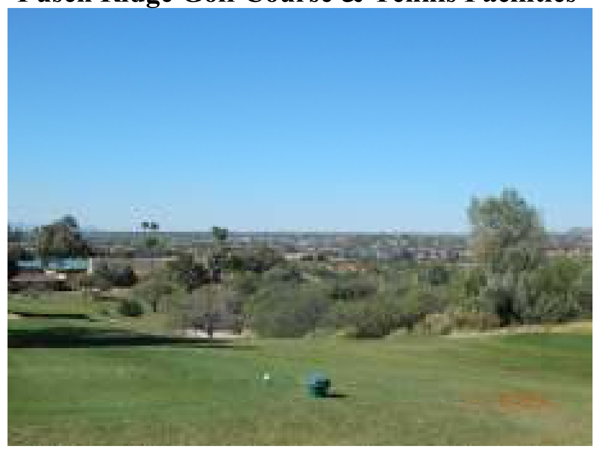
APPRAISAL REPORT
FOR MARKET VALUE

TYPE OF PROPERTY:
EL CONQUISTADOR COUNTRY CLUB
36 HOLES OF GOLF, FITNESS FACILITIES & 15 LIGHTED TENNIS COURTS
PUSCH RIDGE 9-HOLE GOLF COURSE & 16 LIGHTED TENNIS COURTS

El Conquistador Golf & Tennis Club	**Pusch Ridge Golf Course & Tennis Facilities**
	

LOCATED:

El Conquistador Country Club	Pusch Ridge Golf Course & Tennis Facilities
10555 N. La Canada Drive	10000 N. Oracle Road
Oro Valley, Arizona 85737	Oro Valley, Arizona 85737

APPRAISER'S FILE NO. 14-226-SP

DATE OF VALUE:

NOVEMBER 3, 2014

PREPARED FOR:

MR. HUMBERTO LOPEZ, PRESIDENT
HSL PROPERTIES
3901 EAST BROADWAY BOULEVARD
TUCSON, ARIZONA 85711

PREPARED BY:

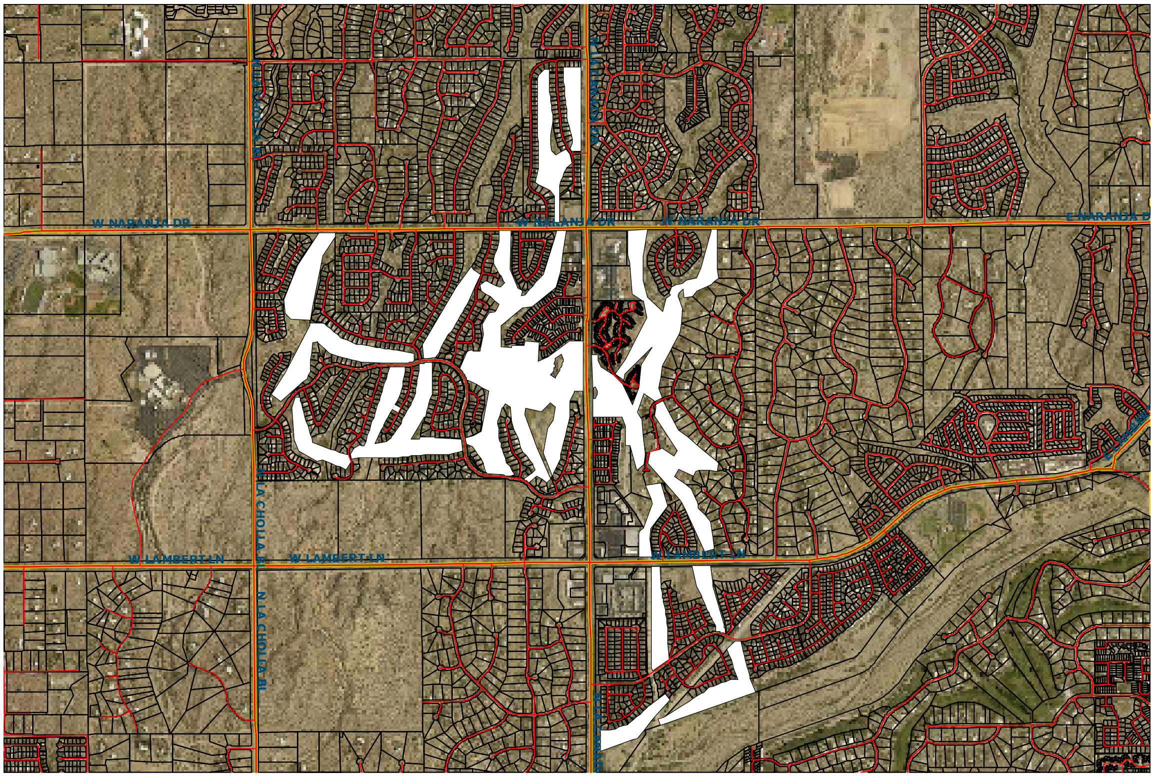
STEVEN R. COLE, MAI, SRA AND SUSANNE GRACE-POORE

CERTIFIED GENERAL REAL ESTATE APPRAISER #31330

CERTIFIED GENERAL REAL ESTATE APPRAISER #31990

SOUTHWEST APPRAISAL ASSOCIATES, INC.
P: (520) 327-0000 | F: (520) 327-3974 | P. O. Box 16156, Tucson, AZ 85732-6156

SUBJECT PARCEL 1 (the "Country Club" location)
El Conquistador Country Club
10555 N. La Canada Drive



SUBJECT PARCEL 2 (the "Resort" location)
El Conquistador Resort
10000 N. Oracle Road

P.O. Box 16156
Tucson, Arizona 85732
(520) 327-0000
FAX (520) 327-3974

December 15, 2014

Mr. Humberto Lopez, President
HSL Properties
3901 East Broadway Boulevard
Tucson, Arizona 85711

REF: Market value appraisal of the golf, tennis, & health club facilities portion of the El Conquistador Resort and Country Club located at 10555 North La Canada Drive and 10000 North Oracle Road in Oro Valley, Pima County, Arizona
Appraiser's File No.: 14-226-SP

Dear Mr. Lopez:

At your request, we have provided our market value opinions for the golf, health club, and tennis facilities at the El Conquistador Resort and Country Club located in Oro Valley, Arizona. Our appraisal excludes the hotel, stables, and two parcels of excess land along Oracle Road that are part of the subject parent parcels.

The client's offer to purchase the Hilton El Conquistador Resort and Country Club is currently in escrow. The client intends to simultaneously sell the golf, health club, and tennis facilities to the Town of Oro Valley (the "Town") for a below-market price of $1,000,000. The facilities will be used by the Town as a community recreation center. The purpose of this appraisal is to provide a market value estimate for this transaction. The effective date of value for the "as is" market value opinions is November 3, 2014, the date of the most recent property inspection. The intended users include the client HSL Properties and/or its assigns, and the Town of Oro Valley.

The facilities at 10555 N. La Canada Drive, the "Country Club" location, include the following:

- 36 holes of golf, driving range and maintenance facilities, and a golf pro shop
- 15 lighted,hard-surface tennis courts, and a tennis pro-shop
- Junior-Olympic size swimming pool and a smaller resort-style swimming pool
- A 45,025 square-foot clubhouse with day-care facilities, fitness center, four locker rooms, six racquetball courts, two whirlpool spas and two saunas
- La Vista Restaurant with a capacity of 106 seats & banquet room
- Garden Café with a capacity of 8 seats

The facilities at 10000 N. Oracle Road, the "Resort" location, include the following:

- 9 holes of golf, maintenance facilities, and a golf pro shop
- 16 lighted hard-surface tennis courts and a tennis pro-shop
- 2 racquetball courts that are currently used by the hotel for storage

The risk factors that currently impact the marketability of the subject golf, health club, and tennis facilities, hereinafter referred to as "Recreation Center," include:

- Uncertainty about future financial feasibility of the golf course operation due to oversupply of golf courses in the area and continued decline in demand for rounds of golf, which has declined steadily during the past 10 years; and
- The increasing maintenance expenses of the golf course; and
- Actual capital expenditures needed to renovate the clubhouse, improve the golf course, and increase number of full golf memberships; and

Positive factors for the property, in general, include:

- The properties' prominent locations in the Town of Oro Valley with convenient access.
- The prestigious Hilton El Conquistador Resort will retain use privileges of the golf and tennis facilities, thereby generating demand from the hotel guests.
- The market value of the improvements that currently exist is much lower than their replacement cost, new.
- The current sale price is significantly below market value and a recent offer for a portion of the appraised property.

Due to the dated condition of the improvements and the negative cash flow currently occurring, a discounted cash flow analysis in the Income Approach is employed. Our projections are for the property to achieve profitability in Year Four. These projections are somewhat less optimistic than those provided by the proposed professional management company, Troon Golf. The National Golf Foundation projects modest growth in U.S. golf demand over the next 10 years. Conversion of the golf courses to an alternate use is not believed to be legally permissible. Renovation of the clubhouse is recommended to improve appeal and increase demand for full golf memberships. According to our interviews with golf course managers, selling full golf memberships is a key to achieving profitability.

Based on the analyses contained in the following report, the Highest and Best Use for the subject property, as improved, is renovation of existing improvements for continued recreational use.

This appraisal report is intended to comply with the reporting requirements set forth under Standard Rule 2-2(a) of the *Uniform Standards of Professional Appraisal Practice* promulgated by the Appraisal Standards Board of the Appraisal Foundation. The intended use of the appraisal is to assist the client with decisions related to disposition of the subject property.

This report is prepared for the client. An additional intended user is the Town of Oro Valley. This report or any portion thereof is for the exclusive use of the client and designated users and is not intended to be used, sold, transferred, given, or relied on by any other person other than the stated intended users without the prior, expressed written permission of the author, as set forth within the Limiting Conditions contained in this report.

Based upon the data, analyses, opinions and conclusions contained in this report, the market value opinions for the subject property are as follows:

MARKET VALUE OPINION FOR THE SUBJECT PROPERTYAS OF NOVEMBER 3, 2014.. $3,250,000

REPLACEMENT COST, NEW OF THE SUBJECT PROPERTIES, EXCLUDING LAND VALUE & DEPRECIATION.............. $42,000,000

EXTRAORDINARY ASSUMPTIONS/HYPOTHETICAL CONDITIONS

Extraordinary Assumptions:

An Extraordinary Assumption is defined as an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. An extraordinary assumption may be used in an assignment only if:

- It is required to properly develop credible opinions and conclusions;
- The appraiser has a reasonable basis for the extraordinary assumption;
- Use of the extraordinary assumption results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions (USPAP, 2014-2015 ed.)[1]

1) ***The subject property has been operated with negative cash flow for several years. Since the property is lender-owned, the owner has been unwilling to provide capital for extensive renovation or improvement. Therefore, the Income Approach is based on the extraordinary assumption that capital improvements will be made to bring the properties to a luxury standard and a marketing program will be implemented to increase rounds of play and attract new members.***

2) The stable portion of the Resort location is excluded from this appraisal. However, it is included in the Assessor's records. As of the date of value, the actual site area of the stable portion to be excluded from the golf and tennis parcels was unknown. Based on information provided by Jerry Hawkins, broker with CBRE, the stables area is estimated to consist of 6.5 acres. Thus, the site area for the subject golf and tennis parcels is estimated to consist of 40.53 acres. ***It is an extraordinary assumption of this appraisal that the site area for the Resort location is correct. The value is subject to change if the site size is found to be significantly different.***

[1] Uniform Standards of Professional Appraisal Practice, The Appraisal Foundation, 2014-2015

3) As discussed in the Highest and Best Use, the Covenants, Conditions & Restrictions (CC&Rs) for the Canada Hills community were not available to the appraisers for review. However, based on information received from the client and broker for the property, an alternative use other than open space is not legally permissible. ***It is an extraordinary assumption of this appraisal that development of the golf courses to a use other than open space is not legally permissible.***

Hypothetical Conditions:

A Hypothetical Condition is a condition directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. A hypothetical condition may be used in an assignment only if:

- Use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison; and
- Use of the hypothetical condition results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions. (USPAP, 2014-2015 ed.) [2]

No hypothetical conditions apply to this appraisal.

We hereby certify that to the best of our knowledge and belief, all statements and opinions contained in this appraisal report are correct. This transmittal letter is not valid for any purpose unless accompanied by the appraisal referred to herein.

In order to guarantee the authenticity of this report, the designated appraiser has imprinted this letter of transmittal with an embossed seal. Any copy without same is not a certified copy and the appraiser assumes no responsibility or liability for such a report.

Respectfully submitted,

Southwest Appraisal Associates, Inc.

By Steven R. Cole

Steven R. Cole, MAI, SRA
Certified General Real
Estate Appraiser #30130

By Susanne Grace-Poore

Susanne Grace-Poore
Certified General Real
Estate Appraiser # 31601

[2] Uniform Standards of Professional Appraisal Practice, The Appraisal Foundation, 2014-2015

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EXECUTIVE SUMMARY OF SALIENT FACTS

Property Identification:		
	PARCEL 1:	El Conquistador Country Club (the "Country Club")
	PARCEL 2:	El Conquistador Resort (the "Resort")
Property Location:		
	PARCEL 1:	10555 North La Canada Drive
	PARCEL 2:	10000 North Oracle Road Oro Valley, AZ 85737
Property Type:		45 holes of golf, 31 lighted hard-surface tennis courts; 45,000+ square-foot clubhouse with health and fitness facilities, retail golf and tennis pro shops, a full-service restaurant, and a café for breakfast and lunch service to golfers. The Hilton El Conquistador Hotel retains use privileges.
Date of Valuation:		November 3, 2014
Intended User of the Appraisal:		The intended users of the appraisal include HSL Properties, its assigns, the client; and the Town of Oro Valley.
Intended Use of the Appraisal:		The intended use of the appraisal is to assist the client with decisions related to disposition of the subject recreation facilities.
Site Data:		
	PARCEL 1:	240 acres improved with 36 holes of golf 15 lighted hard-surface tennis courts, practice facilities, and associated country club amenities;
	PARCEL 2:	40 acres improved with 9 holes of golf, 16 lighted hard-surface tennis courts, 2 racquetball courts, and two retail pro-shops.
Improvements Data:		
	PARCEL 1:	45,025 Square-Foot clubhouse with a full-service restaurant, a limited service grill, racquetball courts, day care facilities, locker rooms, whirlpool and sauna facilities for men and women, gift shop, and a fitness center with private fitness studios; Two swimming pools, 203-space parking lot.

	PARCEL 2:	Golf course maintenance facility Golf Pro Shop 2 racquetball courts used by hotel for storage Parking lot
Flood Insurance Zone:		
	PARCEL 1:	Predominantly Zone X, outside the 100-year floodplain; FIRM Map Panel 04019C 1070L & 1090L, dated June 16, 2011. Portions of the golf course are located in Zone A, inside the 100-year floodplain.
	PARCEL 2:	Predominantly Zone X, outside the 100-year floodplain. FIRM Map Panel 04019C 1089L, dated June 16, 2011. Portions of the golf course are located in Zones A, AE, inside the 100-year floodplain, and Shaded X, inside the 500-year floodplain.
Assessors Parcel Numbers:		
	PARCEL 1:	224-24-160G; -2620; -2630; -2640 -2650; -2660; -2670; 224-26-5630; -5640; -5650; 224-10-1190; -1200
	PARCEL 2:	220-13-0040; 0090; 013A; 0050; 0140
Zoning:		
	PARCEL 1:	El Conquistador Country Club Planned Area Development District (PAD) #1, Oro Valley
	PARCEL 2:	R-4R, Oro Valley; Multi-family-Resort
Highest and Best Use:		Continued recreational use

Value Conclusion:

"AS IS" MARKET VALUE OPINION FOR COMBINED GOLF, HEALTH CLUB, & TENNIS FACILITIES AS OF NOVEMBER 3, 2014…………………………………………………..$3,250,000

CONTINGENT AND LIMITING CONDITIONS

The certification of the Appraiser appearing in the report is subject to the following conditions, and to such other specific and limiting conditions as are set forth by the Appraiser in the report.

This report is being prepared for my client. This report or any portion thereof is for the exclusive use of the client and is not intended to be used, sold, transferred, given or relied on by any other person than the client without the prior, expressed written permission of the author, as set forth within the Limiting Conditions contained in this report.

The Appraiser assumes no responsibility for matters of a legal nature affecting the property appraised or the title thereto, nor does the Appraiser render any opinion as to the title, which is assumed to be good and marketable. No Owner's Title Policy has been furnished to the Appraiser. The property is appraised as though under responsible ownership, competent management and adequate marketing typical for that type of property.

The Appraiser has made no survey of the property. Any sketch or map in the report may show approximate dimensions and is included for illustrative purposes only. It is the responsibility of a certified engineer, architect or registered surveyor to show by a site plan the exact location of the subject property or any improvements or any proposed improvements thereon, or the exact measurements or calculations of estimated area of the site. In the absence of such a survey, the Appraiser may have utilized Tax Assessor's maps or other maps provided by the client which may not represent the exact measurements of the subject property or other comparable information utilized to determine the value of the subject property. Any variation in dimensions or calculations based thereon may alter the opinions of value contained within the report.

In determining the opinion of value of the subject property and in analyzing comparable information, the Appraiser has relied upon information from public and private planning agencies as to the potential use of land or improved properties. This information may include, but is not limited to, Area Plans, Neighborhood Plans, Zoning Plans and Ordinances, Transportation Plans and the like. In the opinion of market value, the Appraiser may consider the extent to which a knowledgeable and informed purchaser or seller, as of the date of the appraisal, would reflect the reasonable probability of changes in such land uses becoming actualized in the future. To the extent that these plans may change, the value opinions of this report may also change.

In the absence of a professional Engineer's Feasibility Study, information regarding the existence of utilities is made only from a visual inspection of the site. The Appraiser assumes no responsibility for the actual availability of utilities, their capacity or any other problem which may result from a condition involving utilities. The respective companies, governmental agencies or entities should be contacted directly by concerned persons.The Appraiser is not required to give testimony or appear in court because of having made the appraisal with reference to the property in question, unless prior arrangements have been made and confirmed in writing.

Any allocation of the valuation in the appraisal report between land and improvements applies only under the existing program of utilization. The separate valuation for land and improvements must not be used in conjunction with any appraisal and are invalid if so used.

The Appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil, potential flooding hazards, hydrology or structures which would render it more or less valuable. The Appraiser assumes no responsibility for such conditions or for engineering which might be required to discover such factors. To the extent that published data from public agencies is available on the above, the Appraiser has made an effort to consult this information.

Unless otherwise stated within this report, the existence of hazardous materials, which may or may not be present within or on the property, will not be considered by the appraiser. The Appraiser assumes, and the client warrants, that no such materials adversely affect the utility, usability or developability of the property to the best of their knowledge. The Appraiser is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, radon gas or other potentially hazardous materials may affect the opinion of value of the property. The value opinion has been predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility will be assumed for any such conditions or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired. If at a later time hazardous materials or substances are discovered, the Appraiser reserves the right, for an additional agreed upon fee, to re-analyze and re-value said property, taking into account the discovery of such factor or factors and their effects on the value of the subject property.

The presence of barriers to the disabled, which may or may not be present within or on the subject property, will not be considered by me. The Appraiser assumes, and the client warrants, that no such barriers adversely affect the utility, usability, or developability of the property to the best of their knowledge. The Appraiser is not qualified to analyze such barriers. The value opinion has been predicated on the assumption that there are no such barriers on or in the property that would cause a loss in value. No responsibility will be assumed for any such conditions, or for any expertise or architectural knowledge required to identify and analyze them. The client is urged to retain an expert in this field, if desired. If at a later time the presence of such barriers are surveyed by an expert, the appraiser reserves the right, for a additional agreed upon fee, to reanalyze and revalue said property, taking into account the discovery of such factors and their effects on the value of the subject property.

Information, estimates and opinions furnished to the Appraiser and contained in the report were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished to the Appraiser can be attributed to the Appraiser.

Disclosures of the contents of the report by the Appraiser are governed by the Bylaws and Regulations of the professional appraisal organizations with which the Appraiser is affiliated.

On all reports which are undertaken subject to satisfactory completion of, alterations of or repairs to improvements, the report and value conclusions contained in it are contingent upon completion of the improvements or of the repairs thereto or alterations thereof in a workmanlike manner and consistent with the specifications presented to the Appraiser.

Prospective value opinions are intended to reflect the current expectations and perceptions of market participants along with available factual data. They should be judged on the market support for the forecasts when made, not whether specific items in the forecasts are realized. The appraiser cannot be held responsible for unforeseeable events that alter market conditions after the effective date of the report.

The appraiser has not made a specific survey of the subject property to determine whether or not it has any plant or wildlife which is identified as an endangered or threatened species by the U.S. Fish and Wildlife Service. While not observed and while no information was provided to confirm or deny the existence of any endangered or threatened species on the subject property (unless expressly stated herein), it is emphasized that the appraiser is not qualified to detect or analyze such plants and wildlife. Any such conclusions must be based upon the professional expertise of persons qualified to make such judgments. Thus, any person or other entity with an interest in the subject property is urged to retain an expert if so desired. It is possible that a survey of the property could reveal that the site contains endangered or threatened plants or wildlife. If so, this fact could have a negative effect on the value of the property. Since the appraiser has no direct evidence relating to this issue, possible endangered or threatened species were not considered in valuing the property.

The use of this report or its analysis and conclusions by the client or any other party constitutes acceptance of all the above limiting conditions.

EXTRAORDINARY ASSUMPTIONS/HYPOTHETICAL CONDITIONS

Extraordinary Assumptions:

An Extraordinary Assumption is defined as an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. An extraordinary assumption may be used in an assignment only if:

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- The appraiser has a reasonable basis for the extraordinary assumption;
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- The appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions (USPAP, 2014-2015 ed.)[3]

[3] Uniform Standards of Professional Appraisal Practice, The Appraisal Foundation, 2014-2015

1) ***The subject property has been operated with negative cash flow for several years. Since the property is lender-owned, the owner has been unwilling to provide capital for extensive renovation or improvement. Therefore, the Income Approach is based on the extraordinary assumption that capital improvements will be made to bring the properties to a luxury standard and a normal marketing program will be implemented to increase rounds of play and attract new members.***

2) The stable portion of the Resort location is excluded from this appraisal. However, it is included in the Assessor's records. As of the date of value, the actual site area of the stable portion to be excluded from the golf and tennis parcels was unknown. Based on information provided by Jerry Hawkins, broker with CBRE, the stable portion is estimated to consist of 6.5 acres. Thus, the site area for the subject golf and tennis parcels is estimated to consist of 40.53 acres. ***It is an extraordinary assumption of this appraisal that the site area for the Resort location is correct. The value is subject to change if the site size is found to be significantly different.***

3) As discussed in the Highest and Best Use, the Covenants, Conditions & Restrictions (CC&Rs) for the Canada Hills community were not available to the appraisers for review. However, based on information received from the client and broker for the property, an alternative use other than open space is not legally permissible. ***It is an extraordinary assumption of this appraisal that development of the golf courses to a use other than open space is not legally permissible.***

Hypothetical Conditions:

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- Use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison; and
- Use of the hypothetical condition results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions. (USPAP, 2014-2015 ed.) [4]

No hypothetical conditions apply to this appraisal.

[4] Uniform Standards of Professional Appraisal Practice, The Appraisal Foundation, 2014-2015

THE APPRAISAL PROCESS

An appraisal is an opinion based upon research, judgment, and an analysis of factors influencing real estate value. These factors consider the four major forces at work in the economy: physical, legal/political, social and economic forces.

The sections comprising the first portion of the report include: Date, Function and Purpose of the Appraisal, Property Identification, Scope of Work, Neighborhood Analysis, Site Analysis, and Highest and Best Use. The highest and best use of the subject property is the basis for the market value opinion.

The second portion of the report contains the approaches used to estimate an opinion of market value of the leased fee interest in the subject property. The three traditional approaches to value are considered. The subject property consists of land and improvements operating as amenities of the Hilton El Conquistador Resort and Country Club. The hotel and two parcels of excess land at the Resort location are excluded from this appraisal. All three approaches to value are considered.

In the Cost Approach, the appraiser estimates the current replacement cost for the improvements, deducts estimated accrued depreciation, and adds the site value to arrive at an indication of market value. The accuracy in the estimate of accrued depreciation is a critical element in the reliability of the Cost Approach. The Cost Approach is not typically relied upon by investors for purchase decisions of existing income-producing properties like the subject. However, the Cost Approach is employed primarily to provide a replacement cost as a comparison to the values indicated by the Income and Sales Approaches. Due to the lack of consistent-use land sales for the subject, as if vacant, and the significant external and functional depreciation applied to the subject, the value indicated by the Cost Approach is given little weight.

In the Sales Comparison Approach, recent sales of similar properties, known as "comparables," are analyzed and adjusted to the subject property. This approach best represents the actions of buyers and sellers in the market for this type of property. The degree of similarity between the comparables and the subject property determines the reliability of this approach. Due to the oversupply of golf courses, declining demand for rounds of golf and increasing operating costs, sales of golf course properties have been limited. The only sales of golf course properties in Tucson during the last four years were distressed. Due to the limited comparable data, this approach is used as a test of reasonableness for the value indicated by the Income Approach.

The Income Approach is based upon the premise that market value is the present worth of the anticipated benefits to be derived from the property. Since the subject is currently operating with negative cash flow, the net operating income cannot be capitalized to provide an indication of value. Buyers of financially troubled properties expect to make improvements in management and condition in order to restore the property to positive cash flow.

According to golf course managers interviewed for this assignment, buyers of golf courses sometimes use a gross income multiplier to estimate value. Depending on the condition of the course and capital improvements needed to increase demand and profitability, gross income multipliers of 0.5 to 1.5 are considered reasonable.

In the subject's case, the buyer intends to engage Troon Golf to manage the recreation facilities. As such, we interviewed Scott Van Newkirk with Troon Golf and obtained their Proforma for the subject property. Troon also manages La Paloma Golf & Country Club, Gallery Golf Club, and Sewailo Golf Course. Based on our conversations with the General Managers for La Paloma and Sewailo Golf Course, memberships are a key factor in achieving positive cash flow. The Proforma for the subject property provided to the appraisers by Troon is based on similar budgetary projections. We have utilized a DCF format similar to Troon's Proforma. However, our projections are more conservative in some areas, including food and beverage/banquet revenues and new membership projections.

The value indicated through the Income Approach is supported through a discounted cash flow analysis that projects anticipated gross revenue and expenses over a typical 5-year holding period. Operating expenses are projected and subtracted from the gross income per period. Then, the future net incomes per period are discounted to present value and summed to arrive at an as is value opinion for the subject property. The reliability of this approach depends upon the estimates of income and expenses, and the quality of the data from which the discount rate is selected.

In the Reconciliation, the approaches are evaluated as to their pertinence and reliability. The purpose of the Reconciliation is to evaluate the strengths and weaknesses of the applicable approaches to value. After analyzing the pertinence and reliability of each approach, the appraiser concludes a final market value opinion of the leased fee interest.

