feasible and the maximally productive use of the land.

Approach to Value

There are three approaches to value commonly used in the appraisal of real estate; the Cost Approach, the Sales Comparison Approach and the Income Capitalization Approach.

Under the Cost Approach, the land is valued as if vacant and available for development to its highest and best use. The replacement cost new of the improvements is then estimated and depreciated for physical wear and tear, functional (design) deficiencies and external (location or market) problems, if any. The sum of the depreciated replacement cost of the improvements and land value is the estimated property value by the Cost Approach. This approach is not used in this assignment since it involves vacant land. However, one could view the assemblage as a cost and many market participants do. Cost does not necessarily equal value and the actual market value can be substantially lower than the cost to assemble the corridor due to external obsolescence - - alternate sources of transportation, in this case.

Under the Sales Comparison Approach, recent sales of similar properties are compared to the subject and adjusted to reflect differences. Collectively, the adjusted comparable sales reflect the current market for the subject property. This approach is also used to estimate land value. However, given the unique characteristics of the subject property and the paucity of remotely similar sales to non-public entities, this approach is not developed in this appraisal. Illustratively, we searched our record of railroad right of way sales and could not find any that sold with as low of a sale price to ATF value estimate. The subject value estimate is 11% of the ATF value and the lowest sales we could find were in the 17% to 32% range. The connecting TAMC line was acquired for 21% of ATF value and a corridor in Whittier that had title issue sold from 21% of ATF value. The subject value estimate is far below the sales, and adjustments would be excessive making this approach inappropriate.

The Income Approach involves an analysis of the income producing capabilities of the property. After deduction of expenses, projected annual net income is converted into a present day value by means of a capitalization process. A subdivision analysis is one method of valuing the property. This methodology assumes it would be sold off on a piecemeal basis.

In the subdivision development method, the potential sales price of individual lots is estimated by comparison with similar properties that recently sold in the marketplace. The resultant values are then used in a cash flow analysis and discounted for the estimated time and cost to develop the subdivision to achieve a complete sellout of the project, including all costs of development, plus allowances for management, real estate taxes, sales expenses, legal expenses, developer's profit, administrative and overhead costs, miscellaneous or contingency expenses, the cost of money over the holding period and the intrinsic risk associated with developing the project. There are many variations of this approach but all roughly follow the same guidelines.

The Income Approach is used in this assignment. First, the value of the land located adjacent to the corridor is estimated using the ATF Methodology. Secondly, the net liquidation value (NLV) is estimated. Additional information about the valuation approach is provided in the ensuing Income Approach section.

Income Approach

In accordance with the highest and best use analysis, the appraiser is estimating the indicated value of the subject property as if liquidated, which is akin to a potential subdivision. A subdivision requires a discounted cash flow (DCF) analysis, which is a valuation method synonymous with the income approach and commonly referred to as the NLV with regards to railroad right of way corridors.

The analysis used here is identical to that which would apply to a residential or commercial land subdivision. It is a very appropriate valuation model to follow since it synthesizes the unique economics of the corridor in terms of physical, legal and economic terms.

The analysis first forecasts income from the hypothetical sale of the parcels, deducts the expenses associated with the sale of parcels, and then discounts the indicated future cash flows to a present value using an appropriate discount rate.

Revenue

The first step in this analysis is to determine what will be sold and for how much it would sell. Following the appraiser's inspection of the right of way, review of valuation or appraisal maps, zoning maps, aerial maps, market information and selection of the most appropriate valuation segments or parcels, individual segments/parcels were valued using the traditional sales comparison approach.

The sales comparison approach is a method of comparing similar properties to the subject to obtain an indication of value. Often called the market data approach, this method represents an interpretation of the reactions of typical purchasers in the market. A fundamental tenet of this approach is the principle of substitution, implying that a prudent person will pay no more to buy a property than it will cost to buy a comparable substitute property.

Application involves a comparative analysis of the important attributes of the sale properties to those of the subject under the general divisions of property rights, conditions of sale, location, physical characteristics, and changes in market conditions over time. Consideration of the dissimilarities in terms of their probable effect upon the sales price of the subject gives an indication of market value.

This approach estimates the value of the designated parcels or segments through direct comparison with other properties, which have sold within reasonable proximity of the corridor in the recent past and share similar utility. In the valuation analysis, the appraiser researched forty-two land transactions, which were used to estimate the value of the appraisal segments/parcels before adjustment for any unusual attributes not prevalent in the sales. The sum of those values is what is referred to as the “across the fence” (ATF) value. Put another way, it is an estimate of what the land located “across the fence” is worth.

Pertinent data associated with each sale along with location maps are presented in Appendix Two at the end of this section. The unit of comparison is the price per square foot of gross land area, the unit of comparison considered most appropriate in connection with most of the land in the subject’s market.

In the course of this assignment, the appraiser reviewed all of the vacant land sales in Santa Cruz County that occurred since calendar year 2004. The search targeted all land uses along the corridor. In addition to the sale search, the appraiser interviewed assessors, brokers, buyers and sellers and current listings of real estate along the corridor.

The schedule of independent appraisal parcels entitled ATF and Gross Fee Liquidation Summary contains a brief description of each parcel, individual parcel number, the estimated size of each parcel in square feet and acres, the lineal footage of the parcel, the zoning of adjacent land, conclusion of highest and best use of the parcel in conjunction with its abutting property, its estimated ATF value on a price per square foot of gross land area basis, and its total estimated ATF value, any adjustments required to effect the sale to an adjacent or independent buyer and the sum of these adjusted values or the Gross Fee Liquidation Value, which is akin to the aggregate retail value in a subdivision prior to any adjustments for property rights. The estimated ATF value is $144,700,000, rounded. This table is located at the end of this section.

The subdivision or net liquidation value (NLV) methodology is one that results from the conclusion that the value of a railroad right of way is akin to disassembling or "liquidating" it. This means that the owner of the corridor hypothetically takes the steps necessary to break the line into individual parcels for sale to adjacent owners or third parties. The Gross Fee Liquidation Value analysis begins with the individual segment/parcel ATF or retail value estimates and adjusts the value for the unique attributes in liquidation. In the analysis, the appraiser has focused on the following liquidation adjustments:

Access: The marketability of a given parcel because of access on a public street or its lack of marketability to one or two buyers because of its landlocked location. Based on a paired analysis of similar sales, an average - 50% adjustment is used in most cases.

Topography: The influence on the value of the parcel resulting from differences in the elevation of the right of way and adjacent lands. There can be substantial portions of the right of way, which are elevated above surrounding land, significantly lowering the utility of the right of way to an adjacent owner.

Drainage: Large portions of the right of way can be affected by drainage, either due to poor natural drainage or due to limitations imposed by constructed drainage pipes and ditches lying in easements within the right of way.

Land Use: The pattern of land use has a significant affect on the value of a parcel. In order for a parcel to achieve its highest value (at or near base ATF value) the parcel must offer a high degree of utility for compatible land uses. In some extreme cases, a parcel can have marginal utility requiring substantial downward adjustment.

Shape: The shape of a parcel also has a significant affect on value, due primarily to the width of the right of way. This is often a characteristic not found in conventional sales.

Note: The above adjustments are abbreviated using the first letter of the word in the summary table; A T D L and S.

Application of the adjustments results in an aggregate Gross Fee Liquidation Value before time-value-of-money and project cost deductions or total revenue to the liquidator. A summary of the Gross Fee Liquidation Values (prior to any adjustments for property rights) appears on the ATF and Gross Fee Liquidation Value, which is located at the end of this section. After adjustments, the gross fee liquidation value is $87,400,000, rounded.

Property Rights

In this case, where the highest and best use of the corridor is for non-corridor use or if it is abandoned, the corridor is often valued based on the Surface Transportation Board's (STB) guidelines for net liquidation value. Included in the STB's guidelines for valuation is the

determination of title for the parcels. Value is only assigned to the land that the railroad holds in the STB's definition of marketable title. Value is only assigned to land that was granted to the railroad through warranty or grant deed, quitclaim without reversion, those with no record, and limited title. The last two may have less value due to the loss resulting from the defect of title. The parcels granted through the various Acts of Congress and easements granted for railroad use purposes only are also excluded. Thus, portions of the corridor may not have marketable title after the STB's abandonment proceedings and the market value will likely be substantially less than Gross Fee Liquidation Value (GFLV). Once the GFLV has been established for the marketable parcels, a discount factor, if appropriate, is then applied to the ATF value to arrive at the Liquidation Value.

We were provided with preliminary title reports but were unable to accurately allocate the property rights to our segmented appraisal parcels. After several attempts, we came to the conclusion that the results were so inaccurate that the analysis was not credible. However, as noted above, an NLV requires an adjustment for property rights adjustment.

According to an appraisal of the subject property prepared by Arthur Gimmy International dated April 26, 2006, only 93.09 acres of the subject property has marketable title in a liquidation scenario. This remaining area does not include any easement, reversionary or problem-parcels. Based on this appraisal, the subject property has a gross land area of 301.53 acres. Based on the above area calculations, one can deduce that 31% of the property (93.09 acres / 301.53 acres = 31%) has marketable title. Thus, based on the above ratio, the gross liquidation value, after adjustment for property rights, is 30% of $87,400,000 or $26,220,000, rounded $26,200,000.

Absorption Period – Sell-Out Schedule

Perhaps one of the most difficult judgments to make in this valuation is the forecast of the time it will take to sell all parcels and the time it will take to complete the re-platting of the corridor into parcels that may be sold. Not only is there a consideration of the total length of time it will take to sell but also the pattern of sales within the total expected time to sell. A reliable forecast of a sell-out time is, in itself, a very detailed and complex analysis, made all the harder by the many agencies and communities which would have some form of jurisdiction in the matter and the lack of truly comparable market transactions as a basis of comparison.

According to the *Fourth Quarter 2007 Korpacz Real Estate Investor Survey*, the absorption period required to sell the entire project varies significantly, depending on such factors as location, size and property type. The land development participants surveyed reported a range of 12 to 240 months or an average absorption period of 60 months or 5 years. We forecast sales of 50% in year one; 30% in year two; and 20% in year three. Prices are forecast to be level in light of the foreboding economic conditions.

Expenses

Corridors are almost never sold-off on a piecemeal basis. The NLV methodology is borne more out of regulatory proceedings than by market factors. It is a valuation methodology that synthesizes a sell-off that will never materialize. Consequently, there is a severe paucity of support for the expenses estimates. Nonetheless, the appraiser must make allocations for the expenses associated with selling the land. In this case, we rely on our experience associated with large land subdivisions. The following is an individual classification and estimate of the land sell-off expenses that we believe would be incurred.

Administrative and Overhead (Project Management included): This account covers the estimated cost required to support the personnel associated with the day-to-day

management of the project. We used 2% of gross sale revenue as a management fee and 1% of gross sales revenue for overhead, or a combined percentage of 3%.

Real Estate Taxes: The investor/developer is responsible for the payment of real estate taxes and bonded indebtedness during ownership. Real estate taxes and bonded indebtedness are based on local rates or an average projected rate of 1%.

Settlement/Closing Costs: Settlement and closing costs are projected at a rate of 1% of parcel sales revenue and are deducted as parcels are sold.

Legal and Accounting Charges: Legal and accounting costs are estimated to be 1% of the total parcel sales and are deducted as an expense as parcels are sold.

Marketing Allowance: A prudent owner would market the property through agents (at least on a cooperative basis) in order to fully expose the property to the market. A marketing allowance of 5% of total sales revenue is estimated in this project.

Total Expenses: These expenses are estimated to be 11% of gross sale proceeds.

Spreadsheet Analysis

The identified revenues and expenses are incorporated into a discounted cash flow analysis. Anticipated expenses are deducted from projected revenues, resulting in annual net income cash flows over the holding period, which are discounted to a net present value as of the effective date of the appraisal in accordance with the analysis presented below. The discounted cash flow analysis associated with the subject property is located at the end of this section.

Cost of Capital

In estimating the present worth of the anticipated cash flow, it is necessary to establish a discount rate. The results of a national survey conducted by the PriceWaterhouseCoopers, LLP, Real Estate Group were published in the *Korpacz Real Estate Investor Survey* for the Fourth Quarter of 2007. According to the survey, the majority of national land development participants use a discounted cash flow analysis (as is done in this valuation analysis approach in valuing the subject) as the prime method in evaluating purchase prices for subdivision tracts. Free and clear discount rates reported by participants range from 12-25% with an average rate of 17.21% inclusive of profit. The rates include profit and are deemed necessary to account for risk and attract capital. A discount rate of 17.25% was selected as an appropriate market-supported discount rate for the subject projected net income cash flows.

Net Present Worth of the Subject – December 12, 2007

The annual cash flows discounted by the selected discount rate indicate a net present worth of $17,900,000, rounded. However, this value estimate is based on data collected as of December 12, 2007. The subsection below considers the current value of the property in light of prevailing market conditions.

Market Conditions Adjustment – September 4, 2009

According to historical Multiple Listing Service (MLS) records, as of December 2007, the median single family residential price was $732,000. As of July 31, 2009, the median single family residential price was $540,391 or 26.18% lower than the December 2007 median. However, this indicator reflects improved property prices and does not consider unimproved land sales, which is the subject of this appraisal. Nonetheless, it is a widely used metric and involves a large amount of sales data. Our experience is that it generally correlates with commercial values but the land market has different supply and demand characteristics. The supply of available land is much smaller than the supply of improved product.

A matched paired analysis is an ideal way to isolate changes in market conditions. The problem with matched paired sales analysis is the lack of investment or development oriented land transactions to use as guidelines. Of the few land sales, most have involved owner users. A complete update of all of the sales is another way to update the land values but both of these methods were beyond the scope of this assignment.

We continue to see highly desirable sites retain their value. Agricultural land has also retained its value. The only decrease we observed is with industrial land values. Current pricing is generally around $12 per square foot – down from $15.00 per square foot in December, 2007. This indicates a decrease of 20%.

The above data suggests that the values have decreased from 0% to 26% since December, 2007. While many portions of the corridor have likely retained their previous ATF value estimates, the industrial and residential portions have clearly declined. As a point estimate, we have concluded to a decrease of 20% since the original December 2007 appraisal date.

Based on these statistics, the subject's December value has decreased by approximately 20%. Thus, the December 12, 2007 value estimate of $17,900,000 is reduced by 20% to $14,320,000, rounded to $14,300,000.

Conclusion

Therefore, based upon the preceding income approach analysis using an NLV methodology, subject to the underlying assumptions and contingent conditions, the "fair and reasonable price" of the fee simple, easement and any other property rights of the subject land only as of September 4, 2009, is:

Fourteen Million Three Hundred Thousand Dollars
($14,300,000)

Summaries of the above analysis are provided in the NLV Summary and the ATF and Gross Fee Liquidation Summary (tables are located on the following pages). The Individual Parcel Summary Sheets (Appendix One); Sales Summary Tables (Appendix Two); and representative pictures of the property (Appendix Three) are located at the end of this report.

