

APPRAISAL OF



**198 Acres of Vacant Land
Located Along Gold Camp Road, South of North Cheyenne Canyon
Park and East of Pike National Forest
Unincorporated El Paso County, Colorado**

Effective Date of the Report: January 12, 2016
Date of Appraisal Report: January 18, 2016
Type of Report: Appraisal Report Opinion
Type of Property: Vacant Land
File No: 2016-02

Prepared For:

**The Broadmoor Hotel
c/o Mr. Tom Schmidt
One Lake Avenue
Colorado Springs, Colorado 80906**

Prepared By:

THOMAS COLON & ASSOCIATES, INC.
Real Estate Appraisers
5585 Erindale Drive, Suite 204
Colorado Springs, Colorado 80918
tcaassociates@qwestoffice.net

THOMAS COLON & ASSOCIATES, INC.

Real Estate Appraisers
5585 Erindale Drive, Suite 204
Colorado Springs, Colorado 80918

719-634-6648/FAX 719-633-4425
tcaassociates@qwestoffice.net

January 18, 2016

The Broadmoor Hotel
c/o Mr. Thomas Schmidt
One Lake Avenue
Colorado Springs, Colorado 80906

Appraisal of: 198 Acres of Vacant Land.
Located Along Gold Camp Road, South of North Cheyenne Canyon Park and East of Pike National Forest, Unincorporated El Paso County, Colorado.

Interest Appraised: Fee Simple Interest
Effective Date: January 12, 2016
File No.: 2016-02

Dear Mr. Schmidt,

As you have requested, I have developed an Appraisal Report opinion for the above captioned property. The report is intended to comply with the reporting requirements set forth under Standards Rule 2-2 of the Uniform Standards of Professional Appraisal Practice (USPAP) for an Appraisal Report. This report presents a summary discussion of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation is retained in the appraiser's workfile. The depth of discussion contained in this report is specific to the needs of the client and for the intended use.

This report was prepared for The Broadmoor Hotel and PF LLC. The intended users of this report are The Broadmoor Hotel, PF LLC and the City of Colorado Springs. The intended use of this appraisal is to estimate the market value of the property as of the date of valuation to be used in negotiations with the City of Colorado Springs for a possible land trade.

The market value estimate for the subject property is subject to certain definitions, assumptions and limiting conditions, and certification of appraiser set forth in the attached appraisal report. This report is also prepared in accordance with the requirements of 12 Code of Federal Regulations (CFR) Part 34 and the Uniform Standards of Professional Appraisal Practice (USPAP). The appraisal report contains 55 numbered pages including one Addenda tab (Part 4).

My estimate of the market value for the subject property is shown in the following matrix:

198 Acres of Vacant Land - Market Value Indication

Premise	As Is
Property Description	198 Acres of Vacant Land Located along Gold Camp Road Zoned A-5, Mountainous Land Form, with Grades Exceeding 30%
Date of Valuation	January 12, 2016
Sales Comparison Approach	\$634,000
Indicated Market Value	\$634,000
Value Per Acre	\$3,200

My estimate of market value for the subject property was made with one extraordinary assumption and no hypothetical conditions as discussed in Part 1 (Scope of Work) of this report.

This letter is an integral part of this appraisal report. I appreciate the opportunity of undertaking this assignment.

Very truly yours,



THOMAS COLON

Colorado Certified General Appraiser

Colorado Lic. No. CGO1315531

Expiration Date: December 31, 2016

PRIVACY POLICY

Thomas Colon & Associates, Inc., like all providers of financial services, is now required by law to inform their clients of their policies regarding privacy of client information.

The Federal Trade Commission (FTC) has ruled that appraisers are now considered to be financial institutions. This stems from the statements by FannieMae, FreddieMac, and FHA that appraisers are considered as part of the financial institution for their participation in the lending process.

Licensed/Certified Appraisers have been and continue to be bound by the Uniform Standards of Professional Appraisal Practice (USPAP) and Ethics Rules which consist of conduct, management, confidentiality, and record keeping sections. These rules and standards are more stringent than those required by law. Therefore, Thomas Colon & Associates, Inc. has always been diligent about protecting information deemed to be private or confidential in nature.

Types of Nonpublic Personal Information Collected

Personal information about you and your property is collected during the course of developing the appraisal process. This is generally accomplished with your prior knowledge and approval. Nonpublic information is provided to our agency by you or obtained by us with your authorization. The purpose of the appraisal process is normally to develop a specific value opinion for a client. The specific value opinion is a part of the requirement for the successful completion of a particular real estate financial transaction.

Parties to Whom We Disclose Information

For current and former clients, this agency does not disclose any nonpublic personal information obtained during the course of developing a property's specific value opinion except as required by law or at the direction of the client to assist in the completion of the particular financial transaction. Such nonpublic information may be disclosed to the client and any identified intended users of the specific appraisal, review, or consultant reporting process. A fiduciary agreement is automatically in effect between our agency and the identified client and intended users per Ethics Rules of the USPAP. In all such situations, it is specifically stated that all confidential information, analyses, conclusions, survey results, adjustments, and opinions be safeguarded by the appraiser.

Record Keeping Requirements

Our agency retains records relating to the professional services that we provide so that we are better able to assist you with your professional needs and to comply with the requirements of the Ethics Rules contained within the USPAP. In order to secure your nonpublic personal information, our agency maintains physical, electronic, and procedural safeguards that comply with our professional stands.

Please call if you have any questions. Your privacy, our professional ethics, and the ability to provide you with a quality product or service are very important to us.

TABLE OF CONTENTS

Introduction	Page No.
Title Page.....	1
Letter of Transmittal.....	2
Privacy Policy.....	4
Table of Contents.....	5
Executive Summary.....	7
Market Value Conclusion.....	8
Certification of the Appraiser.....	9
Subject Photographs.....	10
Part 1 - Scope of Work.....	11
Assumptions and Limiting Conditions.....	11
Extraordinary Assumptions.....	11
Hypothetical Conditions.....	11
General Assumptions and Limiting Conditions.....	11
Identity of the Client and Intended Users.....	13
Intended Use of the Appraisal.....	13
Real Property Interest Appraised.....	13
Purpose of the Appraisal.....	13
Date of Appraisal Report.....	14
Effective Date of Appraisal.....	14
Date of Property Inspection.....	14
Property Identification and Description.....	14
Data Search Parameters and Analysis Approaches.....	14
Summary of Appraisal Problems.....	15
Definition of Terms.....	15
Part 2 - Factual Data.....	18
Identification of the Subject Property.....	18
Regional/Metro and Neighborhood Data.....	18
Regional/Metro Data Overview.....	18
Neighborhood Data.....	27
Property Data.....	30
Location.....	30
Legal Description.....	30
Tax Schedule Number, Actual Value, Assessed Value, and Taxes.....	31
Special Assessments.....	33
Ownership.....	33
Property Sales History.....	33
Zoning.....	33
Census Tract.....	34
Easements.....	34
Floodplain.....	34
Land Area.....	34
Land Shape/Land Form.....	35
Frontage/Exposure.....	35
Access.....	35
Topography and Drainage.....	35
Vegetation.....	35
Views.....	36
Wildlife Habitat.....	36
Public Utilities.....	36
Public Improvements.....	36

Site Improvements.....	36
Stage of Development.....	36
Part 3 – Analysis and Valuation.....	37
Highest and Best Use.....	37
Highest and Best Use As Vacant.....	37
Appraisal Valuation Methodology.....	39
Property Valuation.....	39
Sales Comparison Approach.....	39
Land Sales Grid – Table 1.....	49
Conclusion.....	52
Value Indication.....	52
Exposure and Marketing Period.....	52
Part 4 – Exhibits and Addenda.....	53
Appraiser’s Qualifications and License.....	54

EXECUTIVE SUMMARY

Date of Appraisal Report: January 18, 2016

Effective Date of Appraisal: January 12, 2016

Date of Property Inspection: January 12, 2016. I was not accompanied by anyone during my inspection of the subject property. Not all of the subject property was inspected due to poor (winter) road conditions.

Client: The Broadmoor Hotel
c/o Mr. Thomas Schmidt
One Lake Avenue
Colorado Springs, Colorado 80906

Owners of Record: PF LLC
c/o The Broadmoor Hotel
One Lake Circle
Colorado Springs, Colorado 80906-4269.

Location: The subject property is generally located along Gold Camp Road, immediately south of North Cheyenne Canyon Park, west of the Broadmoor Hotel and east of Pike National Forest, in the southwest portion of Colorado Springs.

Real Property Interest Appraised: Fee Simple. The property is appraised "as if free and clear" of all liens, bond assessments, and indebtedness, but subject to existing easements, covenants, deed restrictions, and rights-of-way of record. No investigation nor review of deed restrictions, covenants and easements has been conducted on the subject property or comparable sales except for conservation easements which have been reviewed. No consideration has been given to a division of interests or fractional interests. No separate value was estimated for personal property, mineral rights, water rights or other non-realty items which may or may not be associated with the property.

Tax Parcel Numbers: Portion of 75000-00-263.

Land/Site Areas: 198 Acres. The subject property is currently a portion of a larger parcel containing 1,181.87 acres.

Legal Descriptions: See Part 2 – Legal Descriptions.

Zoning: A-5 (Agricultural 5, El Paso County, Colorado).

Subject Sales History: Assessor's records indicate that the subject property was part of a larger purchase involving the purchase of the Seven Falls tourist attraction. The sale occurred August 26, 2014 and the purchase price was \$961,000. See Part 2 for additional sales history details.

Subject Use History: Agricultural, Open Space

Highest and Best Use: The highest and best use of the subject property would be for open space, park or recreational use associated with the North Cheyenne Canon Park.

Exposure and Marketing Period: 12 Months or Less.

MARKET VALUE CONCLUSION

My estimate of the market value for the subject property is as shown in the following matrix:

198 Acres of Vacant Land - Market Value Indication

Premise	As Is
Property Description	198 Acres of Vacant Land Located along Gold Camp Road Zoned A-5, Mountainous Land Form, with Grades Exceeding 30%
Date of Valuation	January 12, 2016
Sales Comparison Approach	\$634,000
Indicated Market Value	\$634,000
Value Per Acre	\$3,200

My estimate of market value were made with one extraordinary assumption and no hypothetical conditions as discussed in Part 1 (Scope of Work) of this report.

CERTIFICATION OF APPRAISER

The undersigned certifies that, to the best of my knowledge and belief:

- Statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- 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.
- I have performed appraisal services, as an appraiser, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*
- I have made a personal inspection of the property that is subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.

Thomas Colon

THOMAS COLON

Colorado Certified General Appraiser

License No.: CG 1315531

Expiration Date: 12/31/2016

Subject Photographs



Looking Northwest Across the Subject Property



Typical View From Old Stage Road



Typical View From Gold Camp Road



Typical Slope Conditions



Looking West Along Gold Camp Road



Looking South Along Gold Camp Road

The subject photographs were taken January 12, 2016 by Tom Colon.

PART 1

SCOPE OF WORK

Assumptions And Limiting Conditions

The certification of the appraiser appearing in the appraisal report is subject to the following conditions, and to such other specific and limiting conditions as are set forth by the appraiser in the report.

Extraordinary Assumptions

I have made one extraordinary assumption. It is an extraordinary assumption that the subject property is valued as a separate legal parcel as of the valuation date. In reality, as of the effective date of this report, the subject property was a portion of a larger parcel containing 1,181.87 acres owned by PF LLC. This extraordinary assumption is necessary to support a credible appraisal analysis which is a requirement of my appraisal assignment.

Hypothetical Conditions

I have made on hypothetical conditions.

General Assumptions and Limiting Conditions

1. The legal descriptions, land areas, surveying and engineering data provided by others, if any, are assumed to be correct. The sketches and maps in this report are included to assist the reader in visualizing the property and are not necessarily to scale. Various photographs are included for the same purpose. Site plans are not surveys unless prepared by a separate surveyor.
2. This is an Appraisal Report opinion which is intended to comply with the reporting requirements set forth under Standards Rule 2-2 of the Uniform Standards of Professional Appraisal Practice (USPAP) for an Appraisal Report. The report presents summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's workfile. The depth of discussion contained in this report is specific to the needs of the client and for the intended use.
3. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report. The property is appraised "as if free and clear" of liens and encumbrances, but subject to existing easements, covenants, deed restrictions, and rights-of-way of record. No investigation nor review of deed restrictions, covenants and easements has been conducted on the subject property or comparable sales.
4. Information furnished by others, to include the client, the client's representative, or persons designated by the client, is believed to be reliable. No warranty, however, is given for its reliability or accuracy. Unless otherwise noted in the appraisal report, there is no reason to believe that any data furnished by others contains a material

error. A material error of any of the pertinent data could have a substantial impact on the value reported. Accordingly, the client-addressee should carefully review all assumptions, data, and relevant conclusions and should notify the appraisers in a timely manner of any questions or errors.

5. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated land use. Separate allocations for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used.
6. This report is as of the date set out and is not intended to reflect subsequent fluctuations in market conditions, up or down.
7. It is assumed there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or arranging for engineering studies that may be required to discover them.
8. It is assumed the subject property complies with all applicable zoning and use regulations and restrictions, unless non-conformity has been stated, defined, and considered in this appraisal report.
9. It is assumed the use of land is within the boundaries or property lines of the property described and there is no encroachment or trespass unless otherwise stated in this report.
10. The value estimated herein specifically assumes that the subject property does not contain any endangered or threatened species pursuant to the Federal Endangered Species Act of 1973.
11. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyl, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, was not called to the attention of nor did the appraiser become aware of such during the appraiser's inspection of the subject property. I am not qualified to test for such substances. The presence of such hazardous substances could affect the value of the subject property. My value opinion developed in this report is predicated on the assumption that no such hazardous substances exist on or in the property or in such proximity thereto, which would cause a loss in value. No responsibility is assumed for any such hazardous substances, or for any expertise or knowledge required to discover them.
12. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey and analysis of the subject property to determine whether or not it is in conformity with the various detailed requirements of the ADA. The subject proper is vacant land.
13. No geotechnical reports concerning subject property or information relating to geologic conditions and hazards were available to the appraiser. This area of the county has been known for expansive soils and other geological hazards, the effects of which can be minimized when properly engineered foundations are employed. The valuations contained herein are based upon the premise that soil and underlying geologic conditions are adequate to support standard construction consistent with highest and best use. No evidence to the contrary was observed during the physical inspection of the property.

14. Possession of this report, or a copy thereof, does not carry with it the right of publication. The report may only be used by the person or persons to whom it is addressed or for the purpose stated in the report. It may not be used for any purpose by any person other than the parties to whom it is intended without the written consent of the appraiser, and in any event only with proper written qualification and only in its entirety.
15. Neither all or any part of the contents of this report especially any conclusions as to value, the identity of the appraiser(s), or the firm which the appraiser(s) is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval of the appraiser(s).

Identity of the Client and Intended Users

This appraisal report has been prepared for The Broadmoor Hotel and PF LLC. The intended users of this report are The Broadmoor Hotel, PF LLC and the City of Colorado Springs. The appraisal has not and cannot be re-addressed. Use of this report by others not associated with the client is not intended by the appraiser.

Intended Use of the Appraisal

The intended use of this appraisal is to estimate the market value of the property as of the date of valuation (January 12, 2016) to be used in negotiations with the City of Colorado Springs for a possible land trade.

Real Property Interest Appraised

Fee Simple. The property is appraised "as if free and clear" of all liens, bond assessments, and indebtedness, but subject to existing easements, covenants, deed restrictions, and rights-of-way of record. No investigation nor review of deed restrictions, covenants and easements has been conducted on the subject property or comparable sales except for conservation easements which have been reviewed. No consideration has been given to a division of interests or fractional interests. No separate value was estimated for personal property, mineral rights, water rights or other non-realty items which may or may not be associated with the property.

Purpose of the Appraisal

The purpose of this assignment is to estimate the market value of the subject property as follows:

- 1) The Market Value estimate of the fee simple interest in the subject property effective January 12, 2016.

My estimate of market value were made with no extraordinary assumptions and no hypothetical conditions as discussed in Part 1 (Scope of Work) of this report. The term "market value," as used in this appraisal, is defined in the Definition section of this report.

Date of Appraisal Report

The date of the appraisal report is January 18, 2016.

Effective Date of Appraisal

The effective date of appraisal and market value opinion for the subject property is as of January 12, 2016.

Date of Property Inspection

I inspected the subject property on January 12, 2016. January 12, 2016 is also my effective date of value for this appraisal report. I was not accompanied by anyone during my inspection of the subject property.

Property Identification and Description

The subject property is identified as 198 acres of vacant land that is a portion of a larger parcel containing 1,181.87 acres which is part of the Seven Falls tourist attraction. The subject property is generally located along Gold Camp Road, immediately south of North Cheyenne Canyon Park, west of the Seven Falls tourist attraction and east of Pike National Forest, in the southwest portion of Colorado Springs, Colorado.

The subject has an inverted "L" shape and its land form is best described as Rocky Mountain hillside. Elevations on the site range from approximately 6,500 feet to over 8,000 feet. Except for small areas located along the road most of the property could be described as sloping with grades exceeding 30%. Most all of the site is treed except for where there are rock outcroppings.

(**Seven Falls** is a series of seven cascading waterfalls in South Cheyenne Canyon, Colorado and the name of the larger visitor attraction. About ten minutes from downtown Colorado Springs, Seven Falls has been called the "Grandest Mile of Scenery in Colorado").

Data Search Parameters and Analysis Approaches

1. A physical inspection of the property.
2. A search of the public records relative to the subject. This search encompasses, among other things, tax and assessment information, easement, and other private, as well as public, deed restrictions, zoning, history of the property, etc.
3. A summary of neighborhood and regional area characteristics, as well as an analysis of supply and demand within the subject's market segment.
4. Analysis of physically possible uses, legally permissible uses, and all feasible uses in order to estimate the highest and best use of the subject property.
5. Research of public records for comparable sales and listings. Telephone verification, where possible, of all the sales and listings with the buyer, seller, or their representative. A physical inspection of each of the properties, as well as deed verification in some

cases. Comparison of the comparable properties to the subject with consideration of such differences as legal encumbrances, financing terms, conditions of sale, market conditions, location, physical characteristics, availability of utilities, zoning, stage of development and highest and best use.

6. The cost approach was not used to estimate the value of the subject property because there are no building improvements.
7. The sales comparison approach was used to estimate the value of the subject property. The sales comparison approach is based upon the proposition that an informed buyer would pay no more for a property than what he would have to pay for a comparable property with the same utility as the subject property. The process involves the comparison of the subject property with comparable properties that have sold recently or that are now listed for sale on the market making adjustments as necessary to compensate for differences between them and the subject property.
8. The income approach was not used to estimate the value of the subject property. This method has application only in properties which have income producing potential. The subject property has little income potential as operating ranch.

Summary of Appraisal Problems

The appraisal problem for the subject property is that there are few recent sales of similar sized properties in the subject's Market Area. Furthermore, not only is there a lack of similarly sized sales, there is a lack of recent sales with similar physical characteristics as the subject. Overall, every effort was made to gather and analyze sales and the listing of properties so that sales with the fewest differences from the subject could be used in this report. The comparable sales and listings that were selected for direct comparison with the subject properties were considered the best ones available; however, as always a better selection of comparable land and lot sales would have been more desirable to perform the analysis.

