APPRAISAL REVIEW

In-Stream Flow Water Purchase Program

Battle Creek Ranch
19315 Jellys Ferry Road,
Red Bluff, CA 96080
APN(s): 009-040-029 and 030, as well as a portion of 009-080-044.

Date of Review: April 22, 2025

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April 22, 2025

Kelle Adair
Senior Right of Way Agent
Appraisal Unit
Department of Water Resources, Real Estate Branch
715 P Street
Sacramento, California 95814

Dear Ms. Adair:

In accordance with contractual requirements, an appraisal review of the referenced appraisal by House Agricultural Consultants. The appraisal review assignment will determine the appropriateness of the value conclusions and conformance with the Uniform Standards of Professional Practice (USPAP) and State of California Department of General Services (DGS) appraisal specifications.

Re: **Appraisal Review**

Project	In-Stream Flow Water Purchase Program
Site Address	Battle Creek Ranch 19315 Jellys Ferry Road Red Bluff, Tehama County, California
APN(s)	009-040-029 and 030, as well as a portion of 009-080-044.
Size	1720.9 acres (after a lot line adjustment, which is a hypothetical assumption of the appraisal).
Acquisition	Fee simple title not subject to any long-term lease or other encumbering estate.
Appraisal Firm	House Agricultural Consultants
Appraiser	Gregory A. House, AFM, ARA, CPAg Henry House
Date of Value	December 19, 2024

IDENTIFICATION OF THE REVIEWED APPRAISAL REPORT

Section 2.1 of the appraisal identifies the subject as 1,720.9 acres in Tehama County, with the well-known name Battle Creek Ranch, as the subject of the review assignment. An appraisal was originally submitted in January of 2025 for review, and a revised appraisal is reviewed in this report (the appraisal is based on the same date of value in the original report).

IDENTIFICATION OF THE INTENDED USE OF THE REVIEWED APPRAISAL REPORT

The appraisal report identifies the intended use for assisting the client (River Partners) in acquiring the subject property for conservation purposes, which may include applying for grant funding. The client is reported as the only intended user of the appraisal.

IDENTIFICATION OF THE OWNERSHIP INTEREST OF THE SUBJECT PROPERTY

The report identifies the ownership interest as fee title to the subject currently held by Peggy L. Nipar, Successor Trustee of the Charles A. Orwick, III Trust of 2001. The interest appraised in the report is fee simple title (100% interest assumed) to the real estate, not subject to any long-term lease or other encumbering estate. The interest appraised in the report is all land and improvements, including all water rights appurtenant to the subject property.

SUMMARY OF THE APPRAISAL BEING REVIEWED

The property appraised is identified as 1,720.9 acres that will be created by a lot line adjustment, invoking a hypothetical condition that the subject parcel is created and is one legal lot. The lot line adjustment is part of a pending transaction involving the subject property. The “Barge Hole” property totals 45.29 acres and will be retained by the seller, including “… to the extent assignable without consent and appurtenant to the Barge Hole parcel, water rights, grazing rights, mineral, oil, gas, and hydrocarbon substances right and related rights of entry…”.

The property includes irrigated and dry grazing land and has historically been utilized for summer cattle grazing for “several decades”. The property has good water resources, with riparian rights to Battle Creek. The appraisal report identifies a strong demand for land with ample water for agricultural production. The report further indicates that demand for rural residences, rural recreation, and long-term speculation on the sale of water rights also influence value.

The diversion for irrigation is from Battle Creek, and the report identifies abundant and reliable water to irrigate 912 acres of the subject property. Per the report, the diversion is not physically on the property but rather conveyed through an easement on adjacent land. The infrastructure, including the canal, ditches, and pipeline, was reported to be in good condition. According to the owner, the irrigation was used to cultivate irrigated pasture and a variety of field crops. There are no agricultural wells (only domestic wells for the residence), with irrigation solely from surface water out of Battle Creek. The water rights are identified as pre-1914 rights for Battle Creek Ranch, with post-1914 appropriated rights for stock ponds and small reservoirs.