NET LIQUIDATION VALUE SUMMARY

		YEAR 1	YEAR 2	YEAR 3
GROSS LIQUIDATION VALUE	$26,200,000			
SALES REVENUE FORECAST: 50% IN YEAR 1; 30% IN YEAR 2; AND 20% IN YEAR 3		$13,100,000	$7,860,000	$5,240,000
LIQUIDATION COSTS ESTIMATED AT 11% OF SALES REV. (SEE TEXT FOR BREAKDOWN)		$1,441,000	$864,600	$576,400
CASH FLOW		$11,659,000	$6,995,400	$4,663,600
NET PRESENT VALUE CASH FLOW:				
DISCOUNT (INCLUDING PROFIT) AT 17.25%	$17,925,404			
NET LIQUIDATION VALUE AS OF DECEMBER 12 2007, ROUNDED TO:	$17,900,000			
ESTIMATED CHANGE IN VALUE	-20.00%			
NET LIQUIDATION VALUE AS OF JULY 31, 2008	$14,320,000			
ROUNDED TO:	$14,300,000			

ACROSS THE FENCE AND GROSS FEE LIQUIDATION VALUE SUMMARY

No.	SQUARE FEET	ACRES	LINEAR FEET	ZONE	HIGHEST & BEST USE	A.T.F. $ PER SQ FT	A.T.F. VALUE	N.L.V. ADJUSTMENTS A	T	D	L	S	ADJ. $ PER SQ FT	GROSS FEE LIQUIDATION VALUE
1	265,280	6.09	1,720	AG	RURAL ACREAGE	$0.75	$198,960						$0.75	$198,960
2	47,916	1.10	480	SFR	SFR SUBDIVISION	$25.00	$1,197,900						$25.00	$1,197,900
3	363,290	8.34	2,160	M-2-L	INDUSTRIAL	$15.00	$5,449,356				0.25		$11.25	$4,087,017
4	1,467,536	33.69	7,000	AG	RURAL ACREAGE	$0.75	$1,100,652		0.50				$0.38	$550,326
5	651,222	14.95	10,700	AG	RURAL ACREAGE	$0.75	$488,417		0.50				$0.38	$244,208
6	906,048	20.80	10,055	AG	COMMERCIAL AG	$1.00	$906,048	0.40	0.25				$0.35	$317,117
7	1,738,480	39.91	20,585	AG	COMMERCIAL AG	$1.00	$1,738,480	0.50	0.10	0.05			$0.35	$608,468
8	327,136	7.51	4,100	INDUSTRIAL	INDUSTRIAL	$15.00	$4,907,034	0.40					$9.00	$2,944,220
9	154,638	3.55	2,400	SFR	SINGLE FAMILY	$25.00	$3,865,950			0.10		0.25	$16.25	$2,512,868
10	186,872	4.29	2,900	SFR	SINGLE FAMILY	$25.00	$4,671,810	0.45	0.25		0.10		$5.00	$934,362
11	429,937	9.87	1,450	COMMERCIAL	MIXED USE	$40.00	$17,197,488	0.25		0.25	0.25		$10.00	$4,299,372
12	7,405	0.17	200	COMMERCIAL	COMMERCIAL	$40.00	$296,208						$40.00	$296,208
13	60,984	1.40	1,080	MED DENS RES	MED DENS RES	$40.00	$2,439,360						$40.00	$2,439,360
14	141,570	3.25	1,760	INDUSTRIAL	INDUSTRIAL	$15.00	$2,123,550						$15.00	$2,123,550
15	162,479	3.73	2,400	MED DENS RES	MED DENS RES	$40.00	$6,499,152	0.40					$24.00	$3,899,491
16	117,612	2.70	2,320	INDUSTRIAL	INDUSTRIAL	$15.00	$1,764,180	0.40					$9.00	$1,058,508
17	259,618	5.96	6,360	MED DENS RES	MED DENS RES	$40.00	$10,384,704	0.50					$20.00	$5,192,352
18	32,234	0.74	680	COMMERCIAL	COMMERCIAL	$40.00	$1,289,376					0.40	$24.00	$773,626

No.	SQUARE FEET	ACRES	LINEAR FEET	ZONE	HIGHEST & BEST USE	A.T.F. $ PER SQ FT	A.T.F. VALUE	N.L.V. ADJUSTMENTS A	T	D	L	S	ADJ. $ PER SQ FT	GROSS FEE LIQUIDATION VALUE
19	84,506	1.94	1,520	SFR	SINGLE FAMILY	$25.00	$2,112,660	0.40					$15.00	$1,267,596
20	158,558	3.64	2,000	SFR	SINGLE FAMILY	$25.00	$3,963,960						$25.00	$3,963,960
21	210,395	4.83	3,036	RM-LM	MED DENS RES	$40.00	$8,415,792						$40.00	$8,415,792
22	517,057	11.87	7,500	PARKS & REC	RURAL RESIDENTIAL	$2.50	$1,292,643						$2.50	$1,292,643
23	301,871	6.93	4,047	SFR/MED DENS	RURAL RESIDENTIAL	$2.50	$754,677	0.25					$1.88	$566,008
24	83,635	1.92	1,520	MED DENS RES	SINGLE FAMILY	$25.00	$2,090,880	0.50					$12.50	$1,045,440
25	132,945	3.05	2,640	COMMERCIAL	COMMERCIAL	$40.00	$5,317,805	0.25	0.05				$28.00	$3,722,463
26	469,141	10.77	5,960	SFR	SINGLE FAMILY	$25.00	$11,728,530	0.40	0.20				$10.00	$4,691,412
27	225,641	5.18	3,760	MED DENS RES	MED DENS RES	$100.00	$22,564,080					0.25	$75.00	$16,923,060
28	97,139	2.23	3,120	SFR	SINGLE FAMILY	$25.00	$2,428,470					0.25	$18.75	$1,821,353
29	88,862	2.04	1,600	AG	RURAL RESIDENTIAL	$2.50	$222,156						$2.50	$222,156
30	114,127	2.62	1,600	SFR/RURAL RES	RURAL RESIDENTIAL	$2.50	$285,318	0.50					$1.25	$142,659
31	159,212	3.66	2,326	SFR	RURAL RESIDENTIAL	$2.50	$398,030						$2.50	$398,030
32	909,707	20.88	9,773	AG	RURAL RESIDENTIAL	$2.50	$2,274,268	0.25				0.25	$1.25	$1,137,134
33	1,415,700	32.50	18,720	AG	COMMERCIAL AG	$1.00	$1,415,700						$1.00	$1,415,700
34	808,909	18.57	9,610	INDUSTRIAL	INDUSTRIAL	$15.00	$12,133,638	0.50					$7.50	$6,066,819
35	37,026	0.85	370	INDUSTRIAL	SERVICE COMMERCIAL	$20.00	$740,520					0.10	$18.00	$666,468
	$13,134,647	301.53	157,452 29.8 Miles			$11.61	$144,645,751						$6.96	$87,436,605

Underlying Assumptions and Contingent Conditions

In conducting this appraisal, your appraiser has assumed that:

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.

2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.

3. Responsible ownership and competent property management are assumed.

4. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

5. All engineering studies are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property.

6. 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 obtaining the engineering studies that may be required to discover them.

7. It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.

8. It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described and considered in the appraisal report. The property is not subject to flood plain or utility restrictions or moratoriums, except as reported to your appraiser and contained in this report.

9. It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

10. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.

11. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any

expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this field, if desired. Should any subsequent studies, research, or investigation reveal the presence of any potentially hazardous substance, this appraisal is INVALID.

12. Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

13. Possession of this report, or a copy thereof, does not carry with it the right of publication.

14. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless arrangements have been previously made.

15. 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 the prior written consent and approval of the appraiser.

16. Any value estimates provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the value estimate, unless such proration or division of interests has been set forth in the report.

17. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey or analysis of the property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirements of the ADA would 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 impact upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property, if applicable.

18. Unless stated otherwise, no percolation tests have been performed on this property. In making the appraisal, it has been assumed that the property is capable of passing such tests so as to be developable to its highest and best use, if applicable and if so as discussed in this report.

19. No in-depth inspection was made of the plumbing (including well and septic), electrical, or heating systems. The appraiser cannot warrant the adequacy/inadequacy of these systems.

20. The appraisal was prepared by the appraiser for the exclusive use of the client. The information and opinions contained in this appraisal set forth the appraiser's best judgment in light of the information available at the time of the preparation of this report. Any use of this appraisal by any other person or entity, or any reliance or decisions based on this appraisal are the sole responsibility and at the sole risk of the third party. The appraiser accepts no responsibility for damages suffered by any third party as a result of reliance on or decisions made or actions taken based on this report.

21. The Valuation Maps provided by SCCRTC were used as the primary basis for the description of the subject property. The area calculations presented herein are for purposes of reasonable analysis and should not be relied upon as a legal description since the appraiser is not a certified land surveyor or engineer.

Certification of Appraiser

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and my personal, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest or bias with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or the parties involved with this assignment.
- My engagement in this in this assignment, including remuneration, was not contingent upon developing or reporting predetermined results, including: 1) a requested minimum, 2) specific valuation or 3) the approval of any financing.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors that 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.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant professional assistance to the person signing this report.
- The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

Gary R. Anglemyer, MAI

QUALIFICATIONS OF GARY R. ANGLEMYER, MAI

Education
BS, Johnson & Wales University, 1983

Professional Registrations
Designated Member of the Appraisal Institute
Maryland Certified General Real Estate Appraiser #20646

Years of Experience
20

Qualifications

Mr. Anglemyer has extensive real estate, business valuation and intermediary service experience in a wide range of complex special purpose product types and assignments especially including railroad right of ways and commercial real estate.

Mr. Anglemyer joined Colliers Pinkard in 2006 as a Senior Appraiser. Colliers Pinkard is an owner member of Colliers International - one of the top three multi-facetted commercial real estate firms in the world. Colliers International has over 9,000 employees that generate more than $1 billion in annual revenues with offices in 250 cities and 50 countries

From 1990-2000 Mr. Anglemyer was the Director of the Right-of-way Valuation Division of Arthur Gimmy International. He was project manager for almost $2,000,000,000 worth of right of way acquisitions involving several hundred route miles representing agencies, agencies working with owners in jointly-sponsored appraisals and railroad companies from conception to closing. Specific assignments included:

Relevant Project Experience

- *Dallas Area Rapid Transit* Estimated the corridor value for four separate corridors in the Dallas Fort Worth area for interagency transfer. Negotiations in progress.

- *City of Whittier – Los Angeles County* Estimated the value of a portion of an abandoned Union Pacific railroad right of way called the La Habra Branch. Said right of way is encumbered with a gas pipeline and was being studied for the purpose of implementing a pedestrian trail. Negotiations in progress.

- *Grafton and Upton Railroad Company* Estimated the across-the-fence and net liquidation value of the land assets of a 15.4-mile rail line between North Grafton and Upton, Massachusetts as part of a larger effort to assist in the disposition of the assets. Retained by client for future representation regarding the disposition of the corridor for recreational conservation purposes.

- *City of Burlingame* Estimated the value of a leased short line operating corridor for purposes of continued freight service and future public transportation land banking and recreational trail purposes.

- *Santa Clara Valley Transportation Authority* Appraised more than 100 miles of several Union

Pacific corridors in the Silicon Valley area. Responsible for valuation under various scenarios and for the valuation of the improvements and going-concern, which was prepared by subcontractors.

- *Santa Cruz County Regional Transportation Commission – The Subject Property* Appraised a 31-mile Southern Pacific, now Union Pacific-owned right of way in Santa Cruz County in 1995, 2002 and the 2007 to 2009 period. This transaction is still being negotiated.

- *Peninsula Joint Powers Board* Appraised the following Southern Pacific, now Union Pacific, right of ways: San Francisco-San Jose, San Jose-Gilroy, Dumbarton Line and various other freight lines. Transaction went to closing.

- *Utah Transit Authority/Union Pacific* Appraised the fee, easement and other property rights acquisition/dispositions involving more than 160 miles of Union Pacific right of way in the Salt Lake metropolitan area. The transaction closed in 2002.

- *Golden Gate Bridge Highway and Transit District; Marin, Mendocino, Napa and Sonoma Counties* Completed an appraisal of Southern Pacific right of way in the following corridors: Larkspur-Novato, Novato-Napa, Novato-Healdsburg and Willits-Healdsburg – the transactions closed.

- *Bay Area Rapid Transit District* Completed appraisal of right of way for BART between San Bruno and San Francisco International Airport for placement of an easement by PG&E.

- *U.S. Internal Revenue Service*: Reviewed an appraisal of 162 miles of Southern Pacific right of way between Llano, Texas and Giddings, via Austin and several other corridor appraisals in the Northwestern U.S., which sold as "Bargain Exchanges" to government agencies or non-profit organizations.

- *Regional Transportation Commission of Southern Nevada* Reviewed an appraisal of the Henderson Branch Line of the Union Pacific Railroad

- *Los Angeles Department of Water and Power* Appraised 100 miles of railroad right of way in northeast Nevada. Much of the land was owned by BLM.

Prior to joining Arthur Gimmy International, Mr. Anglemyer spent three years conducting business analyses for a wide range of industries throughout the United States and Canada on behalf of the U.S. Federal Reserve Bank, Science Management Corporation and Proudfoot Consulting.

APPENDIX

Appendix One:	Individual Parcel Summary Sheets
Appendix Two:	Sales Summary Tables
Appendix Three	Subject Property Photographs
Appendix Four	SCBL Draft Going Concern Valuation
Appendix Five	Abandonment Analysis

Individual Parcel Summary Sheets

INDIVIDUAL PARCEL SUMMARY NO. 1

DESCRIPTION

		Map/Parcel Number:	V-89-7-1 & 3
Linear Feet:	1,720'	Acreage:	6.09
Zone/Use West:	CA-P, CA-L/Hwy. 1	Zone/Use East:	CA-P, CA/AG & SFR
Highest & Best Use:	Ag. Speculation		

Comments: This is the northern most parcel of the R/W. It begins 680' north of the intersection of Cement Plant Road and Hwy. 1 and extends to the Davenport Station (Parcel No. 2). It includes all of the R/W north of the RMC cement plant except for a single family residential (SFR) strip. This land is just north of existing industrial and residential land. It would likely be acquired by a speculator for long term inclusion with the Davenport area. It has frontage along Hwy. 1.

ATF VALUE ESTIMATE

Sales Used: RA-2, RA-3, RA-4 and RA-6

Analysis: The sales are located in northwest Santa Cruz County. Sale No. RA-4 is the most recent sale (7/07) but is located further inland away from the ocean. Sale No. RA-2 and RA-3 are located closest to the R/W (just north) but occurred in 2004. Prices have increased since the older sales and the subject's proximity to the ocean is considered to be superior. Thus, we conclude to an ATF value of $0.75 per square foot.

ATF Conclusion: $198,960

LV ADJUSTMENTS No adjustments are warranted.

GLV CONCLUSION $198,960

INDIVIDUAL PARCEL SUMMARY NO. 2

DESCRIPTION

		Map/Parcel Number:	V-89-7-1B
Linear Feet:	480'	Acreage:	1.10
Zone/Use West:	SU/Hwy. 1	Zone/Use East:	R-1-6/SFR

Highest & Best Use: SFR Subdivision

Comments: This parcel consists of a 480' x 100' section of Parcel No. 1. It was separated because of its adjacent SFR zoning across Cement Plant Road and its ability to be independently developed with SFR's.

ATF VALUE ESTIMATE

Sales Used:

Analysis: The sales range from $21.04 to $33.55 per square foot and average $23.64 per square foot. The median is $25.49 per square foot. We conclude to an ATF base unit value of $25 per square foot.

ATF Conclusion: $1,197,900

LV ADJUSTMENTS The land is fairly level with frontage on Hwy. 1 and Cement Plant Road. No adjustments are warranted.

GLV CONCLUSION $1,197,900

INDIVIDUAL PARCEL SUMMARY NO. 3

DESCRIPTION

		Map/Parcel Number:	V-89-7-1& 2
Linear Feet:	2,160'	Acreage:	8.34
Zone/Use West:	SU/Hwy. 1	Zone/Use East:	M-2-L/RMC

Highest & Best Use: Industrial

Comments: This parcel consists of a portion (PTN) of Parcel No. 1 which fronts the RMC cement plant and extends to parcel No. 2.

ATF VALUE ESTIMATE

Sales Used:

Analysis: The sales range from $7.62 to $37.90 per square foot and average $17.67 per square foot. The median is $13.85 per square foot. The more recent sales (and listing) suggest unit values in the mid to higher end of this range. Based on the subject's location characteristics, a conclusion at the mid range of the sales or $15.00 per square foot is rendered.

ATF Conclusion: $5,449,356

LV ADJUSTMENTS The land is fairly level and this entire area has frontage on Hwy. 1. However, its location in front of the RMC plant and far away from conventional industrial areas could detract from its marketability. Thus, a negative adjustment for its somewhat restrictive land use is made for this parcel.

GLV CONCLUSION $4,087,017

INDIVIDUAL PARCEL SUMMARY NO. 4

DESCRIPTION

		Map/Parcel Number:	V-89-6-1, 2 & 3
Linear Feet:	7,000'	Acreage:	33.69
Zone/Use West:	PR, CA-P, CA-L/Ag. Row Crops	Zone/Use East:	SU/Hwy. 1
Highest & Best Use:	Rural acreage		

Comments: The R/W is now on the west side of Hwy. 1. The land use changes dramatically to agricultural uses such as row crops if physically permissible. Parcel No. 3 is an overflow easement for San Vicente Creek. There are several commercial businesses on the east side of Hwy. 1 that buffer the SFRs.

ATF VALUE ESTIMATE

Sales Used: RA-2, RA-3, RA-4 and RA-6

Analysis: The sales are located in northwest Santa Cruz County. Sale No. RA-4 is the most recent sale (7/07) but is located further inland away from the ocean. Sale No. RA-2 and RA-3 are located closest to the R/W (just north) but occurred in 2004. Prices have increased since the older sales and the subject's proximity to the ocean is considered to be superior. Thus, we conclude to an ATF value of $0.75 per square foot.

ATF Conclusion: $1,100,652

LV ADJUSTMENTS This parcel is adjusted downward by 50% due to its topography.