Definition of Terms

Various special terms used in this report are defined in the following paragraphs to assist the reader in understanding terminology.

Extraordinary Assumption. An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

Hypothetical Condition. That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

Cash Equivalent. A price expressed in terms of cash as distinguished from a price which is expressed all or partly in terms of the face amount of notes or other securities which cannot

be sold at their face amount. The cash equivalent price, of a sale property, may differ from its contract price, and should represent the present worth at time of sale, of all cash and other considerations paid for the real property, as opposed to other portions of stated consideration, which may be paid for services, fees and/or non-realty items.

Highest and Best Use. The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest market value of the property as of the date of the appraisal. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

Fee Simple. A fee simple estate is absolute ownership unencumbered by any other interest or estate; subject only to the limitations of eminent domain, escheat, police power and taxation.

Market Value. The current economic definition of market value:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affective by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- a. buyer and seller are typically motivated;
- b. both parties are well informed or well advised, and each acting in what he considered his own best interest;
- c. a reasonable time is allowed for exposure in the open market;
- d. payment is made in terms of cash in U.S. Dollars or in terms of financial arrangements comparable thereto; and
- e. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

From the OCC's Final Rule, 12 CFR Part 34, Subpart C-Appraisals, Section 34.42(f), effective August 24, 1990, 55 Federal Register 34696, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499 June 7, 1994.

Cost Approach. The cost approach is based upon the proposition that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility as the subject property. It is particularly applicable when the property being appraised involves relatively new improvements, which represent the highest and best use of the land or when unique or specialized improvements are located on the subject property for which there exist no comparable properties on the market. In this approach, we will estimate the replacement cost. Replacement cost is defined as the cost of construction at current prices of improvements, having utility equivalent to the improvements being appraised but built with modern materials and according to current standards, design and layout. From the replacement cost new there is deducted an estimate of accrued depreciation which is the loss in value arising from physical, functional and economic causes.

Sales Comparison Approach. The sales comparison approach is based upon the proposition that an informed buyer would pay no more for a property than what he would have to pay for a comparable property with the same utility. The process involves the comparison with comparable properties that have sold recently or that are now listed for sale on the market making adjustments as necessary to compensate for differences between them. Where sale financing terms are considered to affect the price paid in a given

transaction, an adjustment to the price of the comparable transaction for cash equivalence is made.

Income Approach. The income approach is based upon the proposition that there is a relationship between the income generating capacity of a property and its price. This method has application only in properties, which have income producing potential. In the income approach, anticipated future benefits in terms of money to be derived from the ownership of the property are converted into a value estimate. The value is dependent upon the quantity, quality, and duration of the anticipated income.

The Endangered Species Act ("Act") prohibits the "take" of listed species. Take, as defined under the Act, means to harass, harm, pursue, hunt, shoot, wound, kill, trap, capture, or collect, or to attempt to engage in any such conduct. This also applies to the knowing removal of habitat that is necessary for the survival of the mouse including suitable streamside vegetation and adjacent uplands. **Civil penalties** for violations under the Act include a civil penalty of up to \$25,000 for each violation. Any person who knowingly violates any provision of any other regulation issued under the Act may be assessed a civil penalty of up to \$12,000 for each violation. **Criminal penalties** for violations under the Act include a fine of up to \$50,000 or imprisonment of up to one year, or both. Any person who knowingly violates any provision of any other regulation issued under the Act, upon conviction, may be fined up to \$25,000 or imprisoned for up to than six months, or both.

PART 2

FACTUAL DATA

Identification of the Subject Property

The subject property is identified as 198 acres of vacant land that is a portion of a larger parcel containing 1,181.87 acres which is part of the Seven Falls tourist attraction. The subject property is generally located along Gold Camp Road, immediately south of North Cheyenne Canyon Park, west of the Seven Falls tourist attraction and east of Pike National Forest, in the southwest portion of Colorado Springs, Colorado.

The subject has an inverted "L" shape and its land form is best described as Rocky Mountain hillside. Elevations on the site range from approximately 6,500 feet to over 8,000 feet. Except for small areas located along the road most of the property could be described as sloping with grades exceeding 30%. Most all of the site is treed except for where there are rock outcroppings.

(**Seven Falls** is a series of seven cascading waterfalls in South Cheyenne Canyon, Colorado and the name of the larger visitor attraction. About ten minutes from downtown Colorado Springs, Seven Falls has been called the "Grandest Mile of Scenery in Colorado").

Regional/Metro and Neighborhood Data

Regional/Metro Data Overview

Below is a summary of pertinent metropolitan influences.

Economic Base. The economic base of Colorado Springs consists of a broad mix of industries. Key industries include high-tech manufacturing, software development, call centers, defense contractors, information processing, back office, Olympic sports, national associations and the military.

Community Assets. Wage and utility rates in the area compare favorably with cities of similar size. Excellent industrial sites are still available in planned industrial parks. The well educated work force, central location, dry moderate climate and adequate transportation facilities have proved to be advantageous in attracting new industries to the community.

Population. Population in the Colorado Springs metro area was estimated to be 663,519 as of April 1, 2014. Over the 10 years between 2000 and 2010, population grew at a rate of about 2% per year, adding an estimated 105,300 people. Some of the increase was due to expansion at Fort Carson, with the addition of about 7,000 soldiers and 10,500 dependents. An estimated 52% of the increase was due to natural increase and 48% was due to net migration. Population in the Colorado Springs metro area over the long term has increased at a rate of 2.4% per year. Long term projections indicate that population in the Colorado Springs metro area is expected to grow annually at a rate of about 1.5% to 2% in future years.

Population Growth Metro Area 1970 – 2014

Year	Population	Change	Annual Percent Change	Births	Deaths	Natural Increase	Net Migration
Decade							
1970	240,100						
1980	312,600	72,500	2.7%	56,324	15,748	40,576	31,924
1990	397,500	84,900	2.4%	69,412	19,009	50,403	34,497
2000	516,929	119,429	2.7%	76,506	24,591	51,915	67,514
2010	622,263	105,334	1.9%	87,717	33,073	54,644	50,690
2013	655,453	33,190	1.6%	29,854	12,395	17,459	15,731
2014	663,519	8,066	1.2%	9,305	4,178	5,127	2,939
Totals							
Totals		423,419		329,118	108,994	220,124	203,295
Percent						52%	48%

Source: US Bureau of the Census and Colorado State Demographer. 1970-2010 Data is for April 1st of each year. 2013-2014 data is for July 1.

Job Growth. Job growth in Colorado Springs showed strong growth third quarter of 2015. The number of wage and salary (payroll) jobs increased (year-over) by close to 6,000 compared to the 1st quarter of 2014. The local economy saw three consecutive years of job losses in 2008-2010, then went into positive territory over the past four years. This was in spite of federal spending cuts in 2014 and the shift away from both the Manufacturing and Information Technology sectors, which were key components of the local economic base. Job sectors that have contributed to recent job gains include healthcare, construction and some of the services sector.

Over the past decade the structure of the Colorado Springs economy experienced a dramatic change. Since 2004 the Information and Manufacturing sectors lost 8,500 jobs. At the same time the Education and Health Services sector grew by 9,900. The economy's largest employer, is still the Government sector with 48,700 employees.

The Colorado Springs Regional Business Alliance plays a key role in reinventing the local economy. CSRBA's focus includes: (1) attracting, retaining and growing primary industry, (2) building a strong business climate, (3) providing support for local businesses. The CSRBA recently announced the expansion and/or relocation of three companies and 2,194 new primary jobs in the first three months of 2015. The largest announcement was Sierra Completions, a firm that will locate at the municipal airport, with 2,100 jobs announced.

New primary job announcements in the first three months of 2015 were up significantly compared to the 459 announced for all of 2014. The loss of primary jobs continues to have a negative impact on the local economy. A total of 178 primary job layoffs were announced in the first three months of 2015. The largest was Sinton Dairy with an announced 120 job cut-back.

Primary jobs are a major driver of economic growth because they bring new dollars into the local economy. The new dollars support jobs at supermarkets, real estate offices, gas stations, home building companies and the like. Then, as the workers in these local industries spend their earnings, even more jobs are supported. Thus, primary industry activity has an expansive multiplier effect on the local economy.

Military Economic Base. The military makes up a significant part of the Colorado Springs economic base. Total employment at the four military bases is about 55,900 including 37,245 military personnel and almost 19,000 civilian workers. Employment on local military bases amounts to about 19% of the total jobs in the Colorado Springs area. As a footnote, these figures include about 4,000 soldiers deployed to the middle east, but do not include about 4,000 cadets at the Air Force Academy. The four local military bases all provide some on-base family housing, with units totaling almost 4,700.

With the war winding down in Afghanistan and the expected cut-backs in defense spending, the future level of military and civilian defense contractor personnel assigned to bases in the Colorado Springs area is a big unknown at the present time.

Latest Economic Indicators. The latest economic data indicates that the local economy is finally out of the deep hole dug by the 2007-2009 recession. However, the recovery is plodding along at a very slow pace. Most all of the monthly economic indicators show good news:

- **Wage and Salary Jobs:** El Paso County's job growth remained strong in the second quarter and likely passed the statewide average during the third quarter, according to a new report. Employers in the county added jobs in the second quarter at the same rate as the first quarter, which was the fastest growth rate since mid-2006, according to data posted Tuesday on the Colorado Department of Labor and Employment's website. The 3% growth rate from the second quarter of 2014 is up from the 2.3% growth rate in the second quarter of 2014 and just slightly behind the state's 3.3% growth rate in the second quarter. The county's growth rate for the quarter is double the 1.5% gain reflected in payroll data for the same period from the U.S. Bureau of Labor Statistics generated from monthly surveys.

Nearly half of the county's job growth — 46.8% — came from the health care and social assistance sector and the accommodation and food service sector, with outpatient health care (including physician offices) and food service and drinking places each generating more than 1,100 jobs, growing more than 5% from a year earlier. The retailing and professional and technical services industries each added more than 800 jobs. Together the four categories make up nearly 70% of the 7,542 jobs added during the 12 months ended June 30.

- **Sales and Use Tax:** Colorado Springs sales tax collections continued to reflect strength in the local economy in November, rising 7.2% from a year earlier with much of the gain coming from sales of building materials, restaurants and vehicles, the city's Finance Department reported December 17, 2015. Sales tax revenue in November increased 7.2% from November 2014 to \$11.7 million, the second consecutive monthly gain and the eighth rise in the past nine months. The November total is based on revenue collected in November from spending in October. The total this year is up 5.1% from the same period last year to \$115.3 million, though that total doesn't include special taxes for public safety and trails and open space that have generated another \$30.6 million. All of those taxes combined provide more than half of the city's general fund budget and pay for basic services that include police, fire and roads. Sales tax collections also are a key local economic indicator followed by economists.

Other information from the November report included:

- Nearly half of the increase was generated from three broad categories of spending — building materials, restaurants and automobile dealers. Collections on building materials were up 11.2%, while revenue from restaurants increased 8.2% and collections from auto dealers rose 7.8%. The three categories are among the four largest of the 14 tracked by the finance department. The only categories with declines were sales of commercial machines, down 12%, and tax paid on utility bills, down 3.8%.

- Paul Rochette, senior partner of Summit Economics LLC, a local economic research and consulting firm, said the increased revenue from building materials, restaurants and vehicles all "reflect improved consumer confidence. The car sales and restaurant meals likely are purchases that had been deferred until economic conditions improved and the building material sales increase stems from little new construction in recent years and the resulting price increases we have seen in the past year or so. I am bullish on the local economy for the next year or two."

- Collections from the city's Lodger's and Auto Rental Tax continued to surge in November, increasing 13.8% from a year ago to \$454,444, and this year are up an identical 13.8% from the same period last year to \$4.53 million. That 10-month total is higher than any other 12-month total in the city's history. Collections from the tax have increased year-over-year for eight consecutive months and jumped by double-digit levels in seven of those months.

- Revenue from the city's use tax, collected on equipment and machinery bought outside of the city for use in the city, surged 24.4% to \$861,911, the biggest monthly increase since May and the highest monthly total since July 2014. Use tax collections this year are up 1.7% to \$6.95 million.

- **New Vehicle Registrations:** El Paso County's new car and truck market went into overdrive in December with registrations surging to the highest monthly total in more than 10 years and the fifth highest ever, according to a report just released by the El Paso County Clerk and Recorder's Office. County residents registered 2,719 new cars and trucks in December, up 25.9% from December 2014 and the highest monthly total since a record 3,222 new vehicles were registered in August 2005. The big gain for the month came after registrations had declined slightly in the previous three months. Cars registered in December likely were sold in October and November since consumers have up to 60 days to register a new vehicle they purchased. Registrations for all of 2015 were up just 3.8% from 2014, but the total of 26,585 was the highest annual total since 2002 and the fourth-highest ever after 2000-02. The number of new vehicles registered in the county has increased six consecutive years after declining in four of the previous five years. Tim Jackson, president of the Colorado Auto Dealers Association, attributed the strong sales in December and for the year to historically low gasoline prices, widespread availability of inexpensive credit for vehicle purchases and surging consumer confidence. Statewide registration numbers for December won't be available for two weeks, but the November total was up 29.6% from November 2014 to 19,923, according to the Colorado Auto Dealers Association. Registration totals for the first 11 months of the year were up 10.3% from a year earlier to 186,550.
- **Unemployment Rate:** The Colorado Springs-area unemployment rate remained unchanged in November while the labor force posted another decline, according to the latest data from the U.S. Bureau of Labor Statistics. The local jobless rate had declined for five consecutive months, reaching an eight year low of 4.3% in October. While the percentage of residents looking for work didn't change, the number of people in the job market fell by 603 in November to a six year low of 312,788. The labor force has contracted 1.9%, or by 6,148 residents, since November 2014.

Other information included in the report:

- Payroll totals in the Colorado Springs area in November rose just 0.5% from November 2014 to 265,500 — the slowest year-over-year growth rate in nearly five years. The 1,300 jobs added during the past 12 months in the health care industry equals payroll growth for all industries. That's because the loss of 2,100 jobs in the business and professional services sector in the past year wiped out small gains in restaurants, retailing, financial services, government and other services sectors. The business and professional services sector includes many defense contractor employees.
- The unemployment rates also remained unchanged in November at 3% in the Boulder area, 3.2% in the Fort Collins area, 3.6% in the Greeley area and 5.3% in Pueblo area. The Denver area's jobless rate fell to 3.4% in November from 3.5% in October, while the Grand Junction area's rate rose to 5.5% from 5.3%. Colorado's unemployment rate fell in November to 3.6%, the lowest since June 2007, from 3.8% in October.
- The bureau will release December unemployment rate and payroll numbers for Colorado Springs and 386 other metro areas nationwide Feb. 2, 2016.
- **Foreclosure Filings:** The number of Colorado Springs-area properties falling into foreclosure rose slightly last month (November), although the pace of local foreclosure activity continues to run at a 14-year low, according to a report Tuesday by the El Paso County Public Trustee's Office. Foreclosure notices in the county totaled 147 in November, a 2.2% increase over October and a 4.1% rise over November of last year, the report showed. Even with the increases, the number of foreclosure notices during the first 11 months of the year totaled 1,332, a 21% percent drop from the same period last year. Barring a dramatic change in the recent pace of foreclosure activity, this year's total of foreclosure notices should be the fewest since 1,165 were tallied in 2001. A record 5,288 foreclosure notices were recorded in 2009 in El Paso County. Since then, notices have declined each year; real estate agents and economists have attributed the lower numbers to an improving economy and healthier single-family housing market. Property owners are served with a foreclosure notice after several months of missed mortgage payments; a failure to resolve the situation can lead to the sale of a property at a Public Trustee's auction.
- **Hotel occupancy:** The mild weather in October helped to fill Colorado Springs hotel rooms, pushing the occupancy higher than a year earlier for the second consecutive month and seventh time in the past eight months, according to the Rocky Mountain Lodging Report. The occupancy rate for local hotels rose to 65.3% in October, up from 61.4% in October 2014, Local occupancy rates have risen every month this year, when compared with the same month a year earlier,

except February and August. The year-to-date occupancy rate was 68.6%, up from 65.8% during the first 10 months of 2014.

The Lodging Report also showed:

- The average room rate in October headed in the same direction as occupancy rates, rising 5.7% from October 2014 to \$96.78. The average for the first 10 months of the year is up 7.4% from a year ago to \$101.71.
- The statewide occupancy rate in October fell for the second time in the past three months, when compared with the same month a year ago, to 68.9%. Colorado’s hotels filled 69.4% of their rooms in October 2014. However, the occupancy rate for the first 10 months of the year is still up to 71.8% from 71% during the same period a year ago. The average room rate for the state in October rose 5.5% from October 2014 to \$137.57 and the average rate for the first 10 months of the year was up 7.1% to \$145.23.
- What’s not included in the Colorado Springs numbers: The Broadmoor hotel and Cheyenne Mountain Resort are both included in the report’s “other resorts” category that also includes many of the state’s ski resorts.

The key local economic indicators show that the corner may have been turned, but it is still a long way to go to get back to a normal level of activity. The local economy has recovered all of the nearly 14,000 jobs it lost during the recession. The local economy is definitely in the rebound mode and hopefully the city can continue on this positive path.

New Single Family Home Permits. New housing construction in the Colorado Springs Metro area has averaged almost 3,996 per year over the ten year period between 1999 through 2008. The peak year was 2005 with over 5,314 units constructed (does not include multi-family). New home construction remained strong through 2005 but in 2006 the trend reversed itself with permits totaling only 3,446, which represented a -35.2% decline compared to 2005. For 2007 new home permits were down -38.0% compared to 2006. In 2008 new single family home permits were down -42.79% compared to 2007. New detached single family building permits for 2009 were down -9.72% compared to 2008. 2009 marked the fourth year in a row with declining building permit numbers but the trend was slowing. In 2010 the negative trend reversed itself and detached single family building permits were up 27.1% compared to 2009. In 2011 it appears that the market is still recovering slowly with 1,399 detached single family building permits which was five permits less than in 2010 or down a -0.36% compared to 2010. In 2012 detached single family building permits totaled 2,218 up +58.54%, compared to 2011, which was a five year high for single family building permits. New home construction continued its recovery in 2013, as the pace of homebuilding climbed to its highest level in seven years. Building permits totaled 2,676 in 2013, a 20.65% over 2012. However, the pace of Colorado Springs-area homebuilding declined in 2014, single family building permits totaled 2,438, down -8.89% compared to 2013.

For 2015 the Pikes Peak Regional Building Department issued 2,739 permits last year for the building of single-family homes, according to a report the department just released. Last year’s single-family permit total rose by 12.3% over 2014 and was the highest number of permits since Regional Building issued 3,446 in 2006. However, last year ended on a down note; in December, permits totaled 171, a 3.4% decline from the same month in 2014. Permits have increased in 10 out of the past 12 months on a year-over-year basis.