PROPERTY IDENTIFICATION

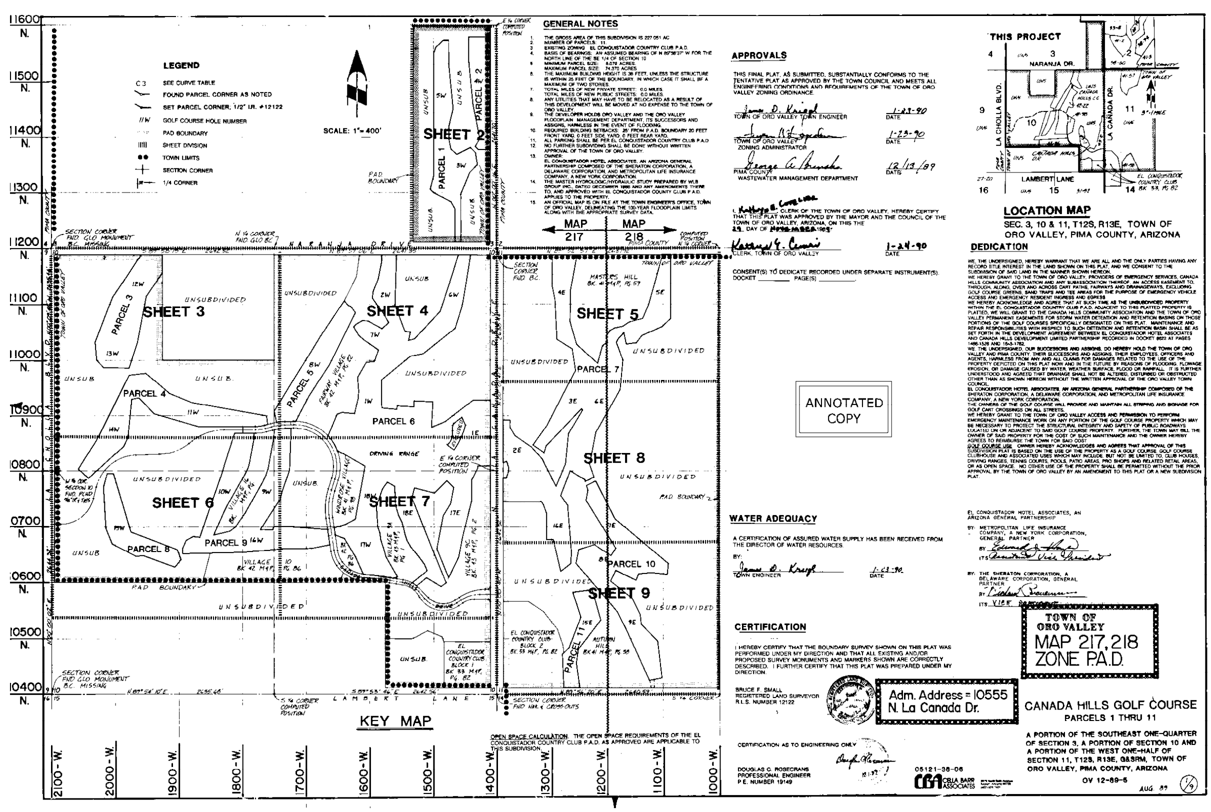
The subject properties are identified by the following Pima County Assessor's Tax Parcel Numbers:

El Conquistador Country Club	**El Conquistador Resort**
221-24-160G; 221-24-2620; 2630; 2640; 2650; 2660; and 2670;	220-13-0040; 0090; 040; 013A; 0050; 0110
224-26-5630; 5640; and 5650	
224-10-1190; and1200 224-38-616B	

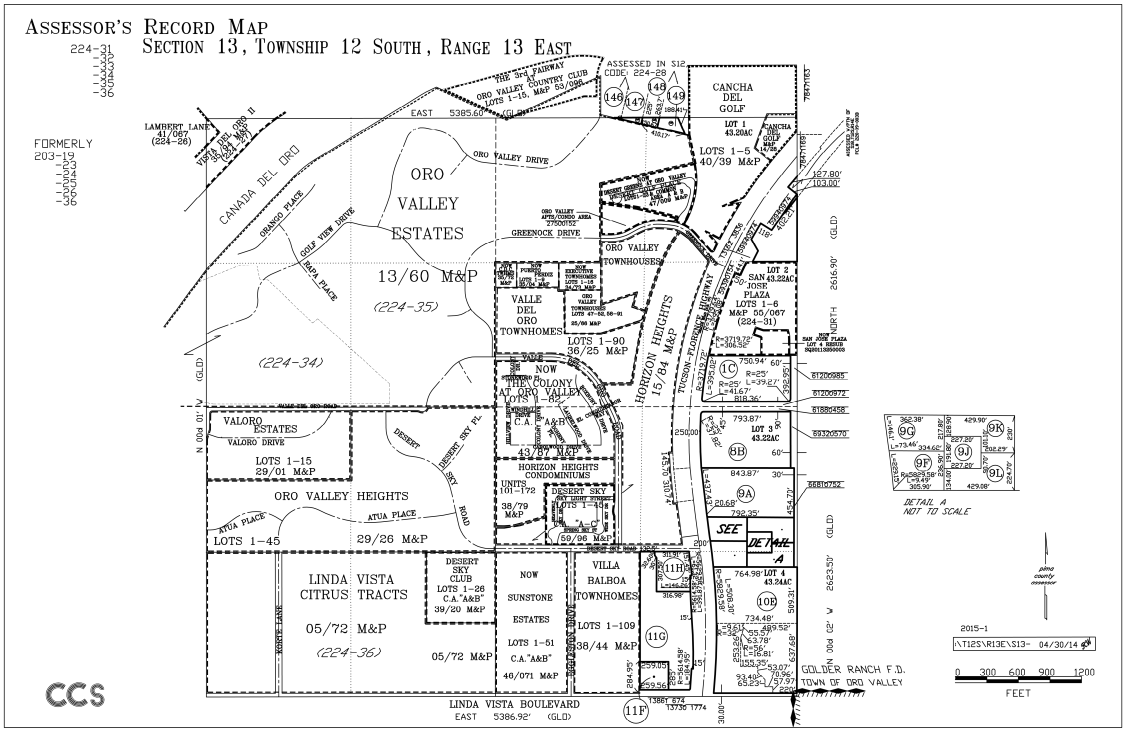
The legal descriptions from the Preliminary Title Report are included in the Addenda.

PROPERTY IDENTIFICATION MAPS

PARCEL 1 – El Conquistador Country Club, 10555 N. La Canada Drive:



PARCEL 2 – Hilton El Conquistador Resort:



PURPOSE OF THE APPRAISAL

Purpose of the Appraisal:	The purpose of the appraisal is to provide an "as is" market value opinion for the fee simple estate interest in the subject property.
Intended Users of the Appraisal:	The intended users of the appraisal include the client, HSL Properties, its principals and assigns, and the Town of Oro Valley.
Intended Use of the Appraisal:	The intended use of the appraisal is to assist the client and the Town of Oro Valley with decisions related to the subject property.
Date of Value Opinion:	The date of the value opinion is November 3, 2014, the date of the most recent property inspection.
Date of the Appraisal:	The date of the appraisal report is December 15 2014.

DEFINITIONS

Market Value:

"Market Value" means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of the title from seller to buyer under conditions whereby:

1. Buyer and Seller are typically motivated;
2. Both parties are well informed or well advised and acting in what they consider their own best interests.
3. A reasonable time is allowed for exposure to the open market.
4. Payment is made in terms of cash in U.S. dollars or in term of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing of sales concessions granted by anyone associated with the sale.

Valuation Premises:

"As Is" Premise:

The fee simple estate is defined as:

> *"Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."*[5]

Interest To Be Appraised:

The interest to be appraised for the La Placita Village is the leased fee interest, defined as follows:

> An ownership interest held by a landlord with rights of use and occupancy conveyed by a lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.[6]

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[5] *The Dictionary of Real Estate Appraisal,* Fifth Ed., 2004, Appraisal Institute, p. 113.
[6] *The Dictionary of Real Estate Appraisal, 4th Ed.*, Appraisal Institute, 2002, P 161

OWNERSHIP HISTORY

Title to the subject property is vested in El Conquistador MAH II LLC, by virtue of a through a Trustee's Deed recorded on December 19, 2012, in document sequence number 20123540584. The grantor was CHH Tucson Partnership LP, CNL Hospitality Corporation. This was not a sale transaction. The title was transferred back to El Conquistador MAH II, LLC (Metropolitan Life) because the grantor was in default of the mortgage loan that they obtained from Metropolitan Life when they purchased the property on December 31, 2001. The purchase price was $69,000,000.

A Letter of Intent (Offfer) to purchase the El Conquistador Country Club at 10555 North La Canada Drive was received by the owner about 6 weeks ago. This offer includes the golf facility, tennis facilitly, 2 swimming pools, parking lot, and other amenities. The Offer Price was $2,500,000 and ***excludes*** the resort property at 10000 North Oracle Road. To our knowledge, no other title transfers, sales or offers have been made for the three years prior to this appraisal.

SCOPE OF WORK

The scope of an appraisal is the extent of the process of collecting, confirming, and reporting data and the methodology that is used in the appraisal process. In accordance with Uniform Standards of Professional Appraisal Practice (USPAP), effective January 1, 2014, the scope of the appraisal includes, but is not limited to, the following:

- Inspection and analysis of the subject property, market factors, and government and other restrictions that affect value; and
- Research, analysis, inspection and confirmation of comparable market data; and
- Consideration of the three approaches to value which include the Cost, Sales Comparison and Income Approaches to support the market value opinion for the subject property.

The subject Hilton El Conquistador Resort and Country Club includes a 432-room Hilton Hotel, 45 holes of golf, 31 tennis courts, and a country club with a full service restaurant, a fitness center, and other country club amenities. This appraisal excludes the hotel operation, the stables, and two parcels of excess land along Oracle Road. As such, there are few properties in Tucson that would be considered even reasonably comparable. Therefore, research for comparable sales included a thorough search for sales of golf course/country clubs in Southern Arizona. Data sources include CoStar *Comps* of Arizona, the Tucson Multiple Listing Service, and interviews with real estate brokers and market participants. Only one arms length golf course sale in Tucson within the past four years with similar amenities was found. One distressed sale of an 18-hole golf course occurred in 2012. The only other sales occurring in the past four years was a bulk portfolio sale of 46 golf course properties across the Continental United States. Therefore, the validity of the Sales Comparison Approach is limited by the available market data.

The subject includes a 45,000+ square-foot clubhouse and extensive site improvements. Most of the improvements were built in the mid-1980s and generally exhibit an average level of maintenance. Given the age of the structures and the factors that affect demand and use levels, the Cost Approach yields unreliable results since there would is difficulty in accurately estimating accrued depreciation from all causes. More significantly, investors would rely on the Income and Sales Comparison Approaches to value when evaluating income-producing properties like the subject. However, the replacement cost, new, is reported to assist the parties to the transaction in comparing replacement cost, new, to market value.

In the Income Approach, the discounted cash flow analysis is employed to support the market value opinion. Troon Golf has been selected to manage the recreational facilities for the Buyer. As such, a Proforma prepared for the subject by Troon Golf was analyzed and adjusted to reflect our opinion of local market supply and demand characteristics. Income and Expense histories were provided for 2010, 2012, 2013, together with a forecast for 2014. This data was used to project stabilized income and expenses for the cash flow analysis.

The following individuals were interviewed for this analysis:

Greg Jackson, Tucson Parks & Recreation	(520) 837-8011
Scott Van Newkirk, Troon Golf	(480) 477-0422
Glenn Sampert, General Manager, La Paloma	(520) 615-8563
Wade Dunnegan, OB Sports	(520) 837-8001
Kelly Gomez, Pasqua Yaqui Tribe, Sewailo Golf Club	(520) 879-6319

Overall, the market value opinions in this report are adequately supported.

STATE OF
ARIZONA
LEGEND
SUBJECT
MOHAVE
COCONINO
NAVAJO
APACHE
YAVAPAI
LA PAZ
GILA
MARICOPA
GRAHAM
YUMA
PINAL
PIMA
COCHISE
SANTA CRUZ
UTAH
NEVADA
CALIFORNIA
NEW MEXICO
MEXICO
PHOENIX
Tucson
Flagstaff
Prescott
Kingman
Lake Havasu City
Scottsdale
Mesa
Tempe
Glendale
Yuma
Nogales

REGIONAL & NEIGHBORHOOD ANALYSIS

The value of any property is not solely determined by the physical characteristics of the site. The environmental, social, economic and governmental forces in the immediate area must also be analyzed as they can have direct and indirect effects on value.

The subject properties are located in the Town of Oro Valley at two locations:

Parcel 1: El Conquistador Country Club
10555 N. La Canada Drive

Parcel 2: Hilton El Conquistador Resort
10000 N. Oracle Road

The Town of Oro Valley is located in the northwest portion of the Tucson Metropolitan Statistical Area (MSA).

<u>Metropolitan Tucson Area:</u>

Tucson is the county seat for Pima County and the commercial center for southeastern Arizona. Tucson is the second largest city in Arizona, second only to Phoenix, the state capitol, which is 112 miles northwest.

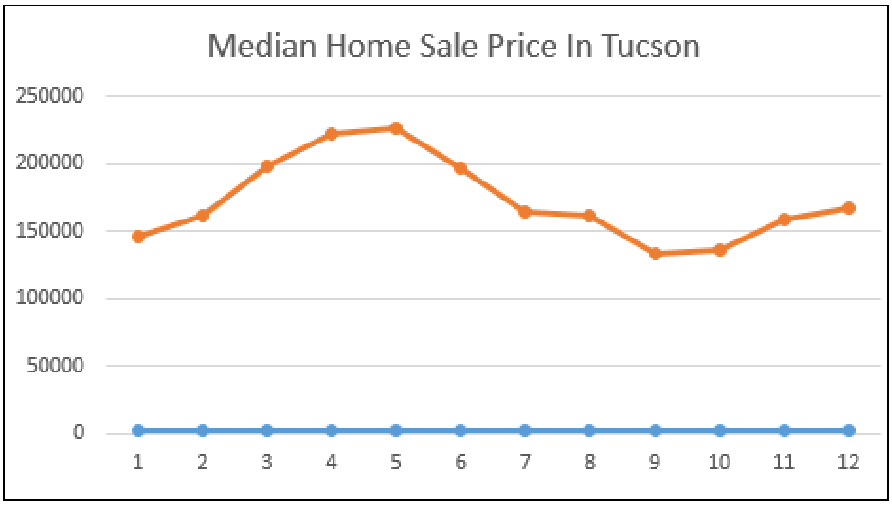
Population Data:

The population in Pima County has been growing since 1978. Even during economic recessions, population has increased from the prior year until 2008. The following chart displays current and projected economic indicators for the Tucson Metropolitan Statistical Area (MSA).

Tucson MSA	2012	2013	2014	2015	2016	2017
Personal Income ($ mill)	36,059	36,704	38,019	40,031	42,345	45,088
%Chg from Year Ago	3.2%	1.8%	3.6%	5.3%	5.8%	6.5%
Retail Sales ($ mill)	12,069	12,393	12,775	13,206	13,608	14,276
%Chg from Year Ago	5.2%	2.7%	3.1%	3.4%	3.0%	4.9%
Nonfarm Employment (000s)	358.8	361.2	365.1	372.6	382.3	392.1
%Chg from Year Ago	1.5%	0.7%	1.1%	2.0%	2.6%	2.8%
Population, July 1st estimates	990,380	996,046	1,003,542	1,014,709	1,029,091	1,044,189
%Chg from Year Ago	0.4%	0.6%	0.8%	1.1%	1.4%	1.5%
Residential Housing Permits (units)	2,841	3,486	4,017	5,066	5,982	6,166
%Chg from Year Ago	26.7%	22.7%	15.3%	26.1%	18.1%	3.1%

The most recent 2014 population estimate for the Tucson MSA is 1,003,542 from the *Arizona's Economy* newsletter published by the University of Arizona. This represents a 0.75% increase from 996,046 persons reported for 2013 and a 1.33% increase from 990,380 persons in 2012. The 2015 forecast is for an increase in population growth by only 1.1% to 1,014,709, and for 2.55% to 1,029,091 persons in 2016.

Throughout its history, Tucson's economic growth has primarily been driven by population growth with a high percentage of retirees relocating here from the northern climates. The collapse of the housing market nationwide had stifled the ability for people to be able to sell their homes in order to relocate. However, the slow improvement in the national economy has helped Tucson's housing market. The median home price in Tucson as of November 2014 is $165,000, which is up 3.45% from 12 months ago in 2013 when the median sale price was $159,500.



The Chart above includes 12 years from 2003 (1) to 2014 (12)
Source: Tucson Association of Realtors Multiple Listing Service

Another factor that has adversely affected population growth is Arizona's recent immigration laws which compelled many existing residents to relocate. Population growth will drag as long as housing, job growth and the economy are weak.

Following is a table showing the single family residential permits issued in Pima County since 2005. The table indicates the dramatic decline in housing starts over the last 10 years from a high in 2005 to the lowest number of permits in 2010. However, residential housing permits for new construction rose during 2011 through 2013 to 2,101 permits. Based on 2014 figures year-to-date, projected 2014 permits may see a slight increase.

SINGLE FAMILY RESIDENTIAL PERMITS – PIMA COUNTY

YEAR	***$ CONSTRUCTION COST***	***# UNITS***
2005	$1,963,290,883	11,150
2006	$1,458,687,148	8,069
2007	$792,679,088	4,271
2008	$570,487,131	2,738
2009	$367,546,676	1,824
2010	$289,316,458	1,181
2011	$359,289,437	1,384
2012	$470,788,881	1,890
2013	$749,623,579	1,999
2014*	$498,769,906	1,924

**As of 10/14* *SOURCE: http://censtats.census.gov*

Employment and Labor Force Data:

The following chart displays the Southern Arizona top ten public and private employers in 2014. As is evident from this table, Tucson and Southern Arizona are heavily dependent on government jobs with only three of the top ten employers from the private sector.

Southern Arizona Top 10 Major Employers – 2014

2014 Rank	Company Name	Industry	FTE Jobs
1	University of Arizona	Higher Education	11,047
2	Raytheon Missile Systems	Military and Defense	9,933
3	State of Arizona	Military and Defense	9,439
4	Davis-Monthan Air Force Base	Government	8,933
5	Pima County	Government	7,328
6	Tucson Unified School District	Education	6,525
7	University of Arizona Health Network	Health Care	6,329
8	U.S. Army Intelligence Center & Fort Huachuca	Military & Defense	5,717
9	Freeport-McMoRan Copper & Gold Inc.	Mining	5,600
10	Wal-Mart Stores Inc.	Retail	5,200

Source: Arizona Daily Star, 2014

According to a recent *Arizona's Economy*[7] newsletter, Arizona's economy continues to gain momentum even though progress is slower than normal. The labor force participation rate fell precipitously during the Great Recession. The forecast predicts that the jobs lost during the Great Recession will be replaced by 2015. However, there is concern about whether those workers will return.

[7] Dr. George Hammond, "*Still in a Hole, But making Progress; 4th Quarter Forecast Update", Arizona's Economy*, University of Arizona, Eller College of Management, December 1, 2013

Eller College at the University of Arizona forecast for Tucson calls for gains in all economic measures for 2012 and beyond.

Tucson MSA Forecast	2012	2013	2014	2015	2016	2017
Personal Income ($ mill)	36,058.87	36,850.51	38,533.44	40,618.89	43,110.06	45,961.74
% Chg from Year Ago	3.23%	2.2%	4.57%	5.41%	6.13%	6.61%
Retail Sales ($ mill)	12,048	12,466	12,930	13,375	13,876	14,461
% Chg from Year Ago	5.26%	3.47%	3.72%	3.44%	3.75%	4.22%
Nonfarm Employment (000s)	361.0849	363.9566	368.8557	377.3352	387.4901	397.8874
% Chg from Year Ago	1.58%	0.8%	1.35%	2.3%	2.69%	2.68%
Population (000s)	990.4	996.8	1,006.8	1,019.9	1,036.4	1,053.6
% Chg from Year Ago	0.44%	0.65%	1.0%	1.3%	1.62%	1.66%
Residential Housing Permits (units)	2,841	3,486	4,067.82	5,175.531	6,132.892	6,333.21
% Chg from Year Ago	26.72%	22.7%	16.69%	27.23%	18.5%	3.27%
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Published by Economic and Business Research Center, The University of Arizona.						

As shown in the preceding table, improved annual growth is forecast in personal incomes, retail sales, employment, population, and housing permits. These forecasts are, of course, dependent on a national economic recovery, which is still uncertain.

The outlook for the national economy is for it to gradually recover from the weakness experienced through the end of 2013 due to the sequestration and government shutdown. Growth is expected to accelerate only slightly in 2014 and 2015 as the federal fiscal drag diminishes. Expectations are for non-residential fixed investment (business equipment and structures) to rebound and the housing recovery will continue as world growth picks up momentum.

Dr. George Hammond, with the Eller College at the University of Arizona, forecasts for Tucson call for gains in all economic measures for 2014 and beyond, assuming Davis-Monthan retains the A-10 fighter squadrons. However, Dr. Hammond has also found that the Arizona economy is still expanding at a slow rate. With employment rising by 2.1% in 2013, Arizona beat the U.S. Average, but fell well short of our average growth rate during the 30 years before the Great Recession. Arizona jobs continue to expand at a sluggish pace, with year-over-year growth coming in at 2.0%. Construction jobs and housing permit activity decelerated during the second half of 2013. Construction jobs continued to rise at a slow pace in the first quarter of 2014. In addition, house price appreciation continued to decelerate in early 2014.

Arizona Forecast	2012	2013	2014	2015	2016	2017
Personal Income ($ mil)	237,512.6	244,010.1	254,392.5	269,017.3	285,585.8	303,777.9
% Chg from Year Ago	3.6%	2.7%	4.3%	5.7%	6.2%	6.4%
Retail Sales ($ mil)	81,341.26	85,919.19	88,979.99	92,696.05	97,391.74	102,139
% Chg from Year Ago	4.66%	5.63%	3.56%	4.18%	5.07%	4.87%
Total Nonfarm Employment (000s)	2,463.4	2,514.1	2,574.5	2,655.1	2,749.5	2,844.7
% Chg from Year Ago	2.1%	2.1%	2.4%	3.1%	3.6%	3.5%
Population, July 1st estimates	6,468,374	6,539,812	6,627,075	6,734,317	6,856,959	6,985,869
% Chg from Year Ago	0.76%	1.1%	1.33%	1.62%	1.82%	1.88%
Residential Housing (units)	21,726	23,765	28,672.77	44,602.07	51,409.03	53,054.63
% Chg from Year Ago	67.03%	9.39%	20.65%	55.56%	15.26%	3.2%
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Published by Economic and Business Research Center, The University of Arizona.						Powered by dataZoa

As shown in the preceding table, improved growth is forecast in personal incomes, retail sales, employment, population, and housing permits. These forecasts are, of course, dependent on a national economic recovery, which is still uncertain.

Projections of Employment:

Projections for employment growth in the Tucson metropolitan area, however, remain modest with Pima County projected to add only 3,900 jobs in 2014. The civilian labor force according to the Arizona Department of Administration for the Tucson MSA was reported in December 2013 to be 445,451. As of April, 2014, the civilian labor force was 452,141, an increase of 1.5%, or 6,690 workers.

University of Arizona:

Funding for the University of Arizona continues to decline. According to Eileen I. Klein, president of the Arizona Board of Regents, "Arizona's public universities still lack a clear funding path for the future."[8] The University of Arizona is in its sixth year of receiving no additional funding from the state. The UA receives funding from the state and the students. Thus, students are paying more for tuition and fees to make up for the lack of state funding. Despite increasing tuition, student enrollment has continued to increase annually.

[8] "Senate budget would trim UA funds", *The Daily Wildcat*, March 31, 2014

Raytheon Missile Systems:

In 2013, Raytheon reported that they had 10,300 full-time local employees. Some salaried employees were laid off in October, 2013, however, the company would not say how many. Previously, Raytheon moved several hundred jobs to Huntsville, Alabama stating that the Tucson location did not have adequate room for expansion. Pima County and Tucson International Airport are cooperating to move Hughes Access Road to the south thereby increasing the area available to Raytheon for expansion.

Potential Changes in Employment at Davis-Monthan Air Force Base:

Davis-Monthan Air Force Base is Southern Arizona's third largest employer with 9,100 military and civilian workers, not including contractors. The D-M Base serves two key functions for the Air Force. The primary function is the Air Force Maintenance and Regeneration Group (AMARG) which maintains, stores and recycles retired military aircraft from all of the nation's military forces. The other key mission is as the nation's primary training facility for the A-10 Thunderbolt II "Warthog" ground support aircraft. In February 2014, Defense Secretary Chuck Hagel announced that the Pentagon's current budget plans included a phased retirement of the 83 A-10's that are currently assigned to Davis-Monthan by 2019. Recent upgrades to the A-10, including the expenditures of over one billion dollars, were intended to extend service life of the A-10 until 2028. However, a more recent June 2014 proposal by the Air Force is to retire the entire fleet of nearly 300 A-10's, including more than 80 at Davis Monthan, by 2019.

As reported by the *Arizona Daily Star*,[9] four major Washington think tanks agreed with the Defense Department that the A-10 fleet should be retired. However, Congress rejected the A-10 retirement proposal last year, and the 2014 National Defense Authorization Act prohibits the Pentagon from retiring the A-10 until a comparable replacement has been developed and certified.

Sentiments regarding the potential retirement of the A-10, have created strong bipartisan backlash at the national and local level. MacKenzie Eaglen, resident fellow at the AEI's Marilyn Ware Center for Security Studies, stated that, "It's tough to say which way this is going to go."

In May 2014, the House Armed Services Committee (HASC) passed an amendment to forbid the USAF from retiring the plane unless it can assure legislators it

[9] *"A-10 retirement plan won't fly for critics,"* Arizona Daily Star, March 30, 2014

has other ways of providing “adequate” close-air support to ground troops. Meanwhile, the Senate Armed Services Committee is working on a plan to shift funding from other programs to cover the cost of the A-10. The uncertainty of the A-10’s future in Tucson directly impacts an estimated 3,000 Davis-Monthan military and civilian jobs and could cost the region tens of millions of dollars.

Impact on Value of Regional Analysis:

Traditionally, Tucson has enjoyed a stable economic base provided by the University of Arizona, Raytheon and the Davis-Monthan Air Force Base. The region’s mild climate and recreational opportunities have established Tucson as a major resort destination. In the past, Tucson has gained some manufacturers, which bring high-paying jobs to the region. However, such gains have diminished over the last few years. Before the announcement of the potential decommissioning of the A-10 fleet, the long term outlook was for slow improvement in the fundamental economic conditions for the area. With the announcement, there is uncertainty about the economic future for the Metropolitan Tucson Area.

The outlook for the hospitality market in Tucson is also uncertain due to the limited direct flight service into Tucson International Airport and Tucson’s slow economic recovery overall. However, Tucson’s climate and lower cost of living than Phoenix is expected to help drive Tucson’s tourism and hospitality market.

MARKET ANALYSIS

Tourism, Hospitality, and Golf:

In 2013, Arizona’s Tucson and Southern Region had 6.4 million domestic visitors, down 8.2% year over year and total spending was down 1.2%. The travel industry generates $7.7 billion in gross domestic product, which leads all sectors including micro-electronics, mining, aerospace, and agriculture/foot processing. In Pima County the travel industry generates $2.665 billion in direct travel spending and 22,340 tourism jobs. There are 101 lodging properties within the Tucson city limits, totaling 10,112 rooms. The University of Arizona reports that Mexican visitors’ expenditures in Pima County increased 237% from $289 million to $976 million from 2001 to 2007-08. Pima County receives 36.3% of the total expenditures by Mexican visitors in Arizona.

The Tucson occupancy rate from July, 2013 to July, 2014 increased slightly from 59.8% to 60% and the Average Daily Rate experienced a similar increase from $94.47 in July, 2013 to $96.36 in July, 2014. These are the most recent statistics available from the Visit Tucson website.

The golf course market continues to suffer nationally and locally. Annual golfers have dropped from their peak in the early 2000's of about 30 million golfers to about 25 million in 2013. The National Golf Foundation predicts the number of golfers will grow between 2010 and 2020, but the change will be negligible. The average number of golfers per course might rise between 150 and 200 golfers during that time. Larger changes could occur within individual markets, depending on how many courses shut down or switch from private to public courses. Nationwide, the National Golf Foundation study expects between 500 and 1,000 fewer courses by 2020. Golf demand is driven in large part by retirees or people without young families. As costs to operate a golf course continued to increase, prices per round have also increased. As such, many golfers have not had the discretionary income available to pay more than $100 per round at resort courses. Typical green fees for public courses and semi-private clubs range from $30 to $100, depending on location, while club membership dues can be $200 to $600 per month or more. The recession also adversely impacted revenues from golf equipment, golf apparel, and golf media.