GLV CONCLUSION $550,326

INDIVIDUAL PARCEL SUMMARY NO. 5

DESCRIPTION

		Map/Parcel Number:	V-89-5-1, 2 & 3
Linear Feet:	10,700'	Acreage:	14.95 Acres
Zone/Use West:	CA-P/Ag Row Crops	Zone/Use East:	SU/Hwy. 1
Highest & Best Use:	Rural acreage		

Comments: This parcel begins north of Liddel Creek at Bonny Doon Road and crosses the Respinin Creek and San Hill Bluff. The R/W is on the west side of Hwy. 1. The land use continues to be low intensive (mostly grazing) agricultural uses and row crops if physically permissible. There is a small strip of land zoned PR/OC at the south end of the line. However, the ATF conclusion below reflects such a price consideration. Thus, it was not separated.

ATF VALUE ESTIMATE

Sales Used: RA-2, RA-3, RA-4 and RA-6

Analysis: The sales are located in northwest Santa Cruz County. Sale No. RA-4 is the most recent sale (7/07) but is located further inland away from the ocean. Sale No. RA-2 and RA-3 are located closest to the R/W (just north) but occurred in 2004. Prices have increased since the older sales and the subject's proximity to the ocean is considered to be superior. Thus, we conclude to an ATF value of $0.75 per square foot.

ATF Conclusion: $488,417

LV ADJUSTMENTS This parcel is adjusted downward for access and topography.

GLV CONCLUSION $244,208

INDIVIDUAL PARCEL SUMMARY NO. 6

DESCRIPTION

		Map/Parcel Number:	V-89-4 & 5-2, 3, 4 & 5
Linear Feet:	10,055'	Acreage:	20.80 Acres
Zone/Use West:	CA/CA-P, PR, Raw/Row Crops	Zone/Use East:	RA, SU, PR/Hwy. 1
Highest & Best Use:	Commercial Agriculture		

Comments: This parcel begins at Laguna Creek Road and ends at Baldwin Creek which is the northern boundary of Wilder Ranch State Park. The R/W is on the west side of Hwy. 1. The land use continues to be low intensive (mostly grazing) agriculture uses and row crops if physically permissible. This stretch is either marginally usable or highly usable with Scaroni Road as the line of demarcation. North is not arable, while the south is generally arable. A small portion of the R/W has Hwy. 1 access but about 80% is land locked.

ATF VALUE ESTIMATE

Sales Used: AG-1 through AG-4

Analysis: These sales primarily involved land used for row crops. The sales range from a low of $0.61 per square foot and a high of $0.87 per square foot--the highest being the most recent (3/07) and the older ones dating back to 2003 (Numbers 1 and 2). Based on listings retained in file and discussions with knowledgeable brokers, we conclude to a unit value of $1.00 per square foot for commercial agricultural use.

ATF Conclusion: $906,048

LV ADJUSTMENTS This parcel is adjusted downward for access and topography.

GLV CONCLUSION $317,117

INDIVIDUAL PARCEL SUMMARY NO. 7

DESCRIPTION

		Map/Parcel Number:	V-89-3 & 2 - 1,2,3,4
Linear Feet:	20,585'	Acreage:	39.91 Acres
Zone/Use West:	PR, SU, CA/Park	Zone/Use East:	PR, PR-L/Park
Highest & Best Use:	Commercial Agriculture		

Comments: This parcel begins at Baldwin Creek which is the northern boundary of Wilder Ranch State Park and ends just south of the north Santa Cruz city boundary limit. It excludes the non-operating portions of Parcels 1 and 2. It consists of land that is mostly suitable for row crops but has some intermittent drainage and topography problems.

ATF VALUE ESTIMATE

Sales Used: AG-1 through AG-4

Analysis: These sales primarily involved land used for row crops. The sales range from a low of $0.61 per square foot and a high of $0.87 per square foot--the highest being the most recent (3/07) and the older ones dating back to 2003 (NCS. 1 and 2). Based on listings retained in file and discussions with knowledgeable brokers, we conclude to a unit value of $1.00 per square foot for commercial agricultural use.

ATF Conclusion: $1,738,480

LV ADJUSTMENTS This parcel was adjusted downward for access, topography, and drainage.

GLV CONCLUSION $608,468

INDIVIDUAL PARCEL SUMMARY NO. 8

DESCRIPTION

		Map/Parcel Number:	V-89-1 & 2-1, 31, 29, 27 28 & a Ptn. of 25
Linear Feet:	4,100	Acreage:	7.51 acres
Zone/Use West:	IG, R-1-5, PK, FP/Industrial	Zone/Use East:	IG, FP, PK, PF/Industrial
Highest & Best Use:	Industrial		

Comments: This parcel is the first parcel in the city of Santa Cruz. The land use at this time changes immediately to general industrial with some residential infill. The overall quality diminishes from north to south. This parcel is land locked except for its street crossing exposures. It begins at West Cliff Drive and ends at Almar Avenue.

ATF VALUE ESTIMATE

Sales Used: I-1 through I-6

Analysis: The sales range from $7.62 to $37.90 per square foot and average $17.67 per square foot. The median is $13.85 per square foot. The more recent sales (and listing) suggest unit values in the mid to higher end of this range. Based on the subject's location characteristics, a conclusion at the mid range of the sales or $15.00 per square foot is rendered.

ATF Conclusion: $4,907,034

LV ADJUSTMENTS This segment was adjusted downward due to its landlocked area for all but small areas at cross streets.

GLV CONCLUSION $2,944,220

INDIVIDUAL PARCEL SUMMARY NO. 9

DESCRIPTION

		Map/Parcel Number:	V-89-1-21, 17, 15, 14, 13, Ptn. of 8
Linear Feet:	2,400'	Acreage:	3.55 Acres
Zone/Use West:	R-1-5/SFR	Zone/Use East:	R-1-5, RL/SFR
Highest & Best Use:	Single family		

Comments: This parcel begins at Almar Avenue and ends at Bay and California Streets. It crosses through a SFR neighborhood which consists of moderate to lower income housing. The houses were constructed in the 1920's and 1960's. Maintenance is mostly fair. The segment is unique in that the parcels all have independent utility at the respective cross streets.

ATF VALUE ESTIMATE

Sales Used: SFR-1 through SFR-4

Analysis: The sales range from $21.04 to $33.55 per square foot and average $23.64 per square foot. The median is $25.49 per square foot. We conclude to an ATF base unit value of $25 per square foot.

ATF Conclusion: $3,865,950

LV ADJUSTMENTS This parcel is adjusted downward due to drainage and shape constraints.

GLV CONCLUSION $2,512,868

INDIVIDUAL PARCEL SUMMARY NO. 10

DESCRIPTION

		Map/Parcel Number:	V-89-1-25, 32, 7, 6, 5, 1, 4, 3 & 2, & ptns.of 36 & 37
Linear Feet:	2,900'	Acreage:	4.29 Acres
Zone/Use West:	R-1-5, RL/SFR	Zone/Use East:	PK, FP, PF, RTB/Treatment Plant
Highest & Best Use:	Single family		

Comments: This parcel begins at Bay and California Streets and ends at the Santa Cruz station yard and the junction of the Big Tree Basin Branch at Washington, Bay & Chestnut. This parcel begins at grade, passes a small park and the Neary Lagoon secondary treatment facility where it is wide but passes on a steep bank cut-out. The land use is severely restricted for this segment.

ATF VALUE ESTIMATE

Sales Used: SFR-1 through SFR-4

Analysis: The sales range from $21.04 to $33.55 per square foot and average $23.64 per square foot. The median is $25.49 per square foot. We conclude to an ATF base unit value of $25.00 per square foot.

ATF Conclusion: $4,671,810

LV ADJUSTMENTS This parcel is adjusted downward for access, topography and land use.

GLV CONCLUSION $934,362

INDIVIDUAL PARCEL SUMMARY NO. 11

DESCRIPTION

		Map/Parcel Number:	V-89-1-1, 2, 36, 37
Linear Feet:	1,450	Acreage:	9.87 Acres
Zone/Use West:	PK-FP/Mixed Use	Zone/Use East:	RTC/Mixed Use
Highest & Best Use:	Commercial		

Comments: This parcel is the Santa Cruz station site. It also serves as a junction and accordingly is "Y" shaped. This parcel is located in a flood plain.

ATF VALUE ESTIMATE

Sales Used: C-5, C-6 and C-7

Analysis: The sales range from $33.93 to $55.00 per square foot. These sales are reflective of higher-end commercial sales (outside of the Santa Cruz commercial business district, which are much higher) and average around $40.00 per square foot. Sales Nos. C-1 through C-4 are fairly dated and located further away from the subject. This parcel has several constraints noted below but is located adjacent to some well located and desirable real estate. We used $40 per square foot as a base ATF value for this parcel.

ATF Conclusion: $17,197,488

LV ADJUSTMENTS This parcel is adjusted downward for access, drainage and land use.

GLV CONCLUSION $4,299,372

INDIVIDUAL PARCEL SUMMARY NO. 12

DESCRIPTION

		Map/Parcel Number:	V-22-11-12
Linear Feet:	200'	Acreage:	0.17 Acre
Zone/Use West:	PK-FP/Commercial	Zone/Use East:	PK-FP/Commercial
Highest & Best Use:	Commercial		

Comments: This is a narrow strip of land located between Bay Street, a parking lot, and what is the beginning of Beach Street and the wharf area. The R/W subsequently crosses over Beach Street (an easement) and past the boardwalk and over a bridge which crosses the San Lorenzo River. No consideration is granted for the street crossings or the bridge. Thus, Parcel V-72-1 13, 14 &15 are not included in the valuation totals.

ATF VALUE ESTIMATE

Sales Used: C-5, C-6 and C-7

Analysis: The sales range from $33.93 to $55.00 per square foot. These sales are reflective of higher-end commercial sales (outside of the Santa Cruz commercial business district, which are much higher) and average around $40.00 per square foot. Sales Nos. C-1 through C-4 are fairly dated and located further away from the subject. This parcel has several constraints noted below but is located adjacent to some well located and desirable real estate. We used $40 per square foot as a base ATF value for this parcel.

ATF Conclusion: $296,208

LV ADJUSTMENTS This parcel is adjusted downward for access, drainage and land use.

GLV CONCLUSION $296,208

INDIVIDUAL PARCEL SUMMARY NO. 13

DESCRIPTION

		Map/Parcel Number:	V-72-S1b-18, 19, 20
Linear Feet:	1,080'	Acreage:	1.40 Acres
Zone/Use West:	RL/Med. Density Residential	Zone/Use East:	RL/Med. Density Residential
Highest & Best Use:	Med. Density Residential		

Comments: This parcel is located between Mott Ave. and the San Lorenzo River. It has independent utility because of its frontage on Murray Street.

ATF VALUE ESTIMATE

Sales Used: SFR-1 through SFR-5 and MD-1 through MD- 4

Analysis: The sales range from $21.04 and $113.15 per square foot and have an average of $61.65 per square foot. The median is $43.10 per square foot. Given the slowdown in residential real estate, we conclude to an ATF base value of $40.00 per square foot.

ATF Conclusion: $2,439,360

LV ADJUSTMENTS None

GLV CONCLUSION $2,439,360

INDIVIDUAL PARCEL SUMMARY NO. 14

DESCRIPTION

		Map/Parcel Number:	V-72-1-Ptn. of 20
Linear Feet:	1,760'	Acreage:	3.25 Acres
Zone/Use West:	R-1-5, CN/Murray St.	Zone/Use East:	RL, CN, IG/Mixed Use
Highest & Best Use:	Industrial		

Comments: This parcel is located between Woods Lagoon and Mott Street. The R/W fronts on Murray at this point. It is fairly wide capable of being independently developed. It passes by the Sea Bright Cannery which is the most probable buyer for most of this piece.

ATF VALUE ESTIMATE

Sales Used: I-1 through I-6

Analysis: The sales range from $7.62 to $37.90 per square foot and average $17.67 per square foot. The median is $13.85 per square foot. The more recent sales (and listing) suggest unit values in the mid to higher end of this range. Based on the subject's location characteristics, a conclusion at the mid range of the sales or $15.00 per square foot is rendered.

ATF Conclusion: $2,123,550

LV ADJUSTMENTS No adjustments are warranted for this parcel due to its excellent frontage on Murray Street and Woods Lagoon.

GLV CONCLUSION $2,123,550

INDIVIDUAL PARCEL SUMMARY NO. 15

DESCRIPTION

		Map/Parcel Number:	V-72-1-Ptn. of 30 & 22
Linear Feet:	2,400'	Acreage:	3.73 Acres
Zone/Use West:	R-1-3.5, C-4, RM-6-D/Mixed	Zone/Use East:	PF, RM-4, R-1-6, RM-4-MH/Mixed
Highest & Best Use:	Medium Density Residential		

Comments: This parcel is located between Woods Lagoon and Schwan Lake. The predominant zoning is residential with some encroaching industrial uses. This parcel is land-locked except for the street crossing exposures.

ATF VALUE ESTIMATE

Sales Used: SFR-1 through SFR-5 and MD-1 through MD-4

Analysis: The sales range from $21.04 and $113.15 per square foot and have an average of $61.65 per square foot. The median is $43.10 per square foot. Given the slowdown in residential real estate, we conclude to an ATF base value of $40.00 per square foot.

ATF Conclusion: $6,499,152

LV ADJUSTMENTS This parcel was adjusted downward due to lack of access except for areas at cross streets.

GLV CONCLUSION $3,899,491

INDIVIDUAL PARCEL SUMMARY NO. 16

DESCRIPTION

		Map/Parcel Number:	V-72-1-23
Linear Feet:	2,320'	Acreage:	2.70 Acres
Zone/Use West:	M-1, PR, PF/Industrial	Zone/Use East:	M-1, R-1-6, RM-6/Industrial
Highest & Best Use:	Industrial		

Comments: This parcel is land locked and is located behind industrial properties situated north and south of 17th Avenue. However, it does have independent utility at the street crossings.

ATF VALUE ESTIMATE

Sales Used: I-1 through I-6

Analysis: The sales range from $7.62 to $37.90 per square foot and average $17.67 per square foot. The median is $13.85 per square foot. The more recent sales (and listing) suggest unit values in the mid to higher end of this range. Based on the subject's location characteristics, a conclusion at the mid range of the sales or $15 per square foot is rendered.

ATF Conclusion: $1,764,180

LV ADJUSTMENTS This parcel was adjusted downward due to lack of access for areas at cross streets.

GLV CONCLUSION $1,058,508

INDIVIDUAL PARCEL SUMMARY NO. 17

DESCRIPTION

		Map/Parcel Number:	V-72-1-24, 25, 26 & V72-2-1, Ptn. of 2
Linear Feet:	6,360'	Acreage:	5.96 Acres
Zone/Use West:	M-1, RM-4, R-1-6, RM-5-MH/Residential	Zone/Use East:	PA, RM-4, RM-4L, R-11-6, PF, RM-3.5, M-1, RM-3.5-MH, R-1-5/Mixed
Highest & Best Use:	Medium Density Residential		

Comments: This parcel is located between just north of 41st Avenue and just south of 17th Avenue. Te predominant use is residential and the density is generally about the same from south to north.

ATF VALUE ESTIMATE

Sales Used: SFR-1 through SFR-5 and MD-1 through MD-4

Analysis: The sales range from $21.04 and $113.15 per square foot and have an average of $61.65 per square foot. The median is $43.10 per square foot. Given the slowdown in residential real estate, we conclude to an ATF base value of $40.00 per square foot.

ATF Conclusion: $10,384,704

LV ADJUSTMENTS This parcel was adjusted downward due to access issues.

GLV CONCLUSION $5,192,352

INDIVIDUAL PARCEL SUMMARY NO. 18

DESCRIPTION

		Map/Parcel Number:	V-72-2-Ptn. of 2
Linear Feet:	680'	Acreage:	0.74 Acres
Zone/Use West:	CC/Commercial	Zone/Use East:	CC/Commercial
Highest & Best Use:	Commercial		

Comments: This section of the R/W is located on the east and west sides of 41st Avenue, which is a major commercial thoroughfare. Commercial uses in the vicinity include service commercial and retail uses.

ATF VALUE ESTIMATE

Sales Used: C-5, C-6 and C-7

Analysis: The sales range from $33.93 to $55.00 per square foot. These sales are reflective of higher-end commercial sales (outside of the Santa Cruz commercial business district, which are much higher) and average around $40.00 per square foot. Sales Nos. C-1 through C-4 are fairly dated and located further away from the subject. This parcel has several constraints noted below but is located adjacent to some well located and desirable real estate. We used $40 per square foot as a base ATF value for this parcel. These parcels have commercial zoning and good frontage on a major commercial thoroughfare.