The highest and best use for the subject property, as improved, is reported for the current use as a summer cattle ranch featuring both dry and irrigated pastures and some accessory field cropping, plus a homesite. The highest and best use as vacant was concluded for rangeland with irrigated pastures, field crops, dryland grazing on the upland portion, and an operator's residence to be developed. The report stated that the most probable buyer might also pursue developing additional field crops, planting orchards, or expanding the property's residential amenities. The water right was concluded to be appurtenant to the agricultural use of the property, with no separate valuation in the appraisal report.

The appraisal utilized the Sales Comparison and Cost Approaches to value to determine the fair market value of the fee simple interest in the subject property. The Sales Comparison approach utilizes blended sales that contain irrigated and dry rangeland sales that determine the overall value for the subject property. The Cost Approach, as identified in the appraisal, is essentially an alternate Sales Comparison Approach that values the property based on the component parts (irrigated pasture and dry rangeland) with two additional sets of comparable sales.

The overall sales comparison analysis is based on four large ranch sales in Del Norte, Merced/Mariposa, and Alpine County. The sales range from 630.9 to 7,217.57 acres, including irrigated and dry rangeland components and varied improvements. The unit price is based on the price per Animal Unit (cow-calf pair), ranging from $16,132 to $25,984 per AU. The value is based on the historic grazing capacity of the site of 950 animal units. The current tenancy only runs 550 cattle on the property due to the tenant's herd size as described in the appraisal. The overall Sales Comparison Approach is based on a unit price of $16,000 per AU, resulting in a value of $15,200,000.

The alternative sales comparison analysis values the property based on the individual components: 912 acres of irrigated land and 808.9 acres of dry rangeland. The irrigated component is based on six sales that range in size from 284.08 to 1,057.21 acres and sold for $13,195 to $19,079 per acre. The comparables included buildings and permanent plantings that were deducted from the sale price, and the stated range is for land only. The conclusion for this component of the subject is $14,000 per acre, or $12,768,000.

The dry rangeland component is based on four sales that range in size from 901.4 to 3,945.64 acres and sold for $2,385 to $6,000 per acre. The buildings are included in the sale price and are compared qualitatively to the subject improvements. The conclusion for this component is $2,750 per acre, or $2,224,000. This results in a value by the alternate sales comparison approach of $14,992,000, which is rounded to $15,000,000.

The appraisal conclusion is reconciled to a value of $15,200,000, primarily relying on the overall sales comparison approach supported by the component analysis.

Sale History of Subject Property

The sales history section was significantly expanded since the original appraisal report, including additional bona-fide offers from private parties as identified in the appraisal. The appraisal report identifies a pending sale to River Partners and is included in the report's Appendix. The Bargain Sale Agreement and Joint Escrow Instructions in the Appendix identify the owners as the Seller and the Trust for Working Lands as the buyer. Trust for Working Lands protects land through the acquisition of fee title and conservation easements. The agreement was executed on August 30, 2024, for a price of $15,000,000. The appraisal identifies two recent drafts of the purchase agreement, with substantially similar terms to the original contract. The differences are the substitution of River Partners as the buyer, and the addition of an appraisal contingency.

Additional discussion was added regarding the marketing history of the property as discussed in the appraisal.