Detached Single Family Permits		
Year	Permits	% Change
2001	4,925	+5.3%
2002	4,466	-9.3%
2003	4,356	-2.5%
2004	5,059	+16.1%
2005	5,314	+5.0%
2006	3,446	- 35.2%

2007	2,136	- 38.0%
2008	1,223	- 42.7%
2009	1,105	-9.6%
2010	1,404	+27.1%
2011	1,399	-0.36%
2012	2,218	+58.54%
2013	2,676	+20.65%
2014	2,439	-8.89%
2015	2,739	+12.3%

Homebuilders have credited historically low mortgage rates as a major reason for this year's increase in local home construction. Long-term, fixed-rate mortgages averaged below 4% for much of 2015; they ticked up to 4.01% last week, the highest since late July, according to mortgage buyer Freddie Mac. Some homebuilders also have said that an extremely tight inventory on the resale side of the single-family housing market has contributed to the demand for new homes. Economists and government officials closely watch building permit activity because of the housing industry's impact on the local economy. The industry employs thousands, while taxes collected on the purchase of building materials help fill the coffers of area governments, which use the money for roads, public safety and other services.

Resale Residential Market. The pace of buying and selling homes showed no signs of slowing last month (November) in Colorado Springs and surrounding communities, according to a new report from the Pikes Peak Association of Realtors. Single-family home sales totaled 1,107 last month, almost 14 percent higher than in October 2014. Sales now have risen for 15 straight months, on a year-over-year basis. Through the first 10 months of this year, sales have totaled 11,332 which is nearly 19% increase over the same period last year. Year-to-date sales already have exceeded the total for all of last year and are on pace for their highest total in a decade. The median price (or mid-point) of homes that sold in October rose to \$234,900, a 4.4% increase over a year ago. Median prices have increased for 11 straight months on a year-over-year basis. The supply of homes for sale totaled 2,936 in October, a 16.1% drop from a year ago. It's the 15th consecutive month that listings have declined and the fewest number of homes for sale in any October since 2000. Despite the increase in sales and prices, there are some concerns about the market's direction, said Joe Clement, broker-owner of Re/Max Properties in Colorado Springs. The demand for upscale homes remains slow, while an increase last month in foreclosure activity was troubling, he said. And while the tight supply helps to drive up prices, some buyers can't find a home in lower price ranges. Buyers seeking a \$260,000 or \$270,000 house, "can't find a whole bunch to look at," Clement said. "There's just a limit. What happens then is, one comes on the market and three people are standing there and all of a sudden you've got a multiple-offer situation and that drives the price up."

Apartment Market. New apartment construction has been cyclical, with building activity occurring when vacancies are low and rents are rising. The apartment market took a triple hit early in this decade as a result of (1) the big loss of tech jobs in 2001 and 2002; (2) the deployment of troops to Iraq and Afghanistan that started in late 2002; and (3) easy mortgage credit in 2004 to 2006 that made it possible for many renters to become home owners. Since 2007 the vacancy rate has been slowly declining and within the past five years the vacancy rate has generally hovered in the 5% to 7% range.

According to a report by the Colorado Division of Housing, rents continue to increase at Colorado Springs-area apartments. Average rents soared to a record high of \$932.25 a month in the third quarter. The latest figure increased \$33 a month from the second quarter's \$899.22, the previous record high. Rents have increased for 23 straight quarters on a year over-year basis. At the same, the local apartment vacancy rate dropped to 4.2% in the third quarter from 4.6% in the second quarter. That is the lowest rate since the second quarter of 2001, the Housing Division report showed. Several factors have combined

to increase demand and, in turn, drive up rents. Generally, millennials who don't want to be tied down to homes and mortgages are driving much of the demand, experts have said. Empty nesters who have downsized or who want maintenance-free living also have contributed to lower vacancy rates.

Meanwhile, even as developers have built more than 2,000 apartments in the last three years, the pace of construction isn't keeping pace with demand. Construction might continue to lag until rents rise even higher. Developers are looking for double-digit rent increases on an annual basis to cover rising construction costs. Third-quarter rents in the Springs rose 5.8% percent over the same period last year, but annual rents are increasing at a double-digit clip in the Denver area, where many more construction projects are underway. Developers have added 567 units to the supply of Springs-area apartments so far in 2015. According to the Bamberger report there is approximately 800 units currently under construction and about 1,300 in the planning pipeline.

Retail Market. The total shopping center market consists of over 329 centers with a total of 19,757,573 square feet of space. The figure does not include the two Colorado Springs regional malls, Chapel Hills located in the northern part of the city and the Citadel located in the eastern part of the city. Academy Boulevard and Powers Boulevard, on the eastern side of the city, are the city's two major retail corridors. Much of the new retail construction over the past 15 years has occurred in the Powers Boulevard corridor.

According to the Turner Commercial Report at the end of the 3rd quarter of 2015 there were 10 new retail centers or new additions under construction containing 134,259 square feet. In 2014 six new buildings had been completed containing approximately 47,138 square feet.

Retail Market Trends – 2009 through the 3rd Quarter of 2015							
Year	2009	2010	2011	2012	2013	2014	2015
Vacancy Rate	10.7%	11.2%	11.6%	12.2%	11.7%	10.2%	10.0%
Avg. Rents - \$/SF NNN	\$13.85	\$13.37	\$12.72	\$12.34	\$12.80	\$13.08	\$13.37
Leasing Activity	414,967	473,817	404,574	506,948	519,533	577,824	408,837
Absorption	162,570	95,536	-71,496	-93,284	116,917	296,189	96,979
Number of Building Sales	36	56	64	78	88	74	66
Avg. Bldg. Sales - \$/SF	\$85.14	\$60.33	\$117.12	\$85.77	\$156.27	\$98.70	\$124.08
Wt. Avg. Bldg. Sales - \$/SF	\$120.24	\$117.63	\$124.48	\$139.33	\$170.44	\$157.32	\$184.55

In 2006 the citywide retail vacancy rate reached the bottom of a downward trend, at the end of 2006 the commercial vacancy rate had fallen to 6.4%. Since the end of 2006 the retail vacancy rate has been increasing. At the end of the 4th quarter 2008 the reported citywide retail vacancy rate had reached 8.4%. By the end of the 4th quarter 2012 the reported citywide retail vacancy rate had reached 12.2%. In 2013 the retail vacancy rate trend reversed itself and fell to 11.7%. In 2014 the retail vacancy continued to fall 1.5% percentage points to 10.2%. Through the 3rd quarter 2015 the vacancy rate has declined to 10%.

Turner indicates that the asking retail lease rates, on a citywide basis, averaged \$13.30 NNN at year-end 2006. In 2007 retail lease rates increased 4.96% to an average rate of \$13.96 per square foot NNN and in 2008 they increased 2.4% to an average \$14.30 NNN. Starting in 2009 the average asking retail rate started declining and this downward trend continued through the 4th quarter of 2012. At the end of the 4th quarter of 2012 the average asking retail lease rate had fallen to \$12.34 per square foot NNN, a -13.71% decrease from 2008's yearend asking rate. In 2013 the asking rate trend reversed a four year trend and increased to \$12.80 per square foot NNN. Asking rates increased to \$13.08 in 2014 and at the end of the 3rd quarter of 2015 the average asking rate has increased to \$13.37 per square foot NNN.

Turner reports that during the time period 2004 through 2006 approximately 2.3 million square feet of retail space was absorbed. During the same time period approximately one million square feet of new owner occupied retail space was constructed. This still resulted in a net absorption gain of 1.3 million square feet. The downward absorption trend returned in 2007. Retail leasing activity reached 715,870 square feet during 2007 but absorption was -624,369 square feet. Again, in 2008 leasing activity was 451,027 square feet and absorption was -98,776 square feet. In 2009 the negative absorption trend reversed itself with a positive absorption of 162,570 square feet after leasing activity of 414,967 square feet. In 2010 the positive absorption trend continued with 95,536 square feet absorbed after leasing activity of 473,817 square feet. In 2011 absorption went negative with -71,496 square feet after leasing activity of 404,574 square feet. The downward trend has continued through 2012 with negative absorption of -93,284 square feet after leasing activity of 506,948 square feet. In 2013 absorption turned positive with 116,917 square feet after leasing activity of 519,533 square feet. The positive absorption trend continued in 2014 with 296,189 square feet after leasing activity of 577,824 square feet. Today at the end of the 3rd quarter 2015 absorption has been positive with 96,679 square feet after leasing activity of 406,837 square feet.

Office Market. The office market in Colorado Springs consists of over 1,509 buildings and 29,264,033 square feet of space. About 40%+ of these buildings were owner-occupied. At this time according to the Turner Commercial Report at the end of the 3rd quarter of 2015 there was 40,161 square feet of new office space in two buildings under construction in the city, most all of the space is reportedly preleased or will be owner occupied. Approximately 276,415 square feet in 14 building was constructed this past year (2014). This is compared to the 63,342 square feet of new office construction took place in all of 2013.

Office Market Trends – 2009 through the 3rd Quarter of 2015							
Year	2009	2010	2011	2012	2013	2014	2015
Vacancy Rate	15.9%	14.3%	14.3%	14.5%	12.8%	13.6%	12.7%
Avg. Rents - \$/SF NNN	\$10.95	\$10.66	\$10.26	\$10.27	\$10.12	\$10.42	\$10.60
Leasing Activity	820,743	969,508	696,875	890,463	910,781	710,393	632,723
Absorption	-176,747	658,158	27,870	152,330	546,959	-27,006	232,089
Number of Building Sales	43	51	63	59	90	90	48
Avg. Bldg. Sales - \$/SF	\$122.01	\$106.08	\$81.22	\$71.61	\$82.32	\$104.28	\$99.44
Wt. Avg. Bldg. Sales - \$/SF	\$114.48	\$130.05	\$99.23	\$98.28	\$105.42	\$112.69	\$116.95

In 2007 the city wide office vacancy rate was 8.6%. Over the next two years (2008 and 2009) the vacancy rate increased and at the end of 2009 the city wide office vacancy rate had risen to 15.9%. In 2010 the vacancy rate came down to 14.3% and remained there for the past three years. In 2013 the metro office vacancy rate fell significantly down to 12.8%. However, for 2014 the vacancy rate increased to 13.6% and today at the end of the 3rd quarter 2015 the office vacancy rate is estimated at 12.7%.

The office trends data would indicate that the asking lease rates peaked around the end of 2007 at \$11.56 per square foot NNN. At the end of the 4th quarter of 2011 the average asking office lease rate citywide had dropped to \$10.26 per square foot NNN. In 2012 the average asking lease rate remained at about \$10.27 NNN, but in 2013 asking lease rate fell to \$10.12. Asking rates increased to \$10.42 in 2014 and at the end of the 3rd quarter of 2015 the average asking rate has increased to \$10.60 per square foot NNN.

Turner reports that leasing activity over the last five years has remained fairly stable, generally between 700,000 to 980,000 square feet of activity. Absorption, over the same time period, went negative in 2008 and 2009 and positive in 2010 and 2011. In 2010 absorption was a positive +658,158 square feet but in 2011 is was only 27,870 square feet. In 2012 an upward trend reemerge with positive absorption of +152,330 square feet after leasing of 890,463 square feet. Again in 2013 the upward trend continued with positive absorption of +546,959 square feet after leasing of 910,781 square feet. For 2014

absorption went negative with -27,006 square feet of absorption after leasing activity of 710,393 square feet. Today at the end of the 3rd quarter 2015 absorption trend has turned positive with 232,089 square feet after leasing activity of 632,723 square feet.

Industrial Market. The industrial market consists of slightly over 1,668 buildings totaling 34,092,743 square feet of space. More than half of these buildings (60%) are owner-occupied. According to the Turner Commercial Report at the end of the 3rd quarter of 2015 there were 8 buildings of new industrial space under construction in the city containing a total of 295,788 square feet. Approximately 183,432 square feet of new industrial space in two buildings was completed in 2014. Completed new industrial construction during 2013 totaled 75,649 square feet in six buildings.

Industrial Market Trends – 2008 through the 3rd Quarter of 2015							
Year	2009	2010	2011	2012	2013	2014	2015
Vacancy Rate	11.5%	11.6%	9.3%	9.3%	9.2%	8.8%	8.2%
Avg. Rents - \$/SF NNN	\$6.49	\$6.19	\$6.17	\$6.12	\$6.48	\$6.85	\$7.04
Leasing Activity	1,152,590	976,840	1,091,241	687,485	1,070,653	649,123	508,662
Absorption	-1,926,104	4,938	800,711	125,587	138,839	291,310	197,962
Number of Building Sales	40	46	44	49	78	74	37
Avg. Bldg. Sales - \$/SF	\$23.75	\$42.41	\$49.55	\$58.96	\$56.30	\$55.02	\$58.42
Wt. Avg. Bldg. Sales - \$/SF	\$77.24	\$68.83	\$62.56	\$62.11	\$68.39	\$69.60	\$76.67

At the end of the year 2000 citywide industrial vacancy rates had fallen to 3.2%. The vacancy rate increased over the next four years and at the end of 2004 vacancy rates stood at 10.5%. From 2004 the vacancy rate went on a downward trend and at year end 2006 the vacancy rate had decreased to 6.4%. Between 2006 and 2010 the vacancy rate increased and at the end of 2010 it had reached 11.6%. In 2011 absorption was significant and the vacancy rate decreased to 9.3% where it remained through 2012. For 2013 the vacancy dropped slightly to 9.2%. The downward trend continued in 2014 dropping to 8.8%. Today at the end of the 3rd quarter of 2015 the vacancy rate has continued to decrease to 8.2%.

Turner indicates that the industrial asking lease rates, on a citywide basis, averaged \$7.15 NNN at year-end 2006. Since the end of 2006 asking industrial lease rates have been on a downward trend. At the end of the 4th quarter of 2012 the asking rate appeared to have bottomed out at \$6.12 per square foot NNN, which represented -14.41% from 2006's asking rate of \$7.15. In 2013 the average asking rent climbed to \$6.48 per square foot NNN and in 2014 it increased to \$6.85 NNN. At the end of the 3rd quarter 2015 has increased slightly to \$7.04 per square foot NNN.

For the year end 2006 leasing activity was 1,034,628 square feet and absorption was 1,076,401 square feet. Over the next four years (2007-2010) there was a negative absorption of 2,339,827 square feet, while leasing activity remained relatively constant. In 2011 the trend reversed itself with positive absorption of 803,711 square feet. The upward trend continued through 2012 with absorption of 125,587 square feet and into 2013 with absorption of 138,839 square feet. For 2014 the positive absorption trend continued with 291,310 square feet after leasing activity and 649,123 square feet. Today at the end of the 3rd quarter 2015 absorption has been positive with 197,962 square feet after leasing activity of 508,662 square feet.

Neighborhood Data

According to the MLS and the Turner Report the subject property lies in the Southwest Market area of the city. See Vicinity Map below.



Location. The subject property is located in the southwest portion of the City of Colorado Springs, Colorado, approximately 5 miles south of downtown. It is bound on the north by US Highway 24, on the east by Interstate 25, on the south by Fort Carson and on the west by foothills and Pike National Forest. (See Vicinity Map).

Access. Access to the subject property from the north and south is by way of Interstate 25, Nevada Avenue, 8th Street, and 21st Street. Access to the neighborhood east and west is by way of U.S. Highway 24, Cheyenne Boulevard, and Lake Avenue. Access to the subject's immediate neighborhood is by way of Gold Camp Road and Old Stage Road.

Streets. Interstate 25 is a four-lane divided Interstate Highway that basically bisects the state from north to south. Nevada Avenue, also known as U.S. Highway 85-87 and the Interstate 25 Business Loop, remains one of the City's major north/south thoroughfares. Nevada Avenue extends from I-25 on the north and intersects again with I-25 about eight miles south. Nevada Avenue continues farther south and becomes State Highway 115 to Penrose and Canon City. Nevada Avenue is four lanes and divided, with a median and turning lanes in most places. State Highway 115 for the most part is two lanes, except for an occasional passing lane on steep grades.

U.S. Highway 24 (Midlands Expressway within Colorado Springs) is a six lane median divided restricted access expressway between downtown Colorado Springs and Woodland Park, Colorado, 19 miles on the west. 21st Street originates at Uintah Avenue one mile on the north and continues southward through to the southwestern part of the city. 21st Street is a two to four lane paved secondary street extending mainly through residential and industrial areas. 8th Street is a four-lane major arterial. 8th Street is fully improved with asphalt paving, curb and gutter in most areas, and sidewalk and street lighting.

Lake Avenue is a westerly extension of Circle Drive which surrounds the city on the east and intersects with Interstate 25 and then becomes Lake Avenue and extends westerly two miles to the Broadmoor Hotel. Academy Boulevard (aka State Highway 83) extends southwestwardly from old Highway 85-87 then meanders in a north and northwestwardly direction and intersects with Interstate 25.

Topography. The topography of the neighborhood is rolling foot hills with valleys and mesas. Many areas have views towards the east, northeast towards downtown or to the west and the mountains.

The topography of the subject's immediate neighborhood is rolling Rocky Mountain foot hills with valleys, valley walls, mesas and rock formations. Many areas have views towards the east, southeast, and north towards downtown or to the west and the surrounding mountains.

Predominant Land Uses. The most predominant of all the land uses in the immediate area of the subject neighborhood is Fort Carson. Fort Carson is home to about 15,100 troops from the 3rd Armored Cavalry Regiment, 3rd Brigade of the 4th Infantry Division, 43rd Area Support Group, 10th Special Forces Group, the Colorado National Guard, and various other units. The total maneuver and live fire training area of Fort Carson is 360,000 acres, second only to the vast expanse of the National Training Center at Fort Irwin, California. Approximately 80% of Fort Carson is usable for mechanized maneuver training, and virtually all is usable for dismounted maneuver training. Units can train at brigade level and fire all of the Army's modern weapons systems. Fort Carson has an Air Force bombing range which can be used by the Air Force's most advanced aircraft. Fort Carson units can conduct live fire training up to battalion level and regularly incorporate the Air Force, Reserve and National Guard Forces and equipment into live fire training exercises.

Fort Carson is the largest employer in El Paso County and is the second largest employer in the state after the Colorado State government. Consequently, Fort Carson has played an important role in the Colorado Springs/El Paso County economy.

Cheyenne Mountain is home to North America's eye on the skies. Housed deep inside of Cheyenne Mountain in a 4.5 acre cavern is the Cheyenne Mountain Air Station. Cheyenne Mountain Air Station accommodates NORAD – the North American Aerospace Defense Command and its centers for Space Control, Missile Warning and Air Warning. In addition to watching for hostile missiles and aircraft, NORAD tracks about 14,000 man-made objects orbiting the earth.

The Pike National Forest forms the westerly boundary of the Southwest neighborhood. The Pike National Forest covers approximately 117,000 acres (8.5% of the total county land area). It is confined to the mountainous western portion of the county in an area extending south from the Douglas County line to south of Cheyenne Mountain. Nearly all of the mountain slope area that can be seen from the I-25 corridor is U.S. Forest Service land, and nearly all that is accessible is open to the public for multipurpose recreational use, including hiking, mountain biking and limited motorized uses. Cheyenne State Park is located approximately two miles southeast of the subject property. The Park covers approximately 1,600 acres and the park amenities includes camp sites and hiking trails. North Cheyenne Park adjoins the subject property on the north and contains approximately 1,500 acres and is owned by the City of Colorado Springs. Park amenities include camp sites, hiking trails and a water fall (Helen Hunt Falls). These lands act as a regional recreational and open space resource for the residents of El Paso County. They virtually form the backdrop and edge of the populated area. The undeveloped hillsides help define the character of the county.