ATF Conclusion: $1,289,376

LV ADJUSTMENTS This parcel is adjusted downward due to its narrow shape.

GLV CONCLUSION $773,626

INDIVIDUAL PARCEL SUMMARY NO. 19

DESCRIPTION

		Map/Parcel Number:	V-72-2-3 & a Ptn. of 4
Linear Feet:	1,520'	Acreage:	1.94 Acres
Zone/Use West:	PD, R-1, R-1-5/SFR	Zone/Use East:	MHE, PF-P, PF-S/Mixed Residential

Highest & Best Use: Single family

Comments: This parcel is located between 47th Avenue and just south of 41st Avenue. It runs behind modest single family residences. It is entirely land locked.

ATF VALUE ESTIMATE

Sales Used: SFR-1 through SFR-4

Analysis: The sales range from $21.04 to $33.55 per square foot and average $23.64 per square foot. The median is $25.49 per square foot. We conclude to an ATF base unit value of $25.00 per square foot.

ATF Conclusion: $2,112,660

LV ADJUSTMENTS This parcel was adjusted downward due to its land-locked disposition for all but the dead-ends of 42nd through 46th Avenues.

GLV CONCLUSION $1,267,596

INDIVIDUAL PARCEL SUMMARY NO. 20

DESCRIPTION

		Map/Parcel Number:	V-72-2-5, 6 & ptn. of 4
Linear Feet:	2,000'	Acreage:	3.64 Acres
Zone/Use West:	CV/SFR	Zone/Use East:	R-1/Mixed Residential
Highest & Best Use:	Single family		

Comments: From the south, the RW enters a SFR neighborhood that is high on a hill. The R/W crosses very steep topography via a cut-out of the hill and passes by a parking lot.

ATF VALUE ESTIMATE

Sales Used: SFR-1 through SFR-4

Analysis: The sales range from $21.04 to $33.55 per square foot and average $23.64 per square foot. The median is $25.49 per square foot. We conclude to an ATF base unit value of $25.00 per square foot.

ATF Conclusion: $3,963,960

LV ADJUSTMENTS None

GLV CONCLUSION $3,963,960

INDIVIDUAL PARCEL SUMMARY NO. 21

DESCRIPTION

		Map/Parcel Number:	V-72-2-7, 8, Ptn. of 2
Linear Feet:	3,036'	Acreage:	4.83 Acres
Zone/Use West:	R-1, RM-LM, CV/Apartments	Zone/Use East:	R-1, CN (small), MHE/Mixed Residential
Highest & Best Use:	Residential Medium Density Residential		

Comments: This segment is located between the Soquel Creek bridge and parcel number 18 at the cliff. It is zoned for low density residential uses. The R/W averages 60' at this point and could possibly be developed independently with apartments and homes given the frontage on Park Avenue. The bridge and the approaches are not given monetary consideration in this analysis.

ATF VALUE ESTIMATE

Sales Used: SFR-1 through SFR-5 and MD-1 through MD-4

Analysis: The sales range from $21.04 and $113.15 per square foot and have an average of $61.65 per square foot. The median is $43.10 per square foot. Given the slowdown in residential real estate, we conclude to an ATF base value of $40.00 per square foot.

ATF Conclusion: $8,415,792

LV ADJUSTMENTS No adjustments are warranted for this parcel.

GLV CONCLUSION $8,415,792

INDIVIDUAL PARCEL SUMMARY NO. 22

DESCRIPTION

		Map/Parcel Number:	V-72-2-11, 10, Ptn. 2, 18
Linear Feet:	7,500'	Acreage:	11.87 Acres
Zone/Use West:	PF-P/VS/Park & Open Space	Zone/Use East:	PF-VS, PF-P/Park & Open Space
Highest & Best Use:	Rural Residential		

Comments: This land locked parcel extends from Estates Drive through open space buffer land and the New Brighton State Park and Campground along Park Avenue to the Escalona Residential community. The R/W passes by some rural residential housing located on Pine Tree Lane but a large row of eucalyptus trees and substantial topography differences render SFR uses unlikely at that point.

ATF VALUE ESTIMATE

Sales Used: RR-1 through RR-5

Analysis: The five sales range from $1.82 to $3.28 per square foot and average $2.32 per square foot. The median is $2.17 per square foot. Given the somewhat dated nature of the sales (2004-2006), we conclude to a base value of $2.50 per square foot.

ATF Conclusion: $1,292,643

LV ADJUSTMENTS No adjustments are warranted for this parcel.

GLV CONCLUSION $1,292,643

INDIVIDUAL PARCEL SUMMARY NO. 23

DESCRIPTION

		Map/Parcel Number:	V-72-2-12, 13, 14 and V-72-3-Ptn. 1 & 2
Linear Feet:	4,047'	Acreage:	6.93 Acres
Zone/Use West:	R-1-6 & 4/SFR	Zone/Use East:	R-1-4, RM 2.5, C-4, PR, RM-3-MH, C-1/Mixed Use

Highest & Best Use: Low Income Housing

Comments: This parcel begins at State Park Drive, which leads to Sea Cliff State Beach, and ends at Estates Drive. About 33% of this parcel could be developed independently because of its frontage on Poplar Street but the rest is land locked.

ATF VALUE ESTIMATE

Sales Used: RR-1 through RR-5

Analysis: The five sales range from $1.82 to $3.28 per square foot and average $2.32 per square foot. The median is $2.17 per square foot. Given the somewhat dated nature of the sales (2004-2006), we conclude to a base value of $2.50 per square foot.

ATF Conclusion: $754,677

LV ADJUSTMENTS This parcel was adjusted due to a portion being landlocked.

GLV CONCLUSION $566,008

INDIVIDUAL PARCEL SUMMARY NO. 24

DESCRIPTION

		Map/Parcel Number:	V-72-3-3, 4, 5, 20, 8, 15, 7, 9, 10, 11, 12, Ptn. 2; & V-72-S3-Ptn. 2
Linear Feet:	1,520'	Acreage:	1.92 Acres
Zone/Use West:	VA, RM-3/Pk. Lot	Zone/Use East:	SU/Park, Open Space
Highest & Best Use:	Single family		

Comments: From south to north, the R/W enter into a more urban environment. Multi-family housing is fairly modest at this point. This parcel is located between State Park Drive and Highway 1.

ATF VALUE ESTIMATE

Sales Used: SFR-1 through SFR-4

Analysis: The sales range from $21.04 to $33.55 per square foot and average $23.64 per square foot. The median is $25.49 per square foot. We conclude to an ATF base unit value of $25.00 per square foot.

ATF Conclusion: $2,090,880

LUV ADJUSTMENTS This parcel was adjusted downward due to access constraints.

GLV CONCLUSION $1,045,440

INDIVIDUAL PARCEL SUMMARY NO. 25

DESCRIPTION

		Map/Parcel Number:	V-72-3-1, 5, 4, 20, 6, 8, 15, 7, 16, & Ptn. of 2 & 9
Linear Feet:	2,640'	Acreage:	3.05 Acres
Zone/Use West:	C1-GH, PA-GH, PR, PA/Commercial	Zone/Use East:	C1, PR, C-1-L, P-A-L, PA, PR/Commercial
Highest & Best Use:	Commercial		

Comments: This parcel is best described as an arc that is north of Aptos and Valencia Creeks. This parcel crosses through the town of Aptos. The R/W has good access and independent utility in the center and poor access on the southern and northern sides. The Highest and Best Use is for assemblage with existing commercial uses which tend to be situated on fairly narrow lots and would likely welcome such an addition.

ATF VALUE ESTIMATE

Sales Used: C-5, C-6 and C-7

Analysis: The sales range from $33.93 to $55.00 per square foot. These sales are reflective of higher-end commercial sales (outside of the Santa Cruz commercial business district, which are much higher) and average around $40.00 per square foot. Sales Nos. C-1 through C-4 are fairly dated and located further away from the subject. Sale Nos. C-1 through C-4 are fairly dated and located farther from the subject. Due to this parcel's excellent location, parcels in the area and the limited amount of commercial land, we used $40 per square foot as the base AFT value.

ATF Conclusion: $5,317,805

LV ADJUSTMENTS This parcel was adjusted partially for access and topography constraints.

GLV CONCLUSION $3,722,463

INDIVIDUAL PARCEL SUMMARY NO. 26

DESCRIPTION

		Map/Parcel Number:	V-72-3-10, ptn. of 9, ptn. of 2
Linear Feet:	5,960'	Acreage:	10.77 Acres
Zone/Use West:	R-1-4, R-1-6, RM-6/SFR	Zone/Use East:	R-1-6, 8, 5 & 4, PR/SFR
Highest & Best Use:	SFR Assemblage		

Comments: This parcel is located between Cliff Drive and just south of Highway 1. The R/W crosses behind several residential subdivisions with various densities. The age of the housing increases and the quality decreases from south to north. The R/W is land locked for most of this stretch. There are some small areas with good access but they tend to be plagued with steep topographical problems on the north side. Most of the lots are fairly small and the owners would likely welcome an assemblage.

ATF VALUE ESTIMATE

Sales Used: SFR-1 through SFR-4

Analysis: The sales range from $21.04 to $33.55 per square foot and average $23.64 per square foot. The median is $25.49 per square foot. We conclude to an ATF base unit value of $25.00 per square foot.

ATF Conclusion: $11,728,530

LV ADJUSTMENTS This parcel was adjusted downward for access and topography.

GLV CONCLUSION $4,691,412

INDIVIDUAL PARCEL SUMMARY NO. 27

DESCRIPTION

		Map/Parcel Number:	V-72-3-ptn. of 2
Linear Feet:	3,760'	Acreage:	5.18 Acres
Zone/Use West:	R-1-6, R-M-3/Med. Density Residential	Zone/Use East:	R-1-8, PR/SFR & Golf Course
Highest & Best Use:	Medium Density Residential Assemblage		

Comments: This parcel is located between Cliff Drive and Dolphin Drive. It is in a master planned community that is anchored by the ocean, a golf course, and retail shopping. It offers mainly SFRs and some multi-family condominiums and rentals closer to the beach. It is an attractive area with excellent maintenance. Sea Cliff State Beach is within fairly short walking distance to most of the homes.

ATF VALUE ESTIMATE

Sales Used: SFR-1 through SFR-5 and MD-1 through MD-4

Analysis: The sales range from $21.04 and $113.15 per square foot and have an average of $61.65 per square foot. The median is $43.10 per square foot. Given the subject's desirable location, we conclude to an ATF base value of $60.00 per square foot.

ATF Conclusion: $22,564,080

LV ADJUSTMENTS This parcel was adjusted downward for shape.

GLV CONCLUSION $16,923,060

INDIVIDUAL PARCEL SUMMARY NO. 28

DESCRIPTION

		Map/Parcel Number:	V-72-3-Ptn. of 2, 11 & 12
Linear Feet:	3,120'	Acreage:	2.23 Acres
Zone/Use West:	PR, VA/SFR	Zone/Use East:	PR, R-1-6, RM 2.5, 3 & C1/Mixed

Highest & Best Use: SFR Subdivision

Comments: This parcel is located between Dolphin Drive and the south end of Rio Del Mar. It is in a master planned community that is anchored by the ocean, a golf course, and retail shopping. It offers mainly SFRs and some multi-family condominiums and rentals closer to the beach. It is an attractive area with excellent maintenance. Sea Cliff State Beach is within a fairly short walking distance to most homes. The R/W is 40' to 60' in width and has frontage on Sumner Ave.

ATF VALUE ESTIMATE

Sales Used: SFR-1 through SFR-4

Analysis: The sales range from $21.04 to $33.55 per square foot and average $23.64 per square foot. The median is $25.49 per square foot. We conclude to an ATF base unit value of $25.00 per square foot.

ATF Conclusion: $2,428,470

LV ADJUSTMENTS This parcel was adjusted downward for shape.

GLV CONCLUSION $1,821,353

INDIVIDUAL PARCEL SUMMARY NO. 29

DESCRIPTION

		Map/Parcel Number:	V-72-4- Ptn. of 1, ptn. 15
Linear Feet:	1,600'	Acreage:	2.20 Acres
Zone/Use West:	CA-P/Agriculture	Zone/Use East:	CA-P/Agriculture
Highest & Best Use:	Agriculture		

Comments: This parcel consists of the northern 1,600 linear feet of V-72-4 Parcel No. 1. It serves as an open space buffer between La Selva and Rio Del Mar. It is currently used for Row crops and will likely never be developed.

ATF VALUE ESTIMATE

Sales Used: RR-1 through RR-5

Analysis: The five sales range from $1.82 to $3.28 per square foot and average $2.32 per square foot. The median is $2.17 per square foot. Given the somewhat dated nature of the sales (2004-2006), we conclude to a base value of $2.50 per square foot.

ATF Conclusion: $222,156

LV ADJUSTMENTS None

GLV CONCLUSION $222,156

INDIVIDUAL PARCEL SUMMARY NO. 30

DESCRIPTION

		Map/Parcel Number:	V-72-4- Ptn. of 1, 2 & 15
Linear Feet:	1,600'	Acreage:	2.62 Acres
Zone/Use West:	PR, SU/Residential Subdivision	Zone/Use East:	PR/Raw Land, Residential
Highest & Best Use:	Rural Residential		

Comments: This parcel could not be inspected because of a gate at the private community of Los Barrancos De Aptos and other private property in which it passes. The area is a mix of rural residential housing which involves fairly large lots. Thus, we estimate a value for residential acreage.

ATF VALUE ESTIMATE

Sales Used: RR-1 through RR-5

Analysis: The five sales range from $1.82 to $3.28 per square foot and average $2.32 per square foot. The median is $2.17 per square foot. Given the somewhat dated nature of the sales (2004-2006), we conclude to a base value of $2.50 per square foot.

ATF Conclusion: $285,318

LV ADJUSTMENTS This parcel was adjusted downward due to its landlocked disposition.

GLV CONCLUSION $142,659

INDIVIDUAL PARCEL SUMMARY NO. 31

DESCRIPTION

		Map/Parcel Number:	V-72-4-3
Linear Feet:	2,326'	Acreage:	3.66 Acres
Zone/Use West:	PR/Rural Residential	Zone/Use East:	R-1-6/SFR
Highest & Best Use:	SFR Acreage, Assemblage Value/Open Space		

Comments: This parcel begins at the San Andreas overpass and ends at the south end of the bridge that crosses Leonards Gulch. The R/W essentially crosses a steep bank that is in front of beach front homes of the La Selva Community. It is unlikely that this land will be developed because of its topography and limited access. We used the previously estimated rural residential acreage base value which appears to also be a minimum threshold in the vicinity.

ATF VALUE ESTIMATE

Sales Used: RR-1 through RR-5

Analysis: The five sales range from $1.82 to $3.28 per square foot and average $2.32 per square foot. The median is $2.17 per square foot. Given the somewhat dated nature of the sales (2004-2006), we conclude to a base value of $2.50 per square foot.

ATF Conclusion: $398,030

LV ADJUSTMENTS None

GLV CONCLUSION $398,030

INDIVIDUAL PARCEL SUMMARY NO. 32

DESCRIPTION

		Map/Parcel Number:	V-72-4-5, Ptn. of 7, 12, 13, 14, 6, 8, 9 & 10
Linear Feet:	9,773'	Acreage:	20.88 Acres
Zone/Use West:	CA-SP, A, RA/Rural Residential	Zone/Use East:	PR, PF, A-P, CA, RA/Rural Residential
Highest & Best Use:	Rural Residential		

Comments: This parcel begins at Buena Vista Drive and ends at the overpass (over San Andreas Road) at the south end of La Selva Beach (Manresa State Beach). Most of this section fronts on San Andreas Road. However, grade differences and the low economic uses preclude any substantial increase in value.

ATF VALUE ESTIMATE

Sales Used: RR-1 through RR-5

Analysis: The five sales range from $1.82 to $3.28 per square foot and average $2.32 per square foot. The median is $2.17 per square foot. Given the somewhat dated nature of the sales (2004-2006), we conclude to a base value of $2.50 per square foot.

ATF Conclusion: $2,274,268

LV ADJUSTMENTS This parcel was adjusted downward for access and shape.

GLV CONCLUSION $1,137,134

INDIVIDUAL PARCEL SUMMARY NO. 33

DESCRIPTION

		Map/Parcel Number:	V-72-5-1 thru 12 (Ptn. of 6 & 8); 72-4-7, 11
Linear Feet:	18,720'	Acreage:	32.50 Acres
Zone/Use West:	PF, CA/Commercial Agriculture	Zone/Use East:	PF, A, A-1, CA/Commercial Agriculture

Highest & Best Use: Commercial Agriculture

Comments: This parcel begins at the Watsonville city limit and ends at Buena Vista Drive and San Andreas. It includes a portion of parcel 8 and all remaining land from V-72-4. This section of the R/W crosses through attractive rolling commercial farm land. The topography ranges from undulating to steep in some areas to the low lying Hawkins Slough. The R/W also crosses through the dump which is zoned for public facilities. We included this section as a commercial agriculture value.