> The subject property is currently for sale on a by-owner (not broker-listed) basis; to our knowledge, the seller had not been represented by a broker regarding the subject property's sale. According to John Brennan, the landowner agreed to sell the subject property to the client for $15,000,000 as a result of private negotiations with Mr. Brennan and his colleague Mr. Katz that began around September 2022. We understand that the landowner began marketing the subject property in earnest around January 2023 on a for-sale-by-owner basis, which resulted in intensive negotiations with the brokers, Brennan and Katz, ultimately yielding the current agreement.
>
> According to landowner's representative David Nipar, who was interviewed on the property's history by appraiser Henry House within the scope of this appraisal assignment, there have been two bona fide alternative offers during the current marketing effort: one for $13,000,000 by development firm motivated by the subject's water rights, the other for $15,000,000 by a local agriculturalist who intended to utilize the subject for irrigated pasture and dryland pasture up to its carrying capacity with potential long-term plans to intensify the subject's irrigated agricultural uses. In addition to the two serious competing offers, Nipar also received interest from "a few" almond growers seeking orchard-development land.

Brennan and Katz reported that this current pending sale is an arms'-length agreement: the brokers and landowner began discussing this transaction in 2023, with Cal Marsh & Farm Ventures first offering $10,000,000 and the landowner counter offering $19,000,000. Intensive negotiations followed, with Cal Marsh & Farm Ventures offering $14,000,000 in writing on March 28, 2024. The brokers and landowners reached an agreement at $15 million for approximately 1,700 acres in August, resulting in the executed sale agreement.

The following extraordinary assumptions and hypothetical conditions were utilized in the appraisal report.

Extraordinary Assumptions

1. Accurate figures provided by others.—We have relied on factual data reported by the client's representative as well as public records. We have examined the figures available to us to the extent of verifying that they are reasonable, consistent, commensurate with expected values for similar properties, and in agreement with our own observations as described herein; however, we have not comprehensively verified the supplied figures, records, or other data, which we have consequently assumed accurate.
2. Sale of the subject as a unit.—This appraisal opines the fair market value under the premise that the appraised interest would be sold as a unit in a orderly sale. We have not analyzed any scenario of liquidation or subdivision development.
3. Clear title.—No authoritative title search has been undertaken for this report; the appraisers have not had reference to any recent preliminary title report, but rather have relied on the client's representations (assumed to be accurate) on the subject's condition of title. We understand that the subject's mineral rights are partially severed from the surface rights; this is an assumption of this appraisal. As an opinion on condition of title would call for a legal conclusion outside the scope of the appraisal profession, the condition of the client's title to the entire subject property is assumed for purposes of this appraisal to be free of encumbrances, encroachments, and other adverse legal conditions that would detriment the value of the interests appraised, except as specifically identified herein.
4. One future legal lot corresponding to the client's proposed purchase. To our understanding, the subject property is currently undergoing a process of lot line adjustment with county planning, which will establish the subject's land block of 1,720.9 acres, more or less, as a single legal lot in Tehama County in the near future; completion of this process is an assumption of this appraisal. No evidence has been disclosed to us that multiple legal lots will exist within the land block of 1,720.9 upon completion of the lot line adjustment now in progress or exist at present before the lot line adjustment. We have thus appraised the subject property as one legal lot. As appraisers are not legally qualified8 to opine on the legal-lot status of any property, this is an assumption of this appraisal. We further note that it follows from this extraordinary assumption of completed lot line adjustment that this valuation does not consider the costs of surveying, recording, or any other cost to complete the lot line adjustment.

5. Accurate acreage figures, 1,720.9 acres total.—As surveying is outside the scope of the appraisal profession, the land area of the subject listed in table 2.1, which we have sourced from a combination of sources, including a recent survey by Dominick's Civil Engineering and Surveying (Red Bluff) and the county assessors' plat maps (which are not a survey), a total of 1,720.9 acres, is assumed accurate and correct. The subject's land-use areas are estimates as stated herein.

6. Validly permitted land use. It is assumed that any use permits that may be required by the County of Tehama, groundwater-sustainability agency, air-quality agency, or other jurisdiction for the subject's land uses are currently valid. A comprehensive investigation of the subject property's legal status with respect to zoning, building, accessibility, and other use codes has not been performed, as this would call for legal conclusions that are outside the scope of the appraisal profession.