The subject neighborhood is also known for the Broadmoor Hotel and having one of the most prestigious residential area in Colorado Springs. Overall, the neighborhood is considered the older part of the city but highly desirable for all age groups.

Potential Inharmonious Uses. Other than Cheyenne Mountain Air Station and Fort Carson there does not appear to be any potential inharmonious uses in the neighborhood.

Public Utilities and Services. For the most part, water, sewer, natural gas and electrical utilities are provided by the City of Colorado Springs. Adequacy of service is rated good. Water and sanitary sewer is also provided in the neighborhood by Stratmoor Hills Water and Sanitation. The US Forest Service provides fire service in the subject's immediate neighborhood.

Public Schools. Public Schools in the neighborhood consists of Harrison School District Number 2, Cheyenne Mountain School District 12 and Fountain/Fort Carson School District 8.

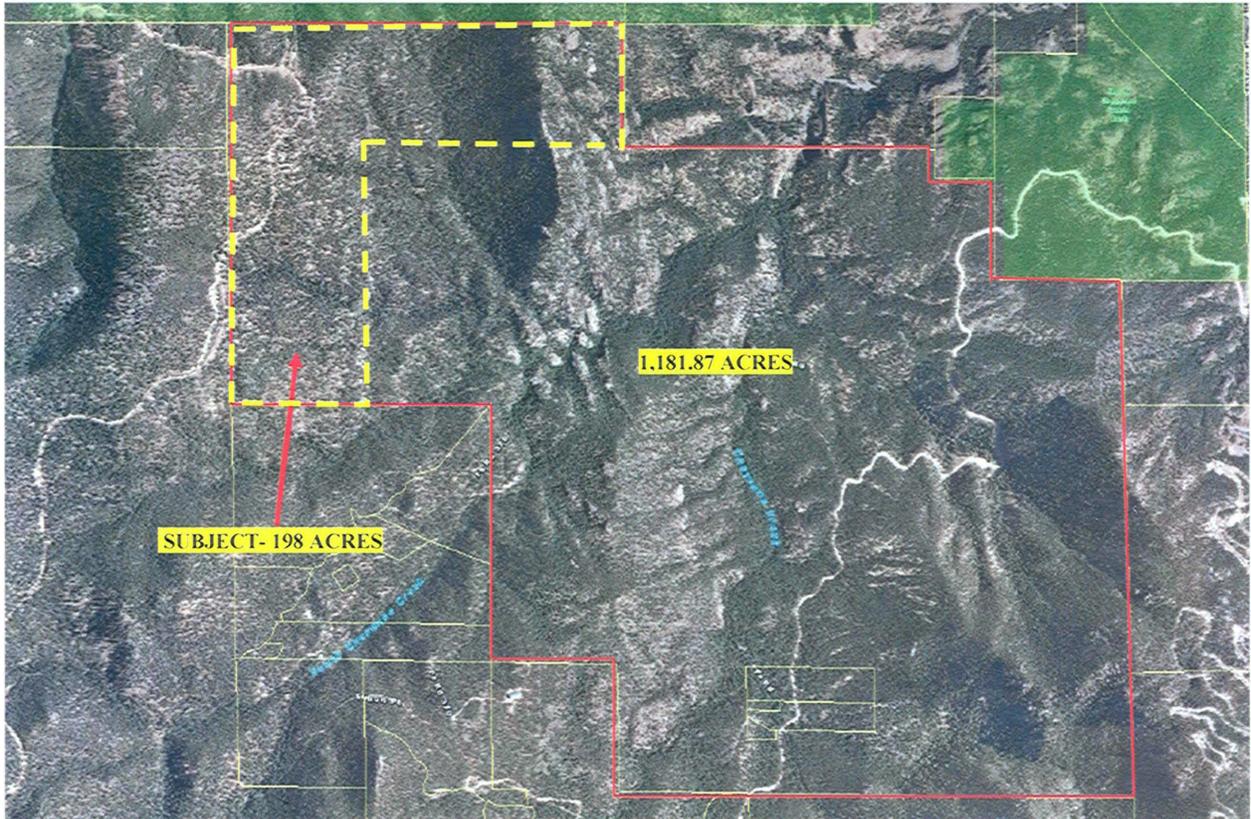
Public Transportation. Public Transportation to the neighborhood is provided by Colorado Springs Transit Route Nos. #17 (Cheyenne Mountain Zoo), #42 (Cheyenne Mountain Jr. High School) and #43 (Cheyenne & Pinon Elementary).

Conclusion – Future Trends. This subject neighborhood is characterized by commercial activity including motels, restaurants, retail centers, offices, and multi-family residential properties. The westerly portion of the area is considered an older part of the city, while the easterly portion has experienced newer construction with a variety of free standing buildings in all shapes, sizes, and uses. Overall, the neighborhood is well situated in the city with good access to Interstate 25, Highway 115 and US Highway 24. The neighborhood benefits from its close proximity to the Central Business District, recreational facilities and employment centers. I would anticipate that land values will remain stable or possibly increase over the next two years.

Property Data

Location. The subject property is generally located along Gold Camp Road, immediately south of North Cheyenne Park, west of the Seven Falls tourist attraction and east of Pike National Forest, in the southwest portion of Colorado Springs. The property the subject property is a portion of is a larger parcel containing 1,181.87 acres. The larger parcel the subject property is a portion of is outlined in red. The subject property is outlined in the dashed yellow line.

Satellite Photo



Legal Descriptions. The legal description for the property the subject property is a portion of was obtained from the Assessor's Office. The subject legal description was obtained from the owner. Below I have shown the Assessor's legal description for the parcel the subject property is a portion of and the subject's legal description obtained from the owner.

APN - 75000-00-263: NW4NW4, N2NE4, S2NE4NW4 EX PT BEG AT NW COR SD TR, RUN E 300 FT, S 110 FT, W 300 FT, N 100 FT TO POB. SEC 10-15-67 E2NW4, NE4, E2SE4 SEC 4-15-67 ALL EX NE4NE4 SEC 3-15-67 S2SE4, SE4SW4 SEC 33-14-67, EX E 625 FT OF N 300 FT OF NW4NE4 SEC 3-15-67. El Paso County, State of Colorado.

Legal Description – Subject Property

LEGAL DESCRIPTION – 7 Falls Swap Parcel

December 29, 2015

A TRACT OF LAND BEING A PART OF THE SOUTH HALF OF SECTION 33, TOWNSHIP 14 SOUTH AND A PART OF THE NORTH HALF OF SECTION 4, TOWNSHIP 15 SOUTH, ALL IN RANGE 67 WEST OF THE SIXTH PRINCIPAL MERIDIAN, COUNTY OF EL PASO, STATE OF COLORADO, BEING DESCRIBED AS FOLLOWS:

“BEGINNING” AT THE SOUTHEAST CORNER OF SAID SECTION 33 AND CONSIDERING THE SOUTH LINE OF SAID SOUTHEAST QUARTER TO BEAR NORTH 89°21'39" WEST, WITH ALL BEARINGS CONTAINED HEREIN RELATIVE THERETO; THENCE NORTH 89°21'39" WEST, ALONG SAID SOUTH LINE, A DISTANCE OF 2154.84 FEET; THENCE SOUTH 01°02'12" EAST, A DISTANCE OF 2278.14 FEET; THENCE NORTH 89°14'13" WEST, A DISTANCE OF 1677.03 FEET TO THE WEST LINE OF THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER OF SAID SECTION 4; THENCE NORTH 00°45'27" WEST, ALONG SAID WEST LINE AND ALONG THE WEST LINE OF THE NORTHEAST QUARTER OF THE NORTHWEST QUARTER OF SAID SECTION 4, A DISTANCE OF 2271.01 FEET TO THE NORTHWEST CORNER THEREOF; THENCE NORTH 02°44'43" WEST, ALONG THE WEST LINE OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SAID SECTION 33, A DISTANCE OF 1244.44 FEET TO THE NORTHWEST CORNER THEREOF; THENCE NORTH 89°56'20" EAST, ALONG THE NORTH LINE OF SAID SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER, A DISTANCE OF 1269.06 FEET TO THE NORTHEAST CORNER THEREOF; THENCE SOUTH 89°59'41" EAST, ALONG THE NORTH LINE OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SAID SECTION 33 AND THE NORTH LINE OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SAID SECTION 33, A DISTANCE A DISTANCE OF 2552.97 FEET TO THE EAST LINE OF THE SOUTHEAST QUARTER OF SAID SECTION 33; THENCE SOUTH 02°35'10" EAST, ALONG SAID EAST LINE, A DISTANCE OF 1284.86 FEET TO THE “POINT OF BEGINNING”.

THE ABOVE DESCRIBED TRACT CONTAINS 198.000 ACRES OR 8,624,882 SQUARE FEET, MORE OR LESS.

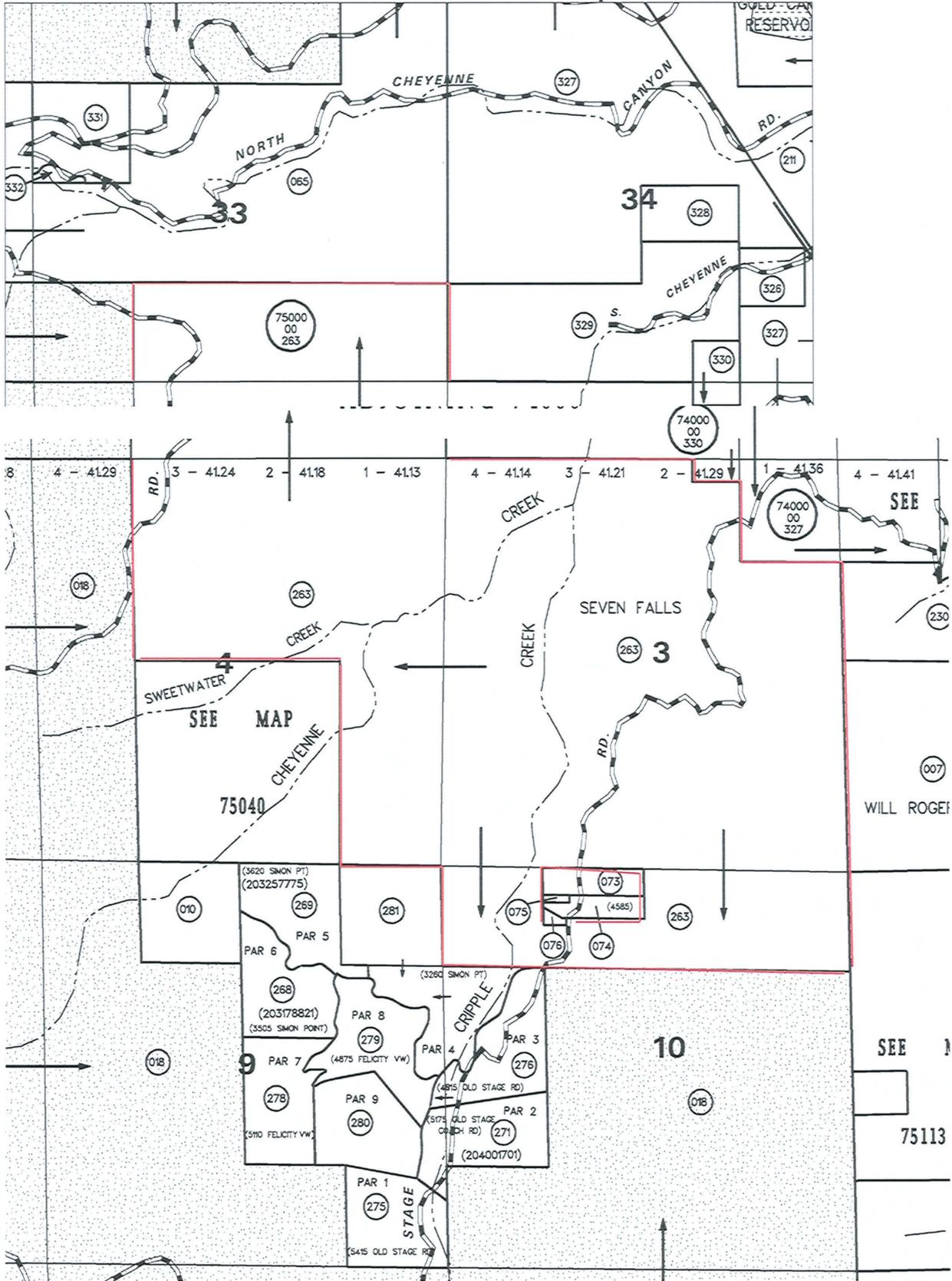
I, PATRICK C. O'HEARN, A PROFESSIONAL LAND SURVEYOR, LICENSED IN THE STATE OF COLORADO, DO HEREBY CERTIFY THAT THE ABOVE LEGAL DESCRIPTION WAS PREPARED BY ME OR UNDER MY DIRECT SUPERVISION AND CHECKING.



PATRICK C. O'HEARN PLS No. 23515
for and on behalf of
DREXEL, BARRELL & CO.
3 SOUTH 7TH STREET
COLORADO SPRINGS, COLORADO 80905
719-260-0887

Tax Schedule Numbers, Actual Values, Assessed Values, and Taxes. The subject property is identified by Assessor's records as a portion of tax schedule number 75000-00-263. The Assessor's parcel that the subject property is a portion of is outlined in red on the Assessor's parcel maps to be found on the following page. It's also noted that the subject tax parcel 75000-00-263 is split between two Assessor's Parcel Maps – 74000 and 75000, which I have tried to combine.

Assessor's Parcel Maps



The Market Value, Assessed Value, and estimated Taxes for the property the subject is a portion of is as follows:

APN #	2015 Market Value	2015 Assessed Value	2015 Mill Rate	Estimated 2015 Taxes Payable In 2016
75000-00-263	\$669,269	\$194,090	64.726	\$12,562.67

Taxes in Colorado are paid one year in arrears, i.e., the 2015 taxes are due and payable in 2016. The assessed values for 2015 are 29% of market value for improved non-residential properties and vacant land. The assessment ratio for residential properties slides to meet the requirements of the Gallagher Amendment and is currently set at 7.96% of the market value. Overall property taxes are reassessed every two years in Colorado. 2015 was a reassessment year.

It is noted that the Assessor's Actual Value is significantly less than what I have estimated for the subject property. Assessor's values are generally lower than an appraiser's value mainly due to way the properties are appraised. The Assessor employs a mass appraisal methodology versus a site specific appraisal methodology employed by an appraiser. Value differences are significantly less for improved properties like residential and significantly more for vacant land properties particularly like the subject.

The market, assessed values and taxes, as shown above, are as determined by using the Assessor's value for the year of 2015 and with the 2015 mill levy. The subject property's assessed value and taxes appear to conform to similar properties assessed values and taxes.

Special Assessments. The subject property would not appear to be subject to general obligation indebtedness that are paid by revenues produced from annual tax levies on the taxable property within such districts. Property owners in such districts may be placed at risk for increased mill levies and excessive tax burdens to support the servicing of such debt where circumstances arise resulting in the inability of such a district to discharge such indebtedness without such an increase in mill levies.

Ownership. According to information from the Assessor's office the subject is owned by PF LLC, One Lake Circle, Colorado Springs, CO 80906-4269. PF LLC is owned by the Broadmoor Hotel.

Property Sales History. Assessor's records indicate that the subject property was part of a larger purchase involving the purchase of the Seven Falls tourist attraction. The sale occurred August 26, 2014 and the purchase price was \$961,000. The grantor was the Seven Falls Company and the transaction was recorded at Reception Number 214077710.

Terms of the sale involved the seller keeping the insurance proceeds for water damages suffered by floods and the purchaser was responsible for making all the necessary repairs. According to the current owner's representative they have spent \$12.3 million on repairs, updating and adding new features (Zip Line). In addition, it was reported that the seller decided to sell Seven Falls because they want to devote their time and energy elsewhere.

Overall the purchase involved 1,367.19 acres of land and six building improvements including two single family dwellings, two retail buildings, office building and warehouse building.

The subject property is not currently listed for sale or lease.

Zoning. The subject property is located in unincorporated El Paso County and is zoned A-5. The A-5 is a rural residential zoning district of the County of El Paso. The zoning district was

established to allow for areas of low density single family residential development. The minimum lot area for a single family dwelling in the district is 5 acres.

In my opinion the subject property could not meet the criteria to be developed as five acre lots mainly due to excessive slope conditions (slopes exceeding 30%). However, 35 acre lot development could be possible.

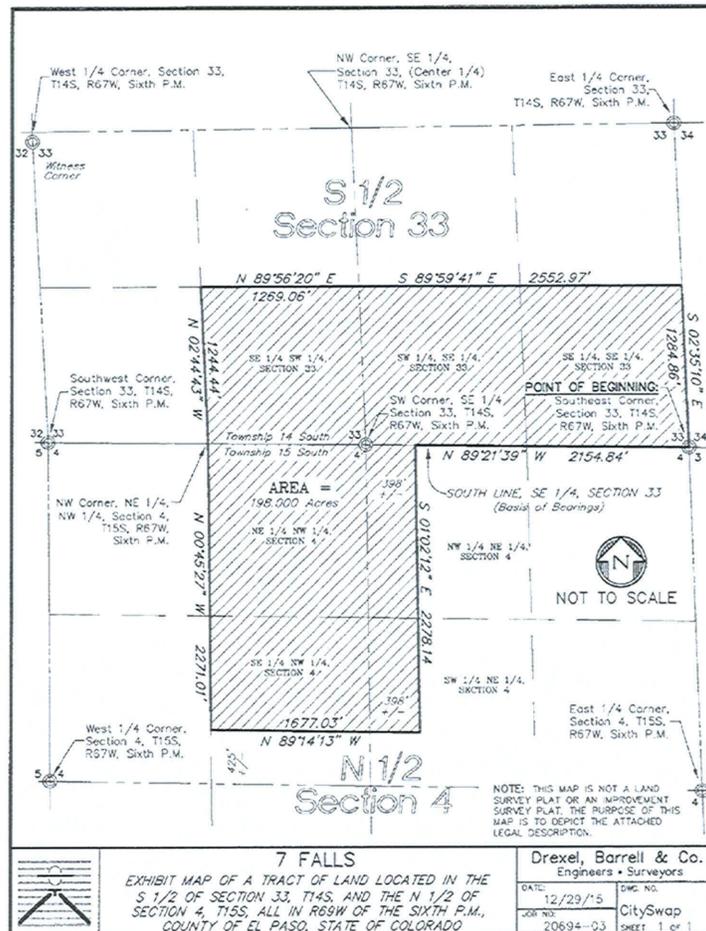
Census Tract Number. The subject property lies within the El Paso County area 2000 census tract number 33.06.

Easements. I have not reviewed a survey or title information on the subject property. I have assume no responsibility for the existence of any unknown easements or encroachments, and this appraisal is subject to the absence of any adverse easements, encroachments, or violations, except as stated herein. There would appear to be easements associated with electrical and telephone transmission lines. Overall, my opinion is that there are no known easements which would adversely affect the value of the subject property.

Flood Plain Statement. It would appear that the subject property is not within a mapped area for Federal Emergency Management Agency (FEMA). The Flood Hazard Boundary Map Number is 080041C 0725F.