Tucson has been home to major golf tournaments, including the LPGA, PGA, and Match Play. The Accenture-sponsored match play tournament did not renew its contract for 2015. However, the PGA Seniors Tour will have a golf tournament in Tucson starting in 2015.

There are more than 17,900 golf courses in the United States, and with a growing number of baby boomers reaching retirement age, it may seem like putting money into a golf course or community would be a worthwhile investment. However, an investor looking to create or buy a golf course needs to whether or not the course can sustain itself in the current market.

A typical 18-hole golf course costs about $500,000 to $1 million per year just for maintenance. Additional costs include food and beverages, staff, building maintenance, and management fees. Richard Eide, principal of Golf Club Consulting, Inc. states "Margins are very tight in the golf business; there's lots of competition…A standalone golf course is a pretty tough deal to do now." The golf industry has been overbuilt. "often you have a golf course that's not very old and the infrastructure is all in good shape; it's just been under-managed, said Mike Kahn, president of GolfMAK, Inc., a golf consulting firm based in Bradenton, Florida.[10]

"To build a golf course you'll be spending $6 to 10 million," Eide said. "You can buy an existing golf course for half that."

In Tucson, there are about 30, 18-hole Par 70-72 golf courses and five 18-hole executive courses. IRI Golf Group previously owned five courses in Tucson and Green Valley. However, one course in Green Valley closed. The 49-ers Golf Course sold to a resident at a steep discount, and others are currently in bankruptcy or receivership. The five City-owned golf courses were turned over to outside management by OB Sports in February, 2014 with a mandate to turn around the negative cash flow. OB Sports manages 56 golf courses/country clubs in Arizona. According to Greg Jackson with Tucson Parks and Recreation, before OB Sports took over management responsibilities, the City's five courses lost $200,000 in the 2013-2014 fiscal year. In the past year, there has been increased inventory due to two courses re-opening and one new course built on an Indian reservation. The number of rounds of golf played has been stable and is expected to meet budget projections. However, the average daily rate charged has declined.

Wade Dunnegan with OB Sports reported that at the end of the City's fiscal year in June, 2015, they expect to "break even." However, there have been significant capital improvements necessary to improve the condition of the grounds, irrigation systems, and equipment. One of the big changes in operation is to lease new golf carts and maintenance equipment. The City previously owned these items and lacked the funds to replace the aging and malfunctioning equipment. The restaurant and meeting facilities at Randolph Park have been updated, bunkers have been re-built and the course is now well manicured. The irrigation system also had major repairs. For the winter months, the fairways at each course have been over-seeded. Mr. Dunnegan said that he expects it to take 5 years to reach an acceptable profit. As the public sees improvement in the overall golf experience at the City courses, word of mouth will help increase rounds played, and green fees can gradually increase. OB Sports was under consideration for management of the subject El Conquistador courses.

[10] *Golf Courses: Owning, Operating and Investing,* www.nuwireinvestor.com,

Scott Van Newkirk with Troon Golf was interviewed regarding Tucson's golf market and the financial viability of the subject and other courses managed by Troon. Troon prepared a financial Pro Forma for the subject properties. Mr. Van Newkirk states that the subject Pro Forma is similar to budgets in place for their other clients, including La Paloma Country Club, Gallery Golf Club, and Sewailo Golf Club, the new course at Casino del Sol on the Pasqua Yaqui Indian reservation. However, the subject requires capital investment to improve the condition of the course and clubhouse in order to deliver a high quality golfing experience and to add more full golf memberships.

According to Glenn Sampert, General Manager at La Paloma, one of the keys to profitability at La Paloma is the number of full memberships. La Paloma also benefits from rounds played by its hotel guests. However, Mr. Sampert reports that resort play represents less than 25% of the total play. Mr. Sampert also said that the business of golf has changed. Conference guests have little time in their schedule for golf. La Paloma was previously in receivership and sold to a group of investors that spent $35,000,000 in renovating the hotel and country club properties. The golf course received new greens and bunkers during the renovation.

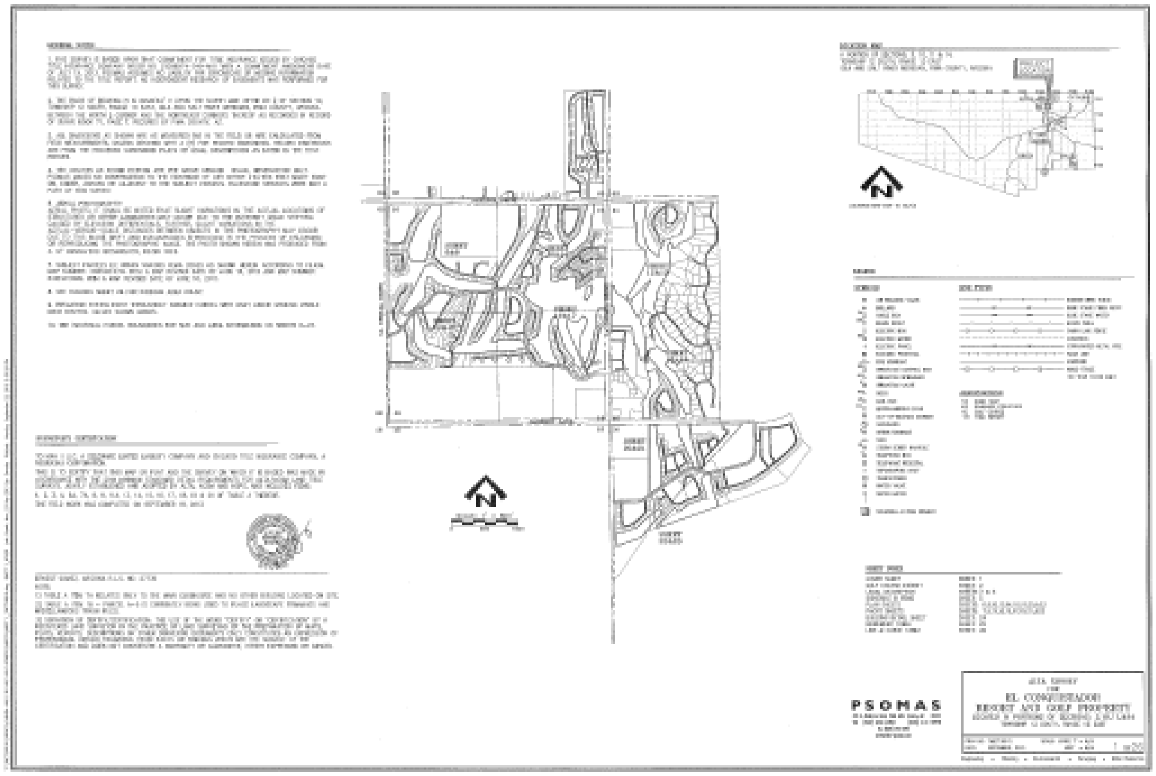
During the recession, as hotel occupancy declined, rounds or golf played also declined. As the hospitality market and economy improve, golf demand is expected to increase. However, as previously discussed, profit margins for golf operations are slim. The "new normal," according to many golf managers, is to break even.

Impact on Value:

The golf market in Tucson, as well as nationally, has declined during the past 10 years. Some golf courses were developed as an amenity for new subdivision development in the 1980's and 1990's. The premiums for residential lots overlooking a golf course went to the developer, who ultimately left the management of the course to outside owners or investors. As maintenance, labor, and water costs increased, profitability declined.

For the golf industry to thrive, other factors need to improve, including population and job growth, an increase in visitors and overall travel and tourism spending, and a greater focus on membership or perhaps equity ownership. Due to Tucson's good climate, golf has been a mainstay of recreational activities in the area. Some retirees consider golf as a major factor in choosing a retirement home, or vacation home. However, management needs to be more efficient and green fees need to be reasonable to achieve the maximum number of rounds played. Based on our research, the golf market participants acknowledge the need for change and are developing operational plans to meet the challenge of making the golf business a profitable enterprise. The subject properties have prominent locations in Oro Valley with excellent mountain and city views. They are challenging golf courses, and have good clubhouse facilities. With capital improvements, an increase in memberships, rounds played, and food and beverage revenues, the golf, tennis, and health club operation is feasible.

SITE ANALYSIS - Parcel 1 – El Conquistador Country Club



Location:	10555 North La Canada Drive Oro Valley, Arizona 85737
Site Area:	240.12 acres, according to the Assessor's records.
Topography:	Rolling.
Access/Visibility:	Good access and visibility from La Canada Drive. La Canada is a four-lane, median-divided thoroughfare that runs north-south. There is attractive signage and grass landscaping at the entrance. La Canada is a major north-south arterial that provides access to Tangerine Road to the north and Ina Road to the South, which connect with Interstate 10 about 7 miles west. According to the 2013 Traffic Volume Map prepared by the Pima Association of Governments, the average weekday two-way traffic count is 21,082 for this location on La Canada Drive.
Public Transportation:	There is good public transportation for the neighborhood.

Utilities: All utilities including water, sewer, electric, telephone, cable TV and natural gas are available along the adjoining streets. The service providers are as follows:

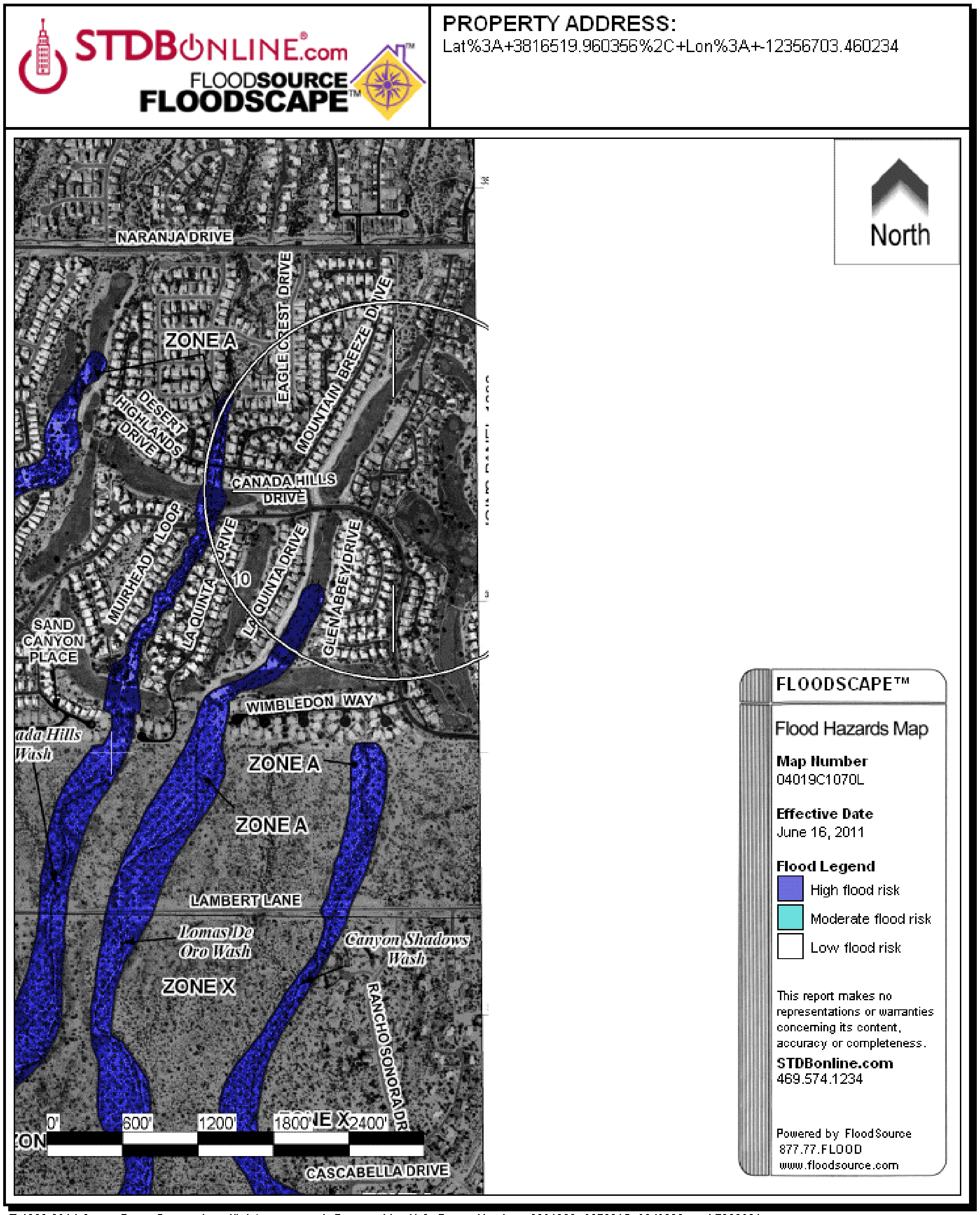
Electricity:	Tucson Electric Power
Water:	Town of Oro Valley
Sewer:	Pima County Wastewater
Natural Gas:	Southwest Gas
Telephone:	Century Link

Surrounding Uses:

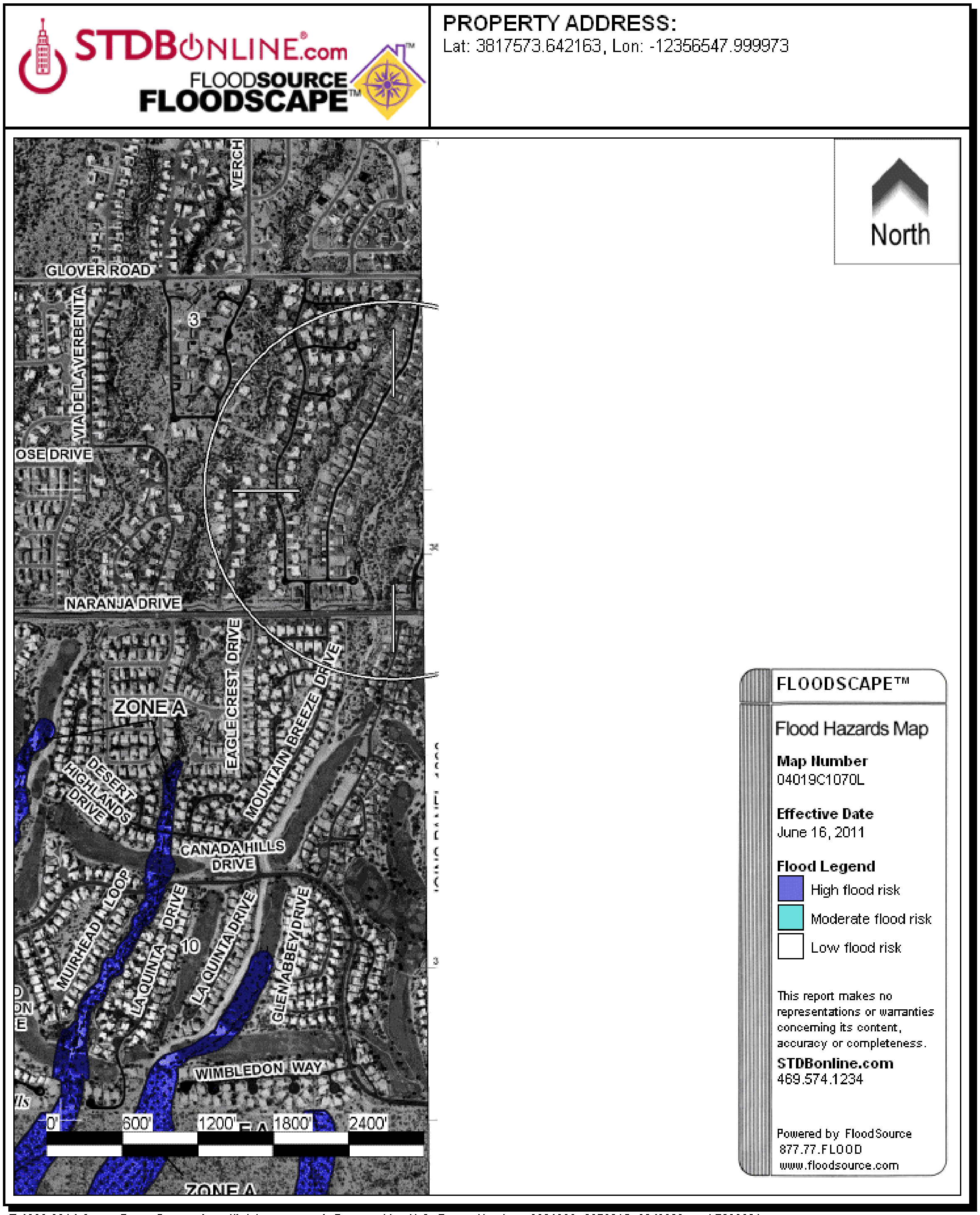
North:	Residential
South:	Residential
East:	Golf Course; Multi- and Single-family residential
West:	Residential

Flood Zone: Predominantly Zone X, outside of the 100-year floodplain; FIRM Map Panel Nos. 04019C 1070L; and 1090L; Effective June 16, 2011. Approximately 15 acres of the subject are located in FEMA Zone A, inside the 100-year floodplain with base flood depths undetermined.

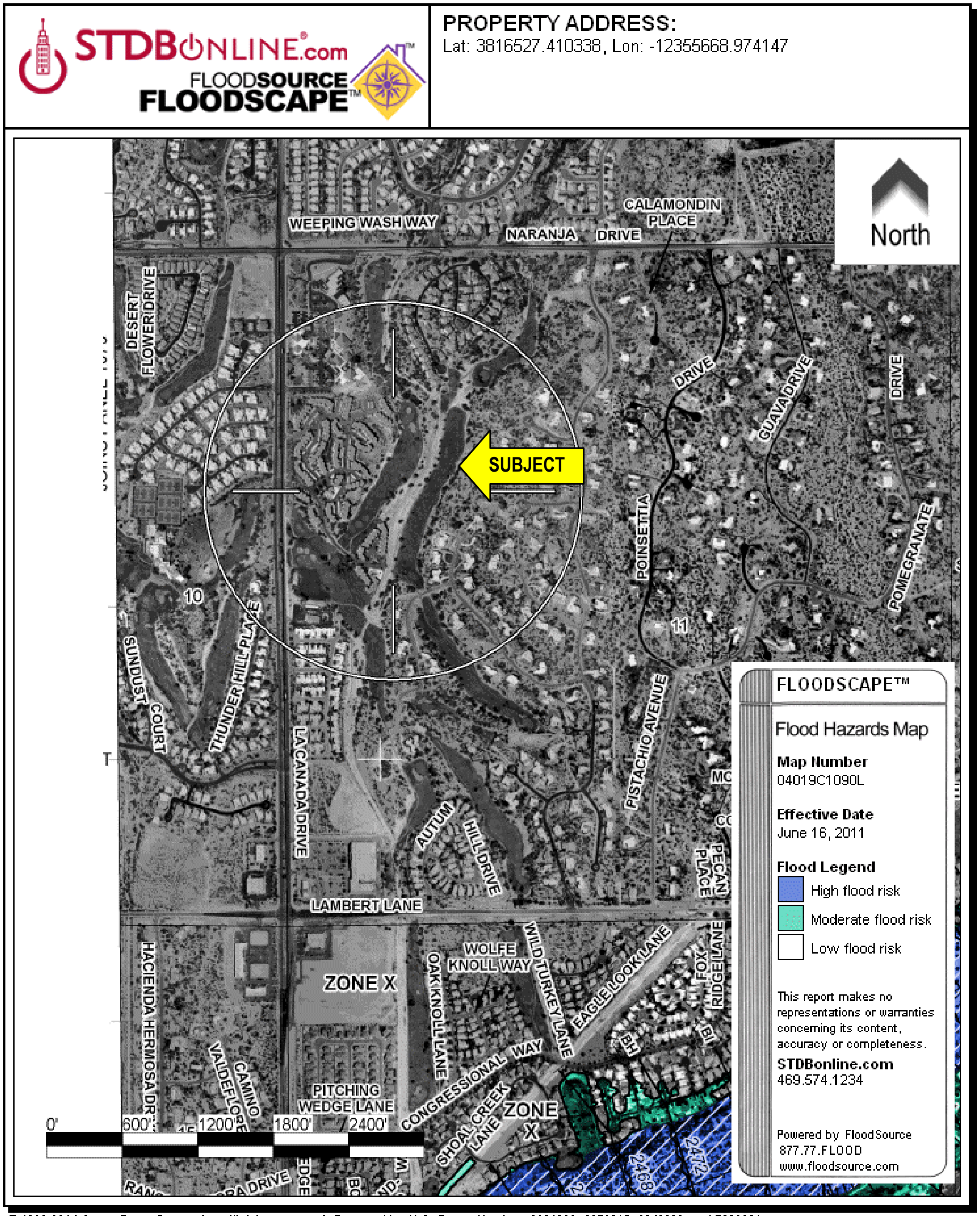
FLOODPLAIN MAP 04019C 1070L



FLOODPLAIN MAP 04019C 1070L (#2)



FLOODPLAIN MAP 04019C 1090L



Environmental Conditions: No noticeable odors, soil stains or distressed vegetation were observed during the property inspection. No environmental reports have been provided to the appraisers. The appraisers are not aware of any environmental conditions that exist on or around the subject property. Lacking environmental reports, this appraisal assumes that the subject property is not impacted by any conditions that would adversely affect its market value.

Restrictions/Easements: A title report was provided to the appraisers for review. The subject is encumbered by typical utility and access easements, as well as multiple easements and agreements specific to the subject property. A copy of the Covenants, Conditions, and Restrictions was not available for our review. A copy of Schedule B of the title report is included in the Addenda.

ASSESSED VALUATION & TAX DATA:

Current assessed values and real estate taxes for the subject are shown in the following table.

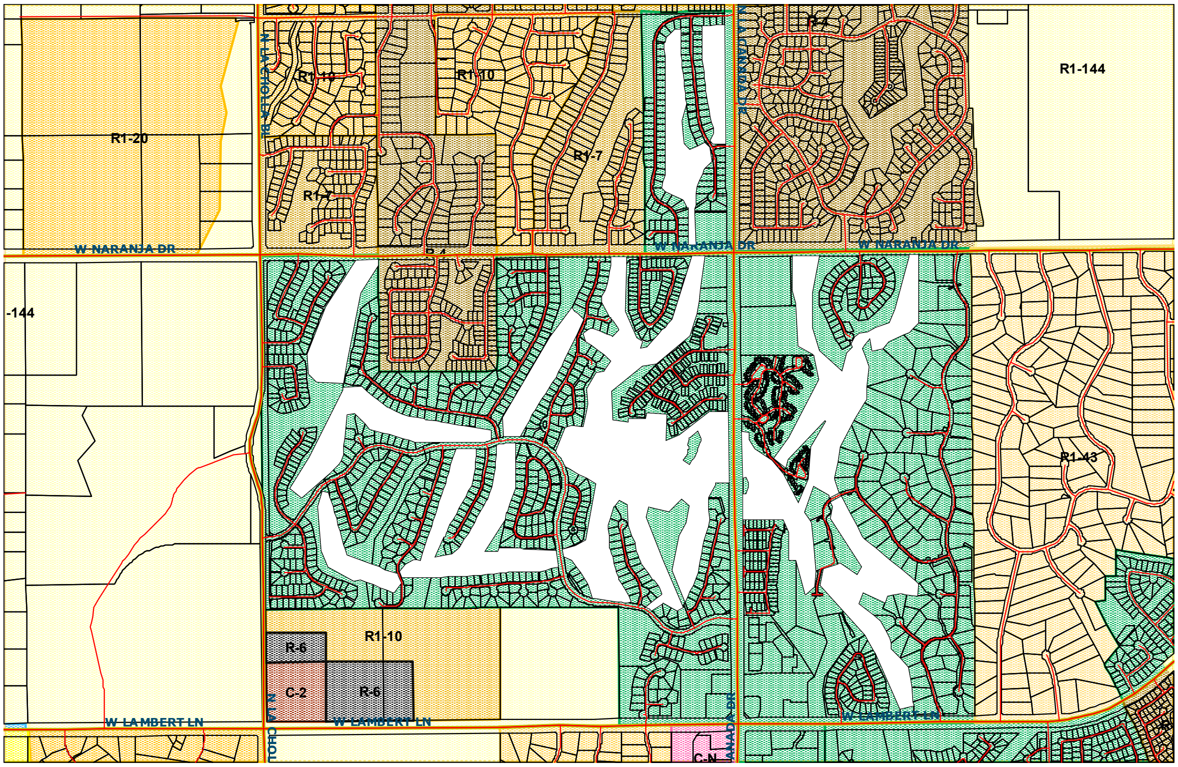
ASSESSED VALUE & TAX DATA
EL CONQUISTADOR COUNTRY CLUB
10555 N. LA CANADA DRIVE

PN #	Full Cash Value	Assessed Value	2014 Taxes
224-24-2650	$2,536,570	$478,436	$75,507.25
224-24-2660	$23,801	$4,168	$657.79
224-24-2670	$72,607	$146,372	$2,006.68
224-24-2620	$47,116	$96,261	$1,302.21
224-24-2630	$47,874	$97,776	$1,323.00
224-24-2640	$24,199	$4,237	$668.65
224-24-160G	$334,541	$53,527	$8,447.70
224-26-5630	$151,507	$314,229	$4,205.93
224-26-5640	$70,568	$80,739	$1,950.52
224-26-5650	$23,244	$47,500	$642.51
224-10-1190	$46,974	$95,976	$1,298.26
224-10-1200	$23,564	$48,140	$651.31
224-38-616B	$117,090	$20,505	$3,235.95
	$3,519,655	$1,487,866	$101,897.76

The combined tax amount of $101,898 for the Country Club equals $2.26 per square foot for the 45,025 square feet of gross building area. According to the information from the Pima County Treasurer’s website, no delinquent taxes are reported.

ZONING MAP

El Conquistador Country Club PAD



ZONING

The El Conquistador Country Club is located in the El Conquistador Country Club Planned Area Development District for the Town of Oro Valley. This zoning district is intended to provide predetermined performance standards and prescribe specific uses. The standards and uses specified in the Development Plan are intended to "produce a living environment, landscape quality and lifestyle superior to that of existing standards while maintaining a sensitivity to the surrounding land uses."[11] A mixture of development types is encouraged, commercial, recreational, non-residential, and residential. Permitted uses include residential dwelling units, recreation and social center buildings, golf course, clubhouse, and related golf course facilities, equestrian and stable facilities.

Building setback requirements are 25 feet adjacent to the Plan boundary or development areas of lesser density; an average of 20 feet where abutting any public streets; and 25 feet for single-story residences where abutting any single-family residential

[11] El Conquistador Country Club Planned Area Development District (PAD) #1, Page 1

district, and an additional 10 feet for each additional story. The maximum height is 3 stories, or 38 feet, except when a structure is within 25 feet of the boundary of the Plan Area, in which case the height shall not exceed two stories.

SITE ANALYSIS - Parcel 2 – Hilton El Conquistador Resort Golf & Tennis Facilities:

Location: 10000 North Oracle Road
Oro Valley, Arizona 85737

Site Area: 47.03 acres, according to the Assessor's records (including stable portion). The stable portion of the site is excluded from the subject valuation. According to Jerry Hawkins, broker with CBRE, it is estimated that the stable portion consists of 6.5 acres. is excluded. Therefore, the site area to be appraised consists of 40.53 acres. ***It is an extraordinary assumption of this appraisal that this area is correct. The value is subject to change if the site size is found to be significantly different.***

Topography: Rolling to sloping

Access/Visibility: Good access from Oracle Road. The resort is not visible from Oracle Road. However the entrance is signalized with good signage, and the street is named El Conquistador Way.

Oracle Road is a six-lane, median-divided thoroughfare with right and left turn lanes that runs north-south. Oracle Road, also identified as U.S. Highway 77, is a major north-south arterial that provides access to Pinal County and other counties to the north; Tangerine Road, which provides access to Tangerine Road for access to Interstate 10 to the west; and Ina Road to the South, which connects with Interstate 10 about 7 miles west.

