



Dear Investor:

*You are receiving this letter because you are an investor in **Europa Village, LLC**. It is with great pleasure that we at Rancon update you on your investment with us.*



The activity at Europa Village, to say the least, is exciting. The grading of our entire 40 acres is now complete and we are weeks away from the underground utilities being installed. This month, we started installing the irrigation system. This puts us in a position to begin planting additional vineyards in March. Our current schedule is to start construction on the buildings for the winery resort in early summer, once funding is secure.

70 investors, of our proposed goal of 128 EB-5 investors, have been secured. Our best guess is we will complete our funding by mid-year. We have a team of five including Jeff Comerchero and Dan Stephenson working primarily in the Asian market to help fund our EB-5 program. The additional members of our sales-marketing team work out of Beijing, China; Taipei, Taiwan; and Irvine, California.

Jeff was in Asia in August 2016, and Dan was in China last month. Dan is scheduled for trips to Asia for both March and May of this year to conduct sales meetings, seminars, and support our marketing team.

We are working hard to raise the capital, and complete the land development and infrastructure. In the meantime, we are extremely pleased with the results we are getting at our temporary facilities *Prelude to Europa Village*.

We were very pleased to see so many of our investors turn out at our open house last year. We were also pleasantly surprised with the great turn-out to our investor financial meeting. We very much appreciate your involvement.

Within the next two months you will receive a gift of our special wines. In the meantime, come visit your winery and be involved in the amazing project you own.

Sincerely,

The Rancon Team





The following is an update on what's happening in our market area:

We have all suffered together through a prolonged and deep real estate recession since 2007. We've now seen a recovery in parts of Southern California, particularly in the areas closest to the coast, but are still waiting for that recovery to reach the Inland Empire. As we enter 2017, the fundamentals are lining up as strongly as we've seen them. Millennials are finally entering the marketplace, the federal government is more interested in supporting business, the residential market in the U.S. is strong, and the Inland Empire is overcoming its overbuilding 10+ years ago. We therefore see a much better market ahead.

Millennials

With the baby boomers moving toward retirement, Millennials are now America's largest buying group. They are the portion of our population born between 1980 and 2000. They number approximately 80 million. This generation has had a profound effect on the new home market. In the past it's a well-known fact that this generation has been reluctant to purchase new homes or to form families. Things are changing and according to many recent surveys, this situation is starting to reverse itself. In a recent analysis by the National Associations of Homebuilders, 68% of Millennials want to live in a single-family detached home, while only 10% want to live in urban centers. One of America's dreams has been to own your own home and most people, including Millennials, see home ownership as a good investment. With the high cost of purchasing a home in urban markets along the coastal regions of America, it forces the Millennial generation to purchase affordable homes in suburbs like the Inland Empire. Today, the average Millennial is 27 and the oldest is 35. These are prime home buying ages, particularly at the entry level.

There is a New Sheriff in Town

For the past decade our federal government has emphasized higher taxes and out of control regulation that has resulted in both direct and indirect new or increased fees to build new homes. Through the 2016 elections, the American people have spoken in a direction that surprised me as well as a great number of us. In the past eight years the Democrats have lost 58 house seats, 10 Senate seats and 14 governorships. If you believe what you read, taxes will be lowered, deregulation will occur and an aggressive shift back to supporting business in America is in the making. I am very optimistic that this shift in government will benefit Rancon and our investors as we continue to pursue our goal of selling our land to qualified builders.

Residential Market

It's been almost 11 years since the national CoreLogic Case-Schiller Home Price Index peaked in July 2006 and the home market bubble burst. It continued to drop for six years and caused millions of homeowners to lose their homes through foreclosure. Today, the once huge foreclosure market is almost nonexistent. Major metropolitan areas have fully recovered and prices, for the most part, have returned to or are exceeding their values prior to the market crashing.

There has been a significant under building of new homes to meet the demand and as a result, prices are at a point where very few Americans can afford to purchase a home. This has caused more and more Americans to enter the rental market rather than purchasing their own single-family home. We are hopeful with deregulation of the financial institutions and loosening of credit, we will see for more first time buyers entering the marketplace once again.

Inland Empire

The micro economy of the Inland Empire, where Rancon specializes, was hit harder by the recent real estate depression and as a result has been slower to recover. In hindsight, the drivers of the economic growth in the Inland Empire were housing construction, real estate brokerage, mortgage financing and consumer sales associated with home purchases. Think of it as a real estate perpetual motion machine in which housing became the proverbial tail wagging in the economy. Unfortunately there is no such thing as a perpetual motion machine and eventually reality, in the form of economic fundamentals, took hold. Speculation morphed into fear, and the housing market and, to a lesser extent, the job market gave back nearly all of their bubble-era gains.

Fortunately the situation has changed. Solid job gains, reduced foreclosures, decrease in supply of residential lots and lack of affordable homes in the coastal regions all have put the Inland Empire in an ideal position to grow. This is starting to be seen in both demand for homes and in the price of those homes. Recently the FHA has increased the lending limits on homes in the Inland Empire. This is critical in terms of expanding the market and helping to attract first time homebuyers.

Through all our lifetimes we have watched the area between Los Angeles and San Diego grow together. It couldn't be more plain that the most desirable area for this growth to continue is Southwest Riverside County. We remain committed to this market area and the philosophy of us putting all of your eggs in one basket and then watching the basket.