ATF VALUE ESTIMATE

Sales Used: AG-1 through AG-4

Analysis: These sales primarily involved land used for row crops. The sales range from a low of $0.61 per square foot and a high of $0.87 per square foot--the highest being the most recent (3/07) and the older ones dating back to 2003 (Nos. 1 and 2). Based on listings retained in file and discussions with knowledgeable brokers, we conclude to a unit value of $1.00 per square foot for commercial agricultural use.

ATF Conclusion: $1,415,700

LV ADJUSTMENTS None

GLV CONCLUSION $1,415,700

INDIVIDUAL PARCEL SUMMARY NO. 34

DESCRIPTION

		Map/Parcel Number:	V-72-5- Ptn. of 8; 72-6-31, 7, 8, 12, 4 & 6
Linear Feet:	9,610'	Acreage:	18.57
Zone/Use South:	CA/Commercial Agriculture	Zone/Use East:	Industrial
Highest & Best Use:	Industrial		
Comments:	Begins at the Watsonville City limit and extends to the Pajaro area just west of Salinas Road.		

ATF VALUE ESTIMATE

Sales Used:	I-1 through I-6
Analysis:	The sales range from $7.62 to $37.90 per square foot and average $17.67 per square foot. The median is $13.85 per square foot. The more recent sales (and listing) suggest unit values in the mid to higher end of this range. Based on the subject's location characteristics, a conclusion at the mid range of the sales or $15.00 per square foot is rendered.
ATF Conclusion:	$12,133,638
LV ADJUSTMENTS	This parcel was adjusted downward for access.
GLV CONCLUSION	$6,066,819

INDIVIDUAL PARCEL SUMMARY NO. 35

DESCRIPTION

		Map/Parcel Number:	V-72-6-Ptn. of 7
Linear Feet:	370'	Acreage:	0.85 Acre
Zone/Use South:	IG/Service Commercial	Zone/Use East:	IG, RM-3/Service Commercial & Some Residential (above commercial)

Highest & Best Use: Service Commercial

Comments: For purposes of this appraisal, this is the southern terminus of the R/W. It is a parcel that is capable of being independently developed with service commercial uses. It has commercial uses on both sides as well as some mixed residential uses. The Watsonville Junction is across Salinas Road, which this parcel fronts on.

ATF VALUE ESTIMATE

Sales Used: AG-1 through AG-4

Analysis: The sales range from $7.62 to $37.90 per square foot and average $17.67 per square foot. The median is $13.85 per square foot. The more recent sales (and listing) suggest unit values in the mid to higher end of this range. Based on the subject's location characteristics, a conclusion at the mid range of the sales or $15.00 per square foot is rendered.

ATF Conclusion: $740,520

LV ADJUSTMENTS This parcel was adjusted downward slightly for shape.

GLV CONCLUSION $666,468

APPENDIX TWO

Sales Summary Tables

Sales Summary Table
Industrial Land

Sale No.	Buyer/ Seller	Location/ Parcel No.	Sale Date/ Document No.	Sale Price	Zone	Site Area	$/SF
I-1	PACIFIC AVENUE LAND LLC BERKE ROGER & ELAINE H/W CP TC ETAL	1300 Green Hills Rd., Scotts Valley, CA 95066 024-261-007	12/2/2005 2006-0000835	$352,000	I-L	N/A	$7.62
I-2	SAKATA PROPERTIES LLC SANTA CRUZ METROPOLITAN TRANSIT DISTRICT	25 Sakata Ln., Watsonville, CA 95076 017-231-005	1/26/2006 2006-0052338	$3,100,000	IG	9.30 AC	$7.65
I-3	SELDEN WILLIAM L SR U/M ETAL TRITON DIAGNOSTICS INC	335 W. Beach St., Watsonville, CA 95076 017-081-002	2/12/2004 2004-0080288	$145,000	IG	0.31	$10.90
I-4	NA NA	101 Lee Rd., Watsonville, CA 95076 018-303-001	Pending	$650,000	IG	0.89	$16.80
I-5	RAMSEY BRUCE & SHANE H/W CP RS ETAL 1233 THOMPSON LLC	1233 Thompson Ave., Santa Cruz, CA 95062 031-152-006	5/22/2006 2006-0029857	$835,000	M-1	0.76 AC	$25.12
I-6	MELROSE BUILDING & INVESTMENT LLC RALSTON TOM & DAWN H/W CP	0 Encinal St., Santa Cruz, CA 95060 001-045-028	12/29/2004 2005-0009050	$379,000	I-G	0.23 AC	$37.90
	Average						$17.67
	Median						$13.85

Map of Industrial Sales

Sales Summary Table
Rural Acreage

Sale No.	Buyer/ Seller	Location/ Parcel No.	Sale Date/ Document No.	Sale Price	Zone	Site Area	$/SF
RA-1	OSTENDORF JAMES J M/M MILLER BILL U/M JT ETAL	2149 Lockhart Gulch Rd., Scotts Valley, CA 95066 073-131-002	6/30/2003 2003-0062891	$1,600,000	RA	69 AC	$0.53
RA-2	CONNET MELVILLE D III & MARGARET D H/W CP HINMAN BRIAN L M/M SS	2070 Highway 1, Santa Cruz, CA 95060 057-061-016	11/30/2004 2005-0080953	$1,200,000	A	50 AC	$0.55
RA-3	CURRAN JOHN K U/M CURRAN JOHN K TRUSTEES	640 Coast Rd., Santa Cruz, CA 95060 059-041-024	4/14/2004	$1,837,150	CA	70 AC	$0.60
RA-4	LINGEMANN AARON M/M SS SANFORD WILLIAM C M/M AS TC ETAL	0 Smith Grade Rd., Santa Cruz, CA 95060 062-141-004	7/16/2007 2007-0057353	$1,200,000	TPZ	41 AC	$0.67
RA-5	SETI INSTITUTE SETI INSTITUTE	0 Rodeo Gulch Rd., Soquel, CA 95073 102-091-076	12/6/2004	$3,400,000	RA	105 AC	$0.74
RA-6	SHUMEI INTERNATIONAL INSTITUTE INC SHINJI SHUMEIKAI	501 Robson Rd., Santa Cruz, CA 95060 080-181-059	11/26/2003 2004-0003465	$950,000	AO	20 AC	$1.09
RA-7	RANCHO LAND HOLDINGS LLC LUCAS D LEE II U/M	1317 Old San Jose Rd., Soquel, CA 95073 102-091-077	9/21/2004	$1,875,000	RA	24 AC	$1.79
	Average						$0.85
	Median						$0.67

Map of Rural Acreage Sales

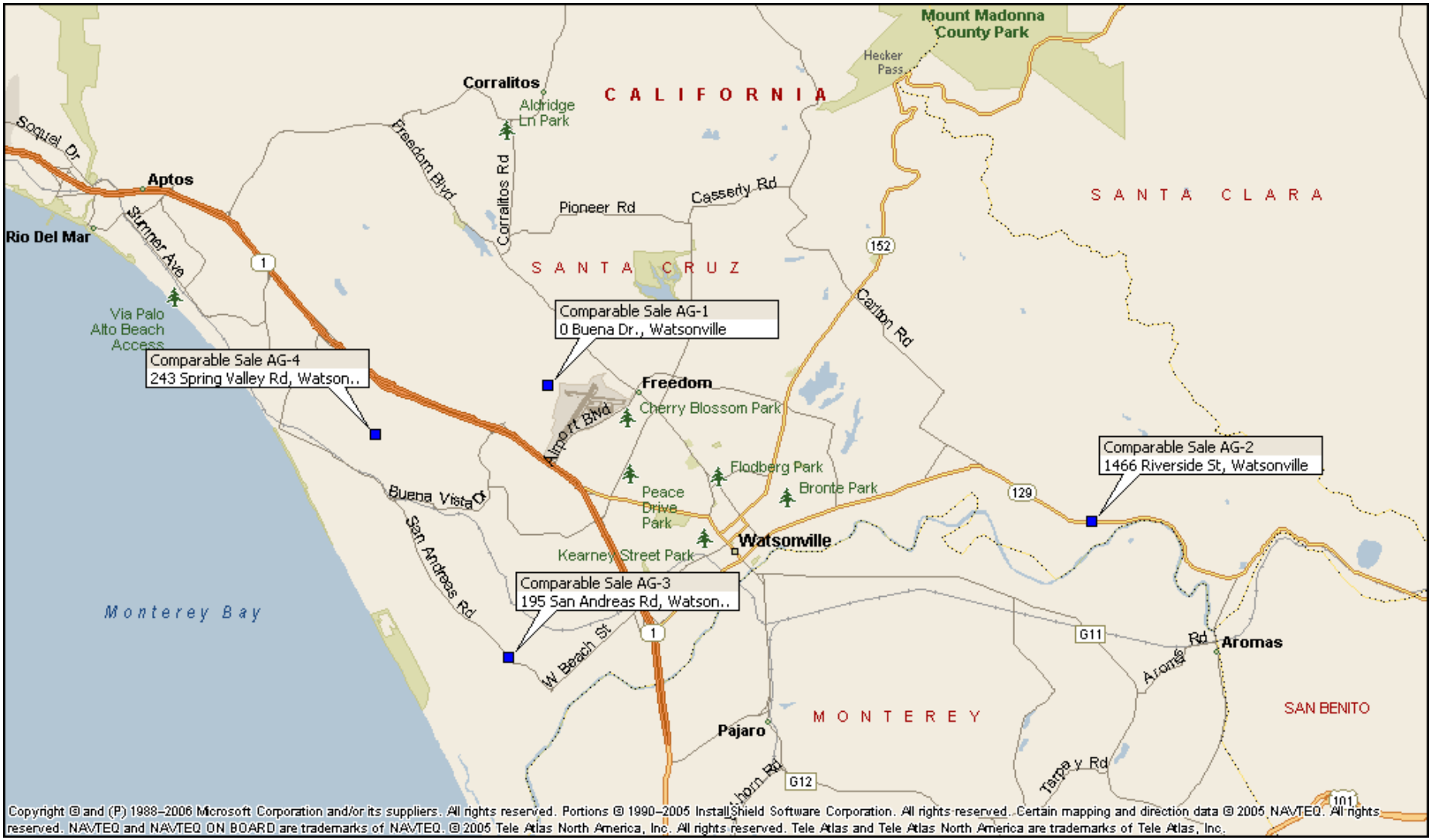
Sales Summary Table
Rural Residential

Sale No.	Buyer/ Seller	Location/ Parcel No.	Sale Date/ Document No.	Sale Price	Zone	Site Area	$/SF
RR-1	CADDELL TERI S U/W SS CEFALONI ANTHONY E U/M	0 Empire Grade Rd., Santa Cruz, CA 95060 080-241-021	5/9/2006 2006-0035875	$415,000	RA	5.50 AC	$1.82
RR-2	DROBAC MARTIN U/M AS TC ETAL PODESTA & OBERTELLO FAMILY INVESTMENT COMPANY	165 Dimeo Ln., Santa Cruz, CA 95060 059-121-005	12/22/2006 2007-0017385	$844,800	CA	9.25 AC	$2.10
RR-3	RUZICKA RICHARD & RESHMA M H/W JT PITMAN ETHEL L & ROY W CO-TRUSTEES	0 Empire Grade Rd., Santa Cruz, CA 95060 080-021-022	12/7/2004 2005-0003878	$665,000	RA	7.02 AC	$2.17
RR-4	CHRISTMAN LARRY R & JUNE TRUSTEES ETAL ENGLEMAN EPHRAIM P & JEAN S TRUSTEES	0 (Upper) Summit Rd., Santa Cruz, CA 95060 080-041-004	7/20/2005	$500,000	RR	5.20 AC	$2.21
RR-5	MORIARTY KELLY & BRIANA H/W CP RS ROTHERMEL	675 Brisa Del Mar, Santa Cruz, CA 95060 063-071-027	5/13/2004 2004-0050801	$750,000	RA	5.25 AC	$3.28
	Average						$2.32
	Median						$2.17

Map of Rural Residential Sales

Sales Summary Table
Commercial Agriculture

Sale No.	Buyer/ Seller	Location/ Parcel No.	Sale Date/ Document No.	Sale Price	Zone	Site Area	$/SF
AG-1	OW WILLIAM G & ERICA S H/W CP RS ETAL OW WILLIAM G & ERICA S H/W CP RS ETAL	0 Buena Rd., Watsonville, CA 95076 049-471-003	3/5/2003 2003-0065232	$581,500	AG	22 AC	$0.61
AG-2	MEDINA JOSE U/M JACKSON DAVID & NOEL E H/W JT	1466 Riverside St., Watsonville, CA 95076 110-161-003	10/27/2003 2004-0047653	$460,000	AC	13.60 AC	$0.78
AG-3	Carlos Ramirez Trustee Kim Tao, Et. Al.	195 San Andreas Rd., Watsonville, CA 95076 052-191-008	1/3/2005 2005-0010557	$1,250,000	CA	37 AC	$0.78
AG-4	FRENCH SCOTT & MARGARET H/W JT JONES T LARRY M/M S/S	243 Spring Valley Rd., Watsonville, CA 95076 046-032-009	3/17/2007 2007-0021780	$1,292,000	CA	34 AC	$0.87
	Average						$0.76
	Median						$0.78