According to the 2008 Traffic Volume Map prepared by the Pima Association of Governments, the average weekday two-way traffic count is 46,000 for this location on Oracle Road. 2008 is the most recent data available from Pima Association of Governments.

Public Transportation: There is good public transportation for the neighborhood.

Utilities: All utilities including water, sewer, electric, telephone, cable TV and natural gas are available along the adjoining streets. The service providers are as follows:

Electricity:	Tucson Electric Power
Water:	Town of Oro Valley

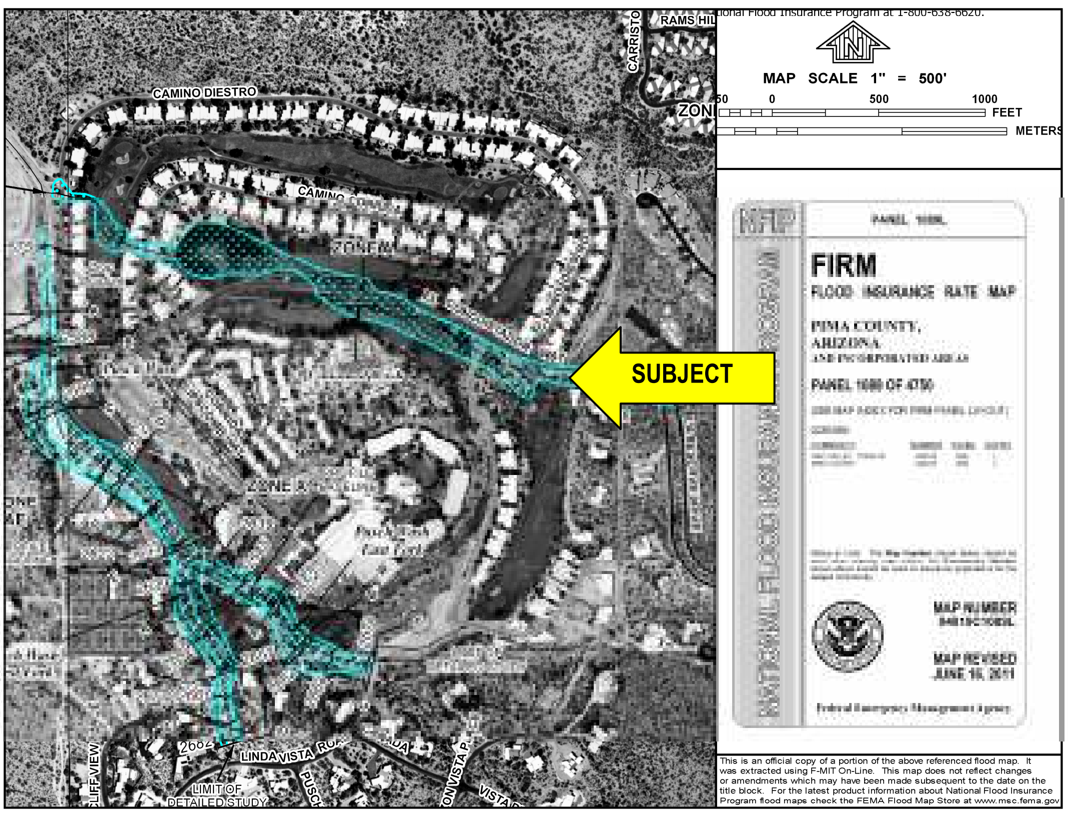
Sewer:	Pima County Wastewater
Natural Gas:	Southwest Gas
Telephone:	Century Link

Surrounding Uses:

North:	Residential and vacant land
South:	Coronado National Forest
East:	Coronado National Forest
West:	Oracle Road; Residential; and Oro Valley Country Club

Flood Zone: Predominantly Zone X, outside of the 100-year floodplain; FIRM Map Panel No. 04019C 1089L;
Effective June 16, 2011. Portions of the golf course are located in FEMA Zone A, inside the 100-year floodplain with base flood depths undetermined.

FLOODPLAIN MAP 04019C 1089L



Environmental Conditions: No noticeable odors, soil stains or distressed vegetation were observed during the property inspection. No environmental reports have been provided to the appraisers. The appraisers are not aware of any environmental conditions that exist on or around the subject property. Lacking environmental reports, this appraisal assumes that the subject property is not impacted by any conditions that would adversely affect its market value.

Restrictions/Easements: A title report was provided to the appraisers for review. The subject is encumbered by typical utility and access easements, as well as multiple easements and agreements specific to the subject property. No Covenants, Conditions and Restrictions were available for the appraisers to review. A copy of Schedule B of the title report is included in the Addenda.

ASSESSED VALUATION & TAX DATA:

Current assessed values and real estate taxes for the subject are shown in the following table.

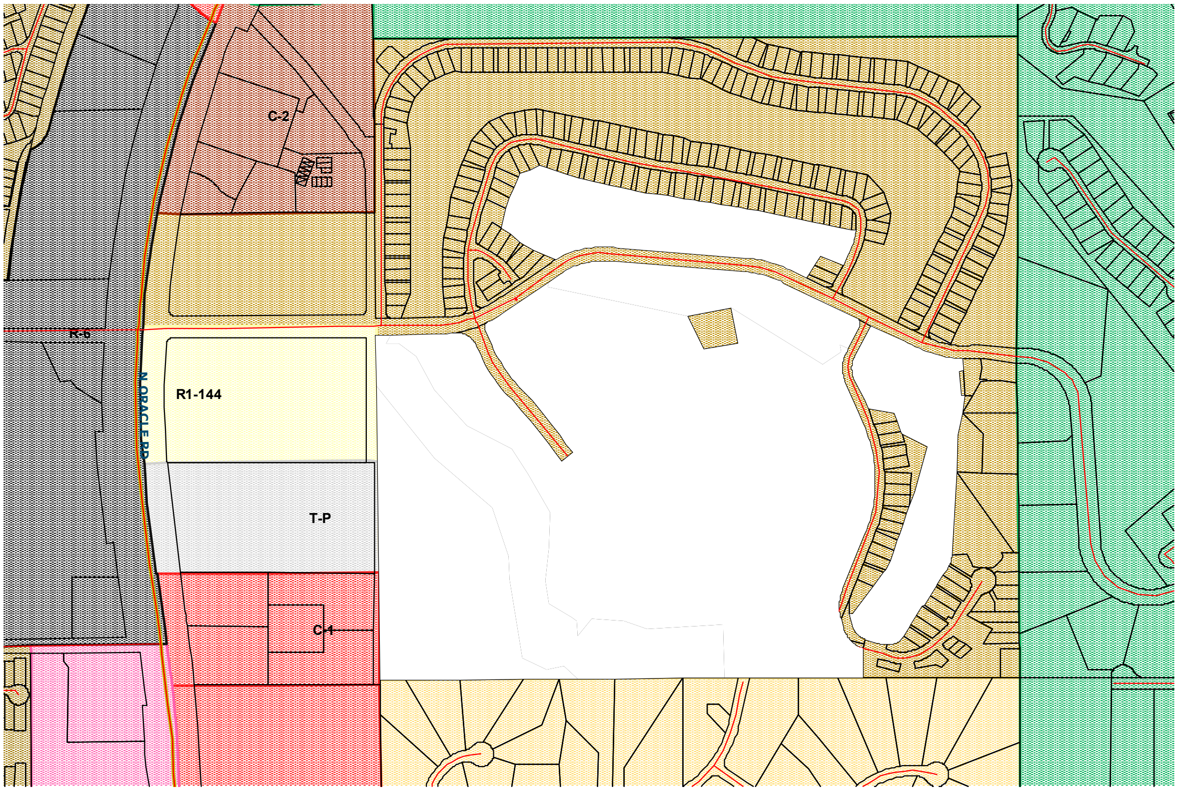
ASSESSED VALUE & TAX DATA
EL CONQUISTADOR RESORT GOLF & TENNIS FACILITIES
10000 N. ORACLE ROAD

APN #	Full Cash Value	Assessed Value	2014 Taxes
220-13-0040	$61,722	$11,650	$1,838.31
220-13-013A	$40,124	$47,772	$1,195.18
220-13-0050	$21,051	$3,255	$627.17
220-13-0090	$73,335	$13,841	$2,184.39
220-13-0140	$20,451	$3,860	$609.15
	$216,683	$80,378	$6,454.20

The combined tax amount of $6,454.20 for the Resort's golf and tennis facilities equals $1.15 per square foot for the 5,600 square feet of gross building area. According to the information from the Pima County Treasurer's website, no delinquent taxes are reported.

ZONING MAP

El Conquistador Resort – R-4R
Multi-Family/Resort



ZONING

The El Conquistador Resort is located in the R-4R Resort District for the Town of Oro Valley. This district is intended primarily to provide for accommodations for seasonal visitors. The controlled access, deep setbacks, and landscaping requirements are intended to enhance the value, safety, and aesthetic quality of both the highway frontage and the adjacent property. Permitted uses include community residences, home occupations, single-family dwellings having either party walls or walled courtyards, temporary real estate offices, private garages, religious institutions, guest ranches, hotels/motels, resorts, antennas, and accessory buildings and uses. Uses requiring conditional use permits include model homes, new utility poles and above-ground wires, banks or financial institutions, boarding or lodging house, short-term rental properties, timeshare units, and major communications facilities.

The minimum site size in the R-4R district is 50 acres prior to street dedications and the maximum building height is 34 feet. The minimum distance between buildings is 10 feet.

Additional development standards in the R-4R district include, but are not limited to, the following:

1. Minimum gross land area per guest room: 4,250 square feet;
2. Minimum gross land area per dwelling unit shall be 15,000 square feet;
3. Total acreage required shall not exceed the gross acreage of the property.
4. Buildings may cover an aggregate area of 25%, excluding parking areas;
5. Setbacks: From perimeter streets: 100 feet; From property line of any R-1 district: 100 feet; From the property line of any district other than R-1: 50 feet. These setback requirements do not apply to buildings used only for guest rooms that are detached from central hotel facilities or for dwelling units, or to buildings of one story in height.
6. Tennis courts shall have a fence with a maximum height of 12 feet and shall have a natural vegetated buffer or landscape screen a minimum of 10 feet wide provided and maintained on any abutting lot line.

Impact on Value:

The subject property is located in the Town of Oro Valley, which is located in northern Pima County, approximately three miles north of the Tucson city limits. Nestled between the Catalina and Tortolita mountain ranges, the town sits at an elevation of 2,620 feet and covers more than 36 square miles.

The subject sites are prominently located in an upscale community with above-average median home values and income levels. The sites have good access to large volumes of traffic and are conveniently located to residents of the Town of Oro Valley. The properties have excellent mountain and city views and all availability of all utilities.

IMPROVEMENTS ANALYSIS

The El Conquistador Resort and Country Club facilities have two separate locations. The Country Club is located at 10555 North La Canada Drive in the heart of Oro Valley. The resort facilities are located within the Hilton El Conquistador Hotel complex at 10000 N. Oracle Road, in Oro Valley. As previously discussed, this appraisal excludes the Hilton Hotel and two parcels of excess land located at the entrance on El Conquistador Way at Oracle Road. .

The Country Club golf course, tennis courts, and clubhouse facilities were built in 1982-1985 and are in average condition, overall. The hotel, golf course, and tennis courts were built in 1982-1986 and are in above average condition, overall.

IMPROVEMENTS ANALYSIS

<u>PARCEL 1 – El Conquistador Country Club:</u>

GENERAL INFORMATION:

Gross Building Area:	45,025 S.F. According to Pima County Assessor
Year Built / Age:	1982 / 32
Amenities:	15 lighted hard-surface tennis courts Lighted basket basketball court Driving Range Two 18-hole golf courses Day-care facilities 6 racquetball courts Fitness Center & private fitness studios 4 locker rooms 2 swimming pools 2 gift shops (golf & tennis retail) 1,840 square feet of meeting space La Vista Restaurant with capacity of 106 Garden Café with capacity of 8

EXTERIOR:

Foundation:	Poured Concrete Slab
Walls:	Reinforced concrete frame; Stucco-covered concrete masonry.
Windows:	Dual pane; anodized aluminum frames
Roof:	Ceramic tile; built-up composition
Doors:	Wood; Storefront
Quality:	Good

Site Improvements:	Grass landscaping, automatic irrigation system; parking lot; golf course; 2 swimming pools, 15 hard-surface tennis courts (see Amenities)
Parking:	Asphalt-paved, lighted parking lot with 203 spaces
INTERIOR:	
Floors:	Ceramic tile; commercial-grade carpeting;
Partition Walls:	Painted drywall
Ceilings/Lighting:	Acoustic tile with flush fluorescent panel lighting; Incandescent; recessed can;
Doors:	Wood; hollow-core wood
Restrooms:	Women's locker room with carpeting and ceramic tile flooring; granite slab countertops with 4 sinks; 3 toilet stalls; 1 shower stall; ceramic tile wall covering. Men's locker room similar to women's locker room
MECHANICAL:	
Electrical:	Not inspected; assume adequate and in good working order.
Heating & Cooling:	Individual HVAC units in good working order.
Elevator:	No elevator
Sprinklers:	100% sprinklered
PARKING:	203 asphalt-paved and lighted
EFFECTIVE AGE:	20 years
LIFE EXPECTANCY:	50 years
FUNCTIONAL UTILITY:	Average. 2-story building with no elevator.
AMERICANS WITH DISABILITIES ACT (ADA):	Legally non-conforming. Construction pre-dates ADA regulations.
CONDITION:	Average, overall.
DEFERRED MAINTENANCE:	Interior paint; lighting; flooring; General updates.

PUSCH RIDGE GOLF COURSE & TENNIS FACILITIES:

GENERAL INFORMATION:

Gross Building Area:	6,498	Square Feet (Pro Shops; Racquetball Courts)
	3,535	Square Feet (Maintenance & Cart Storage)
Total Net Rentable Area:	6,498	Square Feet

Year Built / Age: 1982 / 32

Amenities & Site Improvements:
16 lighted hard-surface tennis courts
2 gift shops (golf & tennis retail)
Chipping/Putting practice area
One 9-hole golf course
4 racquetball courts (currently used for storage)
Men's & Women's restrooms
Walk-up food-service with outdoor patio seating

EXTERIOR:

Foundation: Poured Concrete Slab

Walls: Reinforced concrete frame; Stucco-covered concrete masonry.

Windows: Dual pane; anodized aluminum frames

Roof: Built-up composition

Doors: Storefront

Quality: Average

Site Improvements: Grass landscaping, automatic irrigation system; asphalt-paved parking lot; 9-hole golf course; 16 hard-surface tennis courts

Parking: Asphalt-paved, lighted parking lot with 73 spaces

INTERIOR:

Floors: Ceramic tile in rest rooms; commercial-grade carpeting in pro shops; Racquetball courts used for storage not available for inspection.

Partition Walls: Painted drywall

Ceilings/Lighting: Acoustic tile with flush fluorescent panel lighting; Incandescent; recessed can;

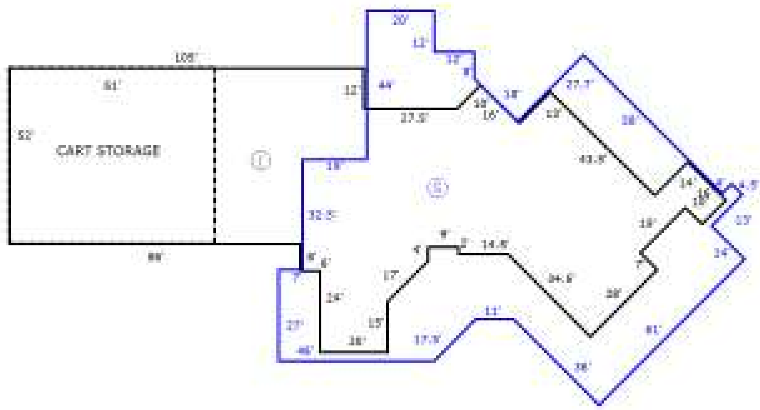
Doors:	Wood; hollow-core wood
Restrooms:	Women's restroom with ceramic tile flooring; 2 toilet stalls, laminate countertops with 2 sinks; 1 shower stall; ceramic tile wall covering; flush mounted fluorescent light fixtures on painted drywall ceilings. Men's rest room similar to women's restroom

MECHANICAL:

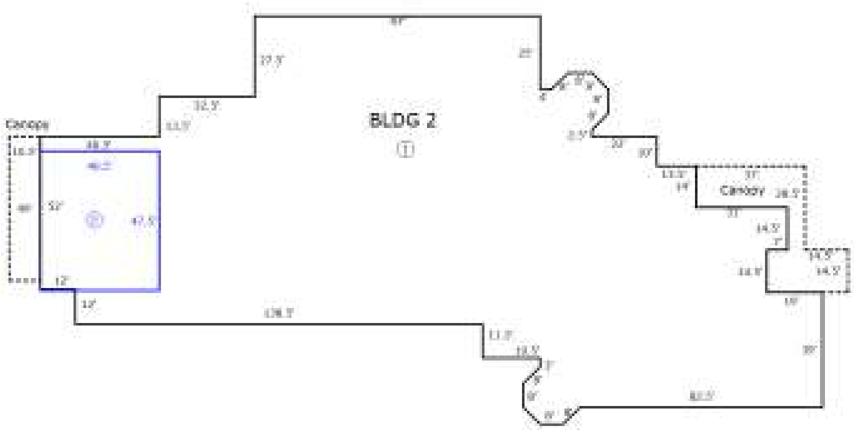
Electrical:	Not inspected; assume adequate and in good working order.
Heating & Cooling:	Individual HVAC units in good working order.
Elevator:	No elevator
Sprinklers:	100% sprinklered

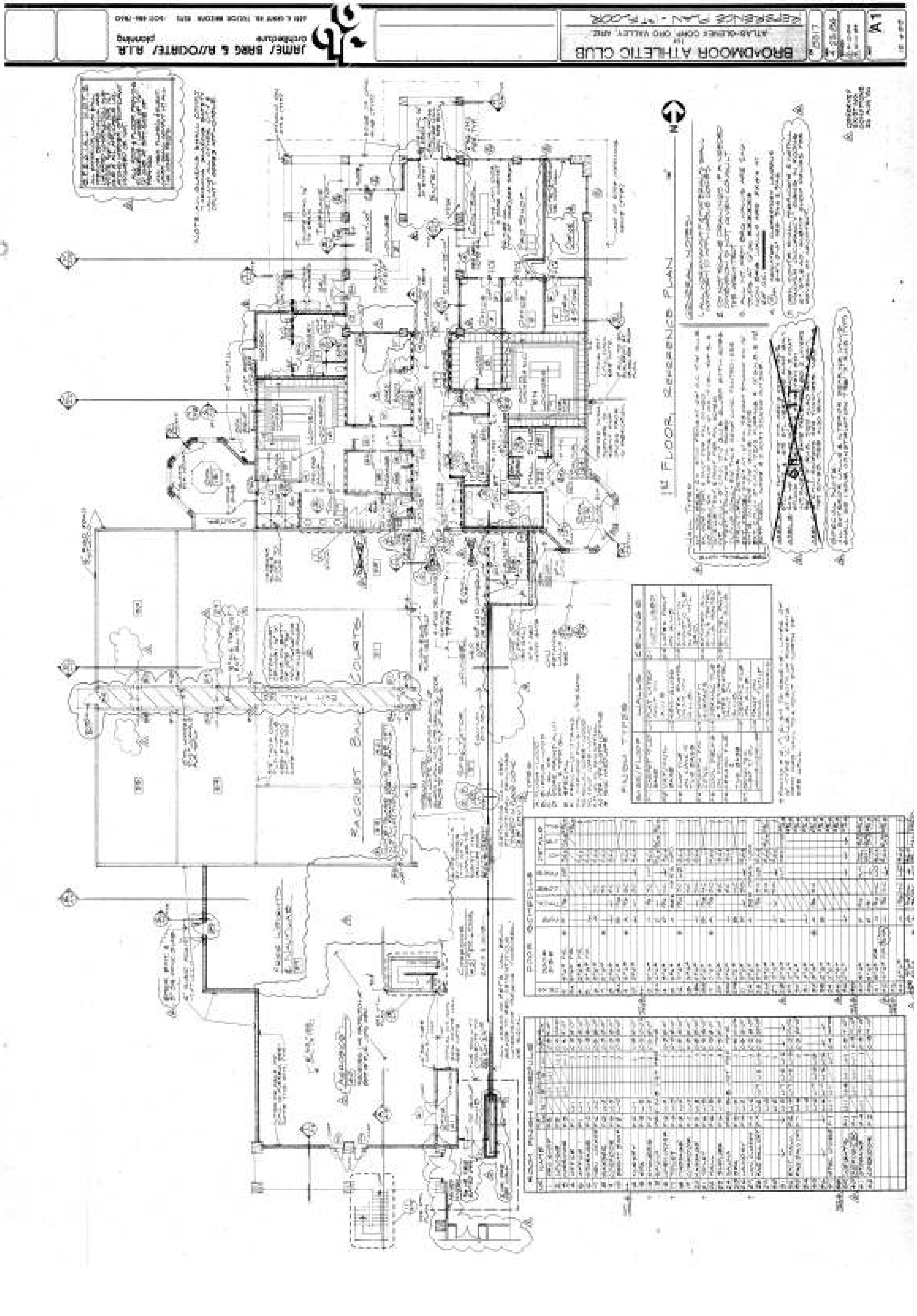
PARKING:	203 asphalt-paved and lighted
EFFECTIVE AGE:	20 years
LIFE EXPECTANCY:	50 years
FUNCTIONAL UTILITY:	Average. 2-story building with no elevator.
AMERICANS WITH DISABILITIES ACT (ADA):	Legally non-conforming. Construction pre-dates ADA regulations.
CONDITION:	Average, overall.
DEFERRED MAINTENANCE:	General updates to interior finishes would be beneficial.

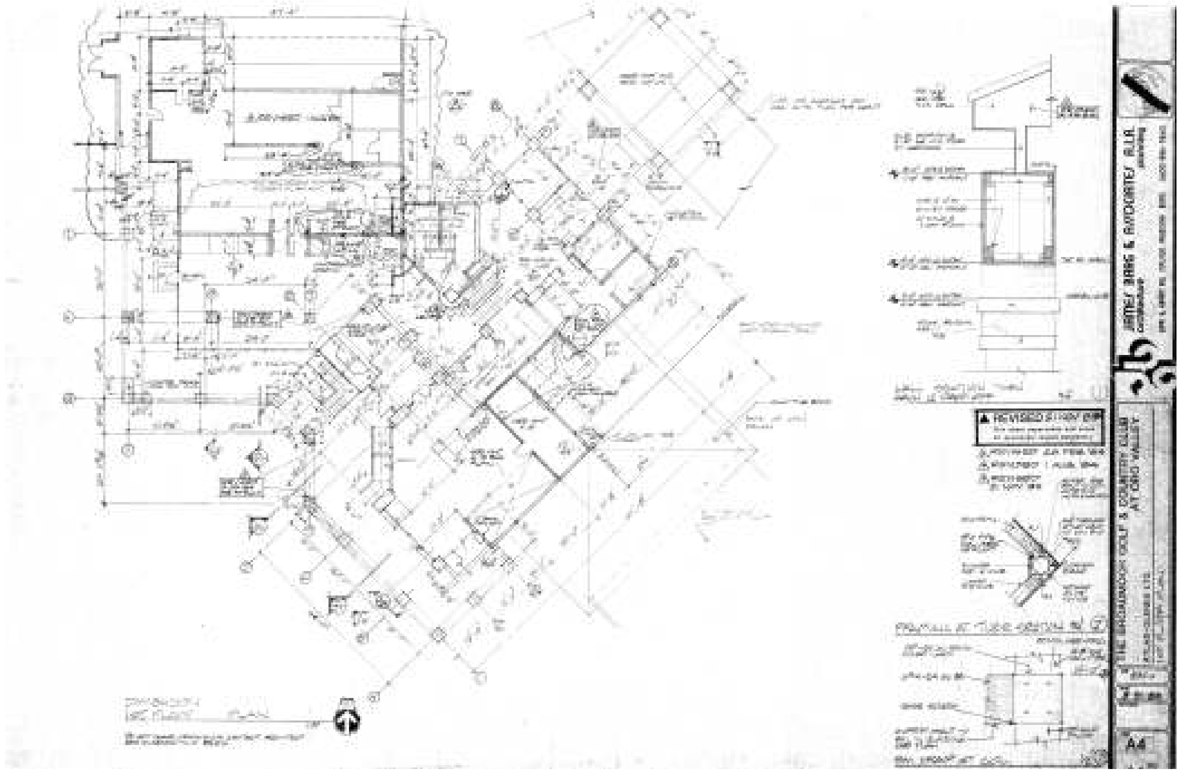
224-24-2650
(1 of 2)
CLUBHOUSE



224-24-2650
(2 OF 2)
COUNTRY CLUB




BROADMOOR ATHLETIC CLUB
A1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La Canada Country Club
Entrance from La Canada Drive

Clubhouse Entrance

Locker Room (1 of 4)

Men's Locker Room Showers

Garden Café Kitchen

Garden Café seating area

Fitness Facilities

Dance Studio (former racquetball court)

Racquetball Court

Tennis Retail Shop

Day Care Facilities

Junior Olympic Pool

Tennis Courts (2 of 15)

Resort Pool

La Vista Restaurant Kitchen

La Vista Restaurant Meeting Space

La Vista Restaurant Seating

La Vista Restaurant – Bar

Canada Golf Course

Canada Golf Course

Conquistador Course

Conquistador Course

View of Irrigation Pond for Reclaimed Water

View of Clubhouse from 18th Hole

Conquistador Course

Driving Range

HIGHEST AND BEST USE

According to the 14th Edition of *The Appraisal of Real Estate,* published by the Appraisal Institute, highest and best use may be defined as:

> "The reasonably probable and legal use of vacant land or an improved property, which is legally permissible, physically possible, appropriately supported, financially feasible, and that results in the highest value." (Page 278)

The highest and best use of the land, as vacant, must meet four criteria. The highest and best use must be:

1) ***Legally Permissible:*** What uses are permitted by zoning, private restrictions, historic districts, and environmental regulations on the site?

2) ***Physically Possible:*** Based on the physical characteristics of the site, what uses are physically possible?

3) ***Financially Feasible:*** Which uses meeting the first two criteria will produce a positive return to the owner of the site?

4) ***Maximally Productive:*** Among the feasible uses, which use will produce the highest price, or value, consistent with the rate of return warranted by the market? This use is the highest and best use.

The four tests above have been applied to the subject property in the following paragraphs.

AS IF VACANT

Legally Permissible:

The subject Country Club with golf and tennis facilities has PAD zoning. The El Conquistador Country Club Planned Area Development (PAD) zoning district permits a wide variety of residential, recreational, and commercial uses in designated areas. The subject's country club and golf course are legally permissible uses. However, a change in the Planned Area Development (PAD) would be necessary to develop the subject site for an alternative use, as if vacant. In addition, the Canada Hills homeowners association has recorded Covenants, Conditions, and Restrictions (CC&R's) that further specify permitted uses for the El Conquistador Country Club master-planned community. A copy of the CC&R's was not made available to the appraisers for review. Based on information received from the client and broker for the property, an alternative use other than open space is not legally permissible.

The subject Resort has R-4R zoning, a multi-family zoning district applicable to a resort use. This zoning district permits high density residential and recreational uses. The subject's golf course and tennis facilities are legally permissible uses in the R-4R zoning district. High density vacation rental use is also legally permissible. Re-zoning for a different residential use would be necessary.

Physically Possible:

The subject Country Club has a prominent location in central Oro Valley with convenient access from La Canada Drive. The multiple parcels that comprise the subject total 268 acres, which is sufficient for recreational uses. The majority of the site is located outside the 100-year floodplain, but there are multiple washes traversing the site that are inside the 100-year floodplain.