7. Water rights, groundwater supply, and other water matters.—The land that is the subject of this appraisal is supplied with irrigation water by an off-site diversion on Battle Creek as described by section 2.4.4 (page 27). Perpetual rights to this water source form a part of the subject property of this appraisal, including all rights of physical access to the diversion site for operation and maintenance purposes. The permitting and legal status of these water rights lies outside the scope of the appraisal inspection. We have relied on consultation with Darren Cordova and Kyle Knutson of MBK Engineers (Sacramento, California) for our working understanding of all such matters in this appraisal. We have assumed that the subject's groundwater, which is currently developed for domestic purposes only, can continue to be maintained and developed for domestic purposes and future agricultural uses without unusual difficulty relative to its market area. However, a comprehensive investigation on the topic has not been performed.

8. No substantial impact from leases, which are not considered in this appraisal.—We have not been provided with documentation on any leases to which the subject property may be currently subject, though our understanding that any leases that may exist are short-term and have market-typical terms. We have, therefore, assumed an estate of fee-simple title to the subject under the extraordinary assumption that any current lease encumbrance has no significant impact on the fair market value of the subject interest appraised, positive or negative, as of the date of valuation.

Hypothetical Condition

1. This is an appraisal of certain 1,720.9 acres of land, described in section 2.1 (page 15) that do not, to our knowledge, currently exist as a legally described parcel in the public records of Tehama County, but are appraised as such. Thus, this appraisal is subject to a hypothetical condition: that the subject property (as identified on page 15) were a legal lot in Tehama County as of the effective date of valuation.

DATE OF REVIEW, CLIENT, AND INTENDED USERS

The effective date of this review is April 22, 2025. This review is subject to the Extraordinary Assumptions, Hypothetical Conditions, and General Assumptions and Limiting Conditions included herein. The client and intended user of the review report is the Department of Water Resources.

PURPOSE AND USE OF THIS REVIEW

This assignment will provide the client with an appraisal review to ensure the appropriateness and credibility of the valuation under review. The appraisal review determines the acceptability and conformity of the appraisal report under review to the Uniform Standards of Professional Appraisal Practice (USPAP) and Department of General Services (DGS) appraisal guidelines.

SCOPE OF THE REVIEW PROCESS

The appraisal review process involved the following steps:

- Reviewed the appraisal in accordance with Standards 1 and 2 of USPAP. The factual data and appraisal methodology in the appraisal report were analyzed for conformance with appraisal standards.
- Research the subject property through public records (based on ownership records that we presume to be the subject property).
- Conducted a review of the appropriateness of the appraisal methodology and the reasonableness and credibility of the opinions of value provided in the appraisal reports.
- Completed a written review report in accordance with Standard 4 of USPAP outlining the salient features of the appraisal reports.
- No physical on-site inspection of the subject property or independent sale research or valuation was performed as part of this appraisal review.

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS USED IN THE REVIEW

The use of an extraordinary assumption may impact the assignment results. This review involved the use of the following extraordinary assumption(s) as part of the reviewer's opinion of fair market value range relating to the potential acquisition.

1. The reviewer's opinions and conclusions are based on the extraordinary assumption that the data (including but not limited to data pertaining to the subject property, the market area, and the comparable sales) in the appraisal is reasonably accurate unless stated otherwise in this review report.

REVIEWER'S GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

1. I have provided an opinion of the appropriateness of the appraiser's analysis and reasonableness of the opinions of value based on the data presented and the analysis thereof. The comparable sales data was reviewed, but we have not necessarily replicated all the appraiser's analyses.
2. The reviewer is not co-signing the appraisal report, and not implicitly or explicitly assuming any of the responsibilities of a co-signer, as defined in the USPAP.

