

APPENDIX 6.2

Agricultural Resource Documentation



Ag Land Services

P. O. Box 1 • 2789 Somis Road • Somis, California 93066 • (805) 484-1091 • FAX (805) 388-7178

December 16, 2005

Mr. David Lauletta,
Director of Forward Planning
Shea Homes
30699 Russell Ranch Road
Suite 290
Westlake Village, CA 91362

Dear Mr. Lauletta:

Again, thank you for the opportunity to review the agricultural operations at St. John's Seminary.

I want to begin by saying that Hoffman, Vance and Worthington are doing a good job of management, given what they have had to work with. The owners of the orchards have been reluctant, over the years, to spend the funds needed to upgrade infrastructure (mainly the irrigation system). There also has not been a desire to do any phased replanting of existing old blocks. Lastly, the onsite labor has been provided by the owners using two gentlemen who are long time employees of the seminary. Their wages and benefits are much higher than industry standards, and their productivity is not what it should be.

Regarding the lemons, one third of the acreage is 40 years old, one third is 25 years old, and the remaining lemons were grafted with new growth grafted on top of 30 year old lemon trees that are producing average production at best.

The 16.5 acres of oranges should have been pushed and replaced with avocados. Oranges have not been profitable in Ventura County for years.

On the positive side, there is good quality, reasonably priced water which is a big plus.

David Lauletta
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As the operation stands now, it is not fully utilizing its location, soil type, and water availability. It has great potential especially for avocados. A phased replanting to avocados would cost approximately \$6,500 to \$7,000 per acre. We would be happy to meet on site and provide a detailed analysis of a replanting program.

If you have any questions or comments, please give us a call at anytime.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom McGrath", written in a cursive style.

Tom McGrath
Partner

TM:sf



Ag Land Services

P. O. Box 1 • 2789 Somis Road • Somis, California 93066 • (805) 484-1091 • FAX (805) 388-7178

December 10, 2006

Mr. David Lauletta,
Director of Forward Planning
Shea Homes
30699 Russell Ranch Road
Suite 290
Westlake Village, CA 91362

Dear Mr. Lauletta:

We are happy to respond to your questions at no additional charge.

The total approximate annual costs to run the orchard at the Seminary is \$200,000. In talking with Mr. McCormick from Hoffman, Vance and Worthington, he stated that the labor portion of the annual costs could be reduced by \$50,000, and I agree. The cost to push and grind up the existing trees would run about \$1,000 per acre. Because of the price of PVC pipe, of which you are well aware, the belowground irrigation upgrading could run as much as \$1,500 per acre. Attached is an estimated cash flow for new avocados that we use to project planting costs, cultural costs, and conservative returns that show the approximate amount of time to recoup costs and get into the black.

Please do not hesitate to call either myself or Craig Fife anytime with any additional questions.

Sincerely,

Tom McGrath
Partner

TM:sf

Enclosure

ESTIMATED CASH FLOW FOR NEW AVOCADOS

PLANTING & FARMING SUMMARY	AVOCADOS
ACREAGE TO PLANT:	50.00
PER ACRE COST TO PLANT: see below	\$5,150
MAX PRODUCTION PER ACRE - LBS:	8,450
RETURN PER LB: (Net of harvesting)	\$0.70
MAX CULTURAL COST PER ACRE: see below	\$2,000

ESTIMATED 20 YEAR CASH FLOW

YEAR	CAPITAL IMPROVEMENTS	PRODUCTION IN POUNDS	AVO INCOME at \$.70 PER LB.	CULTURAL COST	CASH FLOW
1	(257,500)			(50,000)	(307,500)
2		0	0	(80,000)	(80,000)
3		13,000	9,100	(85,000)	(75,900)
4		52,000	36,400	(90,000)	(53,600)
5		97,500	68,250	(95,000)	(26,750)
6		162,500	113,750	(100,000)	13,750
7		227,500	159,250	(100,000)	59,250
8		325,000	227,500	(100,000)	127,500
9		422,500	295,750	(100,000)	195,750
10		422,500	295,750	(100,000)	195,750
11		422,500	295,750	(100,000)	195,750
12		422,500	295,750	(100,000)	195,750
13		422,500	295,750	(100,000)	195,750
14		422,500	295,750	(100,000)	195,750
15		422,500	295,750	(100,000)	195,750
16		422,500	295,750	(100,000)	195,750
17		422,500	295,750	(100,000)	195,750
18		422,500	295,750	(100,000)	195,750
19		422,500	295,750	(100,000)	195,750
20		422,500	295,750	(100,000)	195,750
	(257,500)	5,947,500	4,163,250	(1,900,000)	2,005,750

ESTIMATED PER ACRE COST TO PLANT	Per Acre
Ground Preparation	\$350
Irrigation System - above ground	500
Trees - 130 per acre - Clonal Avocados	3,250
Staking, Hole Drilling & Planting	700
Roads & Drainage	350
Total	\$5,150

ESTIMATED CULTURAL COST AT MATURITY	Per Acre
Basic Cultural Services (Irrigation labor, weed control, fertilization, & rodent control)	\$1,050
Tree Maintenance & Pruning	150
Pest Sprays for Avocado Thrip	256
Water Cost - estimated @ \$200 per acre foot	400
Management Fee - \$12 per acre per month	144
Total Cultural Costs Per Acre	\$2,000