The El Conquistador Resort location has a good location on Oracle Road. The facilities are not visible from Oracle Road but the entrance is signalized and named El Conquistador Way with prominent signage. The site area for the parent parcel consists of about 103 acres. However, the golf course and tennis facilities are located on approximately 40 acres, excluding the stables. There are excellent views of Pusch Ridge from most of the golf course holes. The site, as if vacant, is physically suitable for recreational or lodging uses.

Financially Feasible:

In addition to the market statistics, we interviewed local brokers and golf management professionals who are familiar with the resort and country club markets. Mr. Jerry Hawkins, agent for CB Richard Ellis, said that Tucson has long been recognized as a golf destination with many quality golf courses designed by top golf architects, including Arnold Palmer, Jack Nicklaus, Tom Fazio, and Tom Weiskopf. However, demand for rounds of golf at all golf courses has declined during the past five years due to a large number of competitive golf courses, lower occupancy levels at the local hotels, a decline in tourism, the recession, and a decline in the number of new golfers entering the golf market. Some golf courses in Metro Tucson have closed and many others are at risk of closing. Private or semi-private courses with strong membership bases are able to break even. Stand-alone golf courses are not profitable.

Because the golf industry has been overbuilt, most investors would probably be wise to focus on rehabilitating existing courses rather than creating new ones. "To build a golf course you'll be spending $6 to $10 million," said Richard Eide, principal of Golf

Club Consulting, Inc. "You can buy an existing golf course for half that." "Margins are very tight in the golf business; there's lots of competition…A stand-alone golf course is a pretty tough deal to do now," he said.

As if vacant, development of new golf courses on the subject sites, excluding any benefit to surrounding homeowners, is not financially feasible. Given Tucson's recent low hotel occupancy rates, development of vacation rentals is not likely.

Maximally Productive:

That use which is legally permissible, physically possible and financially feasible is the maximally productive use of a site. The preceding analyses supports the maximally productive use, and therefore highest and best use as if vacant is open space, or hold for investment.

AS IMPROVED

According to the principal of consistent use, land cannot be valued based on one use while improvements are valued based on another. An improvement must be valued based on a use that is consistent with the property's highest and best use. Outmoded or externally obsolescent uses may not represent the ideal improvement, but they do create increments of value over the market value of the vacant land.

Legally Permissible:

The existing recreational uses are permitted in the El Conquistador Country Club PAD and the R-4R Resort District. The Country Club has two 18-hole courses and 15 outdoor, lighted, hard-surface tennis courts; and the Resort has one 9-hole course and 16 outdoor, lighted, hard-surface tennis courts. If the Country Club golf courses cease operating, the Homeowners Association has the First Right of Refusal to purchase them. Development to a use other than open space is not legally permissible for any of the subject golf courses.

Physically Possible:

Country Club: The El Conquistador Country Club buildings generally exhibit average maintenance. The furnishings, interior paint, and some equipment are outdated but in above-average condition. According to the ProForma prepared by Troon Golf for operation of the subject facilities, the estimated cost to "refresh" the clubhouse interior is $300,000. An additional $175,000 was projected for new fitness equipment, and $50,000 for improvements to the maintenance facility. Additional improvements to the golf course are also proposed by Troon.

Resort: The Pusch Ridge Golf Course buildings exhibit average maintenance, but are also outdated. Improvements projected by Troon Golf include drainage improvements, cart path repair and replacement, and tee leveling. These are not urgent needs and can be spread out over three to five years.

Overall, utility is considered below average due to the over-supply of golf courses in the area, the declining demand for rounds of golf, and the slow recovery of the Tucson economy, including tourism.

Financially Feasible and Maximally Productive:

The Country Club currently offers full golf memberships for $435 per month, with an initiation fee of $5,000. The tennis initiation fee is $300, with monthly dues of $135. The Hilton Hotel guests have use privileges. According to the subject's financial statistics, resort rounds currently represent about 2% of total rounds played for all 45 holes. Member rounds represent about 49% of total rounds played. The balance of the rounds played represent daily public use. Based on information provided by the general manager for Westin La Paloma, their golf operation is profitable because it has almost reached the maximum number of full memberships. La Paloma offers 27 holes of Jack Nicklaus-designed golf and 10 tennis courts. The golf initiation fee at La Paloma is $12,000 and the monthly golf fees are $585 per month. The Dove Mountain Ritz-Carlton offers 27 holes of golf designed by Jack Nicklaus for an initiation fee of $25,000 and monthly fees of $500 per month. According to the owner's historical financial statements, the tennis and fitness operation is profitable.

Resort: The 9 holes of golf at the resort are challenging and offer exceptional mountain and city views from elevated tee boxes. The 9-hole format is desirable for hotel guests or nearby residents who don't want to spend the whole day on a round of golf. However, the difficulty of the course makes it less enjoyable for the casual golfer. Troon golf is considering changing the format to be more attractive to visiting families and hotel guests. Based on information provided by the client, the tennis operation is profitable.

With capital improvements to update and renovate the subject facilities, initiation fees and membership dues could be increased to increase profitability. According to conversations with golf managers for stand-alone golf courses, "break-even" is believed to be the new normal. Maintenance costs, a large portion of which is water and labor, continue to rise and until demand increases, financial feasibility for any golf operation is at risk. In addition to an estimated $500,000 to $1,000,000 per year just for maintenance of a typical 18-hole golf course, investors need to consider additional costs such as food and beverages, staff, building maintenance, and management fees. Ideally, investors should look for at least a 15% return, according to Mike Kahn, president of GolfMAK, Inc., a golf consulting firm based in Bradenton, Florida.

The financial feasibility of the subject, as improved, is constrained by the oversupply of golf courses and a lack of demand in the golf market. However, if full golf memberships are increased, a reasonable return is possible.

Conclusion:

In addition to the four criteria above, the highest and best use of a property, as improved, considers five alternative courses of action:

- Demolition of existing use;
- Conversion to an alternative use;
- Addition to the existing improvements;
- Renovation of the existing improvements;
- Continue "as is."

Demolition of the existing improvements and conversion to an alternative use are not considered prudent because the improvements add value. Addition to the existing improvements is not necessary since they are of sufficient size to provide typical country club amenities. Conversion to an alternative use is not feasible due to legal constraints.

Based on the foregoing, the highest and best use of the subject property, as improved, is for renovation and continued recreational purposes.

VALUATION INTRODUCTION

The Sales Comparison and Income Approaches are used to support the market value for the subject property. The Cost Approach is most reliable when analyzing a new or nearly new project. This approach becomes less reliable when analyzing income properties that have improvements that are ±30 years old. More significantly, investors do not rely on this approach for older income properties like the subject. However, the Cost Approach is included to primarily to provide an estimated replacement cost, new, at the client's request.

The Sales Comparison Approach is employed to estimate the value for the subject as if vacant land for use in the Cost Approach. This approach compares recent sales of vacant land parcels and adjusts their sale prices for differences in location, access/exposure/visibility, size, availability of utilities and other attributes.

In estimating the value of the subject as improved, the Income and Sales Comparison Approaches are employed. In the Income Approach, market value is based upon the income producing ability of the real estate. The Income Approach is premised upon the principle of anticipation which states that value is equal to the present worth of the future net benefits to be derived from the property.

Since the subject golf and tennis operations are currently operating with negative cash flow, direct capitalization of the net operating income is not appropriate. The highest and best use is for renovation and improvement in memberships and number of rounds played. Thus, we have utilized a Discounted Cash Flow Analysis with a 5-year holding period based, in part, on projections provided by Troon Golf.

Fixed expenses and operating expenses are estimated based on a review of historical expenses. Actual expenses for the subject, as well as expenses for similar properties, and published data sources are considered. Operating expenses assume prudent property management. These expenses, if any, are deducted from effective gross income to arrive at an estimate of Net Operating Income.

Since the subject property is an income-producing property prudent investors would make their purchase decisions on the anticipated income stream. Investors rely almost exclusively on the quantity and quality of the income stream when evaluating properties like the subject. The Discounted Cash Flow (DCF) method analyzes the projected gross revenues from golf, health/fitness, food and beverage, and merchandise sales that are necessary to obtain a stabilized operating level over the projected holding period.

The DCF reflects the anticipated changes in income and expenses as prescribed by reasonable projections. In the discounted cash flow method, anticipated future cash flows and a reversionary value are discounted to an opinion of net present value at a chosen yield rate (internal rate of return). The DCF is especially pertinent when properties are not at stabilized operating conditions. Thus, the Discounted Cash Flow analysis is relied upon for the Income Approach to value. The selection of an appropriate overall discount rate for the subject property is critical in arriving at the estimated market value fee simple estate in the property.

The Income Approach carries the most weight when evaluating an income-producing property because it most accurately conveys the sentiments of an investor in the purchase of a similar asset. The Sales Comparison Approach is less reliable due to the lack of recent sales of directly comparable properties with similar locations and other attributes. Due to the dynamic changes occurring in the marketplace over the past few years, sales of comparable properties are less reliable. However, an offer to purchase the Country Club facilities was received about 6 weeks ago. This offer is given strong weight, given the limited sale data available.

The Sales Comparison Approach compares recent sales of similar properties and adjusts their sale prices for differences in location, size, access/exposure/visibility, condition and other attributes. The adjusted prices are then used to estimate market value. The price per golf hole is the most common unit of comparison for golf courses and is used for this analysis.

INCOME APPROACH

In the Income Approach, market value is based upon the income producing ability of the real estate. The Income Approach is premised upon the principle of anticipation which states that value is equal to the present worth of the future net benefits to be derived from the property. Since the subject is currently operating with a negative net operating income, the Direct Capitalization method is not employed. Based on information provided by two golf course management companies, improvement in membership and condition of the properties is expected to increase revenues. The Discounted Cash Flow (DCF) analysis through the Excel software program is utilized. This approach is more reliable than the direct capitalization method since it considers the changes in revenue and expenses over the projected holding period to improve efficiencies, full memberships, rounds played, and the average rate paid per round. In addition, with an increase in rounds played, revenues from food and beverage should also improve. Interior remodeling of the country club facilities is expected to increase health and fitness memberships and event revenue.

Since a negative net operating income cannot be capitalized to provide an indicated value, a DCF is applied to estimate the “as is” value of the subject property through the Income Approach.

The DCF analysis considers the specific variables that affect the income and expenses over the projected five-year holding period. A market derived yield rate is applied to each year’s net operating income. The sixth year’s net operating income is capitalized by a terminal overall capitalization rate and discounted to the present value. The present value of the income streams and the present value of the reversion, less a sales commission, are added together to arrive at an estimated market value of the subject property through yield capitalization.

Real estate operating expenses paid by the property owner are estimated based on past expenses and anticipated increases in expenses. Actual expenses for the subject, as well as expenses for similar properties, are considered when available. Operating expenses assume prudent property management. These expenses are deducted from gross income to arrive at an estimate of Net Operating Income.

DISCOUNTED CASH FLOW ANALYSIS - CURRENT VALUE

El Conquistador Resort & Country Club

Effective Date of Value:	**November 3, 2014**
Discount Rate:	**22.0%**

PERIOD:	**1**	**2**	**3**	**4**	**5**	**6**
Year:	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
REVENUES						
Golf	$4,172,092	$4,589,301	$4,933,499	$5,180,174	$5,439,182	$5,711,142
Health Club/Fitness	$150,000	$156,000	$162,240	$168,730	$177,167	$186,025
Food & Beverage	$771,284	$848,412	$890,833	$935,375	$982,143	$1,031,251
Merchandise	$503,770	$541,553	$568,630	$597,062	$626,915	$658,261
TOTAL REVENUES	$5,597,146	$6,135,266	$6,555,202	$6,881,340	$7,225,407	$7,586,678
COST OF SALES						
Food & Beverage	$231,385	$345,076	$379,584	$410,942	$294,643	$309,375
Merchandise	$312,337	$335,763	$352,551	$370,178	$388,687	$408,122
TOTAL COST OF SALES	$543,723	$680,839	$732,135	$781,120	$683,330	$717,497
GROSS PROFIT	$5,053,423	$5,454,428	$5,823,067	$6,100,220	$6,542,077	$6,869,181
CAPITAL EXPENSES:	$525,000	$750,000	$750,000	$750,000	$500,000	$100,000
FIXED EXPENSES:						
Real Estate Taxes & Insurance	$150,000	$154,500	$159,135	$163,909	$168,826	$173,891
Fees, Permits, Licenses	$5,000	$5,150	$5,305	$5,464	$5,628	$5,796
Equipment Leases	$292,000	$292,360	$318,334	$318,694	$319,076	$322,267
OPERATING EXPENSES						
Payroll	$2,439,757	$2,512,950	$2,588,338	$2,665,988	$2,745,968	$2,828,347
Advertising & Marketing	$108,500	$111,755	$115,108	$118,561	$122,118	$125,781
Repair & Maintenance	$642,500	$661,775	$681,628	$702,077	$723,139	$744,834
Utilities	$1,252,000	$1,289,560	$1,328,247	$1,368,094	$1,409,137	$1,451,411
Professional Fees	$1,500	$1,545	$1,591	$1,639	$1,688	$1,739
Other Operating Expenses	$535,158	$551,213	$567,749	$584,782	$602,325	$620,395
Base Management Fees	$144,000	$148,320	$152,770	$157,353	$162,073	$166,935
TOTAL EXPENSES	$6,095,415	$6,479,127	$6,668,204	$6,836,561	$6,759,979	$6,541,397
NET OPERATING INCOME	-$1,041,992	-$343,861	-$113,002	$44,780	$465,429	$1,045,281
X Present Worth Factor:	0.8196721	0.6718624	0.5507069	0.4513991	0.3699993	0.3032781
Present Value of Cash Flows:	-$854,091	-$231,027	-$62,231	$20,214	$172,208	$317,011

Net Present Value of Cash Flows:	**($954,928)**	6th Year NOI:	$1,045,281
PV of Reversion:	**$4,181,116**	Divided by Residual Ro:	9.25%
Indicated Value:	**$3,226,188**	FV of Reversion:	$11,300,335
Rounded to:	**$3,200,000**	Times PV Factor for Yr-5:	0.3699993
		Indicated Present Value:	$4,181,116

DISCOUNTED CASH FLOW (DCF) ANALYSIS

During the recession over the past 8 years, demand in the golf market has steadily declined. According to the National Golf Foundation, the number of rounds played has steadily decreased for the past 10 years. Golf courses have closed throughout the country, as well as in Tucson. The Santa Rita Golf Course closed in 2010 and in 2012, sold to a single owner for private residential use. IRI Golf Group, which owned five golf courses in the Tucson metropolitan area, is in bankruptcy proceedings. Some of the IRI golf courses are currently under receivership and are being managed by outside golf management firms. The Tucson city golf courses have also suffered financially during the past 10 years and the City considered closing one or more of the five courses. The Tucson City Council agreed to outsource management to OB Sports, effective July 1, 2014, in an effort to restore profitability to the golf operation.

The subject is currently lender-owned and is part of the Hilton El Conquistador Resort and Country Club. As previously discussed in the Ownership History section of this report, a Letter of Intent to purchase the country club facilities located at 10555 N. La Canada Drive was received in October, 2014. The offer price is $2,500,000.

A review of the financial statements for the subject's golf, tennis, and fitness operations indicates that the country club is currently operating with negative cash flow exceeding $1,000,000. The resort golf, fitness, and tennis segment has a negative annual net income of more than $300,000. According to market participants, buyers of golf courses sometimes make purchase decisions based on a gross income multiplier ranging from 0.5 to 1.0, depending on the upside potential of the overall operation. A buyer then makes capital improvements, if necessary, and implements measures to increase rounds played and profitability.

The Discounted Cash Flow (DCF) analysis is computed using Excel. The variables affecting the income stream during the holding period are analyzed here. The assumptions utilized in the preceding cash flow spreadsheet reflect the expectations of knowledgeable and prudent investors. However, forecasted events may vary from the projections. If these forecasted events change significantly over the holding period, the estimated present value through the Discounted Cash Flow Analysis is subject to change. The following is a discussion of the assumptions used in the discounted cash flow calculation.

The DCF for the subject is based on historical income and expenses and projections for improvements in new memberships, rounds played, and an increase in food and beverage sales through banquets and food service after refurbishing the clubhouse and making some golf course improvements. Troon Golf manages La Paloma Country Club, Gallery Golf Club, and Sewailo Resort. Troon Golf has prepared a Pro Forma for the subject property, based on the assumption that Troon will manage the El Conquistador golf and fitness operation for the buyer. The DCF is based on the Pro Forma prepared by Troon Golf for the subject, industry standards, and interviews with managers of other courses in Tucson. However, our projections are less optimistic than Troon's projections, specifically in the area of Golf and Food and Beverage revenues. The Tucson economy is slowly improving, compared to Phoenix and the National markets. Historically, Tucson's economy lags behind other major markets.

For the most part, we have utilized Troon's Year One revenue and expense projections since they are consistent with the subject's recent operating history. However, we believe the increases in revenues will be slower to materialize than Troon projects.

Revenue: The revenues for the subject property consist of Golf, Health Club/Fitness, Merchandise, and Food and Beverage operations. Golf revenues include daily greens fees; membership initiation fees and dues; merchandise sales; and food and beverage sales. Health Club/Fitness revenues include merchandise sales; tennis court rentals, tennis lessons and rentals; and miscellaneous fees. Membership dues and initiation fees for the fitness and tennis segment are included in the Golf membership revenue. Food and Beverage revenues are generated by La Vista Bar & Grill and the Garden Café. In addition, there are banquet facilities for special events.

Year One revenues are based on Troon's revenue projections. In Year Two, our projected revenues are based on an increase of 10% in golf revenues, 10% in Food and Beverage revenues, and 7.5% in merchandise revenues. These increases are based on renovations to the buildings and golf courses. Troon's overall golf revenues are projected to increase at over 15%. The Troon projections are contained in the Addenda.

Health Club/Fitness revenues are based on Troon's projections throughout the holding period. Golf revenues increase 7.5% in Year Three and 5% per year thereafter. Merchandise and Food and Beverage revenues increase 5% per from Year Three throughout the holding period. Increases to new full-facility memberships, rounds played, and food and beverage and merchandise sales account for revenue improvements.

Cost of Sales: Cost of Sales applies to Food and Beverage revenue and Merchandise sales. Based on Troon's cost projections, using Troon inventory controls and margin enhancing vendor programs, Cost of Sales for Merchandise is 62% of revenue. Cost of Sales for Food and Beverage is 34% for the La Vista restaurant revenue, 28% for the Garden Café, and 25% for banquet services.

Capital Expenditures: As discussed in the "Improvements Analysis" section, in order to achieve a stabilized operating level the maintenance facility needs some improvements, the fitness club needs new equipment, and the clubhouse interior needs updating. In Year One, the estimated cost of these improvements is $525,000. This expense is projected in the Year-1 cash flow. Additional capital expenses are projected in Years 2, 3, 4, 5, and 6, based on information provided in the Troon Golf Pro Forma. However, our DCF analysis spreads the expenditures more evenly throughout the holding period, whereas Troon projected capital expenditures of $1,265,500 in Year Two, $1,237,500 in Year Three, and tapering off to $130,000 in Year Four, $105,000 in Year Five, and $105,000 in Year Six.

Fixed Expenses: Fixed Expenses include real estate taxes and insurance, fees, permits, and licenses, and equipment leases. Troon's projections excluded real estate taxes under the assumption that the Town would be exempt from real estate taxation. Equipment includes golf carts and grounds-keeping equipment. Fixed Expenses increase each year based on an estimated Consumer Price Index (CPI) increase of 3% per year.

Operating Expenses: Operating Expenses include payroll, employee benefits and related expenses, professional fees, advertising and marketing, repair and maintenance, utilities, other operating expenses, and base management fees. Our DCF uses Troon's projected operating expenses in Year One and increase 3% each year, based on the CPI.

Net Operating Income: Net Operating Income is derived by subtracting Combined Expenses from Gross Profit.

PROSPECTIVE PRESENT VALUE

Reversionary Value and Capitalization Rate Selection:

The start date of the DCF analysis is on January 1, 2015. The analysis incorporates a forecast period of six years, and a holding period of five years. Therefore, the property is projected to sell at the end of the fifth year with the prospective buyer using the NOI estimate projected in the following year or the sixth year. Therefore, the net income earned in Year-6 is capitalized or converted to value using the Direct Capitalization Method. A going-out or terminal capitalization rate must reflect the risk and uncertainty of future market conditions. For a 5-year holding period, terminal capitalization rates are generally 0.50% higher than the going-in rates. Nationally, vacancy rates and capitalization rates have been compressing.

Terminal Capitalization Rate Selection: Many investors are cautiously approaching the market with more conservative expectations. According to the *PwC Real Estate Investor Survey* published by Pricewaterhouse Coopers for the 3rd Quarter 2014, terminal capitalization rates for the National Luxury/Upper-Upscale Lodging Segment were approximately 0.40% higher than going-in rates. The average going in rate is reported at 7.04% for the National Luxury/Upper-Upscale Lodging Segment with an average residual capitalization rate of 7.43% for institutional grade properties while non-institutional grade properties have an average going in rate of 50 to 300 basis points higher than institutional grade properties. Although the subject resort has a Hilton brand, the Tucson market is secondary, at best. Thus, the subject is not considered an institutional grade property. Thus, a going-in capitalization rate for the subject is estimated to be 8.75%, or about 171 basis points higher than an institutional grade property.

A going-out or terminal capitalization rate must reflect the risk and uncertainty of future market conditions. A *terminal* capitalization rate of 9.25% is selected for this analysis. This rate is applied to the net operating income in Year-6, before the deductions for tenant improvements, leasing commissions and reserves, to result in a future value. No capitalization rate surveys were reported for golf courses in the PwC Investor Survey.

Discount Rate Selection: Several factors are considered in selecting an appropriate discount rate, which include: 1) the physical characteristics of subject property; 2) the inherent risks associated with the property; 3) the projected holding period; and 4) the investor's opportunity cost of capital.

Although the subject properties have prominent locations in Oro Valley, the uncertainty about the financial feasibility of the golf operation increases the perceived risk significantly. The subject golf operation is expected to continue to struggle to maintain an acceptable return. There is an oversupply of golf courses in the area and the cost to maintain the courses continue to increase. Positive factors are: the subject's extensive amenities would be cost prohibitive to replace; and no new competition is likely to enter the market.

Country clubs and golf courses are not identified as a specific market segment for published Capitalization Rate and Discount Rate data. Since the subject properties are affiliated with the Hilton El Conquistador Resort, we have used lodging indicators as a proxy. According to the *PwC Real Estate Investor Survey* published by Price Waterhouse Coopers for the 3rd Quarter, 2014, the National Luxury/Upper-Upscale Lodging Segment the discount rates range from 8.00% to 12.0% for institutional grade properties. The average is 9.82%. Non-institutional properties have discount rates ranging from 50 to 300 basis points higher. Given the subject's inherent risks, the uncertainty involving the golf market, and the financial feasibility of the golf operation, an appropriate discount rate for the subject property is higher than the rates indicated in the lodging segment.

Since golf courses are commonly developed within residential master-planned communities, we also considered discount rate data for the National Development Land Market, published by PwC. In the Second Quarter, 2014, the discount rate ranged from 10% to 25%, with an average of 18.15%. Data for projected absorption of residential lots is more readily available than golf courses, especially since few golf courses are currently being developed. Thus, there is greater risk involved in golf course development and the discount rate should be higher than for residential land.

Based on the foregoing and considering the data from the PwC survey and the yield formula, a discount or yield rate of 22.0% is believed to be appropriate for the subject. This is used to discount the annual cash flows.

DISCOUNTED CASH FLOW (DCF) ANALYSIS CONCLUSION

In the Discounted Cash Flow analysis, we developed an opinion of value by adding the present value of the income stream to the present value of the reversionary value.

As previously discussed, buyers of golf course properties sometimes base their purchase decisions on a Gross Income Multiplier (GIM). Currently, GIMs range from 0.5 to 1.0, depending on the upside potential. The value opinion indicated through the DCF analysis equals a GIM of 0.572. Based on the subject's Year One Gross Revenues of $5,597,146, a Gross Income Multiplier of 0.60 provides an indicated value of $3,358,288.

Based on the foregoing, our "as is" market value opinion through the Income Approach is as follows:

VALUE OPINION FOR THE SUBJECT
THROUGH THE INCOME APPROACH $3,300,000

SALES COMPARISON APPROACH

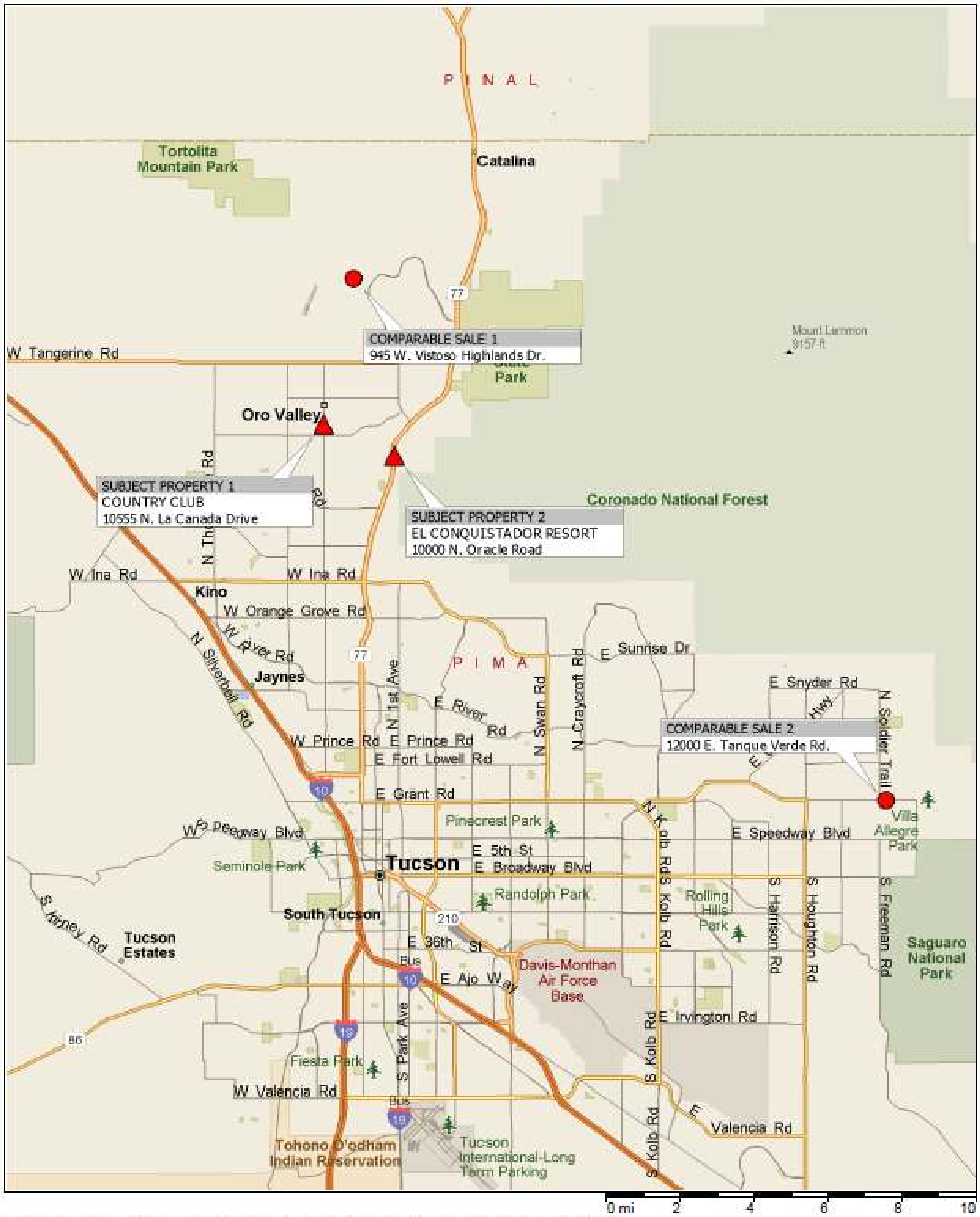
In the Sales Comparison Approach to value, sales of similar improved properties are analyzed and adjusted to the subject property. This approach applies the principle of substitution which affirms that, when a property can be replaced, its value tends to be set by the cost of acquiring of an equally desirable substitute property without undue or costly delay.