3. Possession of this review or a copy does not carry with it the right of publication, nor may it be used for any purpose by anyone other than the specified client and the approved users without the previous written consent of BRI, and then only with proper limitations.
4. The liability of Bender Rosenthal, Inc. and its employees and associates is limited to the client only. I assume no accountability, obligation, or liability to any third party. If the appraisal review is disseminated to anyone other than the client and the approved users, the disseminator shall make such party or parties aware of all limiting conditions and assumptions affecting the review assignment.
5. The review appraiser is not a lawyer or trained in the law; no responsibility is assumed regarding matters of law or matters that require legal interpretation.
6. The reader is cautioned that the appraisers' value opinions are as of specific dates. It cannot be presumed that a value opinion rendered as of a subsequent date will be similar.

REVIEWER'S COMMENTS ON THE APPRAISAL REPORT

The appraisal report includes a detailed description of the subject property, including the water rights, regional and neighborhood, and the market overview. The extraordinary assumptions and the hypothetical condition are reasonable and appropriate for the intended use. The report includes the required statement that the extraordinary assumption and hypothetical condition may have impacted the assignment results.

The reviewer could not re-create the size utilized in the appraisal based on the discussion in Section 2 of the report and Table 2.1. However, the size (1,720.9 acres) was assumed to be accurate in the appraisal and accepted for this review.

The appraisal identifies the use of the property for summer cattle grazing, which has been the use of the property for decades. The appraisal report identifies the subject has sufficient water supply and conveyance to irrigate 912 acres of the property for irrigated pasture and various field crops. The remaining 808.9 acres consist of dry rangeland. The revised appraisal identifies two approaches to value, the Sales Comparison Approach and the Cost Approach.

Based on the information and analysis in the appraisal, the only approach utilized is the Sales Comparison approach under two scenarios: 1) the analysis of the overall property utilizing large comparable data with mixed irrigated and dry rangeland components, and 2) the analysis of the property based on the components utilizing large irrigated land comparables (applicable to 912 acres of the property) and large dry rangeland comparables (applicable to 808.9 acres of the property). The second valuation scenario is misidentified as a Cost Approach since the components are appraised utilizing the Sales Comparison Approach.

The report presents the two valuation scenarios in a difficult-to-follow manner, with the approaches intertwined across several sections. The analyses for each approach are summarized below, with references to the page numbers and sections.

1. Overall Sales Analysis, 1,720.9 acres
    a. Overall Sales are presented in Table 4.1 on Page 57
    b. Overall Sales analysis and conclusion in sections 4.3.1 to 4.3.5 on pages 60 to 67
2. Component Sales Analysis
    a. Irrigated Portion, 912 acres
        i. Irrigated sales are presented in Table 4.2 on Page 59
        ii. Irrigated sales analyzed in section 4.4.1 with conclusion on pages 67 -70
    b. Dry Rangeland, 808.9 acres
        i. Dry rangeland sales are presented in Table 4.3 on Page 60
        ii. Dry Rangeland sales analyzed in section 4.4.2 on pages 70 -73
    c. Component Analysis Conclusion in Section 4.4.3 and Table 4.13 on pages 73 and 74

The appraisal report would be much easier to follow if it were divided into the two valuation scenarios. The overall scenario sales and analysis presented first, followed by the comparable data (P1 – P4) through the conclusion of value for this scenario (Sales Comparison Approach—Overall Valuation). The next section would present the irrigated sales and analysis, followed by the dry rangeland sales and analysis (Sales Comparison Approach – Component Valuation).

The valuation starts with analyzing the larger subject property, with four comparable sales ranging from 630.90 to 7,217.57 acres. The report states that the search for comparable data was conducted in a larger geographic area to capture the size and characteristics of the subject property. The properties were all cattle ranches, and the analysis was based on the price per animal unit (AU), which ranged from $16,132 to $25,984 per AU. Per the report, the subject has historically operated at a carrying capacity of 950 animal units, which is the basis of the overall value. The existing tenant is operating at a lower capacity, reportedly due to the herd size and not the land's carrying capacity. The total carrying capacity equates to 0.55 animal units per acre. The maximum carrying capacity of the land as utilized in the appraisal is generally consistent with other large cattle ranches with a high percentage of irrigated pasture and good water. Several factors were considered and compared relative to the subject property, including the improvements, with a conclusion of $16,000 per animal unit, or $15,200,000 by this approach.

