

# LETTER OF TRANSMITTAL

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September 15, 2016

Alain O'Connor  
**Silver-Bronze Corporation**  
1 Upper Newport Plaza Drive  
Newport Beach, CA 92660

**RE: Coto Equestrian Center**  
23401 Via Pajaro (aka One Equestrian Center Road)  
Coto de Caza, California 92679  
Colliers File #/Federal Tax Id: SNA150461 / 41-2227433

Mr. O'Connor:

Pursuant with our engagement, the above captioned property was appraised utilizing best practice appraisal principles for this property type. This appraisal report satisfies the scope of work and requirements agreed upon by the Silver-Bronze Corporation and Colliers International Valuation & Advisory Services.

At the request of the client, this appraisal is presented in an Appraisal Report format as defined by *USPAP* Standards Rule 2-2(a). Our appraisal format provides a detailed description of the appraisal process, subject and market data and valuation analyses.

The purpose of this appraisal is to develop an opinion of the Retrospective Market Value of the value attributed to the Declaration of the Equestrian Use Preservation Easement. The following table conveys the final opinion of market value of the subject property that is developed within this appraisal report:

VALUE TYPE	INTEREST APPRAISED	DATE OF VALUE	VALUE
Retrospective Value	Preservation Easement	November 2, 2015	\$15,660,000

The subject is an Equestrian Center on a 24.1-acre site. The subject is impacted by a preservation easement restricts its use to an equestrian center. The Equestrian Center was built in 1964 and designed by Eddie J. Milligan. The property was featured in the 1984 Olympics where the United States won Silver and Bronze medals at these events. The landlord, Silver-Bronze Corporation, leases the Equestrian Center to Cinnabar Equestrian Operations, Inc. As of the Retrospective Date of Value, the property owners recorded a Declaration of Equestrian Use Preserve Easement which eliminated any potential for further development of the subject property.

The analyses, opinions and conclusions communicated within this appraisal report were developed based upon the requirements and guidelines of the current Uniform Standards of Professional Appraisal Practice

(USPAP), the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

The report, in its entirety, including all assumptions and limiting conditions, is an integral part of, and inseparable from, this letter. *USPAP* defines an Extraordinary Assumption 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”. *USPAP* defines a Hypothetical Condition as, “that 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”.

The Extraordinary Assumptions and/or Hypothetical Conditions that were made during the appraisal process to arrive at our opinion of value are fully discussed below. We advise the client to consider these issues carefully given the intended use of this appraisal, as their use might have affected the assignment results.

### **EXTRAORDINARY ASSUMPTIONS**

None

### **HYPOTHETICAL CONDITIONS**

The subject property is currently zoned PC which is more of a commercial designation in the zoning code. For the purpose of our analysis, we assumed the Hypothetical Condition that the subject property would be permitted for a moderate density upscale single-family home development. In contrast to the other allowable uses which may include commercial or multifamily, we believe that a moderately dense single-family residential development would be most desirable to area residents and would have a very high likelihood of approval based upon interviews with the city planning department.

Our opinion of value reflects current conditions and the likely actions of market participants as of the date of value. It is based on the available information gathered and provided to us, as presented in this report, and does not predict future performance. Changing market or property conditions can and likely will have an effect on the subject’s value.

The signature below indicates our assurance to the client that the development process and extent of analysis for this assignment adhere to the scope requirements and intended use of the appraisal. If you have any specific questions or concerns regarding the attached appraisal report, or if Colliers International Valuation & Advisory Services can be of additional assistance, please contact the individuals listed below.

Sincerely,

### **COLLIERS INTERNATIONAL VALUATION & ADVISORY SERVICES**



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