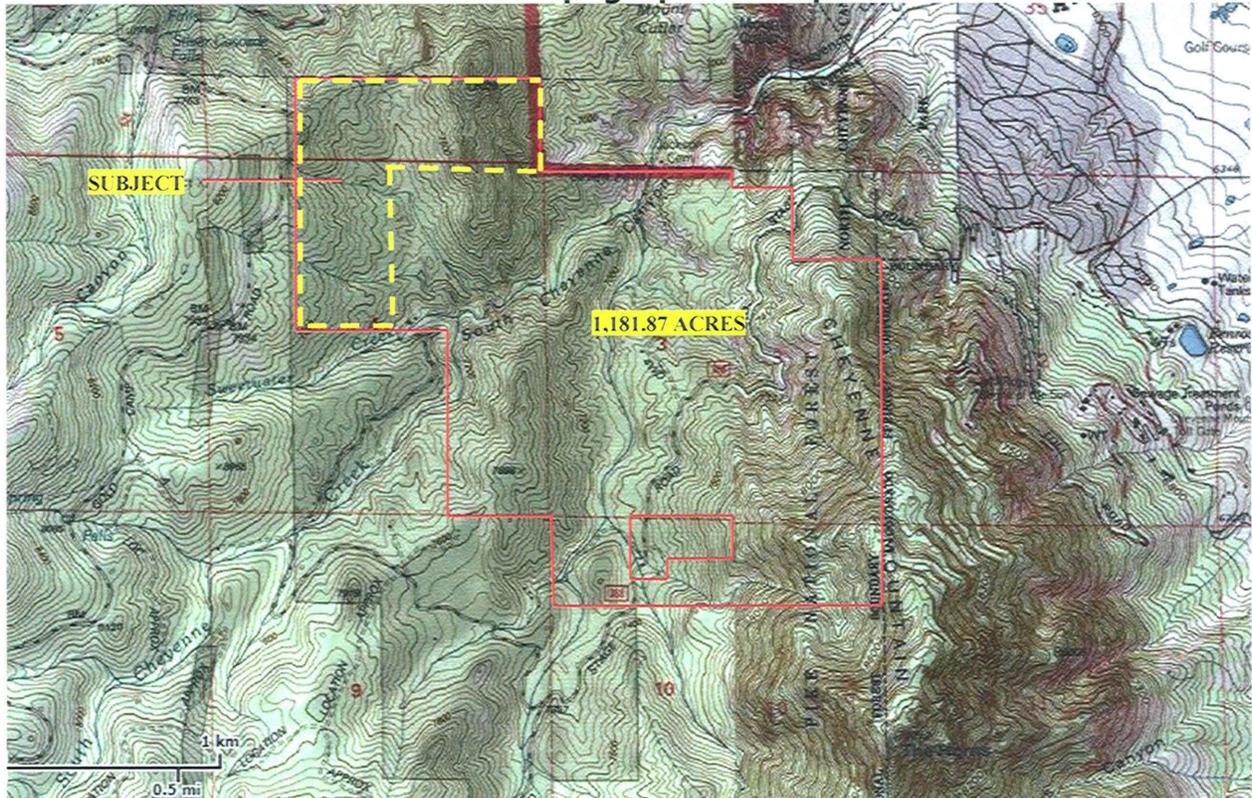
Land Area. According to Assessor's records the parcel that the subject property is a portion of contains 1,181.87 acres. The subject property contains 198 acres based upon the owner's legal description and legal graphic prepared by Drexel, Barrell & Co. dated December 29, 2015. See Legal Graphic below.

LEGAL GRAPHIC



Land Shape/Land Form. The larger parcel containing 1,181.87 acres that the subject is a portion of is irregularly shaped, whereas the subject property has an inverted "L" shape. The land form of the subject property is best described as front range Rocky Mountain hillside with elevations on the property ranging from approximately 6,500 feet to over 8,000 feet. The property has several valleys, sloping valley walls and spires of rock. Except along the roads and other small areas most of the property could be described as sloping with grades exceeding 30%. Most all of the site is treed except for where there are rock outcroppings. The larger parcel that the subject property is a portion of containing 1,181.87 acres is outlined in red on the USGS Topographical Map below. The subject property is outlined in the dashed yellow line.

USGS Topographical Map



Frontage/Exposure. The subject property has frontage along Gold Camp Road as it runs through the northwest corner of the site. The subject does not have any exposure to a major arterial.

Access. Access to the subject property is via Gold Camp Road, which meanders through the northwesterly portion of the site.

Topography and Drainage. The topography of the site is described as sloping (mountainous) with average grades exceeding 30%. Drainage generally flows from the northwest towards the southeast and Sweetwater Creek.

Vegetation. Vegetation in the subject property is typical of the Pikes Peak region: mountain shrub land at lower elevations transitioning into coniferous forest in the upper reaches of the site and on north-facing slopes. Mountain shrub land communities are characterized by dense stands of gambel oak interspersed with ponderosa pine, and an understory of yucca and both native and introduced grasses. Coniferous forest communities are dominated by ponderosa pine interspersed with gambel oak, mountain mahogany, smaller shrubs, and native and introduced grasses.

Views. The surrounding area views are scenic with views of rock formations, streams and the treed Rocky Mountains hillsides.

Wildlife Habitat. The subject properties provides habitat for a variety of wildlife that is typical of the region. Common mammals include golden-mantled ground squirrel, mountain cottontail, mule deer, black bear, and mountain lion. Common birds include western scrub jay, mountain chickadee, Steller's jay, magpie, and turkey vulture.

Public Utilities. Electric service in the area is provided by the City of Colorado Springs. CenturyLink, formerly Qwest Communications, supplies telephone service. Water and sanitary sewer service in the area are generally provided by individual wells and septic systems. There is no natural gas in the area and propane tanks are common.

Public Improvements. Public road improvements to the subject property consists of a gravel road – Gold Camp Road.

Site Improvements. There are no site improvements to the subject property.

Stage of Development. The subject property is not platted but is zoned A-5. The State of Colorado statutes exempt 35 acre or larger parcels from the requirement to go through the subdivision review process of the appropriate county. El Paso County, however, does have requirements for access and the interior private roads must meet certain standards including the access to each building site within a 35 acre parcel development even though the private roads are not county maintained. For the most part all of the utilities necessary for the development of the subject parcel as 35+ acre tracts/lots appear to be available but would need to be extended.

PART 3

ANALYSIS AND VALUATION

Highest and Best Use

Highest and best use is defined as that reasonable and probable use, or succession of potential uses, that support the highest market value of the property as of the date of the appraisal.

The Appraisal Institute in The Dictionary of Real Estate Appraisal, Fourth Edition, Chicago, 2002, p. 135, defines highest and best use as:

“The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.”

First, in this analysis, the subject site is considered as if the subject ownership is vacant land or a vacant site or land that can be made vacant by demolishing any existing improvements. Second, the site is considered as it is currently improved (“as is”) or as an improved property. There are no building improvements, therefore, only the as though vacant highest and best use will be considered.

Highest and Best Use - As Though Vacant:

Legally Permissible. The subject property is not platted but is zoned A-5. The A-5 zoning district permits limited agricultural uses and rural residential uses on lots with a minimum area of 5 acres. Legally the subject property could not meet the criteria to be developed as five acre lots mainly due to excessive slope conditions (slopes exceeding 30%). Overall, the land uses adjacent to or in close proximity to the subject are either national forest, park or detached single family rural residential homes on lot sizes 35 acres and larger. Thus, based upon the principle of conformity open space, park or detached single family rural residential on lot sizes 35 acres and larger could be a very likely use of the subject property.

Physically Possible. The subject property contains 198 acres and is located in a scenic area just west of the Seven Falls tourist attraction and the City of Colorado Springs. The sites adjoin Pike National Forest on the east and North Cheyenne Canyon Park on the north. Access is from Gold Camp Road which meanders through the westerly portion of the site.

The subject is shaped like an inverted “L” and its land form is best described as eastern Rocky Mountain hillside. Elevations on the site range from approximately 6,400 feet to over 8,250 feet. Except along the access road most of the property could be described as sloping with grades exceeding 30%. Most of the site is treed except for where there are rock outcroppings. The subject has generally stable soil conditions and is believed to be free from environmental contaminants. The existing utilities and roadway systems would appear to adequately support open space, park and recreation use and possibly 35 plus acre residential development of the site.

Financially Feasibility. The global and US economies have limped along for the past six years. The effect of slowdown has been felt in almost every sector and every country worldwide. The recovery has been described as anemic and the US and global economies still have a way to go before returning to normal. However, the US economy has shown signs of steady growth, led by professional services, healthcare, and leisure, while housing and manufacturing are holding steady. Job growth is up, equity markets are sending positive news. Federal austerity continues to create some drag on growth. The Federal Reserve is watching the recovery closely and is gradually slowing down their bond buying program, which will send interest rates the first part of next year.

As the market moves forward there is a mixture of positives and negatives that add some uncertainty about the path the market will take in 2016 and 2017. The positives include job growth in the 3rd quarter of 2015 was strong; mortgage rates are still historically low; existing home prices are rising; primary job announcements were up, substantially this year; and new and resale home inventories remain low. The election of new city council members and a new mayor could mean an end to the recent political turmoil that has weighed heavily on local business and consumer confidence. The negatives include cuts in defense spending remain uncertain and their potential to slow local job growth could dampen future real estate market; the possibility of rising mortgage rates looms heavily over the real estate market.

General Residential Market Conditions. According to the latest Bamberger's study builder's spec inventory of new single family homes was estimated to be 368 units in October 2015 which represented only a 2.3 month supply of specs. Metrostudy reports a total vacant lot inventory, as of the end of the 3rd quarter of 2015, of 2,905, a drop of - 1.06% from a year ago. The pace of home construction has improved so much in the past 36 months that the market is beginning to run low on certain types of home sites. According to the study local home builders now have a 16.3 month supply at current building rates. However, the study also indicates that lots similar in lot-frontage to the lots that would be developed on the subject property report a 54.6 month supply, which are the highest of all the lot frontage categories. In my opinion, the opportunity for new high end residential development still does not look good in the Colorado Springs area over the next few years. I believe that there will be no new high end 35 acre lot residential development until market conditions improve and the inventory of similar developed lots are significantly reduced.

In conclusion, development of the subject property as five acre lots is not physically, legally, or economically feasible. Development of the subject site as 35 plus acre sites is physically more feasible but market conditions which indicate that lots similar to lots that could possibly be developed on the subject have a 56.4 month supply. As such, in my opinion, the most financially feasible use of the subject property is probably for open space, park or recreational use. Holding for possible future development as 35 plus acre development would not appear to be financially feasible at this time.

Maximally Productive. Because of the subject's physical and legal limitations, public open space or recreational use appears to be the most economically feasible use of the subject properties, it would also then be considered to be the maximally productive use of the property.

Conclusion Highest and Best Use As Vacant. The highest and best use of the subject property would be for open space, park or recreational use associated with the North Cheyenne Canon Park.

Appraisal Valuation Methodology

This appraisal is intended to provide a narrative presentation of those facts and techniques of analysis believed appropriate for providing a reasonably supported value estimate. The data and analysis considered most relevant are discussed in the remainder of this report. The value of the subject property is estimated using the appraisal techniques as described below

Property Valuation

I have used the sales comparison approach to estimate the market value for the subject property.

The sales comparison approach is based upon the proposition that an informed buyer would pay no more for a property than what he would have to pay for a comparable property with the same utility as the subject. The process involves the comparison of the subject property with comparable properties that have sold recently or that are now listed for sale on the market making adjustments as necessary to compensate for differences between them and the subject. Where sale financing terms are considered to affect the price paid in a given transaction, an adjustment to the price of the comparable transaction for cash equivalence is made.

Sale Comparison Approach

To estimate the value of the subject property I first researched recent sales and listings of similar sized properties in the Southwest Market Area. Recent sales of similar sized properties with similar physical characteristics have been rare therefore I expanded my search to include the past three years.

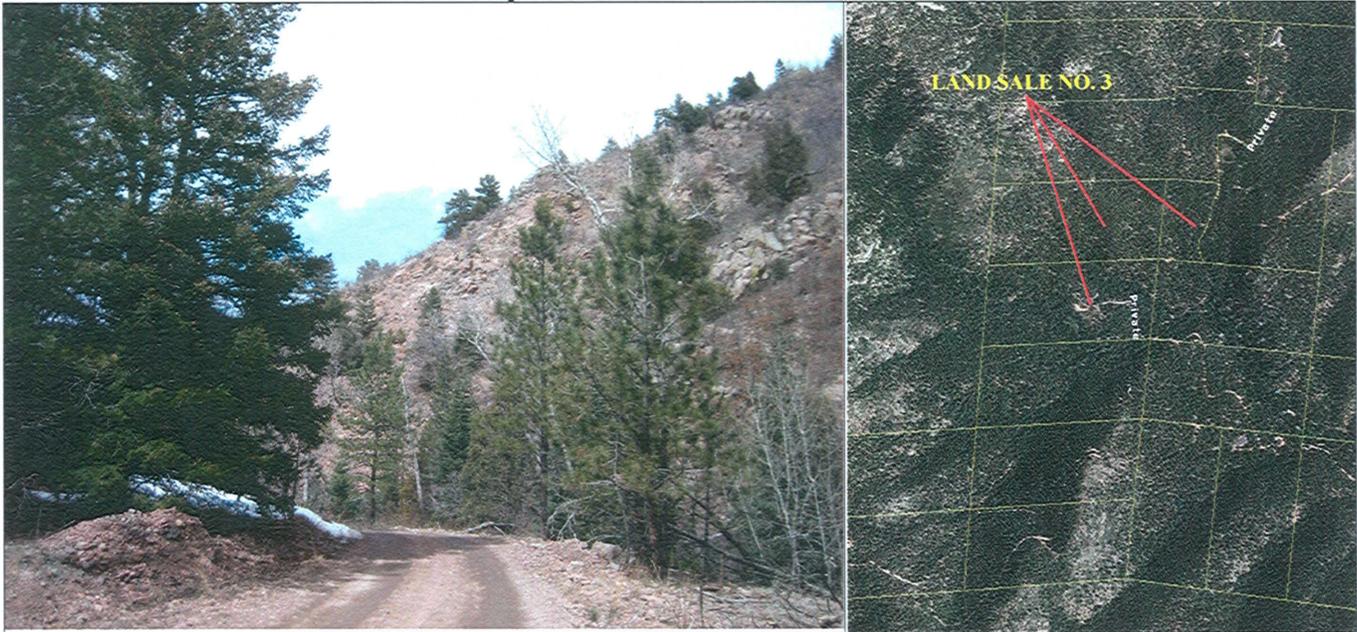
In my expanded search I found 6 sales and 3 current listings. From the 6 land sales and 3 comparable listings I have selected four of the land sales and one of the listings for direct comparison with the subject property. The four comparable sales and the current listing were selected on the basis of similarity to the subject property as to time of transaction, proximity of location, size, physical characteristics and similarity as to zoning and highest and best use. The five comparable properties are detailed on the following pages, then discussed and compared to the subject property on a sales comparison (adjustment) grid. The selected comparable land sales are also keyed to the Comparable Land Sales Map.

Comparable Land Sale No. 1



View:	Looking west from Myrtle Street		
Date Inspected/Photo by:	February 12, 2014/Tom Colon		
Location/Address:	Myrtle Street (NW4NW4 08-13-68)		
Tax Schedule #:	El Paso County – 8308201042 and Teller County - R0024188 and R0011067.		
Legal Description:	Not Platted Meets and Bounds Legal, Teller and El Paso County, Colorado		
Grantor:	Howard R and Margret A Burgess		
Grantee:	Yogev Erez and Victoria A. Rust		
Sale Confirmed with/Date:	El Paso County Assessor's Records, MLS and Broker		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# 213131277 /Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	October 22, 2013
Post Sale Expense:	None	Selling Price:	\$150,000
Project Influence:	N/A	Unit Price:	\$1,250 / Acre
Physical Characteristics – Legal Aspects			
Land Area:	5,227,200 SF (120 AC)	Access:	Average (Common Easement)
Shape:	Irregular	Utilities:	Limited public utilities available
Topography:	Mountainous	Zoning:	R-T (County)
Drainage/Flood Plain:	No Flood Plain	Platted:	No
Visibility	Average	Corner/Interior Parcel	Interior Parcel
Surrounding Properties:	Vacant Land, Residential	Stage of Development:	Not Platted
Use at time of sale:	Vacant site.		
Highest and Best Use:	Highest and best use is as a single lot or possibly three rural residential lots.		
Remarks:	<p>Terms of this sale were cash to the seller. DOM-34. Three contiguous parcels of vacant land containing a total land area of 120 acres. The 3 parcels are 40 acres each. One is in El Paso County with access to Co Spgs Utilities at the lot line. The other two are in Teller County and will need wells. All three lots need sewer/septic. The owner prefers not to break up the 3 lots. The lots have access to Pike National Forest and ingress from the west end of Green Mtn. Falls, CO. Sloping mountainous topography. Native grass vegetation with scrub oak and trees - approximately 40% of the site is treed. The views were considered average to above average for the neighborhood.</p> <p>Sales History: No unrelated sales history within the previous ten years. This comparable was resold in 2014 in two parcels – one of which was to the Historic Green Mountain Falls for \$150,000.</p>		

Comparable Land Sale No. 2



View:	Looking west from private road		
Date Inspected/Photo by:	January 12, 2016/Tom Colon		
Location/Address:	0 Little Turkey Creek Road		
Tax Schedule #:	76000-00-286, 287 and 288		
Legal Description:	Not Platted Meets and Bounds Legal, El Paso County		
Grantor:	Dry Head Ranch LLC		
Grantee:	Matthew David Cook		
Sale Confirmed with/Date:	El Paso County Assessor's Records and Listing Agent		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# 214009139 /Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	February 3, 2014
Post Sale Expense:	None	Selling Price:	\$184,315
Project Influence:	N/A	Unit Price:	\$4,029/ Acre
Physical Characteristics – Legal Aspects			
Land Area:	1,992,870 SF (45.75 AC)	Access:	Average (Private)
Shape:	Irregular	Utilities:	Limited utilities available
Topography:	Mountainous, +30% Grades	Zoning:	A-5 (County)
Drainage/Flood Plain:	Stream Present	Platted:	No
Visibility	Average	Corner/Interior Parcel	Interior
Surrounding Properties:	Vacant Land, Agricultural	Stage of Development:	Not Platted, No Entitlements
Use at time of sale:	Vacant site, Agricultural		
Highest and Best Use:	Highest and best use is rural residential		
Remarks:	<p>Terms were cash to seller. Purchased by a user. Three contiguous parcels of land with a utility shed. Rolling mountainous topography with native vegetation and good trees. The views were considered above average for the neighborhood. Highest and best use is for detached single family rural residential use – little to no development potential beyond a single lot. Water Rights: The sale did include the water rights but there was a single well but no electric. Limited utilities were available to the site at the time of sale.</p> <p>Sales History: No unrelated sales history within the previous five years.</p>		