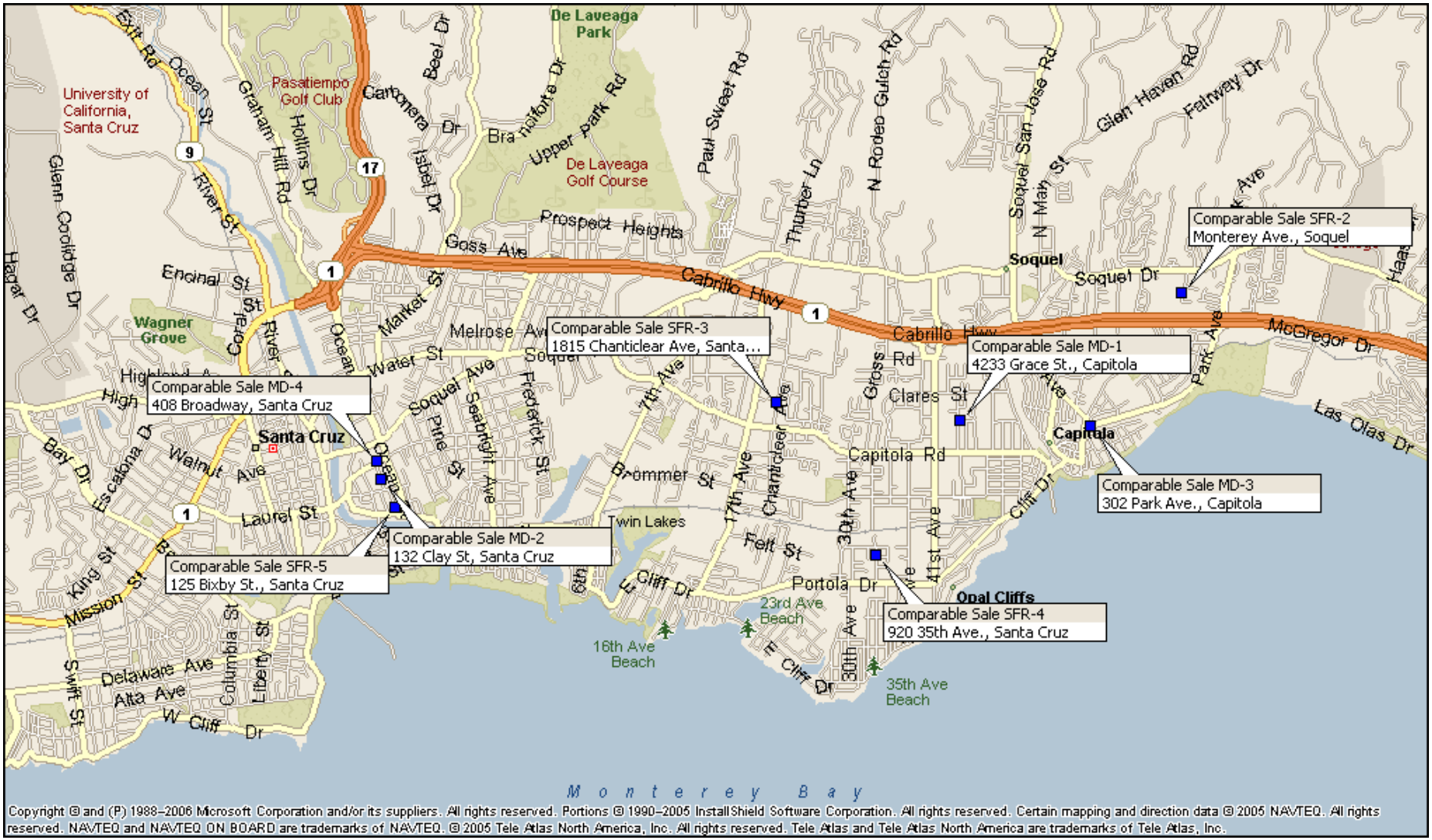


Map of Commercial Agriculture Sales

Sales Summary Table

Single Family and Medium Density Residential

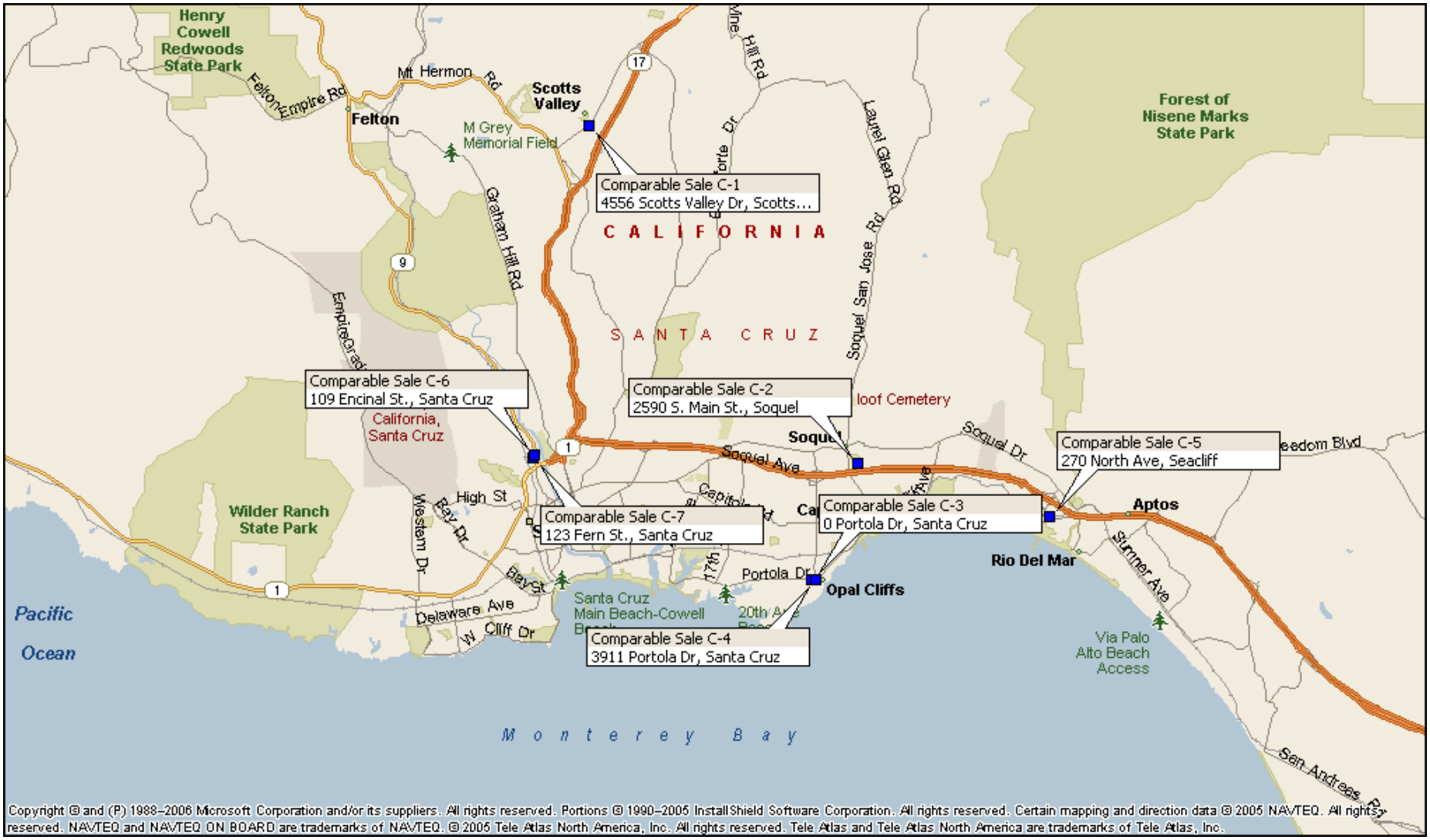
Sale No.	Buyer/ Seller	Location/ Parcel No.	Sale Date/ Document No.	Sale Price	Zone	Site Area	$/SF
Single Family Residential:							
SFR-1	STEVENS KIRK M/M SS ETAL KRUETZFELDT PAUL U/M ETAL	545 Ohlone Pky., Watsonville, CA 95076 018-372-018	6/5/2007 2007-0037213	$2,200,000	RM-2	2.40 AC	$21.04
SFR-2	FILICE JOHN M JR TRUSTEE ETAL MANNING DAVID JOHN & KATHLEEN D H/W CP RS ETAL	0 Monterey St., Soquel, CA 037-191-029	6/3/2005 2005-0037268	$1,800,000	R-1	1.88 AC	$22.03
SFR-3	WINDWARD HOMES VI LLC JONES GARY A & JUDY M TRUSTEES	1815 Chanticleer Ave., Santa Cruz, CA 95062 029-101-003	6/22/2006 2006-0046529	$1,100,000	R-6	0.87 AC	$28.95
SFR-4	DUNN MICHAEL E U/M GREENBERG MATHEW S & DINA H/W CP RS	920 35th Ave., Santa Cruz, CA 95062 032-041-048	10/9/2006 NA	$950,000	R1-6	0.65 AC	$33.55
SFR-5	YATES THOMAS S/M ACCESSIBLE HOME DEVELOPERS LLC	125 Bixby St., Santa Cruz, CA 95060 005-332-011	2/12/2004	$199,000	RM	0.11 AC	$43.10
Medium Density Residential:							
MD-1	OLKER PROPERTIES LIMITED PTP ETAL OGAWA YOSHIO TRUSTEE	4233 Grace St., Capitola, CA 95010 034-202-008	1/30/2007	$825,000	RM-M	0.24 AC	$77.94
MD-2	132 CLAY STREET LLC BURROWES PAUL & SUSAN H/W JT AS TC ETAL	132 Clay St., Santa Cruz, CA 95060 005-313-032	3/14/2007 2007-0020464	$2,050,000	RM/CZ	0.45 AC	$104.58
MD-3	HOLMES JEFFREY A & BARBARA A H/W CP HANCOCK GAYE E U/W TC ETAL	302 Park Ave., Capitola, CA 95010 036-094-030	1/30/2006 2006-0015188	$1,326,000	R-1	0.28 AC	$110.50
MD-4	AMERICAN CONSERVATION EXPERIENCE BAKER CHRISTOPHER U/M	408 Broadway, Santa Cruz, CA 95060 005-313-002	3/12/2007 2007-0022654	$828,000	RM	0.17 AC	$113.15
	Average						$61.65
	Median						$43.10



Map of Single Family and Medium Density Residential Sales

Sales Summary Table
Commercial Land

Sale No.	Buyer/ Seller	Location/ Parcel No.	Sale Date/ Document No.	Sale Price	Zone	Site Area	$/SF
C-1	SHAFFER WAYNE & JO H/W CP RS AS TC ETAL BAHR DORIS C CO-TRUSTEES ETAL	4556 Scotts Valley Dr., Scotts Valley, CA 95066 022-491-010	12/15/2003	$1,150,000	CS	1.86 AC	$14.18
C-2	SOQUEL MAIN STREET VILLAGE LLC BEAR ELIZABETH G U/W	2590 S. Main St., Soquel, CA 95073 030-221-046	11/17/2003 2007-0047381	$1,800,000	C-2	2.80 AC	$14.76
C-3	HAGHSHENAS ABBAS M/M SS JENKINS HARRY L & ANNA M	0 Portola St., Live Oak, CA 032-062-010	4/7/2004	$29,609	C-2	0.04 AC	$17.00
C-4	HAGHSHENAS ABBAS M/M SS JENKINS HARRY L & ANNA M	3911 Portola Rd., Santa Cruz, CA 95062 032--051-032	1/26/2004 2004-0073415	$1,270,391	C-2	1.17 AC	$24.91
C-5	FISHBIN DORON W & MELANIE N TRUSTEES PETERSON JAMES & MARIE G H/W JT ETAL	270 North St., Aptos, CA 95003 042-022-012	2/1/2006 2006-0010520	$475,000	VA	0.32 AC	$33.93
C-6	BRAMLETT ROBERT A H/W JT ETAL LINNEMAN DANIEL DAVID & DEVON MYA TRUSTEES	109 Encinal St., Santa Cruz, CA 95060 008-161-005	9/20/2004 2004-0087059	$179,000	CC	0.095 AC	$43.28
C-7	GILL ELAINE G TRUSTEE ZAFFLE GEORGE G U/M JT ETAL	123 Fern St., Santa Cruz, CA 95060 008-162-004	2/22/2006 2006-0012331	$275,000	IG	0.115 AC	$55.00
	Average						$29.01
	Median						$24.91



Map of Commercial Land Sales

Sales Summary Table
Multi Family Land

Sale No.	Buyer/ Seller	Location/ Parcel No.	Sale Date/ Document No.	Sale Price	Zone	Site Area	$/SF
MFR-1	BIXLOR CLIFFORD L & LISA H/W CP AS TC ETAL BARBIN LINDA R TRUSTEES ETAL	1175 7th Ave., Santa Cruz, CA 95062 026-211-019	6/26/2006 2006-0051415	$1,250,000	RM-4	1.40 AC	$20.50
MF-2	CORTE CABRILLO LLC HOLCOMB CORPORATION	6233 Soquel, Soquel, CA 95003 037-151-012	2/25/2004 2004-0055052	$3,000,000	RM-4PA	3.47 AC	$20.51
MF-3	STUART ROBERT B & KAREN H/W CP RS MC ENERY JOHN P III U/M	110 Montero Ct., Aptos, CA 95003 041-031-009	4/17/2006 2006-0022546	$675,000	R-3	0.33 AC	$46.54
MF-4	NA NA	708 Frederick St., Santa Cruz, CA 95062 011-032-042 & 011-032-043	11/4/2004	$2,500,000	Res.	1.17 AC	$48.89
MF-5	HERRY DAVID J & REBECCA H H/W CP RS STRACH EMILY J TRUST	1910 Dolphin St., Rio Del Mar, CA 95003 054-072-001	10/27/2006 2006-0069030	$350,000	RM-3	0.157 AC	$51.18
MF-6	NITE ARNOLFO N & REBECCA F TRUSTEES GRISWOLD MORLEE U/W JT ETAL	2230 Alice St., Santa Cruz, CA 95062 028-072-001	10/2/2006 2006-0063601	$1,285,000	RM-4	0.44 AC	$66.93
MF-7	KELSO JOHN L U/M MARIETTI LIDO J	212 Mora St., Santa Cruz, CA 95060 001-121-007	5/16/2006 2006-0044792	$630,000	MR	0.194 AC	$74.52
MF-8	BK INVESTMENT MISSION LP FAITOS ERNEST A & ROSEMARY CO-TRUSTEES	1804 Mission St., Santa Cruz, CA 95060 002-621-021	2/15/2007 2007-0035146	$1,850,000	CC	0.382 AC	$111.05
MF-9	220 LAUREL ST LLC LAUREL PARTNERS LLC	220 Laurel St., Santa Cruz, CA 95060 005-145-006	5/23/2007 2007-0024174	$1,500,000	CC	0.22 AC	$160.17
	Average						$66.70
	Median						$51.18

Map of Multi-Family Land Sales

APPENDIX THREE

Subject Property Photographs

SUBJECT PHOTOGRAPHS
SANTA CRUZ SUBDIVISION

Agricultural Land Between Santa Cruz and Davenport

Older Industrial Property north of City of Santa Cruz

Older Homes in City of Santa Cruz, West of Downtown

Newer Residential Development @ “Y” Near Downtown and Boardwalk

Santa Cruz Boardwalk

Residential Development in Live Oak

Industrial Development in Live Oak

Capitola

Northeasterly View of Park Avenue and R/W

Aptos; Corridor in Front of and Behind Businesses in Aptos

Southeasterly View of Right-of-Way in Rio Del Mar

La Selva Beach; Right-of-Way Behind Parking Lot and in Front of Homes Overlooking the Ocean

Watsonville Junction @ Salinas Road

APPENDIX FOUR

SCBL Draft Going Concern Valuation

Santa Cruz Branch Line
DRAFT GOING CONCERN VALUATION

INTRODUCTION

The purpose of this report to determine a going concern valuation of the Santa Cruz and Davenport branch lines, assuming Santa Cruz County Regional Transportation Commission (SCCRTC) ownership of the lines and the provision of freight service by a short line or small railroad rather than by the present owner, the Union Pacific Railroad (UP). The resulting valuation is in conformance with the valuation procedures and guidelines for railroad rights of way published by the California Public Utilities Commission. Also appearing here are estimates of current UP revenues for line traffic. All references to the Davenport and Santa Cruz Branch Lines henceforth appear collectively as the Santa Cruz branch line.

The Santa Cruz branch is about 32 miles long. It begins as a line running west from the UP's Watsonville Junction yard in Pajaro. The line travels north through Watsonville and Santa Cruz before terminating at Davenport. The line has a connection to the Santa Cruz, Big Trees & Pacific short line in Santa Cruz.

Detail on shipper volumes, rates, operating costs, and lease revenues were requested from UP. However, none of this data was provided by the time of this writing. The analysis obtained commodity volume information directly from the line's shippers. Revenue and rate information came from published rates, from a competing carrier, or was derived as an estimate of the rates from UP financial reports. WSA obtained insights on revenues and operating costs from short line railroad executives. UP did provide a hi-rail trip (a trip by a utility vehicle fitted with steel wheels for travel on railroad track) of the line for the valuation consultants on January 30, from which WSA learned of shippers it had not previously known about. WSA subsequently contacted these shippers, whose comments contributed to the estimate of total rail line volume.

SHIPPERS AND CARLOAD VOLUMES

There are eight shippers on the branch line (west of Salinas Road), generating about 4,700 rail carloads a year in business for the Union Pacific Railroad. The volumes cited below are based on interviews conducted with the shippers during January 2004. The volumes discussed are the shippers' best estimates of their likely volumes. But the shippers pointed out that volumes can change, upward and downward, making precision in the estimates difficult if not impossible to achieve. UP operates on the branch line on Mondays, Wednesdays, and Fridays, delivering and gathering the shippers' rail car traffic. Typically, UP branch trains leave Watsonville Junction in the mid morning, going north toward Davenport and back to Watsonville that evening.

Watsonville Shippers

Most of the line's shippers are located in Watsonville. The majority of Watsonville traffic is perishable commodities, i.e. frozen fruits and vegetables. The shipments move in refrigerated boxcars. Outbound shipments typically have destinations in the Midwest and on the East Coast, and inbound shipments typically have similar origins. One shipper receives carloads of lumber for local distribution. The lumber comes from Western Canada, Oregon, and California. The estimated volumes for the Watsonville shippers, inbound and outbound, appear in the table below. All together, the six Watsonville shippers generate about 850 carloads a year.

Table 1: Santa Cruz Branch Principal Commodities by Shipper

Shipper	Inbound		Outbound		Total Carloads
	Commodity	Carloads	Commodity	Carloads	
Watsonville					
Birdseye Frozen Foods	Perishables	80	Perishables	80	160
Americold (Riverside Dr, Salinas Rd)	Perishables	50	Perishables	50	100
Cascade Refrigerated	Perishables	100	Perishables	300	400
Cascade Properties	Perishables	10	Perishables	100	110
Del Mar Foods			Perishables	10	10
Big Creek Lumber	Lumber	72			72
Total Watsonville Traffic		312		540	852
Santa Cruz					
San Lorenzo Lumber (yard)	Lumber	165			165
San Lorenzo Lumber (door)	Lumber	200			200
Total Santa Cruz Traffic		365			365
Davenport					
RMC Pacific	Coal	1,100	Cement	1,800	2,900
	Slag	600			600
	Gypsum	50			50
Total Davenport Traffic		1,750		1,800	3,550
Total Carloads		**2,427**		**2,340**	**4,767**

Note: Americold facility on Salinas Road is east of Salinas Road, switched off the portion of the branch that SCCRTC will not purchase. The following analysis assumes that the short line will make the switch for UP.