In a traditional Sales Comparison Approach analysis, adjustments to the comparable sales are made for each of the following elements of comparison: real property rights conveyed, financing terms, conditions of sale, market conditions, location and physical characteristics. The most appropriate unit of comparison for this type of property is the sale price per rentable square foot. This unit of comparison is calculated by dividing the sales price by the buildings rentable square footage. Consideration is also given to the economics of the comparable sales in comparison to the subject. Adjustments are made for the subject's below market occupancy level.

Search parameters for comparable sales included a thorough search within the Tucson Metropolitan Area. Recent comparable sales in Tucson were not available. One sale occurred in June, 2010 and one occurred in June, 2012. Both sales were distressed. No other sales of golf course or country club properties in Tucson were found. A bulk portfolio sale of 46 golf courses across the United States was found, in which several properties were located in Phoenix. None of the sales in Phoenix were considered sufficiently comparable to include in this analysis. The most comparable indication of value is a Letter of Intent for purchase of the subject Country Club on La Canada Drive. The offer was received in October, 2014 and the offer price was $2,500,000 for the country club facility on La Canada, and excludes the Resort's nine-hole golf course. As such, the Sales Comparison Approach is limited by the available data.

The data is presented in the following section. A map showing the location of each sale relative to the subject property is contained on the following page. Photographs and data sheets for each sale follow. Given the limited sale data, a traditional Sales Comparison Approach analysis is not undertaken. Rather, the circumstances and characteristics of the sales are compared in general terms.

COMPARABLE SALES MAP



COMPARABLE IMPROVED SALE

COMPARABLE SALE: 1

LOCATION:	945 W. Vistoso Highlands Drive Oro Valley, AZ 85755
LEGAL DESCRIPTION:	Portion of Sections 23, 24, and 26, Township 11S, Range 13E, G&SRM, Pima County, Arizona
TAX CODE NUMBER:	219-19-1910; 219-19-1950; & 219-22-410A;
RECORDS:	Instrument: Special Warranty Deed Date Recorded: 6/30/2010 Document No.: 2010-1250573
SELLER:	SPE GO Holdings, Inc.
BUYER:	IRI Golf Group, LLC; Vistoso Golf Course, LLC
SALE PRICE:	$3,735,000
TERMS:	20% Down; Balance due in 5 years
SITE SIZE:	208.12 Acres

BUILDING IMPROVEMENTS:	11,409 S.F. Clubhouse, bar & grill, & cart storage
GOLF COURSE IMPROVEMENTS	18 Holes
SALE PRICE PER SQ. FT.:	$327.37
SALE PRICE PER GOLF HOLE:	$207,500
GROSS ANNUAL INCOME:	Not Disclosed
OVERALL RATE:	Not Disclosed
ZONING:	PAD, Oro Valley
AGE AND YEAR BUILT:	18 years; 1996
CONDITION:	Good
THREE YEAR HISTORY:	No prior sales within 3 years prior to sale date.
MARKETING TIME:	Foreclosure; Trustee's Deed recorded 3/25/10; Sale recorded 6/30/10 90 day escrow
CONFIRMED WITH:	Public Records. Seller was a receiver. Buyer is now bankrupt & the property is once again in receivership. Entities no longer involved with property.
DATE CONFIRMED:	November, 2014

DESCRIPTION OF IMPROVEMENTS:

18-hole golf course in Rancho Vistoso, Pima County, Arizona. Improvements include a bar & grill, tournament services, banquet services, cart storage area, and retail sales shop.

COMMENTS: This sale was lender-owned. In March, 2010, a Trustee's Deed was recorded in the amount of $1,100,000. The Buyer, IRI Golf Group, owned several other courses in the Tucson area, and subsequently defaulted on all the properties. This sale is currently in receivership and is being managed by OB Sports.

I.D.: 14-226-SP.GCS1

COMPARABLE IMPROVED SALE

COMPARABLE SALE: 2

LOCATION:	12000 E. Tanque Verde Road Tucson, AZ 85749
LEGAL DESCRIPTION:	All of Blocks 1 through 19, Forty Niners Country Club Estates, according to Book 15 of Maps and Plats, Page 39, records of Pima County, Arizona, except any portion of 49ers Water company, an Arizona Corporation.
TAX CODE NUMBERS:	35 parcels
RECORDS:	Instrument: Special Warranty Deed Date Recorded: 6/14/12 Document No: 20121660901
SELLER:	49er Country Club, LLC IRI Golf Group
BUYER:	MACCO, LLC Ronald W. McKenzie & Clay McKenzie
SALE PRICE:	$250,000
TERMS:	Cash
SITE SIZE:	135.92 Acres (Est.)

BUILDING IMPROVEMENTS:	9,422 SF Clubhouse 3,588 SF Utility/Cart Maintenance Building
GOLF COURSE IMPROVEMENTS:	18 holes; Driving Range; Bar & Grill Restaurant; Practice area
SALE PRICE PER SQ. FT.:	$19.22
GROSS ANNUAL INCOME:	Not Disclosed
OVERALL RATE:	Not Disclosed
ZONING:	CR-1, Pima County Single-Family Residential Minimum Lot 36,000 SF
AGE AND YEAR BUILT:	51; 1963
CONDITION:	Average, with items of deferred maintenance, including roofing, electrical, and HVAC systems need repairs.
THREE YEAR HISTORY:	9/99 - $3,400,000 sold to IRI Golf Group
MARKETING TIME:	Not listed.
CONFIRMED WITH:	Public Records. Calls to Buyer's representative were not returned. Seller was in bankruptcy proceedings and contact information was not available.
DATE CONFIRMED:	November, 2014

DESCRIPTION OF IMPROVEMENTS: 18-hole golf course, clubhouse, restaurant & driving range. The course and improvements had been neglected due to financial difficulties. Seller was in bankruptcy and water service had been shut off for non-payment of water bills and outstanding debt for construction of effluent water pipeline. Deferred maintenance items included roofing, electrical systems, and HVAC system.

COMMENTS: Buyer was a resident of the 49er Country Club Estates community. A condition of sale was restructure of the outstanding debt to the City of Tucson of $327,000 for the effluent water pipeline. Buyer will pay $3,162 per month with 3% interest starting in July, 2012 and running through June 2022.

I.D.: 14-226-SP.GCS2

OFFER

COMPARABLE: 3

LOCATION:	
El Conquistador Country Club:	10555 N. La Canada Boulevard
LEGAL DESCRIPTION:	
El Conquistador Country Club:	Portions of Sections 10 & 11, T12S R13E; and G&SRB&M, Pima County, AZ
TAX CODE NUMBERS:	
Country Club:	224-24-2650; -2660; -2670; -2620; -2630; -2640; -160G; 224-26-5630; -5640; -5650; 224-10-1190; -1200;
RECORDS:	Instrument: Letter of Intent Date: 10/6/14 (approximate) Docket/Page: N/A
SELLER:	El Conquistador MAH II, LLC Metropolitan Life Insurance Company
BUYER:	Not Disclosed
OFFER PRICE:	$2,500,000
TERMS:	Cash to Seller
SITE SIZE:	240.5 Acres

	According to Pima County Assessor's Records
SIZE OF IMPROVEMENTS:	45,025 S.F.
SALE PRICE PER SQ. FT.:	$55.52
GROSS ANNUAL INCOME:	$4,076,084
GROSS INCOME MULTIPLIER:	0.61
ZONING:	PAD, Planned Area Development, Oro Valley Golf Course/Recreation
AGE AND YEAR BUILT:	31; 1983
CONDITION:	Average with some deferred maintenance items
THREE YEAR HISTORY:	12/6/12 - Trustee's Deed - $19,512,268 12/31/02 - $69,000,000
MARKETING TIME:	3+ years
CONFIRMED WITH:	Jerry Hawkins, CBRE (520) 323-5100
DATE CONFIRMED:	November, 2014

DESCRIPTION OF IMPROVEMENTS:

Two 18-hole golf courses; driving range and practice facilities; 45,025 SF clubhouse; 15 lighted tennis courts; two swimming pools; lighted basketball court; 6 racquetball courts; fitness center with private fitness studios; four locker rooms, 2 whirlpool spas; 2 saunas; two gift shops; bar & grill; and banquet facilities.

COMMENTS: Full Facility Memberships include unlimited use of tennis, racquetball, fitness, and social facilities. Golf privileges are available at a discounted rate. Initiation fees are currently $5,000 for Golf members, with monthly dues of $435. Sports and Fitness memberships are $150 for individuals and $300 for families with monthly dues of $94 and $135 respectively. Members and their families receive preferred rates at the Hilton hotel.

I.D.: 14-226-SP.GCS4

IMPROVED SALES ANALYSIS

The subject El Conquistador Resort and Country Club properties are well located in Oro Valley. The country club facilities and two 18-hole golf courses have a good reputation and exhibit an average to above-average level of maintenance. Competitive properties include Westin La Paloma, Loew's Ventana Canyon, Omni Tucson National, Ritz-Carlton Dove Mountain, and Marriott Starr Pass. The golf courses at La Paloma and Ventana Canyon are private. The Marriott Starr Pass property is currently in receivership. All of these properties are affiliated with a major hotel brand. However, the appraisal of the subject properties excludes the Hilton El Conquistador Hotel. Therefore, sales of these properties were not appropriate for analysis.

Search parameters focused on sales of properties that are similar in size, age and condition. Due to the limited data, the Sales Comparison Approach is limited. Thus, this analysis includes the only two sales that are considered reasonably comparable to the subject, plus the Letter of Intent for the purchase of the subject El Conquistador Country Club.

Test of Reasonableness:

Given the previously discussed risk factors that impact the subject property, this Sales Comparison Approach analysis is presented more as a test of reasonableness for the value opinion from the discounted cash flow analysis. We strongly believe that any investor that would buy the property today would rely more heavily on the indicated value from the DCF. The DCF analysis more accurately reflects an investor's expectation and the risks for the subject property.

Valuation Analysis:

Adjustments are considered to the comparables for each of the following elements of comparison: real property rights conveyed, conditions of sale, financing terms, market conditions, location and other physical characteristics. The sale price per golf hole is the most commonly used unit of comparison for this type of property. This unit of comparison is calculated by dividing the sale price by the number of golf holes.

All comparable sales were confirmed either by a broker or party to the transaction or investigated through online data sources. Offer Three is the Offer to purchase the subject country club property on La Canada Drive. No adjustments to Offer Three are necessary. Quantitative adjustments to the sales have been made for each element of comparison. Analysis of the appropriate elements of comparison is presented in the following paragraphs.

Property Rights Conveyed:

The property rights conveyed in a transaction typically have an impact on the price that is paid. Acquiring the fee simple interest implies that the buyer is acquiring the full bundle of rights. All of the comparables involved the transfer of the fee simple interest. Therefore, no adjustments were necessary for property rights.

Conditions of Sale:

Adjustments for conditions of sale usually reflect the motivations of the buyer and the seller. In many situations the conditions of sale may significantly affect transaction prices. Sales One and Two were distressed sales. Sale One was lender owned. At the time of this sale, distressed sales were common and typical of the market. No adjustment is made. Sale Two's seller was in the process of starting bankruptcy proceedings and the golf course was closed due to non-payment of the water bills. A local resident bought the course for $250,000. In addition, the buyer was obligated to pay the outstanding water bills and debt of about $327,000 to Tucson Water for construction costs to extend reclaimed water lines about 7 miles to the course. The amount of unpaid water bills was not disclosed by the City of Tucson. Thus, the sale price is $777,000. An upward adjustment is applied for the significantly discounted price.

The offer to purchase the subject country club is an "arms length" transaction with no extraordinary conditions. No adjustments are needed.

Financing Terms:

Consideration is given to the effect of financing terms on the sale prices of the comparable sales. Since the definition of market value requires that the property be appraised in terms equivalent to cash to the seller with the buyer typically obtaining conventional financing, an adjustment may be necessary for financing terms that are inconsistent with the market.

The transaction for Sale One involved a 20% down payment with the balance due in 5 years. No adjustment is applied. Sale Two was a cash transaction and Offer 3 is assumed to be cash to the seller. Adjustments are unnecessary.

Market Conditions:

The transaction dates for the closed comparables are June, 2010 and June 2012. The effective date of value is November 3, 2014. Sale prices for commercial properties in all sectors declined about 40% from 2010 to 2013, when the market stabilized. A downward adjustment is applied to Sale One for its 2010 sale date.

No adjustments are applied to Sale Two for its 2012 sale date.

Location:

The subject properties have good Oro Valley locations with good access and visibility. Sale One and Offer 3 have similar locations and adjustments are unnecessary. Sale Two is located in East Tucson with inferior visibility and population base. An upward adjustment is applied.

Physical Characteristics:

Adjustments for physical characteristics include the size of the building, the age, condition and quality of construction, floor plan layout and finishes, parking/coverage ratio, building/site utility, and other attributes.

Size: Due to economies of scale, the market frequently recognizes that a larger property tends to sell for a lower price per square foot. Conversely, a smaller property will generally sell for a higher price per square foot. The subject has 45,025 square feet of gross building area and the comparable sales are much smaller with 11,409 and 9,422 square feet, respectively. Downward adjustments are made.

Construction/Quality: The subject is classified as a good Class C masonry and stucco clubhouse based on the definitions in the *Marshall Valuation Service* (MVS). Sale One is similar and Offer 3 is the subject. No adjustment is made. Sale Two is an average quality Class C structure. An upward adjustment is made for inferior quality.

Age/Condition: The actual age of the subject is 32 years. The overall condition is rated as average. The comparable sales are 18 years and 26 years old. A downward adjustment is applied to Sale One for its newer construction. .No adjustment is made to Sale Two.

Here follows the Improved Sales Adjustment Matrix.

IMPROVED SALES ADJUSTMENT MATRIX

ELEMENTS OF COMPARISON	SUBJECT	SALE 1	PER HOLE ADJUSTMENTS	SALE 2	PER HOLE ADJUSTMENTS	OFFER 3	PER HOLE ADJUSTMENTS
	El Conquistador Resort & Country Club 10555 N. La Canada Dr. 10000 N. Oracle Road, Oro Valley, AZ	Golf Club @ Vistoso 945 W. Vistoso Highlands Dr. Oro Valley, AZ		49er Country Club 12000 E. Tanque Verde Rd.		SUBJECT PROPERTY 10555 N. La Canada Dr	
SALE PRICE PER SQ. FT.:	N/A	$3,735,000	$207,500	$577,000	$32,056	$2,500,000	69,444
PROPERTY RIGHTS CONVEYED	Fee Simple	Fee Simple		Fee Simple		Fee Simple	
Adjustment		0%	$0	0%	$0	0%	$0
			$207,500		$32,056		69,444
FINANCING TERMS	Assume cash to seller	20% Down; Balance in 5 Yrs		Cash		Assume cash to seller	
Adjustment		0%	$0	0%	$0	0%	$0
			$207,500		$32,056		69,444
CONDITIONS OF SALE	Market	Lender Owned		Distressed		Market	
Adjustment		0%	$0	50%	$16,028	0%	$0
			$207,500		$48,083		69,444
DATE OF SALE	November 3, 2014	June 30, 2010		June 14, 2012		June 28, 2012	
Adjustment	(Date of Value)	-40%	($83,000)	0%	$0	0%	$0
ADJUSTED SALE PRICE PER SQUARE FOOT:			**$124,500**		**$48,083**		**69,444**
LOCATION							
General Location & Access	Good Oro Valley	Good Oro Valley		Good East Tucson		Good Oro Valley	
Visibility/Traffic Count	Good 21,000-23,000	Good/16,000		Below Avg / 8,523		Good 21,000-23,000	
Net Location Adjustment	N/A	0%	$0	+25.0%	$12,021	0%	$0
PHYSICAL CHARACTERISTICS							
Building Size (S.F.)							
Country Club	45,025	11,409		9,422		45,025	
Resort	10,033	N/A		N/A		10,033	
Adjustment	N/A	-20%	($24,900)	-25%	($12,021)	0%	$0
No. of Holes of Golf	45	18		18		36	
Adjustment	N/A	0%	$0	0%	$0	0%	$0
Construction/Quality	Masonry; stucco/Good	Masonry & stucco/Good		Masonry & stucco / Avg		Masonry & stucco / Good	
Adjustment	N/A	0%	$0	20%	$9,617	0%	$0
Age/Condition	32 Years / Average	18 Years / Average		26 Yrs./ Below Average		26 Yrs./ Below Average	
Adjustment	N/A	-20%	($24,900)	0%	$0	0%	$0
	ADJUSTED PRICE/HOLE.:		**$74,700**		**$57,700**		**69,444**

IMP Matrix 14-226-SP

Value Conclusion - Sales Comparison Approach:

The unadjusted price per golf hole indicators from the improved sales are from $32,056 to $207,500 per hole. Before adjustments, these sales have wide differences in values. After adjustments for the elements of comparison, the estimated value range is from $57,700 to $74,700 per hole. The mathematical average is $66,200 per hole. Sale One is the most comparable to the subject. However, its clubhouse facilities are much smaller. Strongest weight is given to the Offer for the subject.

Based on the foregoing, it is our opinion that the value of the subject through the Sales Comparison Approach is $72,000 per golf hole, as follows:

45 HOLES X $72,000 /HOLE = $3,240,000

"AS IMPROVED" VALUE OPINION FOR THE SUBJECT PROPERTY THROUGH THE SALES COMPARISON APPROACH............................$3,240,000

EXPOSURE TIME

Based on the marketing times from the comparable sales and interviews, the exposure period for the subject property is estimated to be 12 months, if price in accordance with the appraised value.

COST APPROACH

"AS IS" El Conquistador Country Club & Pusch Ridge Golf & Tennis

I. ESTIMATED REPLACEMENT COST

Includes Direct & Most Indirect Costs

El Conquistador Country Club;
Tennis, Racquetball,Fitness Facilities;
Golf, Restaurant & Banquet Facilities,
Snack Shop, M&W Lockers, Sauna,
Whirlpool.

	El Conquistador C.C. (Good Quality)	Pusch Ridge (Avg Quality)
Country Club: MVS, Section 11, Page 31	$164.69	$125.96
Multiplied by Current Cost Multiplier	1.03	1.03
Multiplied by Local Multiplier	0.94	0.94
Floor Area - Perimeter Multiplier	1.00	1.00
Adjusted Cost	$159.45	$121.95

Golf Course Maintenance Bldg:	El Conquistador	Pusch Ridge
MVS, Section 14, Page 32, Avg Quality	$53.35	$53.35
Multiplied by Current Cost Multiplier	1.03	1.03
Multiplied by Local Multiplier	0.94	0.94
Floor Area - Perimeter Multiplier	1.00	1.00
Adjusted Cost	$51.65	$51.65

Golf Course	36 Holes	9 Holes
MVS, Section 67, Page 1, Class III	$200,000	$200,000 /Hole
Multiplied by Current Cost Multiplier	1.03	1.03
Multiplied by Local Multiplier	0.94	0.94
Floor Area - Perimeter Multiplier	1.00	1.00
Adjusted Cost	$193,640 /Hole	$193,640 /Hole

Tennis Courts		
MVS, Section 67, Page 7, Good Quality	$64,000 /Court	$64,000 /Court
Multiplied by Current Cost Multiplier	1.03	1.03
Multiplied by Local Multiplier	0.94	0.94
Floor Area - Perimeter Multiplier	1.00	1.00
Adjusted Cost	$61,965 /Court	$61,965 /Court

E.C. Country Club Facilities	45,025 S.F.	X	$159.45 / S.F.	=	$7,179,365
E.C. Golf Course Maintenance Buliding	4,220 S.F.	X	$51.65 / S.F.	=	$217,978
E.C. Golf Course	36 Holes	X	$193,640 /Hole	=	$6,971,040
E.C. Tennis Courts	16 Courts	X	$61,965 /Court	=	$991,437
Pusch Ridge Golf & Tennis Shop	6,498 S.F.	X	$121.95 / S.F.	=	$792,460
Pusch Ridge Golf Maintenance Building	3,535 S.F.	X	$53.35 / S.F.	=	$188,592
Pusch Ridge Golf Course	9 Holes	X	$4,220 /Hole	=	$37,980
Pusch Ridge Tennis Courts	15 Courts	X	$61,965 /Court	=	$929,472
Gross Building Area	59,294 S.F.		10,033 S.F.		$17,308,324

ADDITIONAL IMPROVEMENTS

Parking Lot - Pusch Ridge	74 Spaces		$1,740.00 /Space	=	$128,760	
Asphalt Paving - C.C.	80,000 S.F.		$3.00 / S.F.	=	$240,000	
Concrete Paving - C.C.	2,000 S.F.		$5.50 / S.F.	=	$11,000	
Parking space striping - C.C.	200 Spaces		$6.40 /Space	=	$1,280	
Handicap striping - C.C.	6 Spaces		$750.00 /Space	=	$1,500	
Racquetballl courts - C.C. & Resort)	7 Courts		$50,000.00 /Court	=	$350,000	
40' x 75' lap pool and decking - C.C.	3,000 SF		$75.00 /SF	=	$225,000	
Family Pool & decking - C.C.	576 SF		$60.00 /SF	=	$34,560	
Indoor whirlpool spas (2) - C.C.	2 Spas		$13,500.00 /Spa	=	$27,000	
Indoor saunas (2) - C.C.	2 Saunas		$14,500.00 /Sauna	=	$29,000	
Porte Cachere - C.C.	625 SF		$45.50 /SF	=	$28,438	
Landscaping - C.C.	10,500 S.F.		$6.50 / S.F.	=	$68,250	
Tennis lights - C.C. & Resort	31 Courts		$12,500.00 /Court	=	$387,500	
Sprinklers - C.C.	59,294	X	$2.87 /SF	=	$170,174	
					$1,702,461	$1,702,461

SUBTOTAL OF DIRECT & INDIRECT COSTS		$19,010,785
INDIRECT COSTS		
Appraisal for new construction	$8,000	
Property Taxes for 6 Months	$52,558	
Permanent Loan Origination Fee @ 1.0%	$28,700	
Legal & Title Fees	$5,000	
Total Other Indirect Costs	$35,650	$35,650
TOTAL DIRECT AND INDIRECT COSTS		$36,354,758
ENTREPRENEURIAL INCENTIVE @	15.00%	$5,453,214
TOTAL REPLACEMENT COST, NEW		$41,807,972

II. LESS ACCRUED DEPRECIATION:

Total Improvement Costs		X	Depreciation	=	Accrued Depreciation	
Physical:	$41,807,972	X	25%	=	$10,451,993	
Functional:			20%		$8,361,594	
External:			50%		$20,903,986	
TOTAL ACCRUED DEPRECIATION						$39,717,574
DEPRECIATED REPLACEMENT COST						$2,090,399

III.	**LAND VALUE, AS IF VACANT - EL CONQUISTADOR**	@ 7,000/AC	$1,680,000
	LAND VALUE, AS IF VACANT - PUSCH RIDGE	@8,400/AC	$340,500
IV.	**"AS IS" VALUE OPINION FOR THE REAL ESTATE:**		$4,110,899
	Add Depreciated Value of FF&E:		Included
V.	**"AS IS" VALUE OPINION THROUGH THE COST APPROACH**		$4,100,000
			$59.14 /S.F.

COST APPROACH

In the Cost Approach, the value opinion for the subject property is based on the depreciated replacement costs of the improvements. The Cost Approach is based upon the principle of substitution which considers that a prudent buyer would not pay more for a property than it would cost to acquire an equally desirable site and construct improvements with similar utility without undue or costly delay. With new or proposed properties, the Cost Approach is typically utilized to verify and illustrate projected development costs, and depreciation does not typically apply. However, the Cost Approach is rarely relied upon by buyers for their purchase decisions. Due to the oversupply of golf courses in the Tucson Metropolitan Area, there is limited comparable land sale data available. With the exception of the Sewailo Golf Course developed on Pasqua Yaqui federal land, no new golf courses have been developed in Tucson for at least 20 years. As discussed in the Highest and Best Use, the consistent use theory holds that land cannot be valued based on one use while improvements are valued based on another. Thus, since the subject improvements being valued in the Cost Approach include the golf course and country club, comparable sales should also have a highest and best use for golf course use. However, stand-alone golf courses are not financially feasible and no golf course land sales were found. The only sales available included open space land sales to government entities, flood-prone properties, and low density residential land for future residential development.

Due to the external and functional obsolescence created by the oversupply of golf courses and declining demand in the golf market, accrued depreciation applied to the improvements is significant. Due to weak market conditions, coupled with the lack of consistent-use land sales, little weight is given to the value indicated through the Cost Approach.

The replacement cost, new, of the improvements is estimated. We have relied upon the published cost data in *Marshall Valuation Service* to estimate the replacement cost, new, for the existing improvements.

From the Replacement Cost, New, the appraiser deducts any accrued depreciation, including physical, functional, and external. This results in the depreciated replacement cost of the improvements. Depreciation is a loss in value due to any cause. The improvements were constructed in 1982 and are in average condition, overall. The appropriate method of estimating depreciation is discussed further in the Cost Approach Analysis.

The land value is then added to the depreciated cost of the improvements to arrive at an indication of market value through the Cost Approach.

LAND VALUATION

The Sales Comparison Approach is used to estimate the market value of the subject Country Club site, as if vacant, with 240.12-acres to arrive at a value per acre. The value of the Country Club site is used as a benchmark for the value of the Pusch Ridge site with about 45 acres. Due to economies of scale, larger sites tend to sell for less per acre than smaller sites. Thus, an upward adjustment is applied to the value of the Country Club site, to estimate the value of the Pusch Ridge site.

In the Sales Comparison Approach, sales of similar sites in the subject area are compared and adjusted to the subject property. This approach applies the principle of substitution which affirms that when a property can be replaced, its value tends to be set by the cost of acquiring an equally desirable substitute property without undue or costly delay.

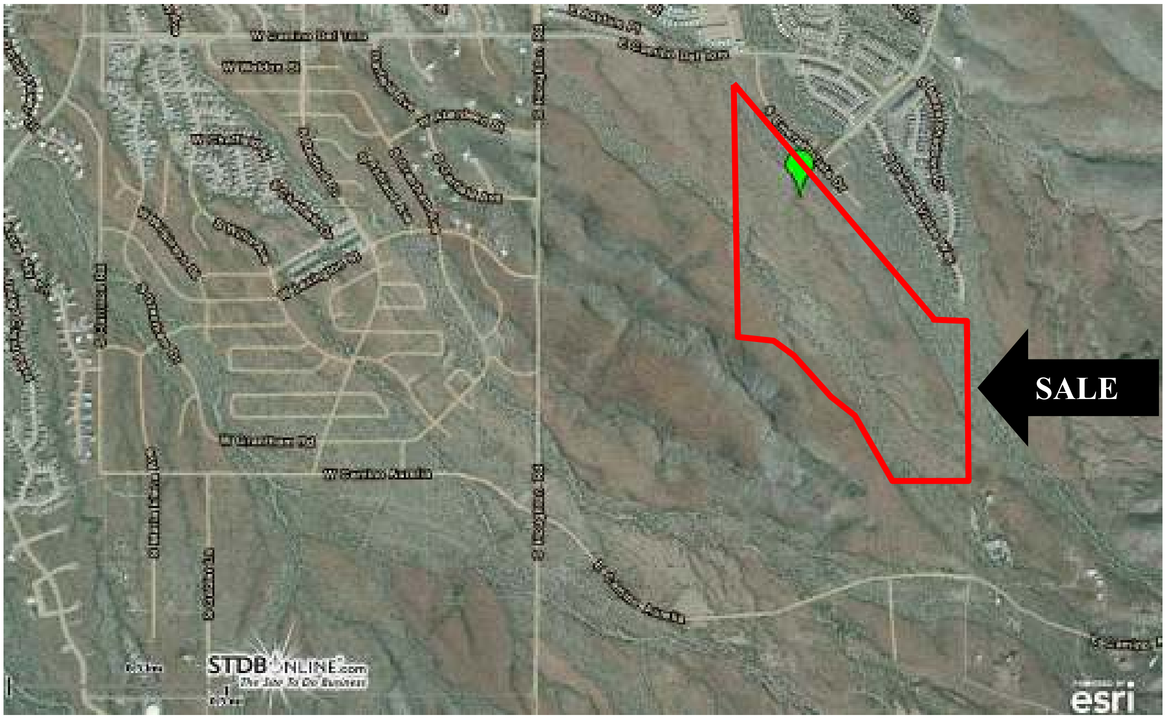
The subject properties have good locations in Oro Valley. As such, there is limited available data for recent land sales that are considered to be truly comparable in terms of location, physical characteristics and consistent use. The market data that is included in the analysis is considered to be the best available and provides a credible opinion of value.