Comparable Land Sale No. 3



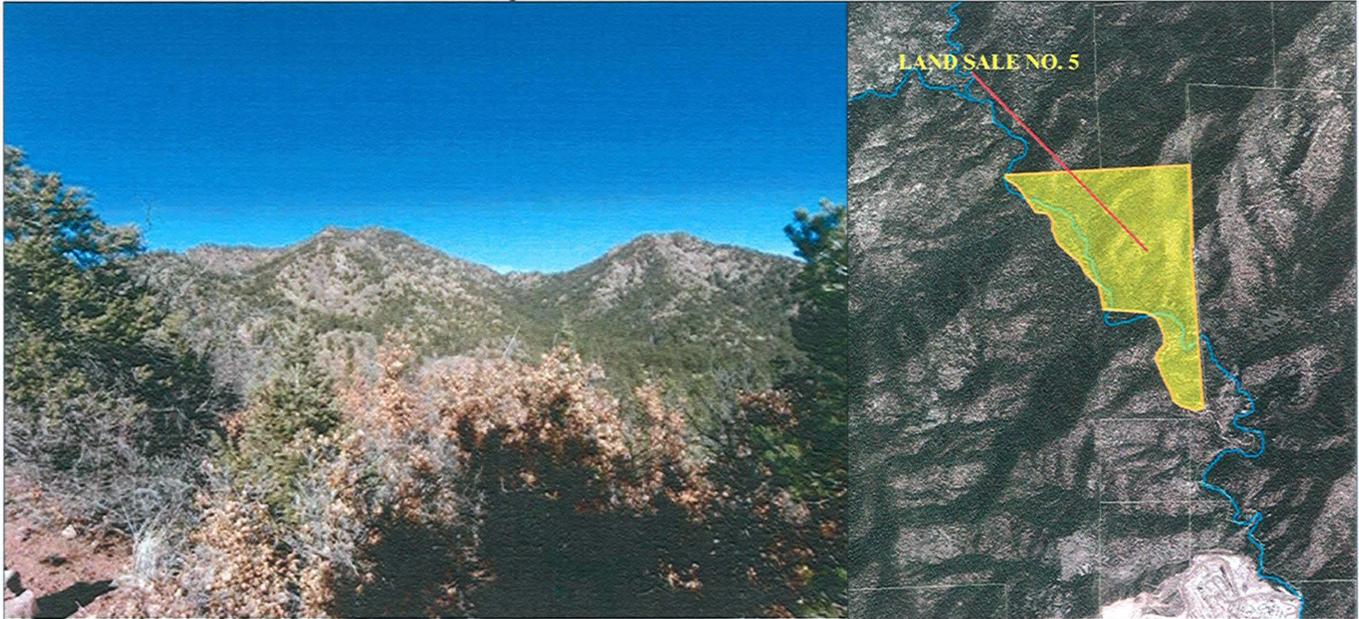
View:	Looking Southeast From Turkey Canyon Ranch Road		
Date Inspected/Photo by:	October 11, 2013/Tom Colon		
Location/Address:	3755 Turkey Ranch Road		
Tax Schedule #:	76000-00-194		
Legal Description:	Lot 21, Turkey Canyon Ranch Estates, El Paso County, State of CO		
Grantor:	1999 Roediger Family Trust		
Grantee:	Harold L and Christine L Woods		
Sale Confirmed with/Date:	El Paso County Assessor's Records, MLS		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	Reception # 214024242/Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Assumed Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	3/25/2014
Post Sale Expense:	None	Selling Price:	\$156,000
Project Influence:	N/A	Unit Price:	\$4,234/ Acre
Physical Characteristics – Legal Aspects			
Land Area:	1,954,537 SF (44.87 AC)	Access:	Average
Shape:	Somewhat Rectangular	Utilities:	Elec. & Tel.
Topography:	Slightly Slopping	Zoning:	RR-5 (County)
Drainage/Flood Plain:	No Flood Plain	Platted:	Yes
Visibility	Average	Corner/Interior Parcel	Interior Parcel
Surrounding Properties:	Rural Residential	Stage of Development:	Platted, Fully Developed
Use at time of sale:	Vacant Site		
Highest and Best Use:	Highest and best use is Rural Residential		
Remarks:	<p>Terms were cash to the seller. CDOM – 564 the comparable had been listed at \$190,000. The comparable has a somewhat rectangular shape, moderately treed and average views. Comparable lot has slightly sloping topography with several good building sites. Gated community.</p> <p>Sales History: The comparable property was purchased by the seller in May of 1994 for \$130,000.</p>		

Comparable Land Sale No. 4



View:	Looking west from Gold Camp Road		
Date Inspected/Photo by:	January 12, 2016/Tom Colon		
Location/Address:	1182 Gold Camp Road		
Tax Schedule #:	74223-02-021, 74000-00-021 and 74223-00-023		
Legal Description:	Lot 5 Top of Skyway West and two parcels with meets and bounds legal descriptions, Colorado Springs, CO		
Grantor:	Thomas J Stoen		
Grantee:	James Brian and Kathlyn L Farrell		
Sale Confirmed with/Date:	El Paso County Assessor's Records and Seller/January 2016		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# 214042913 /Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Seller Carry	Date of Sale:	05/21/2014
Post Sale Expense:	None	Selling Price:	\$345,000
Project Influence:	N/A	Unit Price:	\$5,504 / Acre
Physical Characteristics – Legal Aspects			
Land Area:	2,730,341 SF (62.68 AC)	Access:	Average
Shape:	Irregular	Utilities:	Public utilities available
Topography:	Sloping, Mountain Hillside	Zoning:	A, HS (CSC)
Drainage/Flood Plain:	Adequate, No FP	Platted:	One Parcel is Platted
Visibility	Average	Corner/Interior Parcel	Interior
Surrounding Properties:	Residential, Open Space	Stage of Development:	Fully Development
Use at time of sale:	Vacant Land – Residential		
Highest and Best Use:	Single Family Residential		
Remarks:	<p>Terms were \$69,000 down (20%) with a seller carry of \$276,000 at 6% interest due in two years. Purchaser is a user who is going to construct a single family dwelling on the site that is platted. Three contiguous parcels - one of the parcels, containing 5.27 acres, is a platted lot and has all City utilities available. The parcel is located in a small six lot gated community. The remaining two parcels containing 58.37 acres are not platted and they are encumbered by a conservation easement. The conservation easement allows for recreation use of the property and the construction of two barn structures within a designated building envelope. Mountain hillside topography with grades exceeding 30% on most of the site. The soils in the area are reported to be decomposed granite. Good vegetation with pine trees, gambel oak, and other vegetation native to the area. The views were considered above average for the neighborhood. Adjacent to the west of the comparable is the Pike National Forest. Highest and best use is for detached single family residential with recreational use.</p> <p>Sales History: No unrelated sales history within the previous five years.</p>		

Comparable Land Sale No. 5



View:	Looking northwest from access road		
Date Inspected/Photo by:	January 12, 2016/Tom Colon		
Location/Address:	0 Turkey Canon Road/Southwest Market Area		
Tax Schedule #:	7600000216		
Legal Description:	Metes and Bounds		
Grantor:	Portland Turkey Creek LLC		
Grantee:	TBD		
Sale Confirmed with/Date:	El Paso County Assessor's Records, MLS		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	TBD/Assumed Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Assumed Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	Current Listing
Post Sale Expense:	None	Selling Price:	\$290,000
Project Influence:	N/A	Unit Price:	\$2,683/ Acre
Physical Characteristics - Legal Aspects			
Land Area:	4,708,836 SF (108.1 AC)	Access:	Average
Shape:	Irregular	Utilities:	Elec. & Tel.
Topography:	Slopping (Mountainous)	Zoning:	RR-5 (County)
Drainage/Flood Plain:	Stream Present	Platted:	No
Visibility:	Average	Corner/Interior Parcel:	Interior Parcel
Surrounding Properties:	Rural Residential	Stage of Development:	Not Platted, Undeveloped
Use at time of sale:	Vacant Site		
Highest and Best Use:	Highest and best use is Rural Residential		
Remarks:	<p>Current Listing - Terms to be cash to the seller. DOM - 848. The comparable has an irregular shape and good view of the surrounding mountains. Mountain hillside topography with grades exceeding 30% on most of the site. The soils in the area are reported to be decomposed granite. Good vegetation with pine trees, gambel oak, and other vegetation native to the area. Utilities for rural residential development are to the site.</p> <p>Sales History: No sales history within the previous five years.</p>		

LAND SALES MAP



DELORME

Data use subject to license.

© 2007 DeLorme. Street Atlas USA® 2008 Plus.

www.delorme.com



Data Zoom 11-0

Adjustments to Comparable Land Sales. The four comparable land sale transactions and the current listing selected for direct comparison with the subject property are shown on Table 1 (Sales Comparison Grid).

Circumstances of the Sale Adjustments. To the nominal sales price of each respective transaction there is made, if required, adjustments for circumstances of sale. Circumstances of sale adjustments include four categories, which are adjusted in a specific order. The first adjustment is for property rights conveyed, which includes adjustments for leasehold transactions where necessary or for partial interests. The transaction price adjusted for property rights conveyed is further adjusted first for financing terms, if any, and then for conditions of sale including any non-arm's length relationship between the parties to the transaction.

Property Rights Conveyed. All four land sales were sold fee simple and no adjustments were made.

Financing. Financing arrangements can affect the sale price of real estate, particularly when seller financing is involved. All the sales were cash to the seller except Land Sale No. 4 but no adjustments were made because the purchaser put down 20% and the interest rate was at market.

Conditions of Sale. All of the comparable land sales were open market, arm's length transactions without any reported extraordinary considerations or circumstances.

Market Conditions. Most commonly referred to as the "time adjustment," the market conditions adjustment recognizes changes in the market (appreciation/depreciation) from the time the comparable sale closed to the subject's date of value. The comparable land sales analyzed range in age from 26 months before the subject's date of value to 19 months prior.

To help estimate the change in market conditions and form my adjustment for market conditions, I have analyzed the detached single family residential market. In the analysis, I looked at building permits, builder's spec inventory, the available lot inventory and the change in home values in the Colorado Springs Metro area. Overall, the market data would appear to indicate that residential home and land/lot values have risen over the past 36 months.

New housing construction in the Colorado Springs Metro area has averaged almost 3,996 per year over the ten year period between 1999 through 2008. The peak year was 2005 with over 5,314 units constructed (does not include multi-family). New home construction remained strong through 2005 but in 2006 the trend reversed itself with permits totaling only 3,446, which represented a -35.2% decline compared to 2005. For 2007 new home permits were down -38.0% compared to 2006. In 2008 new single family home permits were down -42.79% compared to 2007. New detached single family building permits for 2009 were down -9.72% compared to 2008. 2009 marked the fourth year in a row with declining building permit numbers but the trend was slowing. In 2010 the negative trend reversed itself and detached single family building permits were up 27.1% compared to 2009. In 2011 it appears that the market is still recovering slowly with 1,399 detached single family building permits which was five permits less than in 2010 or down a -0.36% compared to 2010. In 2012 detached single family building permits totaled 2,218 up +58.54%, compared to 2011, which was a five year high for single family building permits. New home construction continued its recovery in 2013, as the pace of homebuilding climbed to its highest level in seven years. Building permits totaled 2,676 in 2013, a 20.65% over 2012. However, the pace of Colorado Springs-area homebuilding declined in 2014, single family building permits totaled 2,438, down -8.89% compared to 2013.

For 2015 the Pikes Peak Regional Building Department issued 2,739 permits last year for the building of single-family homes, according to a report the department just released. Last year's single-family permit total rose by 12.3% over 2014 and was the highest number of permits since Regional Building issued 3,446 in 2006. However, last year ended on a down note; in December, permits totaled 171, a 3.4% decline from the same month in 2014. Permits have increased in 10 out of the past 12 months on a year-over-year basis.

Builder's spec inventory of new single family homes was estimated to be 368 units in October 2015 which represented only a 2.3 month supply of specs. Metrostudy reports a total vacant lot inventory, as of the end of the 3rd quarter of 2015, of 2,905, a drop of -1.06% from a year ago. Overall, the pace of home construction has improved so much in the past 36 months that the market is beginning to run low on certain types of home sites. According to the Bamberger study local home builders now have a 16.3 month supply at current building rates. However, lots similar in lot-frontage to the lots that would be developed on the subject property report a 56.4 month supply, which are the highest of all the lot frontage categories.

According to the Office of Federal Housing Enterprise Oversight's (OFHEO) latest Housing Price Index Report housing prices in the Colorado Springs MSA have been on a roller-coaster ride over the past 15 years. Housing prices were increasing in the 4% to 6% range between the years 2000 and 2007. In 2008 the positive trend reversed itself and housing prices started to fall. The downward trend in values continued for four years. Housing prices fell 3% to 4% per year over the time period. In 2012 the positive trend returned and the trend has continued through the end of 2015. Housing prices have been increasing in the 3% to 4% range over the past four years. The Colorado Springs MSA saw a +4.9% increase in housing prices in the past year (2nd quarter 2014 through 2nd quarter 2015).

Market Conditions Adjustment Conclusion. To determine a market conditions adjustment for the subject property I analyzed single family residential market data. Overall, the local housing market has rebounded over the past 36 months after the national recession; home construction, sales and prices all have risen. Economists and housing industry experts have credited historically low mortgage rates, in large part, for propelling the recovery.

The data would also appear to say that residential home and land/lot values have risen (3% to 4%) over the past 36 months. However, the possible lots that could possibly be developed on the subject property have an existing 56.4 month supply. Overall, I believe that land similar to the subject has not increased more than home values or other types of residential land over the past 36 months. As such, on Table 1 I have adjusted all of the comparable land sales upwards only 2% per year or 0.167% per month for market conditions.

Listing Adjustment. Comparable Land Sale No. 5 is a listing and its sales price is obviously subject to negotiation and the most likely price direction would be downward. According to the Turner Commercial Availability Report the "asking price" versus the "selling price" for all commercial buildings (retail, office and industrial). The average "asking price" versus the "selling price" was 87.7% so far in 2015. The average "asking price" versus the "selling price" is shown in the table below.

Year	2008	2009	2010	2011	2012	2013	2014	2015 -3Q
Adj. Per Month %	83.6%	70.5%	76.9%	73.9%	84.1%	85.0%	75.4%	87.7%

While the Turner Report did not track residential land sales specifically for "asking" price vs. "selling" price, my analysis of large acreage land sales with no entitlement indicates that selling prices are significantly lower than the asking prices, particularly given the lack of the number of sales and the extended marketing periods. On Table 1 I have adjusted the comparable listing (Comparable Land Sale No. 5) downward -10% for being a listing and not closed sale transactions.

Contributory Value Adjustments. To the sales price as adjusted for property rights conveyed, financing terms, conditions of sale, and market conditions, on Table 1 I have made adjustments for the contributory value for any water rights and building improvements.

Water Rights. All of the land comparable sales had water rights similar to how the subject is being appraised.

Building Improvements. No adjustments were warranted, all of the comparable land sales were vacant land or the improvement had little to no contributory value.

Comparison Adjustments. To the sales price as adjusted for property rights conveyed, financing terms, conditions of sale, and market conditions, there are made adjustments as necessary for physical differences between the comparable properties and the subject property. Where the comparable property is considered superior to the subject property, a downward adjustment is made. Where the comparable property is considered inferior to the subject property, an upward adjustment is made. For each respective transaction the net adjustment is the sum of the individual adjustments. As shown on Table 1, I have adjusted the comparable land sales for physical differences as compared with the subject property.

Location/Access. Location/access adjustments considers proximity and exposure to major commercial corridors, accessibility and the surrounding general level of land values. Comparable Sale No. 4 was considered superior in location and adjusted downwards. The remaining comparable land sales were all considered inferior to the subject in location and were adjusted upwards. In terms of access all of the comparable land sales were considered superior and were adjusted downwards.

Zoning. The zoning adjustment considers the differences in permitted, special and accessory use and development restrictions. No adjustment were made to the comparable land sales for zoning.

Physical Characteristics. The need for a physical characteristics adjustment arise from differences as to topography, parcel shape, parcel location in a block, easements, soil and site conditions. Considered under this heading are the presence of toxic or hazardous materials or any other hazardous condition known to the parties at the time of sale.

Adjustments to the comparable land sales for parcel shape, soil conditions and land form are discussed below. The adjustment for differences in land preparation costs, if any, are handled in my adjustments for stage of development to be discussed below.

Parcel Shape. No adjustments were made for parcel shape.

Soil Conditions. No adjustments were made for soil conditions.

Land Form. In this adjustment category I considered the fact that most of the subject property is unbuildable due to excessive grades. All of the comparable land sales selected for direct comparison with the subject contained had mountainous land forms and no adjustment were made and contained unbuildable land.

The adjustment percentage shown on Table 1, per comparable land sale, reflects the sum of the individual adjustments as discussed above.

Size. Size adjustments are made to allow for the fact that larger land areas of a given level of utility tend to sell for less per area unit than smaller parcels and vice-versa. Simply, a larger tract with similar characteristics compared to a smaller tract will typically sell for less on a comparative unit basis. All of the comparable land sales were smaller than the subject and downward adjustments are warranted. My adjustment for size on Table 1 is a sliding scale. Comparable Land Sale Nos. 1 and 5 are the largest of the land sales. These sales were adjusted based upon a 1% adjustment per 15 acres difference in size. Comparable Land Sale Nos. 2, 3 and 4 were the smallest land sales and they were adjusted based upon a 1% adjustment per 8 acres difference in size.

View. The best views command the highest prices for most types of properties. All of the comparable land sales had somewhat similar views therefore no adjustments were made.

Vegetation. The quality and to a certain extent the quantity of vegetation that a residential property possess can greatly influence its sales price. Unlike the other adjustment categories too much vegetation/trees can also have a negative effect on value. All of the comparable land sales, except Land Sale No. 1, had similar vegetation and were not adjusted. Land Sale No. 1 had inferior vegetation and was adjusted upwards.

Stage of Development. Stage of Development adjustment considers the location and extent of public utilities and road improvements, other site conditions and their impact on the developability of the comparable properties relative to the subject. Also considered under this heading is whether or not the comparable property was platted and if associated platting fees have been paid.

As of the effective date of this report there were no development entitlements on the subject property other than zoning. Most all the necessary utilities for development of the subject property as rural residential lots (35+) would appear to be to the perimeter of the site. Additional public road improvements may also be necessary to support this type of rural residential development. Land Sale Nos. 3 and 4 were considered superior in stage of development and were adjusted downwards. Land Sale No. 3 is a platted lot and a portion of Land Sale No. 4's site was platted and fully developed as a residential lot. No adjustments were made to the remaining comparable land sales for stage of development.

Highest and Best Use. The adjustment for highest and best use compares the sale property with the subject in terms of relative value of end uses. The adjustment additionally considers ripeness for development and compares the time for optimum development of the comparable property with that of the subject. Where a differential in ripeness occurs, the size of the adjustment is based upon carrying costs over the estimated time period. As discussed above, the highest and best use of subject property would be holding for possible future 35 plus acre lot development. The physical characteristics of the site with its excessive slopes severely limits its development potential to just a few lots. No adjustments were made for highest and best use.

Conclusion - Sales Comparison Approach. On Table 1 the respective net adjustments expressed as dollars are the sum of the individual comparison adjustments. For each comparable sale, the sales price is adjusted by the net adjustment. The range of adjusted sales prices, the average and median adjusted sales price, and the weighted average sales price are as shown on the table.