The second scenario utilized large, irrigated property sales and large dry rangeland sales, with concluded allocations to each component of the subject property. Six irrigated land sales were utilized that range from 284.08 to 1,057.21 acres, and sold from $13,195 to $19,079 per acre (contributory value of agricultural and structural improvements not included in the unit prices).

The conclusion for the irrigated portion of the subject property is $14,000 per acre, consistent with the two sales that did not require adjustment for improvements. The contributory value of the irrigated portion of the property totals $12,768,000. Four large dry rangeland sales ranging from 901.40 to 3,945.64 acres sold for $2,385 to $6,000 per acre. The sales included improvements that were qualitatively compared to the subject improvements and were included in this value component of the subject property. The conclusion for this component was $2,750 per acre, or $2,224,000. The total for the component valuation scenario is $15,000,000, rounded. The two valuation scenarios are summarized below.

Sales Comparison Approach – Overall	$15,200,000
Sales Comparison Approach – Component Valuation	$15,000,000

The appraisal was based primarily on the overall valuation, which best represents the thought process of market participants, per the report. The final appraised value totals $15,200,000, supported by the alternate Sales Comparison Approach, which considers the individual components of value.

A few items in the report need corrections as summarized below. The issues do not detract from the credibility of the report conclusions.

- Table 4.8 (summary of irrigated sales) is embedded in the middle of the conclusion for the overall valuation. See page 67 of the appraisal.
- Aerials of the comparable sales are either missing or included within the write-up for a different sale. For example, the aerial for Sale P1 is in the Sale P2 write-up, Sales P3 and P4 aerials are within the Comp 0 write-up, etc.

REVIEWER’S FINAL COMMENTS ON THE APPRAISAL REPORT

The revised appraisal included additional comparable market data to support the conclusion of value. The methodologies are appropriate and the alternate sales approach provides support for the concluded value. The sales history section was also expanded and demonstrates private demand with bona-fide offers from $13 to $15 million based on information contained within the appraisal report. The appraisal report complies with USPAP and DGS requirements, and the conclusion is adequately supported and found to be credible based on the information and analyses within the report.

APPENDIX

REVIEWER'S CERTIFICATION

REVIEWER'S CERTIFICATION

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

1. The facts and data reported by the reviewer and used in the review process are true and correct.
2. The analyses, opinions, and conclusions contained in this review report are limited only by the assumptions and limiting conditions stated in this review report and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved. Further, I have provided an appraisal review within the three-year period immediately preceding this assignment.
4. I have no bias with respect to the property that is the subject of the work under review or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation is not contingent on the development or reporting of predetermined assignment results that favor the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal review, an action or event resulting from the analysis, opinions, or conclusions in the review or from its use.
7. My analyses, opinions, and conclusions were developed, and this review report was prepared in conformity with the requirements of the Code of Professional Ethics of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice (USPAP).
8. The use of this report is subject to the requirements of the Appraisal Institute and the Association of Farm Managers and Rural Appraisers relating to review by their duly authorized representatives.
9. I have not made a personal inspection of the subject of the work under review.
10. I have not revealed my review findings to anyone other than the client or their designated representative and will not do so unless directed to the contrary by the client or required by law to do so.
11. No significant professional assistance was provided in the preparation of this report.
12. As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute and the Association of Farm Managers and Rural Appraisers.

13. To the best of my knowledge, I have no conflict of interest, real or perceived, with respect to this property or the appraisal thereof.

David B. Wraa, MAI, ARA, AI-GRS
Certified General Real Estate Appraiser
California Certificate No. AG023713