Santa Cruz Shippers

There is just one shipper in Santa Cruz, San Lorenzo Lumber. However, the company has two different types of shipments. One is lumber for local distribution bound for Felton, California. That traffic, consisting of about 165 carloads a year, is interchanged with the Santa Cruz, Big Trees & Pacific (SCBG) short line railroad at the Santa Cruz yard. The SCBG hauls the carloads the additional seven miles to Felton in the Santa Cruz Mountains. The other is lumber for the company's door plant in Santa Cruz. That traffic consists of about 200 carloads a year, delivered directly by UP. The lumber typically originates in Washington, Oregon, and Western Canada.

RMC Pacific in Davenport

The biggest shipper on the line is RMC Pacific, a cement maker in Davenport at the north end of the branch line. This shipper has been in operation there for over 95 years. Its location there is due to the proximity of a limestone deposit, which it mines for cement making (cement consists of about 80 percent limestone). The company receives coal, slag, and gypsum, and ships cement. Carloads total about 3,600 per year. Coal dominates the inbound shipments and comes from Utah. Cement shipments are bound for job sites in the Bay Area and Sacramento. The company related that the outbound shipments are very sensitive to the differential between rail and truck rates. Rail rate increases have caused diversion of outbound shipments to truck.

UP REVENUES

This analysis estimates that UP today generates about $8 million in revenue on the line. The figure is based on the commodities shipped, their reported origins and destinations, and carload rates derived from either UP[1] and BNSF[2] sources or from the consultant's professional opinion. Assuming UP's recent operating ratio (operating costs divided by operating revenue) achieved over the period 2000 to 2002 (82.7 percent), the railroad in the broadest sense could be earning about $1.4 million of operating income from the Santa Cruz branch line traffic. But this kind of broad analysis overlooks a key point. That is, the revenue earned for a carload from a shipper on a branch line generates less income than the revenue for a carload from a shipper along the main line. The reason is, of course, both the additional car handling and the expenses of maintaining the branch line, in this case a branch line that traverses farmlands and wetlands, climbs hills, follows along sea cliffs, crosses wooden trestles, and runs through city streets – in other words a comparatively high cost branch line. These costs indeed are part of the total system operating costs, but they are a very small part of a very large aggregate cost (in 2002, UP operating costs totaled $10.2 billion). Thus, branch line specific costs for UP merit some consideration.

The 1997 "Going Concern Value of the Santa Cruz Branch", prepared for SCCRTC by Woodside Consulting Group, estimated these additional branch line costs at about $2.4 million. This figure includes over $1 million in "return on value" (non-cash expenses), which were in line with Surface Transportation Board (STB) regulations applied when determining whether or not a railroad could impose a surcharge to branch line shippers. Even if such estimates were omitted from this valuation, total branch line costs would total to about $1.4 million, which is the same as the operating income estimated above. Even supposing that some branch line costs could be reduced from the 1997 estimate (due to, for example, the relaying of continuously welded rail or "ribbon rail" on long segments of the branch line), it seems that UP is making little if any real income from the Santa Cruz branch.

---

[1] Rates for UP refrigerated boxcar shipments were available from Exempt Circular EBFF 7-B applied on Eastbound Frozen Foods. UP coal carload rates equal the energy revenue per carload rate report in UP's 2002 annual report. Slag and gypsum carload rates equal the industrial products revenue per carload rate reported in UP's 2002 annual report.

[2] Lumber carload rates were derived from BNSF lumber carload rates for shipments from the Seattle to the Bay Area, reported on the railroad's Web site. The analysis assumed the UP's rate would be comparable for lumber shipments from the Pacific Northwest.

LIFE EXPECTANCE OF THE BRANCH LINE

The valuation assumes that the Santa Cruz branch line will continue to handle freight volumes more or less as today for the foreseeable future. The largest customer on the line, RMC Pacific, stated that it expects to make cement at Davenport well into the future. Furthermore, there is no obvious reason to believe that either the lumber or perishable shippers along the line will go out of business.

At the same time, it does not appear likely that new rail shippers will locate along the branch line. In terms of perishable shipments, volumes are stable but are down from decades ago when the area's produce moved predominantly by rail. Truck dominates shipments today. The existing lumber distributors, who receive rail shipments, appear capable of handling the demand. Any increased demand, triggered by new residential developments, likely will be constrained by community concerns over residential growth. Lastly, new manufacturing plants are unlikely, as the trend is for manufacturers to move to lower cost areas other than California. The comparatively high cost of land and labor in California generally would seem to mitigate the potential for new industrial shippers locating along the branch.

LINE VALUATION

Going Concern Valuation

Going concern valuation is one of a number of methods used to determine a value for a railroad right of way that is "fair and reasonable"[3]. The methodology is aimed at determining a value by looking at a railroad line as a business. Revenues, operating costs, capital costs, and the resulting incomes are forecasted for future years, and then the future incomes are discounted to arrive at their present value. This present value is the line's going concern value. If it is clear that the line at a specific point in the future will cease to generate rail traffic, then the net liquidation value of the line's assets needs to be included in the final year's income stream.

Future Earnings

The basic premise of this valuation is that the Santa Cruz County Regional Transportation Commission will own the Santa Cruz branch line, and that the SCCRTC will contract with a short line operator for the provision of freight rail services on the line. A short line is a small railroad, which has crews and locomotives of its own. Its job on the Santa Cruz branch would be to take over the freight services from the UP. It would interchange (deliver and receive) branch line rail traffic with the UP at Watsonville Junction. The short line would be responsible for hauling the rail cars to and from shippers on the line. For this work, the UP will pay the short line a "switch charge" or handling fee for the traffic that would vary with the length of haul of the branch line traffic. The fees will sum to the short line's total revenue.

The short line will also incur expenses. These are for the maintenance of the track and structures (maintenance of way), for the maintenance of equipment, for the train crews, and for general and administrative functions. Part of the expenses will be for the purchase and depreciation of

[3] Valuation Procedures and Guidelines for Public Acquisition of Railroad Rights of Way pursuant to Public Utilities Code, Section 7551.3, Caltrans, 1994.

locomotives. There will also be taxes to pay on the income. A *pro forma* calculation of short line revenues, expenses, income and cash flow for 2005 appears in Table 2. The numbers shown have been rounded to the nearest $1,000.

Table 2: 2005 Short Line Income	
REVENUE	
Switch Charges	$1,128,000
Demurrage	10,000
Other	2,000
Total Revenue	1,139,000
EXPENSES	
Maintenance of Way	231,000
Maintenance of Equipment	56,000
Transportation	445,000
General and Administrative	258,000
Total expenses	990,000
OPERATING INCOME (LOSS)	149,000
Interest	32,000
Adjusted gross income (loss)	117,000
INCOME TAX	57,000
NET INCOME	$61,000
CASH FLOW	
Net Income	$61,000
Depreciation and amortization	33,000
Principal payments	-20,000
Cash flow	$74,000

Note: Inconsistencies in the arithmetic above is due to rounding to the nearest $1,000.

- ***Revenue.*** Revenue is the product of total carloads multiplied by the weighted average switch charge per carload. The assumed switch charges are $110 for Watsonville and Santa Cruz carloads and $280 for Davenport carloads. The weighted average switch charge equals the sum of: the switching charges for Watsonville, Santa Cruz, and Davenport multiplied by the proportion of total carloads going to and from each of those cities. Revenue also includes demurrage charged to shippers who keep control of cars longer than a typically allowable period (e.g. 2 days). It might include other miscellaneous income for such things as a nominal payment to the short line for using the line in a television commercial as well as interest earned on cash balances. Not included is any potential lease revenue, as this analysis assumes the lease payments (if any) would be paid directly to the assumed underlying property owner, SCCRTC.

- ***Maintenance of Way Expense.*** This is the cost of maintaining the rail line and supporting structures. UP has installed many new ties and higher weight continuously welded rail over much of the route, so these costs are reduced from the $10,000 per mile shown the 1997 going

concern valuation to $7,000 per mile (assuming 33 miles of track, including the Santa Cruz yard). This lower figure is consistent with short line industry experience, as reported by a consultant to RailAmerica, Inc. The largest cost component is $72,000 for minor bridge repair. There are 37 bridges of various kinds on the route having a total of almost a mile of linear feet.

- ***Maintenance of Equipment Expense.*** This is the cost of maintaining the three locomotives used for hauling the railcars on the branch line. The analysis assumes that the "heavy maintenance", such as wheel truing and engine overhauls, will be contracted out, and that the train crews will be crossed-trained to perform routine maintenance tasks. The estimated cost above is less than half that of the previous going concern valuation. However, the assumption here is that the three locomotives to be maintained will be of good serviceable condition when acquired. Accordingly, a low-side estimate for equipment maintenance is reasonable.
- ***Transportation Expense.*** This is the cost of operating trains on the branch line. The largest components are crew costs (2 crew per train working 8-hour shifts 5 days a week with no overtime[4]), fuel costs (fuel is to be delivered by truck), and car hire (charges that the short line operator accrues for the period of time foreign railroad cars are on its line). Of the three expenses, car hire is by far the largest. This analysis assumes that cars will be on the property for an average of between four and five days, depending on the shipper. Furthermore, the short line will not accrue car charges for cars belonging to RMC Pacific (about ¾ of the cement cars belong to the cement maker) [5]. At $12 per day per car for car hire, the expense is about $190,000. However, there is a very important caveat. The railroad-owned cars will mostly belong to UP (the connecting line haul carrier), and UP conceivably could offer "car hire relief" to its captive short line. In other words, the short line might be able to negotiate the $12 daily car charge downward (and consequently lower its switch charges to UP). Thus, the car hire charge here should be viewed as a high-side, conservative figure that might be reduced. Dropping this charge altogether, the transportation expense would be comparable to that estimated for the previous going concern valuation.
- ***General and Administrative Expense.*** This includes the costs of the General Manager, a clerk/typist, office rent, miscellaneous contracted services for routine administrative functions (i.e. payroll, audit, and accounting), and liability insurance (the annual premium assumed is $50,000 with a $25,000 deductible; the insurance does not include coverage for any passenger operations or workers compensation)[6]. The General Manager is cross-trained to provide relief from crew who are either sick or go on vacation. The estimate above is close to the estimate generated by the previous going concern valuation.
- ***Interest Expense.*** This cost has two major components. One is securing adequate working capital for operations. The other is the financing of locomotive purchases. The purchase cost of each locomotive is $130,000 (assuming used equipment). Additional equipment needs, such as trucks, tools, radios, etc., raise capital investment to $440,000. Adequate working

[4] As opposed to how the UP operates the line today, the assumed operating plan for the short line is to make northbound trips on Mondays and Wednesday, and southbound trips on Tuesdays and Thursdays. The only round trip would occur on Friday. The shorter hours worked Monday through Thursday would amount to "comp time" for the train crews working longer on Friday.

[5] RMC Pacific likely will be assessing the short line and UP line mileage charges for its cars, but these likely will be negligible for the 64-mile short line.

[6] Per Aon Corporation, a typical premium for a short line railroad handling 4,500 carloads 5 days a week.

capital (cash) requires an additional $120,000, and organization expenses (corporate, legal, etc.) consume another $40,000 for a total $600,000. This total investment is assumed to be 54 percent debt and 46 percent equity. The debt is more than collateralized by the locomotives and assumed to be for 10 years at 10 percent. The key assumption here is that a medium to small size short line railroad will operate the branch. With revolving lines of credit, a large short line holding company like RailAmerica conceivably could borrow the entire $600,000 of required working capital. However, a smaller short line company will not likely have this financial muscle. A more equal debt/equity ratio would be normal for such a railroad.

- ***Income Tax.*** This is the cost of both federal and state taxes. A combined rate of 48.3 percent is assumed (federal rate of 39 percent and California rate of 9.3 percent).
- ***Cash Flow.*** This is the measure of cash inflows against cash outflows. Cash-in includes net income and non-cash expenses such as depreciation, for locomotives and other consumable assets, that is part of the various expense categories above. Cash-out includes payments on the principal of loans for working capital and locomotives.

The table above indicates that a short line operation could be profitable and would generate a positive cash flow. But the net income and cash flow are not large. Rather, the venture's profit is paper thin – less than 1 percent of revenues. That noted, short lines are making a go of it today with similar returns. Furthermore, the risk potential for the short line operator would appear manageable for the following reason. If it had to, the operator could exit the business, retaining an equity interest in the locomotives, which it could realize with comparative ease in the used equipment market. Thus, it is entirely reasonable to think that a short line would be interested in assuming the freight rights on the Santa Cruz branch.

Valuation

In a going concern valuation, the forecasting of future earnings is at the heart of the entire valuation process. Earnings are estimated for each of several years, based on assumptions about traffic handled, rates, cost escalations, and capital needs. For this analysis, the earnings assumed for 2005 (appearing in Table 2) are extrapolated for another 10 years to 2015. Generally speaking, revenues and cost rise per the average of the Consumer Price Index for the past several years. Some items do not increase, such as depreciation charges for locomotives. The analysis simply assumes that earnings stay the same from 2015 on.

The analysis developed three alternative scenarios for the short line operator, which resulted in three different incomes streams. A *pessimistic* earnings forecast assumes that traffic volumes would decrease by 1 percent each year through 2015. A *most likely* earnings forecast assumes traffic volumes would remain where they are in 2005. And an *optimistic* earnings forecast assumes that Davenport outbound cement shipments would increase to 200,000 tons per year, the maximum that RMC reportedly can handle without triggering an expensive reconfiguration of its plant and rail infrastructure. The future earnings estimates of a short line operator for the Santa Cruz branch line appear in Table 3 below, along with their present values depending on various discount rates. The earnings are not rounded, as in Table 2.

Table 3: Present Value of Short Line Earnings				
Pessimistic Earnings Forecast				
	Projected Earnings	Discounted at 8%	Discounted at 10%	Discounted at 12%
2005	60,648	56,154	55,135	54,152
2006	57,885	49,625	47,836	46,146
2007	55,055	43,703	41,363	39,188
2008	52,164	38,341	35,628	33,150
2009	49,220	33,499	30,561	27,928
2010	46,231	29,135	26,098	23,421
2011	43,207	25,212	22,174	19,543
2012	40,160	21,698	18,735	16,221
2013	37,101	18,558	15,735	13,379
2014	34,047	15,771	13,125	10,963
2015+	29,754	172,275	114,701	79,840
Total		503,970	421,090	363,930
Most Likely Earnings Forecast				
	Projected Earnings	Discounted at 8%	Discounted at 10%	Discounted at 12%
2005	60,648	56,154	55,135	54,152
2006	63,859	54,747	52,773	50,909
2007	67,237	53,373	50,515	47,859
2008	70,793	52,033	48,352	44,989
2009	74,543	50,734	46,284	42,296
2010	78,502	49,472	44,314	39,769
2011	82,688	48,248	42,435	37,400
2012	87,119	47,070	40,641	35,187
2013	91,817	45,927	38,940	33,109
2014	96,805	44,840	37,318	31,171
2015+	100,848	583,909	388,768	270,608
Total		1,086,506	845,476	687,450
Optimistic Earnings Forecast				
	Projected Earnings	Discounted at 8%	Discounted at 10%	Discounted at 12%
2005	60,648	56,154	55,135	54,152
2006	70,126	60,119	57,952	55,904
2007	80,078	63,566	60,163	57,000
2008	90,529	66,539	61,831	57,531
2009	101,505	69,084	63,024	57,594
2010	106,127	66,881	59,909	53,764
2011	110,992	64,764	56,961	50,202
2012	116,120	62,740	54,170	46,901
2013	121,532	60,790	51,542	43,824
2014	127,251	58,942	49,055	40,975
2015+	132,042	764,525	509,023	354,314

Total		1,394,105	1,078,765	872,161

The future earnings are discounted to reflect that a dollar earned next year or 10 years from now is worth less than a dollar earned today. Generally speaking, the discount rate should be the expected rate of return available on alternative investment opportunities with comparable risk. This analysis used a 10 percent discount rate as a median; this rate relates to the historic rate of return (1927-1996) for the Dow Jones Industrial Average, which at various times included rail equities. This means that a dollar earned next year is worth $0.91 today, and similarly a dollar earned 10 years from now is worth $0.39 today. Discount rates of 8 and 12 percent reflect the potential high and low variances of an appropriate discount rate.

Table 3 above shows a range in potential present values of future short line incomes from $364,000 to $1,394,000. The present value of *most likely* earnings stream discounted at 10 percent, i.e. $845,000, is a mid-range value and appears a reasonable estimate for the going concern value of the short line.