On Table 1 the range of adjusted sale prices per acre are from \$1,628 to \$4,183 with an average of \$3,059 and a median sales price of \$3,269. The adjusted sales are then weighted according to the appraiser's estimate of the degree of comparability that each of the respective sales bears to the subject property. Land Sale No. 1 had the lowest indicated value for the subject and Land Sale No. 2 had the highest. Excluding the current listing (Sale No. 5), these two sales required the least amount of gross adjustment. While these

two sales required the least amount of gross adjustment, I have given them the least amount of weight because they represent the lowest and highest indicated values. Overall, I gave most weight to Comparable Land Sale No. 3, followed by Land Sale No. 4. As indicated on Table 1 my weighted average is estimated at \$3,193 per acre. I have selected **\$3,200** per acre as my concluded value per acre for the subject property. This value is slightly above the average and my weighted average sales price per acre but below the median.

Using the sales comparison approach methodology as described above, the indicated value of the subject property is estimated on Table 1 or **\$634,000 (\$3,200/Acre)**

Conclusion

Value Indication

I used the sales comparison to estimate the market values of the subject property.

Sales Comparison Approach (Table 1)	\$634,000 (\$3,200/Acre)
-------------------------------------	--------------------------

The sales comparison approach is typically well adapted to properties in active real estate markets where there are a sufficient number of recent sales of similar properties. This approach does not produce good estimates of market value when few recent sales of comparable properties exist, or when the adjustments between comparable sales and the subject property are large. In terms of this appraisal, I had four slightly older land sales, one of which had a conservation easement and one current listing to perform the analysis. Overall, the approach's accuracy was limited due to adjustments made for location, size and stage of development.

In arriving at the final estimate of market value for the subject properties, I carefully considered all the pertinent factors. I thoroughly analyzed the indication of value derived from the sale comparison approach with regard to their strengths and weaknesses in relation to the purpose and function of this appraisal. As such, my conclusion of market value for the subject property is **\$634,000 or \$3,200 per acre.**

My estimate of market value for the subject property was made with one extraordinary assumption and no hypothetical condition as discussed in Part 1 (Scope of Work) of this report.

Exposure and Marketing Period

It is my opinion that the value estimate for the subject property is obtainable within one year or the exposure and marketing period is not more than one year. To estimate the exposure and marketing period for the subject properties, I have discussed typical marketing times with area real estate brokers active in the sales of similar properties in Colorado Springs. According to these conversations, marketing times have decreased within the past few years. The Colorado Springs land real estate market appears to be improving slowly. As such, I have estimated a typical marketing time for the subject property.

However, it should be noted that estimating an appropriate marketing period is always difficult; the actual marketing period can be significantly longer or shorter than estimated. Reasons for this can be the effect of various economic shortcomings or windfalls, which cannot be foreseen in the future. As a result, the final estimate of the marketing period should, in the final analysis, be treated as only the best estimate of a time period, which is always difficult to estimate. The estimate also takes into consideration competent and aggressive marketing of the subject property. Anything less can potentially extend the estimate of the marketing time frame.

2016-02

PART 4

EXHIBITS AND ADDENDA

Appraiser's Qualifications and License

APPRAISER QUALIFICATIONS

THOMAS COLON

EMPLOYMENT HISTORY:

11/1993 - Present: Independent real estate appraiser -Thomas Colon & Associates, Inc.

1/1989-10/1993 Hastings & Colon Real Estate Appraisers. Appraisal assignments included - Motels: existing properties along the front range and Canon City. Retail: community and neighborhood shopping centers in Colo. Spgs. and Denver. Industrial: light and heavy industrial properties along the front range. Office: office buildings in the CBD and suburban areas of Colo. Spgs. Residential: both single family and multi-family properties in all areas of El Paso County and the City of Colorado Springs.

1978-1988 Smartt Construction Company - President. Responsibilities included development of all types of land uses for company including single family, multi-family, industrial and commercial and mobile home park. Construction of single family dwellings, office, warehouse, and retail buildings. Construction was done for company's projects or for other owners on a negotiated or competitive bid basis. Activity involved in all Company sales and leasing, from actually selling and leasing to overseeing all other sales and leasing activities for the Company.

1970 - 1978 Various Contractors and Subcontractors: Ross Construction Company, Guy Graham Construction, K.D. Rose Construction Co., Horn Brothers Construction Co., Columbine Construction Co., Ambassador Homes. Involved in various aspects of single family, multi-family, commercial, office and industrial construction.

EDUCATION:

University of Colorado: Bachelor Degree, 1974

Pikes Peak Association of Realtors: Courses include - Real Estate Law, Ethics

Jones Real Estate Collage: Approximately 165 hours of real estate courses required for Colorado Broker License.

University of Colorado Division of Continuing Education: Approximately 876 hours in appraisal courses required for Colorado Certified General Appraisers license and continuing education for both the appraisers and brokers licenses.

Northwest Center of Professional Education: Courses/Seminars included - Retail Center Feasibility and Leasing, Valuation of Real Estate, Leasing Commercial Real Estate, Commercial Property Management, Developing and Managing a Mini-Storage Warehouse.

Judy Car & Associates: Developing a Manufactured Housing Community. Manufactured Housing Resource Group Inc.: The Manufactured Housing Land Development.

AFFILIATIONS:

Housing and Building Association of Colorado Springs - (HBA): Associate Member, Board of Director for 18 years, I also chaired the HBA's Land Use/County Affairs Committee for 18 years. HBA's Associate of the Year -1996.

Colorado Springs Board of Realtors (Broker Member)

RCIS (Realtors Commercial Industrial Society)

Appraiser Qualifications (Thomas Colon)
Continued
Page 2

Colorado Association of Real Estate Appraisers

El Paso County Comprehensive Plan (Former Committee and sub-Committee Member)

El Paso County Land Development Code (Former Committee Member)

El Paso County Oversight Sub-Committee (Former Board Member)

El Paso County Regulatory Review Commission (Former Board Member)

City of Colorado Springs/El Paso County Drainage Board (Former Board Member and Chairman)

City of Colorado Springs School/Park Fee Advisory Committee (Former Appraiser Member)

PROPERTY TYPES APPRAISED:

Single Family Residential: Individual single family, Condominiums, and Townhomes

Multi-Family Residential: Duplex properties up to a 479 unit apartment complex.

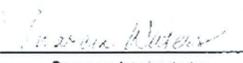
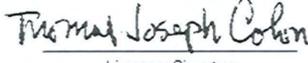
Vacant Land: Single Family and Commercial Subdivision Development, agricultural, retail, office, and industrial.

Commercial Improved: Office buildings, banks, strip retail buildings, free standing retail buildings fast food restaurant buildings, full service restaurant buildings, motels, B & Bs, multi-user and single user industrial buildings, mini-warehouse facilities, automotive buildings, car wash properties both self service and tunnel type, nursing home properties and Gaming Casinos.

LICENSES:

Colorado Certified Appraiser License No. CGO 1315531
 License expires December 31, 2016

Colorado Real Estate Broker License No. EI00 321421
 License expires March 21, 2016

STATE OF COLORADO		
Department of Regulatory Agencies Division of Real Estate		
Active	PRINTED ON SECURE PAPER	
Cert Gen Appraiser		
1315531	Jan 1 2014	Dec 31 2016
Number	Issue Date	Exp.res
THOMAS JOSEPH COLON COLORADO SPRINGS, CO 80921		
		
Program Administrator		Licensee Signature

**APPRAISAL REVIEW REPORT
OF THE**

Appraisal report prepared by Thomas Colon:

**198 Acres of Vacant Land
Located Along Gold Camp Road, South of North Cheyenne Canyon Park and
East of Pike National Forest, Unincorporated El Paso County, Colorado**

Date of Review Report

April 29, 2016

Appraisal Review Report Prepared For:

The City of Colorado Springs,
on behalf of Colorado Springs Parks, Recreation & Cultural Services
30 South Nevada Avenue, Suite 502
Colorado Springs, CO 80903

Appraisal Review Report Prepared By:

Richard Muegge, MAI
1230 Pleasant View Lane
Colorado Springs, Colorado 80921

MUEGGE & ASSOCIATES, INC.
REAL ESTATE APPRAISAL & CONSULTING

RICHARD MUEGGE, MAI
1 230 PLEASANT VIEW LANE, COLORADO SPRINGS, CO 80921
(719) 597-0285
FAX (719) 380-0592
RICH@MUEGGEASSOCIATES.COM

April 29, 2016

Mr. Ronn Carlentine
Real Estate Services Manager
City of Colorado Springs
30 South Nevada Avenue, Suite 502
Colorado Springs, CO 80903

Appraisal Review of: An appraisal report appraising 198 acres of vacant land located along Gold Camp Road, South of North Cheyenne Canyon Park and East of Pike National Forest, Unincorporated El Paso County, Colorado

Dear Mr. Carlentine:

In fulfillment of our agreement, I am pleased to transmit herewith my appraisal review report of the narrative appraisal report of the referenced property prepared by Thomas Colon of Thomas Colon & Associates, Inc. This appraisal review report sets forth my opinion as to the quality and credibility of the appraisal report based on a "desk" review, with no field review of the subject property or comparables. The appraisal requires inclusion of an extraordinary assumption and limiting condition, some corrections, revision of the subject's highest and best use conclusion and reanalysis and revision of the market conditions adjustments applied to the comparable land sales. Completion of the revisions and corrections to the appraisal report, as discussed in this appraisal review report, should result in an appraisal of sufficient quality and credibility with an appropriate and reasonable conclusion of market value for the subject property, in addition to an appraisal developed in compliance with USPAP.

The client of this appraisal review assignment is The City of Colorado Springs who is also the intended user. This appraisal review report is to determine the credibility of the appraisal report under review and evaluate its compliance with relevant USPAP (Uniform Standards of Professional Appraisal Practice) requirements. Development of the reviewer's own opinion of value is not part of this appraisal review assignment.

This appraisal review report may not be distributed to or relied upon by any other persons or entities without my written permission. Any party who uses or relies upon any information in this appraisal review report, without the preparer's written consent, does so at their own risk.

Sincerely,



Richard Muegge, MAI
Colorado Certified General Appraiser; #CG40011459

TABLE OF CONTENTS

Title Page 1
Letter of Transmittal 2
Table of Contents 3
Assumptions and Limiting Conditions 4
Appraisal Review – General Information 5
Appraisal Report Under Review – General Information 6
Appraisal Review Opinions & Explanation..... 7 – 10
Reviewer’s Conclusion of Appraisal Report 11
Certification 12
Review Appraiser Qualifications..... 13

ASSUMPTIONS & LIMITING CONDITIONS

1. The signatory of this review appraisal report is a Member of the Appraisal Institute. The Bylaws and Regulations of the Appraisal Institute require each Member to control the use and distribution of each appraisal (and appraisal review) report signed by such Member. Therefore, neither all, nor any part of the contents of this appraisal review report, or copy thereof, shall be used for any purposes by anyone but the intended user(s) specified in this appraisal review report without the previous written consent of the appraiser. Neither all nor any part of the contents of this appraisal review report shall be conveyed to any person or entity, other than the review appraiser's firm or firm's client, through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to conclusions, the identity of the review appraiser or firm with which the review appraiser is connected, or any reference to The Appraisal Institute or MAI designation. Further, the review appraiser or firm assumes no obligation, liability, or accountability to any third party. If this appraisal review report is placed in the hands of anyone but the intended user(s), the client shall make such party aware of all the assumptions, limiting conditions and additional language of the assignment.
2. The loss or removal of any part of this review appraisal report invalidates the entire review appraisal report.

APPRAISAL REVIEW – GENERAL INFORMATION

Appraisal Review Client: City of Colorado Springs,
On behalf of Colorado Springs Parks, Recreation
& Cultural Services
30 South Nevada Avenue
Colorado Springs, CO 80903

Appraisal Review Intended User: City of Colorado Springs

Appraisal Review Intended Use:

To assist the client in determining whether the appraisal report under review is credible and sufficient for the client's use in aiding or supporting decisions related to their proposed land exchange .

Purpose of Appraisal Review:

To develop an opinion regarding the quality of the appraisal report under review, whether the analyses are appropriate and whether the opinions and conclusions are credible for the intended use of the appraisal, and to evaluate its compliance with relevant USPAP (Uniform Standards of Professional Appraisal Practice) requirements. Development of the reviewer's own opinion of value is not part of this appraisal review.

Date of Appraisal Review: April 29, 2016

Appraisal Review Scope of Work:

This appraisal review involved completing a "desk" review of the appraisal report under review, with no field review of the subject property or comparables. This appraisal review was completed to determine my professional opinion of the completeness, accuracy, adequacy, relevance and reasonableness of the analyses, opinions and conclusions in the appraisal report given law, regulations and the intended user's requirements applicable to the appraisal report under review. This appraisal review assignment does not include the development of the reviewer's own opinion of value. The scope of this appraisal review assignment involved reading the appraisal report to develop an opinion as to whether the analyses are appropriate, the opinions and conclusions credible, whether the appraisal report is appropriate and not misleading within the context of the client's intended use, and to develop the reasons for any disagreement. The appraisal review included a telephone conversation with the appraiser regarding some points of clarification and questions about the appraisal report. The appraisal report's compliance with USPAP requirements was also evaluated. Factual data presented in the appraisal report for the subject property and the comparable properties were checked with the county assessor's web-site. Mathematical calculations presented in the appraisal report were also checked. In summary, the content, analyses and valuation methodology in the appraisal report were evaluated specific to the subject property's as is condition stated in the appraisal report to determine the adequacy, relevance and credibility of the appraisal report and its value conclusion.

APPRAISAL REPORT UNDER REVIEW – GENERAL INFORMATION

Appraiser: Thomas Colon
(Colorado Certified General Appraiser)

Subject Property: 198 acres of vacant land located along Gold Camp Road, South of North Cheyenne Canyon Park and East of Pike National Forest
Unincorporated El Paso County, Colorado

Client & Intended Users: The Broadmoor Hotel

Intended Use: Estimate the market value of the subject property as of the date of valuation for use in negotiations with the City of Colorado Springs for a possible land trade.

Real Property Rights Appraised: Fee Simple interest, As Is

Date of Appraisal Report: January 18, 2016

Valuation Date: As Is – January 12, 2016

Extraordinary Assumptions: None

Hypothetical Conditions: None

Tax Schedule Number: 75000-00-263

Highest and Best Use: Hold for future development as 35 plus acre lot residential development.

Concluded Market Value: \$634,000 (rounded)

Market Value per Acre: \$3,200

APPRAISAL REVIEW OPINIONS & EXPLANATION

My review of the appraisal report noted the following areas of potential concern, correction, and/or recommended revision, my additional comments, and my overall opinion of the quality and credibility of the appraisal report.

Extraordinary Assumptions:

Page 11 – The appraisal report has no extraordinary assumptions. However, the subject property consists of 198 acres of vacant land that is currently part of a larger 1,181.87-acre land parcel. The property owner provided the appraiser a legal description, number of acres and legal graphic of the subject's land area, which are presented in the appraisal report, however the subject was not a separate legal parcel on the appraisal's effective date of value. As such the appraisal needs to include an associated extraordinary assumption, which per USPAP is, "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. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property..." USPAP also requires a statement that the use of this extraordinary assumption might have affected the assignment results. (*USPAP Standards Rule 2-2(a)(xi)*)

Appropriate revision is needed.

Intended Users:

Page 13 - The City of Colorado Springs is not cited as an intended user of the appraisal report.

Recommend revising the appraisal to include the City of Colorado Springs as an intended user consistent with the intended use of the appraisal report.

Typographical / Editing:

Some minor typographical and editing errors in the appraisal report were noted but had no singular or cumulative effect on the appraisal's overall credibility and value conclusions.

Tax Schedule Numbers, Actual Values, Assessed Values, and Taxes

Page 33 – The appraisal provides no explanation regarding the difference between the subject's concluded market value and the Assessor's determination of Actual Value. Such explanation could address the statutory constraints imposed on assessor's in Colorado regarding the time period in which comparable sales data may be considered for ad valorem taxation of real property, that the assessor has not valued the subject property as a separate legal parcel, that the Assessor's actual value presented in the appraisal report is for the 1,181.87 acres of which the subject is part of, the difference between mass appraisal and individual property appraisal, etc. Such explanation would help clarify the difference between the assessor's actual value for the subject property and the appraiser's concluded market value.

Associated revision is recommended.

Property Sales History:

Page 33 – Discussion of the subject’s prior sale in August 26, 2014 is for the larger land area of which the subject is a part of and does not reflect sale of the subject property’s 198 acres of vacant land. This prior sale also reflects the subject being sold as is with significant flood damage to the Seven Falls buildings. Therefore the prior sale of the larger land area in which the subject is located not considered a reliable indication of the subject’s market value.

Zoning:

Page 33 - Though zoned A-5, a 5-acre district primarily intended to conserve agricultural resources and ranching operations and accommodate limited residential use, the appraisal states that, “the subject property could not meet the criteria to be developed as five acre (*residential*) lots mainly due to excessive slope conditions (slopes exceeding 30%). However, 35-acre (*residential*) lot development could be possible.” Following discussion with the appraiser as to why the subject’s overall excessive slope conditions could not meet the criteria for five-acre residential lot development but could for 35-acre residential lot development, the appraiser decided to revise the appraisal to reflect that the subject’s excessive slope conditions would not meet the criteria for residential development.

Land Shape/Land Form, Topography and Drainage, Stage of Development:

Pages 35-36 – The subject’s topography is described as, “front range Rocky Mountain hillside with elevations on the property ranging from approximately 6,500 feet to over 8,000 feet...Except along the roads and other small areas most of the property could be described as sloping with grades exceeding 30%.” “The topography of the site is described as sloping (mountainous) with average grades exceeding 30%.” Following the subject’s topographic description, the appraisal then discusses 35-acre residential lot development, but makes no definitive statement regarding whether such development is physically possible given the subject’s overall excessive slope with grades exceeding 30%. Following discussion with the appraiser regarding this, the appraiser decided to revise the appraisal to reflect that the subject’s excessive slope conditions would not meet the criteria for residential development.

Highest & Best Use:

Page 37 - 38 – The appraisal includes the following statements under “Physically Possible”, “Except along the access road most of the property could be described as sloping with grades exceeding 30%...Other than topography and utilities there does not appear to be any physical characteristics of the site that would limit its use for rural residential development or possibly open space.” In discussing with the appraiser how the site’s topography is a major physical characteristic affecting site development, and consistent with prior statements on page 35 in the appraisal report regarding the subject’s excessive slope conditions and significant elevation change, the appraiser decided to revise the subject’s Conclusion of Highest and Best Use As Vacant from holding for possible future development as 35 plus acre development to open space or recreation area. The reviewer considers this revision appropriate. This revision accounts for the limitation/preclusion on development imposed by the subject’s excessive slope conditions and is also consistent with subject’s adjacent land uses of national forest land

APPRAISAL REVIEW OPINIONS & EXPLANATION (Continued)

adjacent west, the North Cheyenne Canyon Park adjacent north and the undeveloped privately owned vacant open space land adjacent south and east.

Valuation Methodology:

The subject parcel is valued using the sales comparison approach. With sufficient market data, this is considered the most reliable method to value vacant land similar to the subject property. The cost and income approaches to value were appropriately excluded since the subject has no building improvements and is not leased or used as an income producing property.