Adjustments are made to the comparable sales based on the following elements of comparison: property rights conveyed, financing terms, conditions of sale, market conditions or date of sale, location, physical characteristics and zoning/intended use. Given the large site area involved, the sale price per acre is the appropriate unit of comparison for the analyses. This is derived by dividing the sale price by the acreage of the site. Due to the limited comparability of the sales, qualitative adjustments, rather than quantitative adjustments, are made for differences between the sales and the subject.

A location map showing the location of the comparable sales relative to the subject property, data sheets for the vacant land sales, and discussions of the adjustments made to the comparable sales follow.

LAND SALES MAP

COMPARABLE LAND SALE



Depiction of parcel is approximate, not to scale.

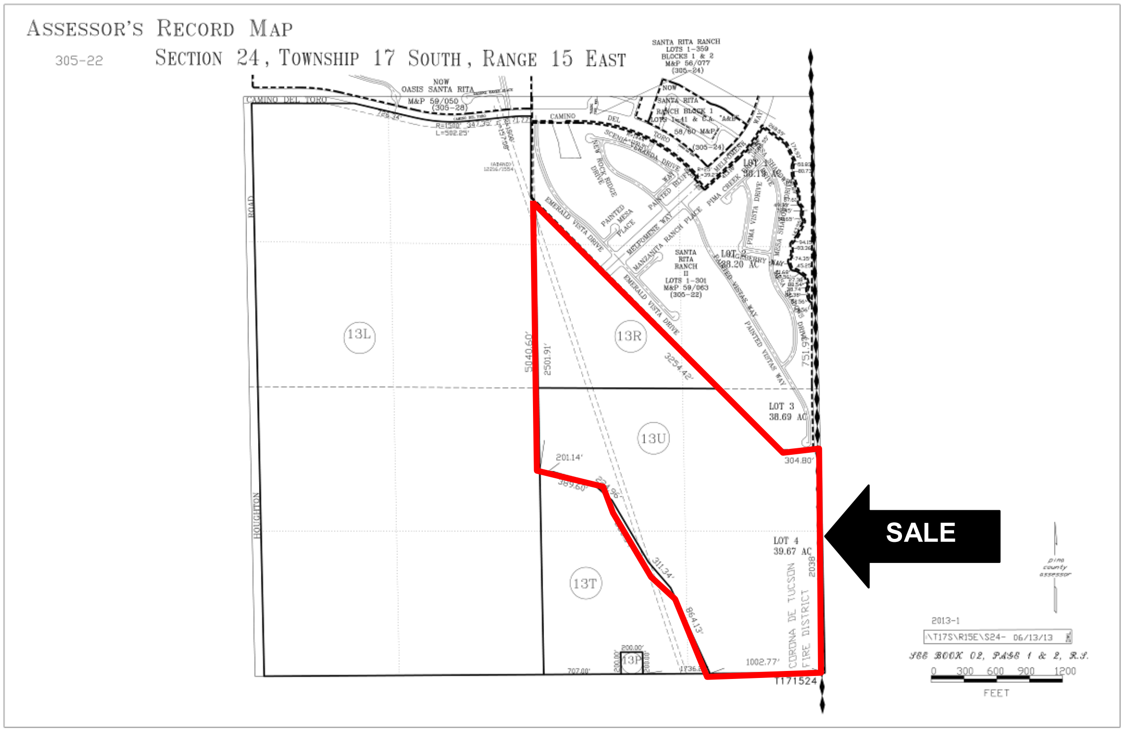
COMPARABLE SALE NUMBER:	1
LOCATION:	Southwest Camino Del Toro & Melpomene Section 13, T17S R15E, Vail, AZ 85641
LEGAL DESCRIPTION:	Portion of the NE4 of the NW4, of Section 13, T17S R15E G&SRB&M, Tucson, AZ
ASSESSOR'S PARCEL NUMBERS:	305-22-013R; 013S. Parcel 305-22-013S was simultaneously split into 013T I& 013U. The seller retained 013 T
RECORDS:	Instrument: Warranty Deed Date Recorded: 5/8/13 Document #: 2013-1280224
SELLER:	Arizona Equity II, LLC
BUYER:	Santa Rita Ranch III, LLC
SALE PRICE:	$1,700,000
TERMS:	Cash

SITE SIZE:	134.21 Acres
SALE PRICE PER ACRE:	$12,667
ZONING:	SP, Specific Plan, Santa Rita Ranch, Pima County
COMPREHENSIVE PLAN:	MIU, Medium Intensity Urban
INTENDED USE:	Single-family development as an expansion to the Santa Rita Ranch development adjacent northeast.
PHYSICAL DESCRIPTION:	
Topography/Shape:	Irregular, not adverse
Flood Zone:	Zone X, an area outside the 100-year floodplain, according to the FEMA Map 04019C3500L, effective June 16, 2011. Multiple washes and Riparian Habitat that do not significantly impact development potential.
Utilities:	All utilities available adjacent north in Santa Rita Ranch II development.
Access/Visibility:	Physical access via Melpomene Way, a residential street at this location.
THREE YEAR HISTORY:	Trustee's Deed Recorded 1/3/12. Lender P.I. Holdings No. 4, Inc. sold to Arizona Equity II, LLC on 5/8/13 for $850,000 and Arizona Equity II, LLC sold to Santa Rita Ranch III, LLC for !,700,000 in a double escrow transaction on the same date.
MARKETING TIME:	Not listed.
CONFIRMED WITH:	Affidavit of Value
DATE CONFIRMED:	April, 2014

COMMENTS: The affidavit of value indicates that all of parcels 305-22-013R and -013S, consisting of 183.43 acres, was sold. However, according to the Pima County Assessor's records, a portion of parcel -013S was split into -013T and -013U. The seller, Arizona Equity II, LLC retained ownership of -013T, consisting of 49.22 acres. Thus, the total site area involved in this sale transaction was 134.21 acres.

I.D. No. 14-057-L.1

Insert Picture



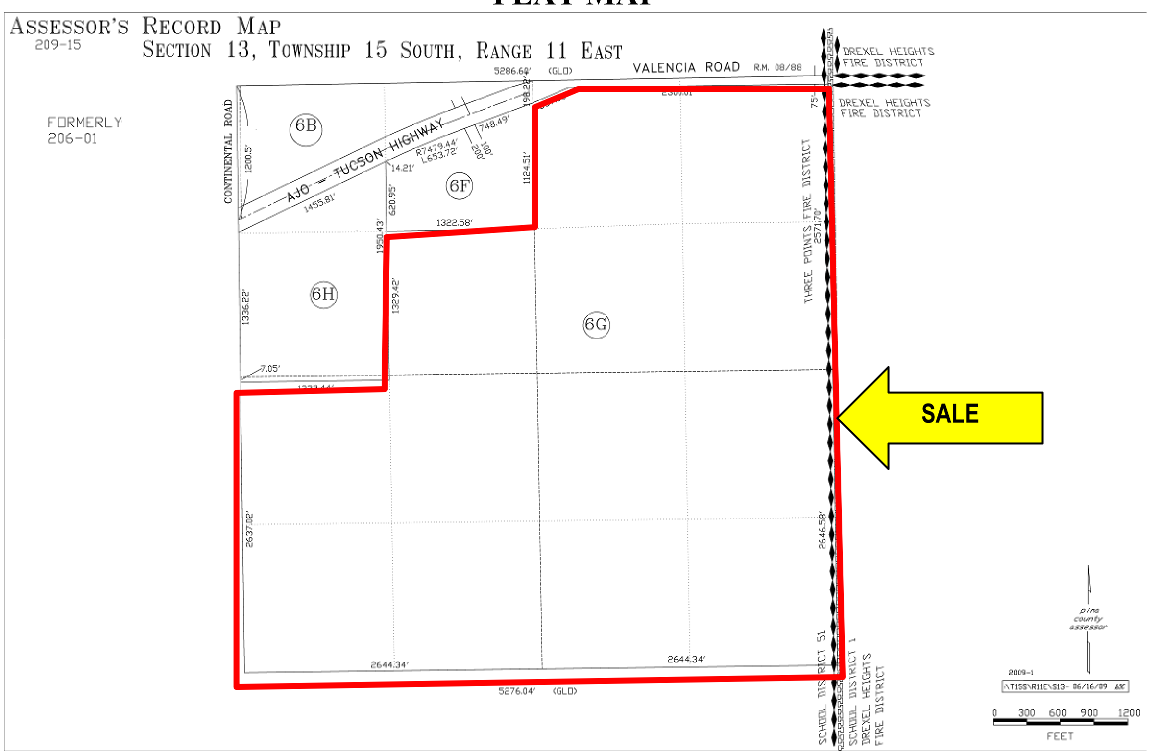
COMPARABLE LAND SALE

COMPARABLE SALE:	2	
LOCATION:	South side of Ajo Highway, State Route 86, Tucson, Pima County, Arizona	
LEGAL DESCRIPTION:	Portion of Section 13, Township 15 South, Range 11 East, Pima County, Arizona	
ASSESSOR'S PARCEL NUMBERS:	209-15-006G	
RECORDS:	Instrument:	Special Warranty Deed
	Date Recorded:	8/4/11
	Document No.:	2011-2160468
SELLER:	Tucson 516, LLC Joe P. Gwerder, Sr. V.P. (702) 798-5111, ext. 233	
BUYER:	SBH Sendero LP Bob Baumbauer (602) 531-4837	
SALE PRICE:	$2,842,035	

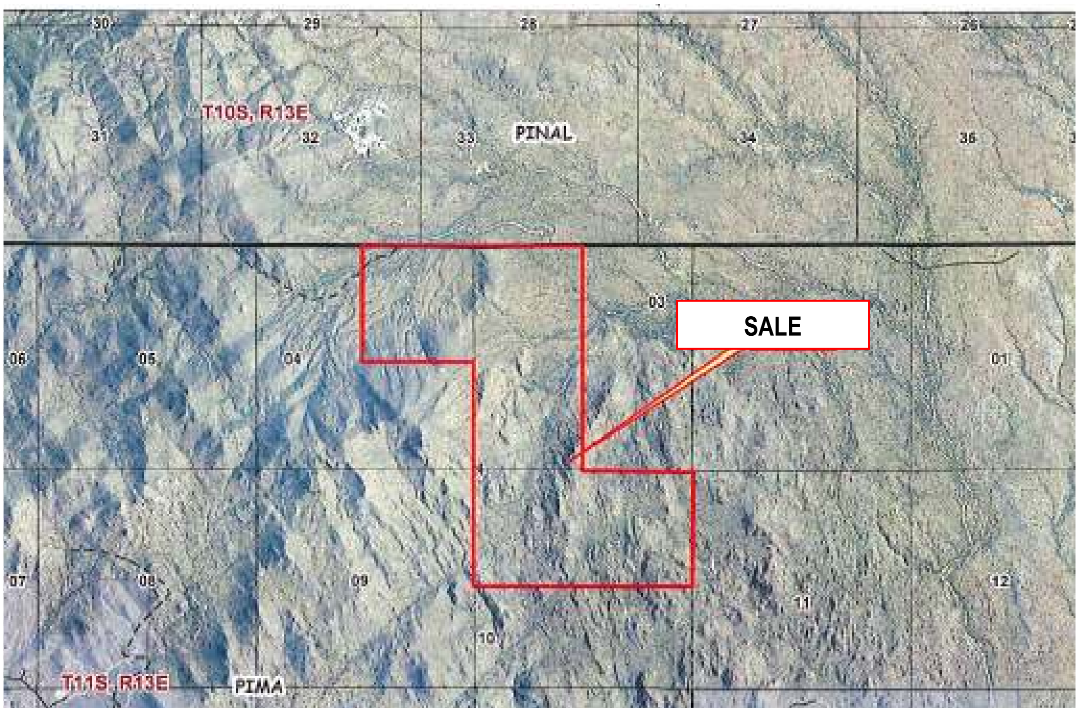
TERMS:	Cash
SITE SIZE:	516.73 Acres
SALE PRICE PER ACRE:	$5,500.04
ZONING:	SP, Specific Plan Sendero Pass Master-Planned Community
INTENDED USE:	Hold for Future Development of Master-Planned Community
PHYSICAL DESCRIPTION:	
Topography/Shape:	Gentle slope
Flood Zone:	A, Base Flood Elevations Determined
Utilities:	All utilities at lot line, except sewer
Access/Visibility:	Good access & visibility from Ajo Highway
THREE YEAR HISTORY:	4/20/06 - $16,650,000 ($19,892/AC)
MARKETING TIME:	3 months
CONFIRMED WITH:	Bob Bambauer, Buyer's representative
DATE CONFIRMED:	November, 2012
COMMENTS:	This parcel was subsequently split and the boundaries changed pursuant to an agreement with adjacent property owner Tucson 738, LLC in which approximately 60 acres of commercial-zoned land was exchanged for 60 acres of residential land. The total site area of the parcel purchased did not change.

I.D.: 12-198-L.1

PLAT MAP


ASSESSOR'S RECORD MAP
209-15
SECTION 13, TOWNSHIP 15 SOUTH, RANGE 11 EAST
FORMERLY
206-01
VALENCIA ROAD
DREXEL HEIGHTS FIRE DISTRICT
DREXEL HEIGHTS FIRE DISTRICT
CONTINENTAL ROAD
AJO - TUCSON HIGHWAY
6B
6F
6H
6G
THREE POINTS FIRE DISTRICT
SALE
SCHOOL DISTRICT 51
SCHOOL DISTRICT 1
DREXEL HEIGHTS FIRE DISTRICT
5286.69' (GLO)
5276.04' (GLO)
2644.34'
2644.34'
2637.02'
2646.58'
1322.58'
1336.22'
1329.42'
1950.43'
1124.51'
1455.81'
1200.5'
FEET
0 300 600 900 1200

COMPARABLE LAND SALE

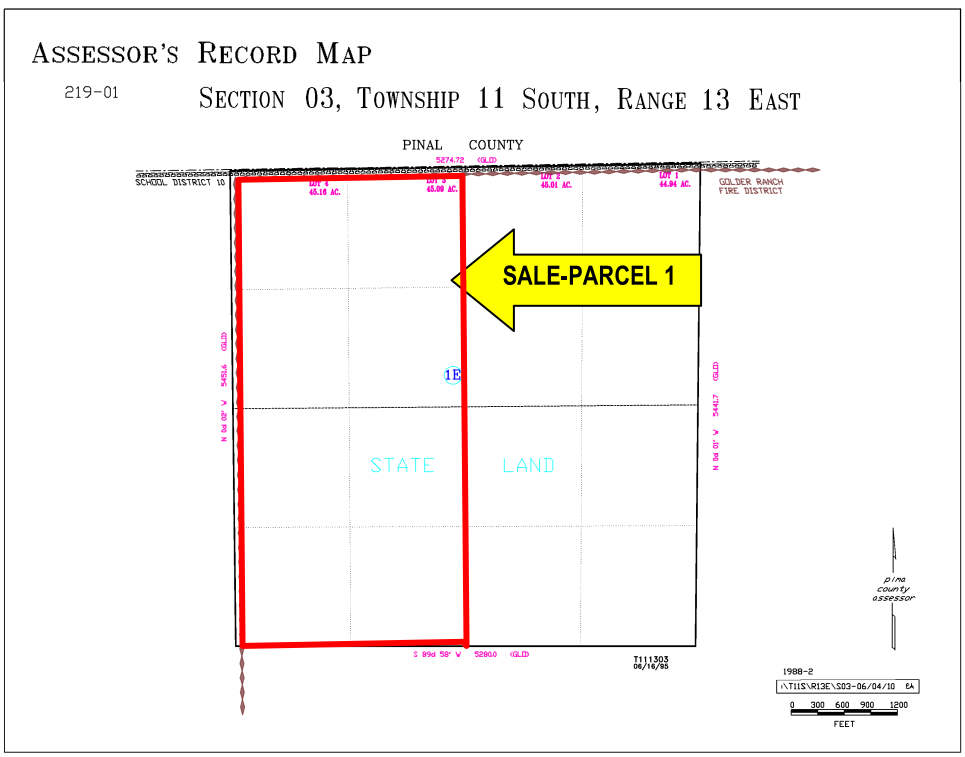


COMPARABLE SALE:	2
LOCATION:	South side of Pinal County Line, Tucson, Pima County, Arizona
LEGAL DESCRIPTION:	Portion of Sections 3, 4 & 10, Township 11 South, Range 13 East, Pima County, Arizona
ASSESSOR'S PARCEL NUMBERS:	Arizona State Trust Land; No Parcel Number Assigned.
RECORDS:	Instrument: Deed Auction Date: 9/14/14 Document No.: N/A
SELLER:	State of Arizona
BUYER:	Pima County
SALE PRICE:	$2,450,000
TERMS:	Cash to Seller
SITE SIZE:	818.82 Acres

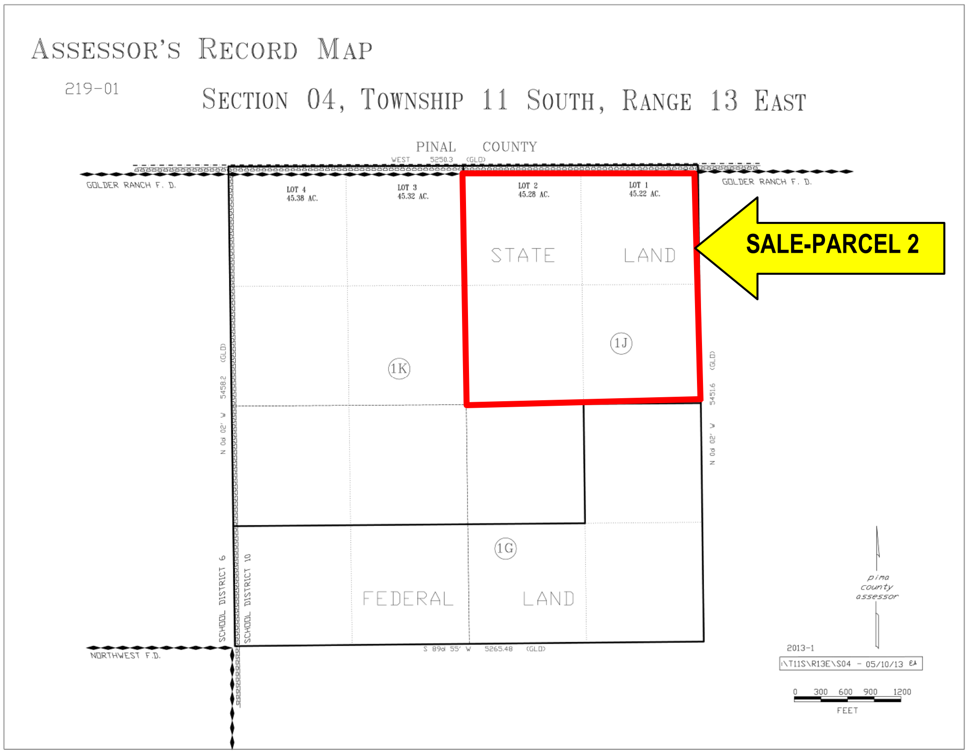
SALE PRICE PER ACRE:	$2,992
ZONING:	RH, Rural Homestead, Pima County
INTENDED USE:	Open Space
PHYSICAL DESCRIPTION:	
Topography/Shape:	Rolling to steeply sloping; 70% sloping; Hillside Development Zone Overlay
Flood Zone:	X, outside 100-year floodplain
Utilities:	No utilities; septic system and well required.
Access/Visibility:	4.5 miles dirt road access. No visibility to high volume of traffic.
THREE YEAR HISTORY:	No prior sales
MARKETING TIME:	State Trust Land.. Not listed. Sold at Auction to Applicant.
CONFIRMED WITH:	Frank Strickler, Seller's representative
DATE CONFIRMED:	November, 2014
COMMENTS:	None

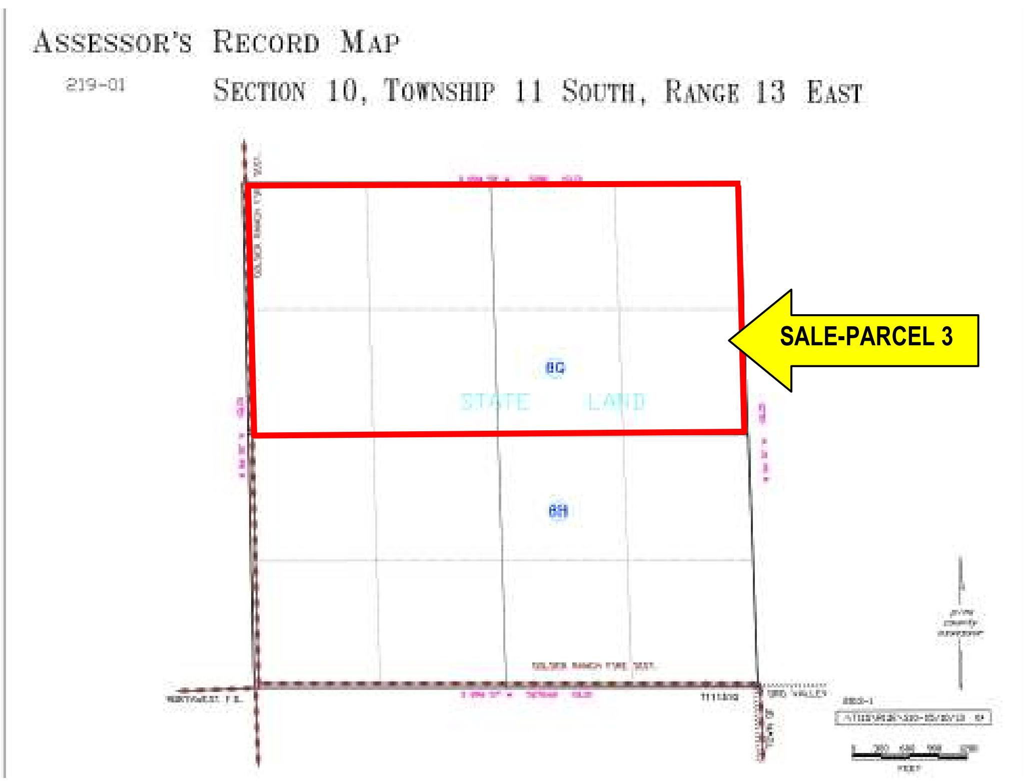
I.D.: 14-226-SP.LS3

PLAT MAPS



ASSESSOR'S RECORD MAP
219-01
SECTION 03, TOWNSHIP 11 SOUTH, RANGE 13 EAST
PINAL COUNTY
5274.72 (GLO)
SCHOOL DISTRICT 10
LOT 4 45.16 AC.
LOT 3 45.09 AC.
LOT 2 45.01 AC.
LOT 1 44.94 AC.
GOLDER RANCH FIRE DISTRICT
SALE-PARCEL 1
1E
STATE LAND
S 89d 58' W 5280.0 (GLO)
T111303
06/16/95
pima county assessor
1988-2
0 300 600 900 1200
FEET


ASSESSOR'S RECORD MAP
219-01
SECTION 04, TOWNSHIP 11 SOUTH, RANGE 13 EAST
PINAL COUNTY
GOLDER RANCH F. D.
LOT 4
45.38 AC.
LOT 3
45.32 AC.
LOT 2
45.28 AC.
LOT 1
45.22 AC.
STATE LAND
SALE-PARCEL 2
1J
1K
1G
FEDERAL LAND
SCHOOL DISTRICT 6
SCHOOL DISTRICT 10
NORTHWEST F.D.
pima county assessor
2013-1
FEET


ASSESSOR'S RECORD MAP
219-01
SECTION 10, TOWNSHIP 11 SOUTH, RANGE 13 EAST
SALE-PARCEL 3
8G
STATE LAND
8H
GOLDER RANCH FIRE DIST.
NORTHWEST F.D.

COMPARABLE LAND SALE

COMPARABLE SALE: 2

LOCATION: North of Duval Road, Between I-19 & Old Nogales Highway

LEGAL DESCRIPTION: Portion of Section 36, Township 17 South, Range 13 East, Pima County, Arizona

ASSESSOR'S PARCEL NUMBERS: No APN assigned. Arizona State Trust Land.

RECORDS:

Instrument:	Deed
Auction Date	7/8/14
Document No.:	Not Available

SELLER: State of Arizona

BUYER: Pima County

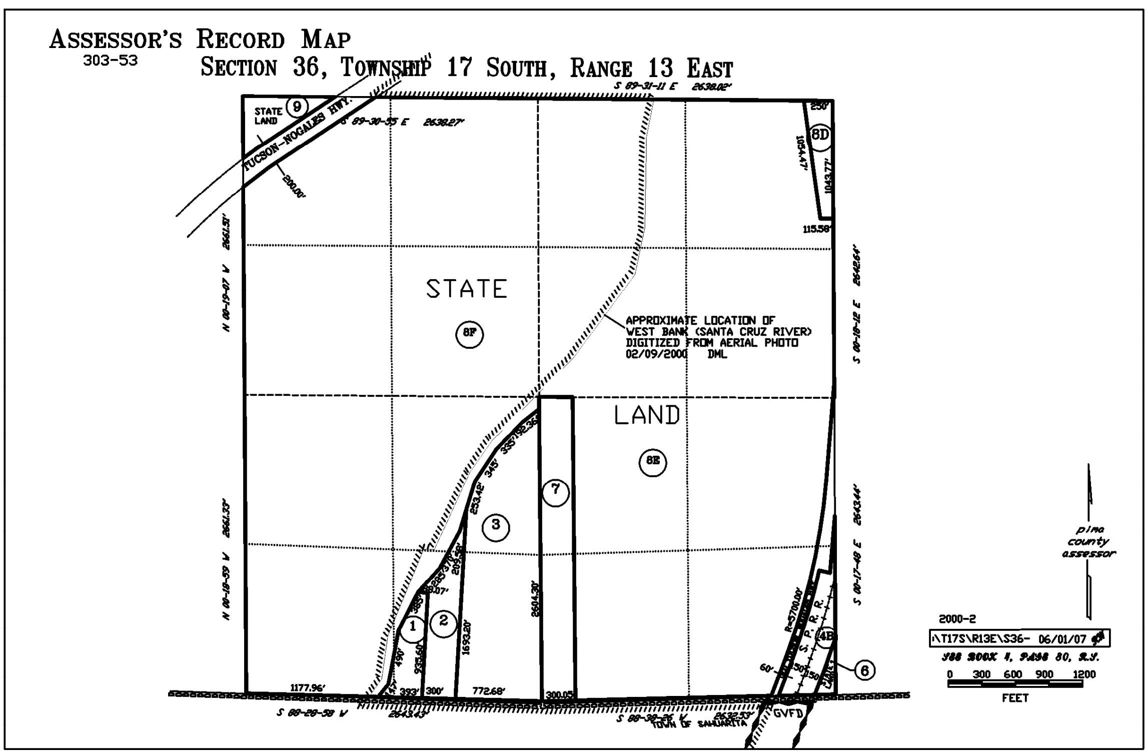
SALE PRICE: $1,100,000

TERMS: Cash to Seller

SITE SIZE:	290.13 Acres
SALE PRICE PER ACRE:	$3,791
ZONING:	RH, Rural Homestead, Pima County
INTENDED USE:	Open Space Buffer
PHYSICAL DESCRIPTION:	
Topography/Shape:	Level / Irreegular
Flood Zone:	Zone AE, Inside 100-year floodplain & floodway
Utilities:	Electric, telephone, I& water nearby; sewer adjacent.
Access/Visibility:	Circuitous access; paved; limited visibility.
THREE YEAR HISTORY:	No prior sales
MARKETING TIME:	State Trust Land; Not Listed. Sold at auction to Applicant.
CONFIRMED WITH:	Frank Strickler, Seller's representative
DATE CONFIRMED:	November, 2014
COMMENTS:	This parcel was purchased by Pima County to provide a buffer between residential development and a wastewater treatment facility.