It is important to state, however, that while this present value of the future earnings sums to a comparatively high number, it is not realistic to expect a short line operator would pay the amount for the line's freight rights. Any of a number of variables could intervene to threaten this income stream – variables that would be impossible to foresee in a *pro forma* income calculation. The larger perspective here is that the line can generate a positive income and cash flow, and thus would be attractive for a short line operator.

A key assumption contributing to the positive income streams, of course, is the continuance of traffic to and from the line's major shipper, RMC Pacific. As stated earlier, the reason for the plant being in Davenport is its proximity to a limestone deposit for its cement making. RMC Pacific related that it intends to continue operations at Davenport well into the future. Accordingly, this analysis assumed that the limestone deposit would not be depleted for a long time to come. If the cement plant were to cease operations, the branch line beyond Watsonville likely would be abandoned. In such a case, a net liquidation value (or residual value) of the line's assets would be included in the future income streams to arrive at a present value of future incomes.

TRACKAGE RIGHTS VALUE

Traditionally, trackage rights have meant rights that a freight or "home" railroad secures with a competing or "foreign" railroad to move freight over the foreign road's trackage. The home road pays per car and mileage fees to the foreign road for trackage rights. The home road uses its own locomotives, crews, fuel etc. The components of the fee include reimbursement for incremental maintenance of way and dispatching costs that the home road's traffic triggers by running on the foreign railroad.

The concept extends today to passenger railroads. For example, the Metrolink commuter rail system in Los Angeles pays trackage rights fees for running its commuter trains over the Union Pacific Railroad and the Burlington Northern and Santa Fe Railway. In the case of the latter, BNSF charges Metrolink about $7.60 per train mile (a train moving one mile equals on train

mile). By the same token, a freight railroad can pay a public agency a trackage rights fee for delivering freight to shippers on trackage owned by the public agency. This occurs today on track owned by the Peninsula Commute Joint Powers Board (PCJPB), where UP serves freight customers on the San Francisco Peninsula. There UP pays a percentage of total operating costs on the line, based on its share of total car miles. The point is there are various ways to cover the expenses incurred by a one railroad running trains on the track of another.

Since the short line will be paying for the maintenance of the right of way and its own dispatching (the two components of trackage rights), it will not be paying trackage rights to SCCRTC. However, it is reasonable to expect that the short line would pay something in the way of rent or a lease fee to the agency for the right to haul freight on the Santa Cruz branch line (see next section). If, on the other hand, a new passenger service, such as an extension of state-sponsored intercity trains or even Caltrain commuter trains, were to use the line, it should pay trackage rights. The value of those rights would most appropriately be determined at the time they are requested and tailored to cover the incremental costs they would entail.

RENT OR LEASE PAYMENT

This analysis assumes no trackage rights charge *per se* against the short line. Rather, the short line might pay a rental or lease charge for its use of the line. That charge could be anywhere between $0 and the ability of the short line to pay something more. As it is, under the *most likely* scenario, cash flow is positive but less than $100,000 per year. It would seem that the ability of the short line to pay more than a small fee (e.g. $5,000 to 10,000 per year) would be constrained.

However, the potential for car hire relief (from UP to the short line; see Line Valuation Section) could provide more cash to the railroad, and therefore increase the short line's ability to make a larger lease payment. Alternatively, SCCRTC could take a small portion of the short line's pre-tax earnings as a lease payment, which could be waived by hiring the short line to run the agency's proposed trolley between Capitola and Aptos.

APPENDIX FIVE

Abandonment Analysis

THE
WOODSIDE
CONSULTING
GROUP

PRIVILEGED AND CONFIDENTIAL
MEMORANDUM

Date: **October 13, 2005**

To: **Kirk Trost**

Cc: **Paul Chrisman**

From: **John Williams**

Subject: **Potential Abandonment of the Santa Cruz Subdivision**

I. Introduction

Woodside has been asked to assess the probability that the Santa Cruz Subdivision ("SCS") could be abandoned immediately after its acquisition assuming that the line had been purchased by SCCRTC (or by another purchaser similarly situated) and, we have assumed, that it would be operated by a short line.

As an employee of the Southern Pacific, I was involved in and/or managed the abandonment of numerous SP Lines over a ten-year period in the 1960s and 1970s. As a part of my duties, I prepared and presented testimony before both the California Public Utilities Commission and the Interstate Commerce Commission. On July 18, 1975, I testified before the Subcommittee on Surface Transportation to propose changes to the economic standards that were contained in Senate Bill Number 863 for determining railroad abandonment cost calculations and the subsidies for the continued operation of unprofitable rail lines. Subsequently, my proposed economic standards were, for the most part, incorporated into the Surface Transportation Board's

("STB") regulations that today govern railroad abandonments. More recently, during 2005, I advised the Amador County Transportation Commission with regard to the abandonment of the Amador Foothills Railroad between Ione and Martell, CA.

II. Conclusions

Based on the analyses contained in this Memorandum of the public interest, as determined by the STB, the economic standards that the STB employs to weigh a railroad's losses against the public's need for continuing operations, and of the rail customers located on the SCS, it is Woodside's opinion that there is no chance that the STB would deny an application by SCCRTC and its short line operator for abandonment of the Santa Cruz Subdivision.

Further, it is Woodside's opinion that none of the rail customers, including Cemex and the connecting railroad, the Santa Cruz, Big Trees and Pacific Railway Co. ("Big Trees"), would be willing to provide the amount of financial assistance required by the STB in order to either continue operations of the SCS or to purchase it, subsequent to a STB grant of authority to abandon the line.

III. The Public Interest

As required by 49 U.S.C. § 10903, no line of railroad may be abandoned and no rail service may be discontinued unless the STB finds that the present or future public convenience and necessity require or permit the abandonment or discontinuance. As a practical matter, the STB's application of this standard under its current regulations will result in authorization of an abandonment application if continuation of rail service over a line does not permit a rail carrier to cover all of its costs, including the opportunity costs of using its physical properties for other purposes.

If authority for abandonment were granted, only an Offer of Financial Assistance ("OFA"), that would permit the rail carrier to remove the financial burden of continued operation of a line or an offer to purchase the line, would prevent abandonment. Although the carrier seeking to abandon a line and the financially responsible person providing the OFA are encouraged to reach agreement on the amount and duration of financial assistance, the STB, if requested to do so, will determine the amount and terms of the subsidy required for continued operation based on the revenues on the line, the avoidable costs of providing continued rail transportation on the line, plus a reasonable return on the value of the line. Alternatively, if requested to do so, the STB will determine the price and other terms of sale, which must be at a price not below the fair market value of the line; such fair market value is defined by the STB as the greater of the net liquidation value of the line or the going concern value of the line. For the SCS, the net liquidation value is clearly the greater of the two values.

When determining the extent to which the avoidable costs of providing continued rail transportation plus a reasonable return on the value of a line exceed the revenue generated by a line, the STB gives little consideration to hypothetical future traffic projections that are not grounded in the historic traffic base of the line. Moreover, the STB gives little if any consideration to either the environmental or highway impacts of shifting rail traffic to trucks that would occur if the line were abandoned.

IV. The STB's Economic Standards

The standards for determining the relevant revenues, avoidable costs, and required return on value of a line in an abandonment proceeding are found in 49 C.F.R. § 1152.30 – 1152.37. This Subpart D of Part 1152 contains the methodology and the standards for presenting the abandonment submissions that are used in the STB's determinations.

A. Revenues Attributable to the Line

The revenues attributable to a rail line are defined by the STB to be those that would cease upon the discontinuance of rail service on a line. For a short line whose operation was limited to the SCS, only the revenues (including switching charges, demurrage, etc.) that the carrier receives for the movement of traffic between Watsonville and Davenport would be relevant. As calculated in Wilbur Smith Associates' Draft *Going Concern Valuation* submitted March 15, 2004, total revenues for the short line operator of the SCS were projected to be $1.1 million.

B. Avoidable Costs

The costs that are relevant to the STB's determination are defined to be those which are "avoidable," that is, those costs which would no longer be incurred if rail service on the SCS were halted. Such avoidable costs are categorized in the usual functional operating expense groups of:

- Maintenance of Way;
- Maintenance of Equipment;
- Transportation; and
- General And administrative.

For a short line operating only the SCS, all of its costs would be avoidable. In its Draft *Going Concern Valuation* Report, Wilbur Smith estimated the costs of a short line operator of the SCS at $1.0 million, all of which would be avoidable.

The STB also provides rules for apportioning costs between branch lines if more than one line were operated by a short line. The relative use of the assets or personnel on the several lines is the primary basis for such apportionments. For the SCS, we doubt any apportionments would be

pertinent with the possible exception of any General and Administrative costs that might be incurred if the short line operator used the same resources to manage other lines in addition to the SCS.

In theory, according to the STB's regulations, the depreciation and return on the value of all freight cars and locomotives owned and operated on the SCS would be calculated at their depreciated current replacement costs and the short line's cost of capital. This provision does not apply to privately owned cars. Most likely, however, if the short line leases from others and pays car hire to the Union Pacific, the short line would probably calculate its avoidable freight car and locomotive ownership costs based on the amounts it actually paid in freight car hire and in lease payments for freight cars and locomotives.

The STB does allow the inclusion of any required rehabilitation expenditures as avoidable costs, and the amounts to be included are defined to be those necessary to permit efficient operations over a line. In future years, such rehabilitation costs may become relevant and significant to the SCS for the rehabilitation of one or more of its bridges and/or for portions of its track structure. Assuming for illustrative purposes only that a rehabilitation cost to the SCS of $0.5 million was projected in an abandonment application, then the applicant's submission to the STB would increase the short line operator's avoidable costs from the $1.0 million level projected in the Draft *Going Concern Valuation* Report by Wilbur Smith to a total of $1.5 million, including the rehabilitation costs.

C. Return on Investment

This is an element of great importance to a SCS abandonment application because of the high value of the SCS land. In addition to an allowance for working capital, the STB's regulations require that the net liquidation value of the road properties is the relevant investment base upon which the short line is entitled to earn a reasonable return. The STB's definition of the net

liquidation value of both the land and the track and structures parallels the definitions used in the net liquidation value studies that have been performed for SCCRTC by Arthur Gimmy International for the land and by Woodside for the track and structures. For the purposes of this Memorandum, we assume the total net liquidation value of the SCS would be about $19.0 million today, although that value will undoubtedly increase in future years as the value of the land in the SCS Corridor increases.

The owner of the road property who proposes to withdraw it from common carrier rail service is entitled to earn a reasonable return on the net liquidation value of the road properties. Although the STB provides alternative methodologies for calculating a reasonable return in accordance with a rail carrier's cost of capital, the default reasonable return is defined to be the cost of capital as calculated by the STB in it most recent *Determination of Adequate Railroad Revenues*. This is an annual calculation made by the STB that in recent years has ranged between 10% and 12%. Applying the lower end of the range, a 10% return on the current net liquidation value of the road properties on the SCS amounts to $1.9 million, annually.

It is this single economic element, the reasonable return on the value of the road properties of some $1.9 million annually, that we believe over-powers all of the other economic factors that the STB would consider when deciding whether or not the SCS would be permitted to be abandoned. It is why SCCRTC and its short line operator would, we believe with absolute certainty, be permitted to abandon the SCS in future years. The $1.9 million annual return on value also creates an economic barrier that would, in our opinion, preclude an OFA by any rail customer located on the SCS, just as the $1.9 million net liquidation value would preclude purchase of the SCS by any rail customer located on the SCS.

Even assuming hypothetically that the net liquidation value of the road properties on the SCS was substantially lower than the $19.0 million value that we have used in this Memorandum (say only $10.0 million), then a 10% return would amount to $1.0 million annually. Even if the reasonable return on the value of the road properties were only $1.0 million annually, however,

we believe that amount would still over-power all of the other factors that the STB would consider when deciding whether or not the SCS would be permitted to be abandoned. Similarly, even a $1.0 million annual return would, in our opinion, preclude an OFA by any rail customer located on the SCS, just as a $10.0 million net liquidation value would preclude the purchase of the SCS by any rail customer located on the SCS.

To summarize, an application to abandon the SCS would show the following economics, excluding any rehabilitation costs:

	Millions
Attributable Revenues	$1.1
Avoidable Costs	(1.0)
Return on Value	(1.9)
Net Loss	$(1.8)

The net loss of $1.8 million is the economic burden which must be removed from the applicant if rail service is to be continued.

V. Rail Customers on the Santa Cruz Subdivision

According to the Draft *Santa Cruz Branch Line Business Plan* dated August 4, 2004, prepared by Systra Consulting, there are eight rail customers who are now rail served on the Santa Cruz Subdivision. Six shippers are located in Watsonville, one in Santa Cruz, and one at Davenport. In addition, Big Trees handles occasional freight shipments via an interchange at Santa Cruz.

Also according to the Draft *Business Plan*, the SCS generated 4,767 carloads annually, of which 3,550 were generated by Cemex in Davenport. Of the remaining 1,217 carloads of traffic, 852 carloads were generated in Watsonville and 365 carloads were generated in Santa Cruz.

Woodside believes, based on information provided by Cemex, that the more likely volume of traffic moving on the SCS is in the range of 3,500 to 4,000 carloads instead of the 4,767 carloads stated in Systra Consulting's Draft *Business Plan*.

Based on experience, Woodside believes that if abandonment of the SCS occurred, then all of the rail customers located in Watsonville would load and unload their perishable commodities at other rail facilities located on the Union Pacific within the Watsonville area, that the lumber customers located in Watsonville and Santa Cruz would also accept their inbound lumber traffic at transload facilities located elsewhere on Union Pacific's trackage, and that final delivery to their destination facilities would be converted to truck.

Therefore, we conclude that because of the relatively small economic impacts that abandonment of the SCS would create for the Watsonville and Santa Cruz rail customers (including Big Trees), their willingness to provide funding through an OFA for either the continued operation of the SCS or its purchase in accordance with the STB's economic standards is highly unlikely and is also probably beyond their financial capabilities. Accordingly, although several of the smaller rail customers located in Watsonville or Santa Cruz may protest before the STB a proposal to abandon the SCS, it is Woodside's opinion that none of them generate sufficient traffic in order to assure the STB that continued operation of the SCS would not be at a loss, nor would any of the same rail customers be willing to put up the large amount of hard cash required in order to continue rail service.

Unlike the smaller rail customers on the SCS, Cemex is an international company with substantial financial resources and wide-spread rail operations. Given Cemex's mix of products that are traditionally moved by rail, including coal, slag, gypsum, and cement, the added economic costs of handling the large volume of Cemex traffic through transload facilities and by truck and, therefore, the adverse impacts of the abandonment of the SCS on Cemex, are judged to be substantial. Moreover, Cemex's use permit for its Davenport Plant requires that a portion

of its outbound cement traffic move by rail. Thus, we would expect Cemex to oppose any application for abandonment of the SCS.

Despite Cemex's opposition, however, it is Woodside's opinion that the STB would authorize abandonment of the SCS in accordance with its economic standards that would show the revenues attributable to the SCS are less than the avoidable expenses plus a reasonable return on the value of the SCS by $1.8 million annually. Given such an STB decision, Cemex would probably consider the use of an OFA to fund the continued operation of the SCS line at a cost of $1.8 million annually. Divided by Cemex's traffic volume of 2,800 carloads annually, the funding of an OFA would increase Cemex's transportation costs by $643 per carload, on average, an amount that we believe would be unacceptable to Cemex, given its lack of interest in operating the SCS that Cemex has stated to us in our discussions. Alternatively, Cemex could request that the STB permit it to purchase the SCS at its fair market value, which is currently estimated at about $19.0 million. Such a large expenditure (whether $19.0 million or, hypothetically, $10.0 million), if made, would still require either Cemex or the short line that it selected, to operate the marginally profitable SCS. Thus, it also seems highly improbable to us that Cemex would take such an action.

It is our opinion that, faced with a STB decision authorizing abandonment of the SCS, Cemex would most likely seek to negotiate away from its use permit the mandated percentage use of rail service. Alternatively, and perhaps in combination, Cemex would seek to negotiate the continued use of the same number of outbound truck movements in future years as were used in the most recent year prior to abandonment of the SCS. Further, Cemex could adjust the Davenport Plant's production to those markets that it could continue to reach economically by truck. Thus, although the overall economic impact on Cemex of the abandonment of the SDS would be substantial because of the substitution of transload facilities and truck service for rail service, it is Woodside's opinion that neither none nor all of these economic impacts are substantial enough to cause Cemex to prevent the abandonment of the SCS either by funding an

OFA for its continued operation or by purchasing the SCS at its fair market value and participating with its selected short line in the future operation of the SCS.