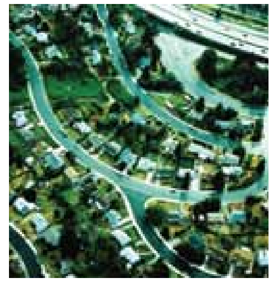
METHODOLOGY






The RUPRI Center has developed a methodology for creating scenarios for inter-generational wealth transfer for states and counties. This section summarizes our basic methodology for creating these scenarios. We would be happy to personally explore our approach with other interested parties on a request basis.

The following components constitute the methodology we employed in conducting this analysis:

1. It is important to note that we generate scenarios of likely transfer of wealth opportunities at the state and community level. Our scenarios are projections of likely futures, but are not predictions of what the future actually will become. Scenarios are driven by key assumptions about the future. To fully understand our scenarios, it is important to understand the assumptions we are making about the future. In all cases, we work to create very conservative scenarios, ensuring our projections represent realistic estimates of TOW opportunities.

2. One of our first steps is to establish a base year for analysis. For this study we have selected 2005 as our base year. 2005 was selected because it affords us considerable adjusted indicators necessary to establish state and county Current Net Worth (CNW). We consider 50 years of historical indicators (extending back to the post-World War II period) and project estimates 25 years into the future (to 2030).

Two types of assets are excluded from our CNW estimates. One is the value of personal assets like furniture, vehicles, art and collectibles. The second type of assets excluded are defined-benefit pensions which according to the U.S. Federal Reserve provide lifetime income to 57% of Americans, but may have no transferable value in an estate. Both exclusions mean our CNW estimates are conservative.

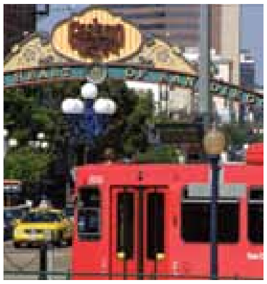
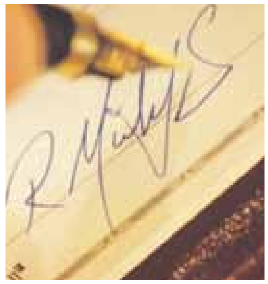
3. We begin by benchmarking our analysis to the U.S. Federal Reserve's Flow of Funds Accounts of the United States (http://www.federalreserve.gov/releases/z1/). The Flow of Funds Report is the definitive national accounting of household Current Net Worth in the United States on a year-to-year basis. All of our subsequent analysis is benchmarked to this national value.

4. Our next step is to employ national findings from the U.S. Federal Reserve's Survey of Consumer Finances research. Since the 1980s, the U.S. Federal Reserve has commissioned every three years an extensive survey of household finances in the United States. The most current report covers 2004. This report provides detailed U.S. asset and liability holdings by key demographic characteristics (e.g., age of household, income of household, race, employment type, region, housing type, etc.) We match demographic characteristics with key indicators from the Survey of Consumer Finances Report to estimate likely CNW for the state and its counties. We generate three estimates -- low, moderate and high for CNW.

5. Once we have established final current net worth estimates for the base year at the state and county levels, we employ key indicators to customize these estimates to the unique characteristics of each county and state. Our primary customizing indicators include: (a) Dividend, interest and rent income; (b) Income characteristics; (c) Age characteristics; (d) Concentrations of creative class employment; (e) Concentrations of business ownership; and (f) Market valuation of real property by class. We also adjust our estimates to eliminate institutional populations (e.g., prisons, military, mental, colleges, etc.)

6. We then consider a number of additional customizing considerations to further refine our CNW estimates, including:

(a) Adjacency to high amenity areas, second home development and retirees. (b) Pockets of the ultra-rich (locals or newcomers).

(c) Effects of public lands - Bureau of Land Management, Forest Service, National Parks, Department of Defense installations, etc. (d) Effects of mineral/energy right holdings. (e) Effects of tribal lands. (f) Pockets of high corporate stock ownership and ESOPs. (g) Pockets of the creative economy. (h) Specific new economic developments, e.g. new plants, mines, power plants, highways, alternative energy, water projects. (i) Effects of the gaming industry. (j) Effects of investment patterns and traditions of San Diego County, California. (k) Effects of new immigrants and repatriation of earnings. (l) Areas of future population boom, bust, or plateau.

Many of these factors are also key considerations in building assumptions for our TOW projections. The technical advisory committee also helps us identify other unique circumstances that would impact our estimates of either CNW or TOW.

7. For each landscape we build (a) a population model for the period of 2005 through 2030 and (b) an economic forecasting model. We employ existing and available state population forecasts and then build out our population forecasts through 2030. Typically we become more conservative furthest into the future with high-growth states and a bit more optimistic with states that are currently struggling demographically and economically.

There is a strong and historic relationship between population, personal income change, and change in household current net worth. We employ these relationships along with our demographic and economic forecasts to project household CNW over time through 2030. Again, we generate relatively conservative projections benchmarked to the low-range CNW for the U.S. and the low TOW projection for the United States.

8. Not all assets are equal with respect to TOW opportunity. Many assets will not be available for give back either to heirs, charities or communities. We employ a discounting methodology to reduce the value of our CNW projections so we can generate a TOW estimate that more closely represents the likely TOW opportunity for each state and county. Here are some examples of where we might discount CNW:

(a) Assets that depreciate quickly such as motor homes, automobiles and other durable household goods. (b) Assets where future value is hard to estimate including collections, art and jewelry. (c) Assets that generate income, but are not part of our estimates from a give back standpoint, including defined benefit retirement programs or annuities. (d) Closely held assets including farms, ranches and family businesses. (e) The assets of lower income households which are likely to be consumed during retirement leaving limited estates available for give back.

This discounting can reduce gross CNW by 50% to 75% depending upon the demographics of households in a particular state and county. Again, the discounting allows us to estimate TOW which is truly available for potential give back.

9. Our next step is to estimate the timing of TOW release. We employ projected deaths as our primary indicator of TOW release. Our demographic projections estimate the number of deaths throughout the analysis time frame and these percentages are used to estimate TOW release.

10. To ensure that we have captured all material considerations, we worked with the staff of the San Diego Foundation to review and finalize our analysis.

We hope this information on our methodology is helpful to understanding how we generate CNW and TOW estimates.

rupri Center for RURAL ENTREPRENEURSHIP

The Inter-Generational Transfer of Wealth analysis is a service of the RUPRI Center for Rural Entrepreneurship. The RUPRI Center is pleased to have been able to contribute to America's development through a set of these analyses conducted throughout the country.

The RUPRI Center for Rural Entrepreneurship strives to be the focal point for efforts to stimulate and support private and public entrepreneurship development in communities throughout rural America. The Center is part of the Rural Policy Research Institute, an organization dedicated to providing unbiased analysis and information on the challenges, needs, and opportunities facing rural America.

Original founding support to develop the Transfer of Wealth analysis service was provided by the Nebraska Community Foundation (NCF). Subsequent and ongoing support for the RUPRI Center for Rural Entrepreneurship and the Transfer of Wealth Analysis is provided by RUPRI (www.rupri.org). The Transfer of Wealth Initiative is led by Don Macke, who serves as a Director with the RUPRI Center. The Transfer of Wealth analysis is supported by Ahmet Binerer (Senior Analyst), Taina Radenslaben (Project Manager), Dick Gardner (Senior Fellow), Tim Murphy (Geographer) and Dr. Eric Thompson (University of Nebraska - Lincoln, Bureau of Business Research).

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