I.D.: 14-226-SP-L.4

STATE LAND PARCEL MAP



LAND VALUATION ANALYSIS

Four closed sales are included in the analysis to support a value opinion for the subject property through the Sales Comparison Approach. Research for data included sales of vacant land with an intended golf course use. As previously discussed, no such sales were found. The best data available includes two sales of low density residential land and two sales of open space land, one of which is flood-prone. The appraisers acknowledge that the land sales do not conform to the principal of consistent use. The land valuation, as if vacant, is used in the Cost Approach. Significant external and functional obsolescence is applied to the improvements, as will be discussed in greater detail in the Cost Approach. As such, little weight is given to the value indicated by the Cost Approach.

Property Rights Conveyed:

The sale transactions involved the transfer of the fee simple interest. Adjustments are unnecessary.

Financing Terms:

In accordance with the definition of market value, adjustments for financing terms assume all cash or cash to the seller with the buyer obtaining new conventional financing at prevailing interest rates. All sales were cash equivalent transactions and no adjustment is applied.

Conditions of Sale:

Adjustments for conditions of sale include consideration for extraordinary circumstances that affected the sales prices. Examples of unique conditions include: highly motivated parties, purchases by adjacent property owners, liquidation sales or any other factors that may have impacted the selling price. Sales One and Two were arms length transactions with no extraordinary conditions and adjustments are unnecessary. Sales Three and Four were sold at auction to a single bidder at the appraised market value. No adjustments are applied.

Market Conditions (Date of Sale):

An adjustment for market conditions is necessary when a net change in property value has occurred from the date of the oldest sale to the effective date of valuation of the subject property. The effective date of value is November 3, 2014, and the transactions occurred between September 14, 2012, and July 8, 2014. None of the comparable sales provided sale and re-sale information to support changes in value between the date of the oldest transaction and the effective date of value. As previously discussed, there have been few sales of large parcels of land in the Tucson market area during the past 5 years. According to real estate brokers in the area, prices reached bottom about two years ago and have stabilized. Thus, no adjustments for market conditions are indicated.

Location:

The subject properties have good locations in Oro Valley with good access and visibility. Sale One is located in the Southwest Tucson market about 12 miles from Downtown Tucson. Distant mountain views are inferior to the subject's nearby Pusch Ridge views. Upward adjustments are applied for inferior location and views

Sales Two and Three have similar location and view amenity characteristics and no location adjustments are necessary

Sale Four's location and view amenity are inferior and upward adjustments are applied.

Access/Visibility:

Sales One, Two, and Four have paved access and no adjustments are necessary. Sale Three has 4.5 miles of dirt road access and a significant upward adjustment is applied.

Site Size:

Due to economies of scale larger properties tend to sell for less per acre than smaller sites. As previously discussed, this analysis applies to the Country Club location with 240.12 acres. The indicated value per acre is used as a benchmark to estimate the value of the Resort location with about 47 acres. A size adjustment to the benchmark value will provide an indication of value for the Resort site.

Sales One and Three are larger than the subject and upward adjustments are indicated.

Sale Two is smaller that the subject and a downward adjustment is applied.

Sale Four is similar in size and no adjustment is necessary.

Overall Utility:

The subject has below average utility, with the majority of the site in low-lying areas between developed hilltops, washes, and some steeply sloping areas. The topography is rolling to steeply sloping, and portions of the site are inside the 100-year floodplain.

Sale One has good overall utility with gentle rolling topography. It is located inside the 100-year floodplain with undetermined base flood elevations. The overall utility is not adversely impacted by the floodplain since individual residential home sites can be elevated above the base flood elevation as determined for each site. A downward adjustment is applied for this sale's better utility, overall.

Sale Two has good utility, with rolling topography and a location 100% outside the flood hazard area. A downward adjustment is necessary.

Sale Three has significantly inferior utility due to mountainous terrain and hillside development zone restrictions. An upward adjustment is indicated.

Sale Four also has inferior utility by being inside the floodplain and floodway. A significant upward adjustment is necessary.

Zoning:

The subject property is zoned PAD, Planned Area Development with recreational use assigned. As previously discussed, the sales do not have similar zoning and their uses are not consistent with the subject. However, since golf course development is not financially feasible, and open space is the only other legally permissible use, the highest and best use for the subject site, as if vacant, is open space. All of the comparable sales have low-density zoning. No adjustments for zoning are applied.

Conclusion:

Based on the foregoing analysis, it is our opinion that the market value of the subject Country Club site, as if vacant, as of November 3, 2014, is $7,000 per acre, or $1,680,840, rounded to $1,700,000.

"AS IF VACANT" MARKET VALUE OF THE
SUBJECT COUNTRY CLUB SITE, CONSISTING
OF 240.12 ACRES, AS OF NOVEMBER 3, 2014.. $1,700,000

The Resort site consists of 47.03 acres, according to the Pima County Assessor's records. An upward adjustment of 20% is applied to the value-per-acre of the Country Club Site for the Resort site's smaller site size. Thus, the market value of the Resort site, consisting of 40.53 acres, is $8,400 per acre, or $340,450, rounded to $340,500.

"AS IF VACANT"MARKET VALUE OF THE
SUBJECT RESORT SITE, CONSISTING OF
40.53 ACRES, AS OF NOVEMBER 3, 2014 .... $340,450

The above land values are carried forward in the Cost Approach analysis.

RECONCILIATION

The following is a summary of our value opinions through the Income Approach and the Sales Comparison Approach for the fee simple interest in the subject property:

Income Approach Via Excel DCF	$3,300,000
Sales Comparison Approach:	$3,240,000
Cost Approach	$4,100,000
Reconciled Market Value:	$3,250,000

The Income Approach used a discounted cash flow analysis to support the market value of the fee simple interest for the subject property. The Excel software was used. Further, the DCF analysis is by far considered the most reliable and an appropriate approach to support the fee simple value for income-producing properties like the subject.

The DCF analysis considers the risks and costs associated with anticipated changes in income and expenses. Therefore, primary weight is given to the DCF analysis for the subject as improved. Overall, the income, expenses, overall rate and discount rate are well supported by the market data and the opinions of knowledgeable market participants. Based on interviews with golf market professionals, buyers of golf course properties sometimes rely on a Gross Income Multiplier of 0.50 to 1.0, depending on the property's upside potential. A GIM of 0.60, applied to the subject's projected gross revenues in Year One of the DCF analysis provides an indicated value of $3,360,000, which supports the value indicated by the DCF analysis,

Only two sales were discovered for the Improved Sales Comparison Approach that are considered to be somewhat comparable to the subject. The Letter of Intent involving the subject Country Club facilities on La Canada Drive is the strongest indicator of value. The sales presented were impacted by distressed conditions. These sales are considered to be the best available. However, many differences were reflected in the adjustments including locations, size, other physical characteristics and economic characteristics. It is for these reasons that the Sales Comparison Approach is presented more as a test of reasonableness for the indicated value through the discounted cash flow analysis. We believe that a prudent investor would rely almost exclusively on the DCF analysis in analyzing a property like the subject. As a Test of Reasonableness, the value indicated through the Sales Comparison Approach supports the value provided by the Income Approach.

In light of the foregoing, with greatest weight given to the Income Approach, it is our opinion that the market value of the fee simple interest in the subject property, as of November 3, 2014 is **$3,250,000.**

"AS IS" MARKET VALUE OF THE SUBJECT PROPERTY
AS OF NOVEMBER 3, 2014 .... $3,250,000

EXPOSURE TIME

Exposure time is defined as: "The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive market."[12] The comparable sales were not listed with real estate brokers. Given the limited number of commercial sales transactions, the estimated exposure time is 12 months or less if the property is priced in accordance with the appraised value.

[12] *The Dictionary of Real Estate Appraisal, 5th Ed.*, Appraisal Institute, 2010, p 73

CERTIFICATION

THE APPRAISER CERTIFIES 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 are 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 I have no personal interest or bias with respect to the parties involved.

I have performed no services as an appraiser or in any other capacity regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

My compensation is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related t the intended use of the appraisal.

My analyses, opinions, and conclusions were developed, and this report has been prepared in accordance with the standards and reporting requirements of the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation and any governmental authorities referenced within the appraisal report, including but not limited to the FDIC, OCC, and FHLBB.

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(s) signing this certification, except as stated in the report.

The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives and to the requirements of the Arizona Board of Appraisal.

I certify that, to the best of my knowledge and belief, the reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute. The use of this report is subject to the requirements relating to review by its duly authorized representatives.

I hereby certify that I am competent to complete the appraisal assignment. The reader is referred to appraiser's Statement of Qualifications.

No change of any item in the appraisal report shall be made by anyone other than the Appraiser, and the Appraiser shall have no responsibility for any such unauthorized change.

The "Opinion of Market Value" in the appraisal report is not based in whole or in part upon the race, color, or national origin of the prospective owners or occupants of the property appraised, or upon the race, color, or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.

As of the date of this report, Steven R. Cole has completed the continuing education program for Designated Members of the Appraisal Institute.

Steven R. Cole, MAI, SRA
Certified General Real
Estate Appraiser #30130

Date: December 15, 2014

CERTIFICATION

THE APPRAISER CERTIFIES 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 are 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 I have no personal interest or bias with respect to the parties involved.

I have performed no services as an appraiser or in any other capacity regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

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The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives and to the requirements of the Arizona Board of Appraisal.

I hereby certify that I am competent to complete the appraisal assignment. The reader is referred to appraiser’s Statement of Qualifications.

No change of any item in the appraisal report shall be made by anyone other than the Appraiser, and the Appraiser shall have no responsibility for any such unauthorized change.

The "Opinion of Market Value" in the appraisal report is not based in whole or in part upon the race, color, or national origin of the prospective owners or occupants of the property appraised, or upon the race, color, or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.

Date: December 15, 2014

Susanne Grace-Poore
Certified General Real
Estate Appraiser #31601

QUALIFICATIONS OF STEVEN R. COLE, MAI, SRA

FORMAL EDUCATION:

Bachelor of Arts Degree with high honors, University of California, Santa Barbara, 1971

Master's Degree in Business Administration, University of California, Los Angeles, 1973. Concentration: Urban Land Economics

PROFESSIONAL EDUCATION:

Successful Completion of Examinations for the following courses given by the Appraisal Institute:

"Real Estate Appraisal Principles" and "Basic Valuation Procedures"
"Capitalization Theory & Techniques", Parts 1, 2, and 3
"Case Studies in Real Estate Valuation"
"Introduction to Real Estate Investments Analysis"
"Litigation Valuation"
"Standards of Professional Practice", Part A, B & C
"Market Analysis"

Attendance at Numerous Educational Seminars:

PROFESSIONAL MEMBERSHIPS:

Member, Appraisal Institute (MAI), Certification Number 6080. The institute conducts a voluntary program of continuing education for its designated members. MAI's and RM's who meet the minimum standards of this program are awarded periodic educational certification. As of this date, I have completed the requirements under the continuing education program of the Appraisal Institute. I am currently certified through December 31, 2014.

Senior Residential Appraiser (SRA), of the Appraisal Institute.

EXPERIENCE:

Includes valuation of most types of urban real property: single and multi-family residential, commercial, industrial, and vacant land. Experience also includes special purpose properties, feasibility studies, leased fee and leasehold interest, counseling, and appraisal for condemnation since 1975.

ADDITIONAL EDUCATIONAL AND PROFESSIONAL ACTIVITY:

Publication of articles in Professional Journals:

"A New Methodology for Estimating Highest and Best Use", *Real Estate Appraiser and Analyst*, Summer, 1987

"Estimating the Value of Proposed Developments by Discounting Cash Flow", *Real Estate Review*, Summer, 1988

Formerly a Certified Instructor with the Appraisal Institute for "Highest and Best Use Applications", "Feasibility Analysis and Highest and Best Use- Nonresidential Properties", and "Principals and Procedures of Real Estate Appraisal".

Associate Faculty, Pima Community College for "Real Estate Appraisal Principals" and "Basic Valuation Procedures", 2000-2006

Instructor for Tucson Board of Realtors, American Bar Association, Brodsky School of Real Estate, and Hogan School of Real Estate. Appraisal Principles, Appraisal Procedures, Market Analysis., Using the Internet for Due Diligence.

President of Southern Arizona Chapter #116, Appraisal Institute, 1983-84

President for the Arizona State Chapter #41, Appraisal Institute, 1990

Chairman, Pima County Real Estate Council, 2003-2004, Director 1989-2007.

Member, Tucson Airport Authority, 2007-2008.

APPROVED APPRAISER:

With most major commercial banks and mortgage companies in Arizona.

STATE CERTIFICATION:

Arizona Certified General Real Estate Appraiser Number 30130. Currently certified through August 31, 2016.

QUALIFICATIONS OF SUSANNE GRACE-POORE

FORMAL EDUCATION:

Wayne State College, 1966-1967
Arizona State University 1967-1968
Bachelor of Arts Degree in Business Administration, National University, 1987

PROFESSIONAL EDUCATION:

Successful Completion of Examinations for the following courses:

Appraisal License Preparation Course – Hogan School of Real Estate, 2003
- Real Estate Appraisal Principles and Basic Valuation Procedures
- Standards of Professional Practices – Part A
- Uniform Standards of Professional Appraisal Practices

Classes Provided by The Appraisal Institute:

"Real Estate Appraisal Principles" and "Basic Valuation Procedures"
"Basic Income Capitalization"
"Advanced Sales Comparison & Cost Approaches
"Market Analysis and Highest and Best Use"
"Uniform Standards of Professional Appraisal Practice"

Continuing Education Courses:

"Evaluating Commercial Construction"
"2014 CCIM Commercial Real Estate Market Forecast"
"Pima County Real Estate Council Forecast"
"AI Reports - The New Appraisal Report Option"

EXPERIENCE:

Southwest Appraisal Associates, Inc. – Staff Appraiser
November 2003 – Present

Appraisal experience includes a variety of single-family residential, commercial, office, industrial, subdivisions, and vacant land.

PROFESSIONAL MEMBERSHIP:

Arizona Certified General Real Estate Appraiser, No. 31601, Expires January 31, 2016

ADDENDA

- Letter of Intent for the Subject Country Club
- Troon Golf El Conquistador Pro Forma

LETTER OF INTENT
EL CONQUISTADOR COUNTRY CLUB
TUCSON. ARIZONA

Mr. Todd Morefield
Senior Investment
MetLife Real Estate
333 South Hope Street, Suite 3650
Los Angeles, CA 90071

Dear Mr. Morefield,

This Letter of Intent sets forth the basic terms and conditions pursuant to which [redacted] or its assignee ("Buyer") proposes to purchase the property known as El Conquistador Country Club located at 10555 No. La Canada Drive. Tucson Arizona (the "Club") and as further defined below from El Conquistador MAH II LLC ("Seller"). Following execution of the Letter of Intent. Seller will prepare a Purchase Agreement containing the terms and conditions set forth herein and such other customary terms and conditions as are reasonably acceptable to Buyer and Seller ("Purchase Agreement")

BUYER:	[redacted]
SELLER:	EL Conquistador MAH II LLC
PROPERTY:	Buyer will acquire all of the real property and to the extent owned by Seller or assignable pursuant to the documentations governing the same, assets utilized in the ownership and operation of the Club, personal property, equipment, merchandise and inventories, supplies, accounts receivable, golf and tennis facilities, fitness center, clubhouses, maintenance buildings, pro shops, restaurants, snack bars, water rights and agreements, liquor license(s), any other licenses and permits, operating agreements, and other tangible or intangible property used by the Seller (collectively, the "Property"). The Property will be acquired from Seller free and clear of all monetary liens, liabilities and encumbrances. Seller will pay all outstanding Accounts Payable at Closing. Buyer pays for accounts receivable under 45 days.
PURCHASE PRICE:	Two million five hundred thousand ($2,500,000).
EARNEST MONEY:	Buyer will deposit earnest money in the amount of fifty

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thousand dollars ($50,000) (the "Deposit") with a mutually agreed escrow company upon mutual execution of the Letter of Intent and will be refundable to Buyer until the end of the Inspection Period, hereinafter defined.

However, should Buyer at end of Inspection Period decide at its sole discretion to waive contingencies, Buyer agrees at that time to deposit an additional fifty thousand dollars ($50,000) into escrow. All deposits shall be applied as a credit to the Purchase Price.

FINANCING: There is no financing contingency

INSPECTION PERIOD: Buyer will have thirty (30) days from the mutual execution of the Letter of Intent to conduct its due diligence, review existing and updated reports, conduct site visits, interview Seller's employees, inspect the property, evaluate needed capital improvements, and perform whatever other activities it deems necessary in order to evaluate the Property. Buyer may terminate the Purchase Agreement and receive a return of the deposit for any reason or no reason at all prior to the end of the Inspection Period.

PURCHASE AGREEMENT: Seller will make reasonable efforts to provide a draft version of the Purchase Agreement to Buyer as soon as possible.

EXISTING SELLER DEBT AND LEASES: Buyer agrees to assume all existing leasing agreements for Club maintenance, equipment and carts. **This issue has been put on hold until more information and documentation has been received. And resolution is to be formalized in Purchase Agreement.**

CLOSING: Closing will occur fifteen (15) days after the end of the inspection period (the "Closing Period").

PROPERTY RECORDS: Seller will provide copies of all agreements, membership lists and agreements, sales reports, and contracts, operating agreements, employee agreements, vendor contracts and agreements, financial statements, sales tax receipts, property tax statements, existing ALTA survey, appraisals, drainage reports, soil reports environments reports in its possession as well as any other

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reports and information that the Buyer would deem necessary for the acquisition of the Property (collectively, the "Due Diligence Materials") within (5) days of the mutual execution of the Letter of Intent. To the extent Seller fails to provide Buyer with all the Due Diligence Materials within five (5) days of the mutual execution of the Letter of Intent, the Inspection Period will be extended by a like number of days until all the Due Diligence materials are received by Buyer. Buyer will pay for any updated environmental reports it deems necessary. Seller will pay for an updated ALTA survey to the satisfaction of Buyer in its reasonable discretion. This can likely be eliminated by Buyer inspecting the CBRE website and determining if there is any additional information needed.

EXISTING CLUB STAFF:	Seller will be responsible for all accrued vacation, bonuses, and other accrued compensation and benefits to its employees at Closing.
CLOSING COSTS:	Upon closing, Seller will pay the cost of the premium for a standard owners title policy, property ALTA survey, one-half of any charges for recording the deed, one-half of any escrow fees, all documentary transfer tax and any other governmental transfer costs related to the transfer of the Property to Buyer, and the cost of paying off and releasing any encumbrances affecting the Property, if applicable, Buyer will pay for any additional title endorsements it deems necessary, one-half of any escrow charges, and one-half of any escrow fees. Buyer and Seller will each pay their own legal and consulting fees and other incidental expenses incurred in connection with the acquisition of the Property.
PRORATIONS:	Taxes, utility charges, rents, membership dues and fees and other income and expense items pertaining to the ownership and operation of the Property will be prorated between Seller and Buyer as of the closing. Any prepaid member dues, member charges (annual range fees, annual locker fees, etc.), member credits, deposits of any nature, and the gross value of outstanding gift certificates will be credited to Buyer at Closing. Seller is responsible for tax liabilities relating to periods prior to the Closing Date; Buyer is responsible for tax liabilities relating to periods after the Closing Date.
ALLOCATION OF RISKS:	Buyer will indemnify Seller with respect to all matters and claims that arise after the Closing Date. Seller will indemnify Buyer with respect to any and all other matters

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and claims the origin of which was on or prior to the Closing Date.

CONFIDENTIALITY:	Buyer and Seller warrant and represent that they will insure that this Agreement and all terms thereof will be kept in the strictest confidence until the execution of the Purchase Agreement.
EXCLUSIVITY:	Upon execution below, Seller will not enter into any contract for the sale of the Property to any prospective purchaser other than Buyer. This exclusivity provision will be replaced by a similar provision in the Purchase Agreement.

Some issues to discuss prior to moving forward with this LOI: (1) Resort's ability to use tennis court for tournaments; (2) preferred tee times for resort guests; (3) maintenance standards;

Some things to keep in mind: (1) Buyer and any assignee will have to complete an OFAC check as part of the MetLife corporate compliance; (2) This transaction does not include the 9-hole Pusch Ridge course; (3) The Club members/board do not get a vote on any sale; (4) La Canada holes 10-14 are owned by an HOA and the Club uses them in an easement arrangement. If closed in the future, these holes revert to the HOA; (5) Using trade name and logo can be discussed; Buyer has expressed his desire to keep name, logos and domain name which if necessary can be done via a license agreement. (6) This LOI has not yet been reviewed by Seller legal counsel.

Regarding golf and tennis arrangement, I propose we finalize terms and conditions in the Purchase Agreement. However, I want to make it clear that the relationship with the golf and tennis is vital to the success of both operations and we need at all times to work together. I would also like to emphasize we need to understand from the Hotel their thinking and their needs, this would help us structure the appropriate deal relationship.

- Guaranteed times. If desired, the hotel could reserve a certain number of starting times each day so that it is guaranteed last minute access for hotel guests.
- Preferred times. We are open to providing the hotel a right to reserve preferred times in advance of the general public and have exclusivity to these times to a point, say 30 days, prior to the date before they are offered to the general public.

There are other details that would need to be worked out as well, e.g. cancellation policies for guests who do not show up for their times. Further, we would want to discuss with the group business coordinator the need to accommodate larger groups and how those might be handled. I anticipate that all of these details could be worked out and incorporated into an agreement that would survive the closing.

As to tennis, clearly we will give the Hotel access based on a mutually agreed upon fee arrangement to be finalized in the Purchase Agreement.

While this letter is not binding on either party (with exception of the Deposit, Confidentiality and Exclusivity provisions above, which are binding), the signatures below demonstrate the parties' intent to negotiate in good faith on the general terms and conditions under which the Buyer will buy the Property and the Seller will sell. The parties will be bound in all other respects at the time of execution of a mutually agreeable Purchase Agreement.

Sincerely,

[redacted]

[redacted]

Agreed and accepted this________day of August.

EL Conquistador MAH II LLC ("Seller")

____
By:

____
Its:

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El Conquistador CC Tucson, AZ 12/17/2014
Pro Forma

	Jul '15 - Jun '16	Jul '16 - Jun '17	Jul '17 - Jun '18	Jul '18 - Jun '19
Rounds				
Rounds: Membership	24,710	25,760	26,810	27,880
Rounds: Residents	3,000	4,000	4,400	4,840
Rounds: Resort	1,600	2,400	3,000	3,300
Rounds: Outside	21,000	24,000	26,400	29,040
Rounds: Tournament	3,800	5,000	5,500	6,050
Rounds: Pusch Ridge	13,000	13,650	14,333	15,049
Total Rounds	**67,110**	**74,810**	**80,443**	**86,139**
Avg Fees Per Rd - Membership	18.00	18.90	19.85	20.84
Avg Fees Per Rd - Resident	30.00	31.50	33.08	34.73
Avg Fees Per Rd - Resort	40.00	42.00	44.10	46.31
Avg Fees Per Rd - Outside	45.00	47.25	49.61	52.09
Avg Fees Per Rd - Tournament	42.00	44.10	46.31	48.62
Avg Fees Per Rd - Pusch Ridge	15.00	15.75	16.54	17.36
Avg Fees Per Rd - TOTAL	28.29	30.52	32.46	34.48
Merchandise Sales Per Rd	7.00	8.00	8.40	8.82

	Jul '15 - Jun '16	Jul '16 - Jun '17	Jul '17 - Jun '18	Jul '18 - Jun '19
Revenues				
Golf Fees - Non-Member	1,453,600	1,796,288	2,079,301	2,389,149
Golf Fees - Member	444,780	486,864	532,044	580,526
Range, Rental & Other	75,000	78,750	82,688	86,822
Membership Dues	2,198,712	2,451,108	2,735,242	2,998,369
Fitness Revenues	150,000	156,000	162,240	168,730
Merchandise	503,770	617,680	687,260	762,627
Food & Beverage Revenues	771,284	1,154,159	1,269,575	1,370,132
Total Revenues	**5,597,146**	**6,740,848**	**7,548,350**	**8,353,355**
Cost of Sales				
Merchandise	306,387	376,774	419,666	466,136
Food & Beverage - Total	243,788	345,076	379,584	410,942
Total Cost of Sales	**550,176**	**721,850**	**799,250**	**877,078**
Gross Profit	**5,046,970**	**6,018,998**	**6,749,101**	**7,476,277**
Operating Expenses				
Payroll	2,005,390	2,095,917	2,158,794	2,223,558
Employee Benefits	411,444	428,645	441,505	454,750
Employee Related Expenses	22,923	23,611	24,319	25,048
Professional Fees	1,500	1,545	1,591	1,639
Advertising and Marketing	108,500	159,700	131,311	135,250
Repair and Maintenance	642,500	661,775	695,410	716,273
Other Operating Expenses	535,158	583,589	608,368	632,241
Total Operating Expenses	**3,727,414**	**3,954,782**	**4,061,298**	**4,188,760**
Operating Profit	**1,319,556**	**2,064,216**	**2,687,802**	**3,287,517**
Fixed Operating Expenses				
Leases - Carts	105,000	105,000	114,736	114,736
Leases - Equipment	187,000	187,360	203,958	204,340
Utilities	1,252,000	1,289,560	1,328,247	1,368,094
Total Fixed Operating Expenses	**1,544,000**	**1,581,920**	**1,646,941**	**1,687,170**
Gross Operating Profit	**(224,444)**	**482,296**	**1,040,861**	**1,600,347**
Other Expenses				
Insurance	86,000	88,580	91,237	93,975
Property Taxes	-	-	-	-
Fees, Permits, Licenses	5,000	5,150	5,305	5,464
Base Management Fees	144,000	168,521	188,709	208,834
Bad Debt	-	-	-	-
Total Other Expenses	**235,000**	**262,251**	**285,251**	**308,272**
Net Operating Income	**(459,444)**	**220,045**	**755,610**	**1,292,075**
Depreciation	-	-	-	-
Management Incentive Fees	-	-	-	-
Interest Expense - Debt	-	-	-	-
Interest Expense - Capital Lease	-	-	-	-
Interest Income	-	-	-	-
Gain/Loss on Asset Disposal	-	-	-	-
Net Income (Loss)	**(459,444)**	**220,045**	**755,610**	**1,292,075**
Capital Reserve	-	134,817	150,967	167,067
Capital Improvements	1,265,500	1,237,500	130,000	105,000
Membership Deposits	-	-	-	-
Net Cash Flow	**(1,724,944)**	**(1,152,272)**	**474,643**	**1,020,008**

The information contained in this pro forma is based on assumptions of future events, and does not take into account, nor make provision for, any rise or decline in local or general economic conditions and other circumstances that may have a significant adverse effect on actual results. The projections have been prepared based on current information available. Troon cannot, and does not, warrant or guarantee the information contained in this pro forma to be a projection of the actual results of the operation of the facility. The information contained in this pro forma is not intended to be used as inducement for action and has been prepared in conjunction with a proposal for Troon's management of the facility.

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