Sales Comparison Approach:

Page 40 – Comparable Land Sale No. 1's tax schedule number for the land portion of this sale located in El Paso County is incorrect. Per the El Paso County Assessor's website the correct tax schedule number for this land is 8308201042. The three contiguous vacant land parcels comprising Land Sale No. 1 were subsequently resold to Historic Green Mountain Falls, which indicates that Land Sale No. 1 was purchased for an eventual intended use as open space / recreation area and not development.

Page 41 – Zoning for Land Sale No. 2 is incorrectly stated as RR-5 and should be corrected to A-5. This sale is also noted as having a single well which is not included as an adjustment for this sale. This is inconsistent with the appraiser's inclusion of a well adjustment in his permanent easement appraisal of the 0 Cheyenne Mountain Appraisal, also reviewed by me, and which he completed for the same client of another property to be included in the same proposed land exchange as this appraisal. In discussing this apparent inconsistency between his appraisal reports, the appraiser decided to revise this appraisal of the 198 acres of vacant land to include a well adjustment to Land Sale No. 2.

Page 46 – Typographical error noted in the Financing Adjustment discussion requiring correction to reflect this adjustment is for Land Sale No. 4 and not Land Sale No. 18.

Pages 46-47 – Derivation of the Market Conditions adjustment is based on analysis of historic residential market values. Given the subject's highest and best use will be revised to open space or recreation area, analysis of historic vacant agricultural land market values is needed in deriving a market conditions adjustment. In discussing this with the appraiser, he acknowledged this should have been included in this appraisal and that in fact this was included in three easement appraisals he completed for his client of properties also included in the client's proposed land exchange with Colorado Springs. My review assignment with the City of Colorado Springs includes reviewing these three easement appraisals. Comparison of the market conditions adjustments applied in these three easement appraisals with those used in this appraisal report indicates that the market conditions adjustments applied in this appraisal report under review are overstated when historic agricultural land values are included in the market conditions adjustment analysis. Based on this additional information the appraiser's market conditions adjustments used in this appraisal report appear inappropriate, being overstated.

APPRAISAL REVIEW OPINIONS & EXPLANATION (Continued)

The appraisal report requires revision to include agricultural land values in the market conditions adjustment analysis and derivation, with associated revision to the market conditions adjustment applied to each of the comparable land sales.

Page 48 – Discussion with the appraiser revealed that the Location / Access adjustment reflects the combined effect of each comparable's individual location and access.

Page 49 - The zoning noted in the Sales Comparison Adjustment grid requires the following corrections; subject corrected to A-5; Sale No. 3 corrected to RR-5; Sale No. 4 corrected to A-HS; and Sale No. 5 corrected to RR-5. The appraiser stated that these corrections were typographical errors and do not affect the adjustment analysis.

Land Sale No. 1 requires adjustment consideration for its inclusion of a single well.

The total net adjustments to Land Sale No. 2 require correction to -4.03% with corresponding corrections to this sale's adjusted price per acre to \$4,014 and its weighted product to \$602. This correction results in nominal corrections to the average and weighted average values per acre.

Page 50 – Discussion with the appraiser regarding the size adjustment revealed that this adjustment is based on other vacant land sale parcels researched by the appraiser that definitively support use of a size adjustment.

Page 50 – Revisions to the Stage of Development and Highest and Best Use adjustments are needed, consistent with the appraiser's revising the subject's Highest and Best Use to open space and recreation area.

Page 50 – The appraiser weighted each land sales adjusted per acre unit value based on each sale's gross adjustments in concluding to the subject's per acre value. Consideration is given to the indicated range, the median and the average of the adjusted per acre values in concluding to the subject's per acre value. The appraiser's methodology appears reasonable and appropriate, however the concluding analysis must be corrected / revised to reflect the revisions / corrections to the appraisal report discussed above, primarily being revision of the subject's highest & best use to open space / recreation and the market conditions adjustment.

USPAP Compliance:

The appraisal report is not considered compliant with the 2016-2017 Uniform Standards of Professional Appraisal Practice. My review of the appraisal report and discussion with the appraiser resulted in the appraiser realizing the subject's highest and best use should be revised from 35-acre residential lot development to open space or recreation. Market conditions adjustments applied to the comparable land sales also require reanalysis and revision. Thus the appraisal's opinions and conclusions are not considered appropriate or credible as discussed above, thereby rendering the appraisal report not appropriate or credible.

REVIEWER'S CONCLUSION OF APPRAISAL REPORT

Reviewer's Conclusion of Appraisal Report

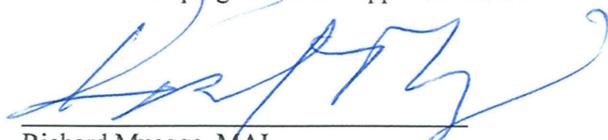
Overall, following my review of the appraisal report and discussion with the appraiser, the appraisal is not considered appropriate or credible for the intended use stated therein. Correction and revision, as noted in this review report, are required, which when completed should result in a revised appraisal report considered appropriate, reasonable, credible and in compliance with USPAP.

CERTIFICATION

In preparing the appraisal review of the appraisal report identified in this appraisal review report, the following certifications are made.

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

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of the work under review and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of the work under review within the three-year period immediately preceding acceptance of this assignment.
- 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.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use.
- My compensation for completing this assignment is not contingent upon the development or reporting of predetermined assignment results or assignment results that favors 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.
- My analyses, opinions, and conclusions were developed, and this review report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice, and with the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.
- I have not made a personal inspection of the subject of the work under review.
- no one provided significant appraisal, appraisal review, or appraisal consulting assistance to the person signing this certification.
- the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- as of the date of this report, Richard Muegge has completed the requirements under the continuing education program of the Appraisal Institute.



Richard Muegge, MAI
Colorado Certified General Appraiser #CG40011459

PROFESSIONAL QUALIFICATIONS

Richard Muegge, MAI, President
Muegge & Associates, Inc.
1230 Pleasant View Lane, Colorado Springs, CO 80921
Office (719) 597-0285; Cell (719) 439-1785; FAX (719) 380-0592
mueggeassociates@comcast.net

State of Colorado

Licensing Information: Certified General Appraiser #CG40011459

Education: University of Maine, Orono, Maine
B.S., Wildlife Management - 1976

Appraisal Institute:

- All MAI designation educational requirements completed - 7 intensive courses in appraisal theory, application, analysis, and reporting
- Various seminars offered by the Appraisal Institute

International Association of Assessing Officers:

- Fundamentals of Real Property Appraisal
- Income Approach to Real Property Valuation

Professional Designations: MAI, Appraisal Institute

Employment History

<u>Approx. Dates</u>	<u>Employer</u>	<u>Position</u>
8/97 – Present	Muegge & Associates, Inc. Colorado Springs, CO	President
3/94 – 7/97	Bank of America NW Regional Appraisal Office Portland, OR	Commercial Appraiser & Section Manager
7/90- 3/94	Wells Fargo Bank San Jose, CO	Senior Commercial Appraiser
4/89 - 7/90	Bank of The West Walnut Creek, CA	Appraisal Officer
9/87 - 4/89	Coast Savings & Loan Assoc. San Jose, CA	Senior Commercial Appraiser
9/86 – 9/87	Bell Savings & Loan Assoc. San Mateo, CA	Commercial Appraiser
10/82 – 8/86	Montana Dept. of Revenue Butte, MT	Residential Appraiser & Commercial Appraiser

Richard Muegge, MAI

Types of Property Appraised

Assignments completed include both original and review appraisal work of a broad variety of property types. Mr. Muegge has successfully defended appraisals for the Montana Department of Revenue before county and state tax appeal boards. He has also served as a tax appeal referee and arbitrator in El Paso County, Colorado. He has valued properties ranging in value from less than \$100,000 to upwards of \$90,000,000. Major property types appraised include the following:

Apartments	Medical Office Buildings
Banks	Motor Hotels
Bowling Alleys	Nursing Homes
Churches	Research and Development Buildings
General Office Buildings	Restaurants
Industrial	Retail
Schools	Subdivisions
Land (ranging from small finished sites to several hundred acres)	

Appraiser Education Data

International Association of Assessing Officers:

- Fundamentals of Real Property Appraisal
- Income Approach to Valuation

Appraisal Institute:

- Real Estate Appraisal Principles (challenged exam)
- Basic Valuation Procedures (challenged exam)
- Standards of Professional Appraisal Practice
- Capitalization Theory & Techniques - Part A
- Capitalization Theory & Techniques - Part B
- Case Studies in Real Estate Valuation
- Report Writing & Valuation Analysis
- Standards of Professional Practice - Parts A & B
- Condemnation Appraising: Basic Principles & Applications
- Litigation Appraising: Specialized Topics & Applications
- USPAP Update Seminars
- Business Practices and Ethics
- Subdivision Valuation
- Uniform Appraisal Standards for Federal Land Acquisitions
- Case Studies in Partnership and Common Tenancy Valuation
- Fundamentals of Separating Real, Personal Property & Intangible Business Assets
- Numerous seminars including Analyzing Operating Expenses, Risk Assessment, Golf Courses & Real Estate, Appraisal Policy Changes, and Analyzing Distressed Real Estate.

Richard Muegge, MAI

Synopsis of Appraiser Experience

Mr. Muegge has over 30 years experience in real estate appraisal and appraisal review. He has held appraisal licenses in California and Oregon and currently holds a Certified General Appraiser license in Colorado. He has appraised properties in Montana, California, Oregon and Colorado. He has also reviewed appraisals completed in these states plus Washington, Alaska, Idaho and Canada. Mr. Muegge has most recently established a successful private appraisal & consulting practice in Colorado Springs, Colorado, primarily serving El Paso, Pueblo & Teller Counties. His current practice focuses on completing appraisal, appraisal review and consulting assignments for financial institutions, attorneys, government agencies, developers and private property owners. His appraisals are used for mortgage lending, eminent domain, condemnation, estate, litigation support, foreclosure, loan workout and land development purposes. His current business includes submitting formal work proposals, data research and collection from public and private sources, micro and macro market analysis, property inspection, and valuation analysis, preparation of written appraisal reports, appraisal review and verbal communication with clients. He has also served as a referee and arbitrator for the El Paso County Board of Equalization. His appraisal career includes extensive experience valuing diverse property types of varying degrees of difficulty, complexity and value, managing multiple appraisal assignments, subcontracting out appraisal assignments in a multi-state region and Canada, appraisal review, discussing appraisal assignment results with clients, and ensuring appraisal compliance with Federal Banking regulations and financial institution policies. He was a member of a small selected team of appraisers within a statewide savings and loan association responsible to appraise income properties in their problem loan portfolio for the asset management group.

Partial List of Clients

Tier One Bank
Springs Ranch, LLC
Bank of America
Wells Fargo Bank
JP Morgan Chase
Centennial Realty Partners
City of Colorado Springs
Pueblo County, Colorado
US Bank
Key Bank
FDIC

First Community Bank
Colorado Springs State Bank
American National Bank
Bank of The West
Colorado National Bank
Pueblo Bank & Trust
Colorado Housing & Finance Authority
El Paso County
Rocky Mountain Bank & Trust
Colorado Department of Transportation

Expert Witness Qualification

Colorado State District Court – 4th Judicial District:

CDOT v. Chestnut Street Partners, LLC - Eminent Domain; Feb. 2015

4-Way Ranch Metropolitan District No. 1 v. KO1515; Mountain View Electric Assoc.; Board of County Commissioners of El Paso County; Mark Lowderman, Treasurer El Paso County; and Thomas Mowle, Public Trustee of El Paso County
– Condemnation Action; March, 2015

APPRAISAL OF



**198 Acres of Vacant Land
Located Along Gold Camp Road, South of North Cheyenne Canyon
Park and East of Pike National Forest
Unincorporated El Paso County, Colorado**

Effective Date of the Report: January 12, 2016
Date of Appraisal Report: January 18, 2016
Type of Report: Appraisal Report Opinion
Type of Property: Vacant Land
File No: 2016-02

Prepared For:

**The Broadmoor Hotel
c/o Mr. Tom Schmidt
One Lake Avenue
Colorado Springs, Colorado 80906**

Prepared By:

THOMAS COLON & ASSOCIATES, INC.
Real Estate Appraisers
5585 Erindale Drive, Suite 204
Colorado Springs, Colorado 80918
tcaassociates@qwestoffice.net

THOMAS COLON & ASSOCIATES, INC.

Real Estate Appraisers
5585 Erindale Drive, Suite 204
Colorado Springs, Colorado 80918

719-634-6648/FAX 719-633-4425
tcaassociates@qwestoffice.net

January 18, 2016

The Broadmoor Hotel
c/o Mr. Thomas Schmidt
One Lake Avenue
Colorado Springs, Colorado 80906

Appraisal of: 198 Acres of Vacant Land.
Located Along Gold Camp Road, South of North Cheyenne Canyon Park and East of Pike National Forest, Unincorporated El Paso County, Colorado.

Interest Appraised: Fee Simple Interest
Effective Date: January 12, 2016
File No.: 2016-02

Dear Mr. Schmidt,

As you have requested, I have developed an Appraisal Report opinion for the above captioned property. The report is intended to comply with the reporting requirements set forth under Standards Rule 2-2 of the Uniform Standards of Professional Appraisal Practice (USPAP) for an Appraisal Report. This report presents a summary discussion of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation is retained in the appraiser's workfile. The depth of discussion contained in this report is specific to the needs of the client and for the intended use.

This report was prepared for the Broadmoor Hotel and PF LLC, whom are also the intended users of this report. The intended use of this appraisal is to estimate the market value of the property as of the date of valuation to be used in negotiations with the City of Colorado Springs for a possible land trade.

The market value estimate for the subject property is subject to certain definitions, assumptions and limiting conditions, and certification of appraiser set forth in the attached appraisal report. This report is also prepared in accordance with the requirements of 12 Code of Federal Regulations (CFR) Part 34 and the Uniform Standards of Professional Appraisal Practice (USPAP). The appraisal report contains 55 numbered pages including one Addenda tab (Part 4).

My estimates of the market value for the subject properties are shown in the following matrix:

198 Acres of Vacant Land - Market Value Indication

Premise	As Is
Property Description	198 Acres of Vacant Land Located along Gold Camp Road Zoned A-5, Mountainous Land Form, with Grades Exceeding 30%
Date of Valuation	January 12, 2016
Sales Comparison Approach	\$634,000
Indicated Market Value	\$634,000
Value Per Acre	\$3,200

My estimate of market value for the subject property was made with no extraordinary assumptions and no hypothetical conditions as discussed in Part 1 (Scope of Work) of this report.

This letter is an integral part of this appraisal report. I appreciate the opportunity of undertaking this assignment.

Very truly yours,



THOMAS COLON

Colorado Certified General Appraiser
Colorado Lic. No. CGO1315531
Expiration Date: December 31, 2016

PRIVACY POLICY

Thomas Colon & Associates, Inc., like all providers of financial services, is now required by law to inform their clients of their policies regarding privacy of client information.

The Federal Trade Commission (FTC) has ruled that appraisers are now considered to be financial institutions. This stems from the statements by FannieMae, FreddieMac, and FHA that appraisers are considered as part of the financial institution for their participation in the lending process.

Licensed/Certified Appraisers have been and continue to be bound by the Uniform Standards of Professional Appraisal Practice (USPAP) and Ethics Rules which consist of conduct, management, confidentiality, and record keeping sections. These rules and standards are more stringent than those required by law. Therefore, Thomas Colon & Associates, Inc. has always been diligent about protecting information deemed to be private or confidential in nature.

Types of Nonpublic Personal Information Collected

Personal information about you and your property is collected during the course of developing the appraisal process. This is generally accomplished with your prior knowledge and approval. Nonpublic information is provided to our agency by you or obtained by us with your authorization. The purpose of the appraisal process is normally to develop a specific value opinion for a client. The specific value opinion is a part of the requirement for the successful completion of a particular real estate financial transaction.

Parties to Whom We Disclose Information

For current and former clients, this agency does not disclose any nonpublic personal information obtained during the course of developing a property's specific value opinion except as required by law or at the direction of the client to assist in the completion of the particular financial transaction. Such nonpublic information may be disclosed to the client and any identified intended users of the specific appraisal, review, or consultant reporting process. A fiduciary agreement is automatically in effect between our agency and the identified client and intended users per Ethics Rules of the USPAP. In all such situations, it is specifically stated that all confidential information, analyses, conclusions, survey results, adjustments, and opinions be safeguarded by the appraiser.

Record Keeping Requirements

Our agency retains records relating to the professional services that we provide so that we are better able to assist you with your professional needs and to comply with the requirements of the Ethics Rules contained within the USPAP. In order to secure your nonpublic personal information, our agency maintains physical, electronic, and procedural safeguards that comply with our professional stands.

Please call if you have any questions. Your privacy, our professional ethics, and the ability to provide you with a quality product or service are very important to us.

TABLE OF CONTENTS

Introduction	Page No.
Title Page.....	1
Letter of Transmittal.....	2
Privacy Policy.....	4
Table of Contents.....	5
Executive Summary.....	7
Market Value Conclusion.....	8
Certification of the Appraiser.....	9
Subject Photographs.....	10
Part 1 - Scope of Work.....	11
Assumptions and Limiting Conditions.....	11
Extraordinary Assumptions.....	11
Hypothetical Conditions.....	11
General Assumptions and Limiting Conditions.....	11
Identity of the Client and Intended Users.....	13
Intended Use of the Appraisal.....	13
Real Property Interest Appraised.....	13
Purpose of the Appraisal.....	13
Date of Appraisal Report.....	13
Effective Date of Appraisal.....	14
Date of Property Inspection.....	14
Property Identification and Description.....	14
Data Search Parameters and Analysis Approaches.....	14
Summary of Appraisal Problems.....	15
Definition of Terms.....	15
Part 2 - Factual Data.....	18
Identification of the Subject Property.....	18
Regional/Metro and Neighborhood Data.....	18
Regional/Metro Data Overview.....	18
Neighborhood Data.....	27
Property Data.....	30
Location.....	30
Legal Description.....	30
Tax Schedule Number, Actual Value, Assessed Value, and Taxes.....	31
Special Assessments.....	33
Ownership.....	33
Property Sales History.....	33
Zoning.....	33
Census Tract.....	34
Easements.....	34
Floodplain.....	34
Land Area.....	35
Land Shape/Land Form.....	35
Frontage/Exposure.....	35
Access.....	35
Topography and Drainage.....	35
Vegetation.....	35
Views.....	36
Wildlife Habitat.....	36
Public Utilities.....	36
Public Improvements.....	36

Site Improvements.....	36
Stage of Development.....	36
Part 3 – Analysis and Valuation.....	37
Highest and Best Use.....	37
Highest and Best Use As Vacant.....	37
Appraisal Valuation Methodology.....	39
Property Valuation.....	39
Sales Comparison Approach.....	39
Land Sales Grid – Table 1.....	49
Conclusion.....	52
Value Indication.....	52
Exposure and Marketing Period.....	52
Part 4 – Exhibits and Addenda.....	53
Appraiser’s Qualifications and License.....	54

EXECUTIVE SUMMARY

Date of Appraisal Report: January 18, 2016

Effective Date of Appraisal: January 12, 2016

Date of Property Inspection: January 12, 2016. I was not accompanied by anyone during my inspection of the subject property. Not all of the subject property was inspected due to poor (winter) road conditions.

Client: The Broadmoor Hotel
c/o Mr. Thomas Schmidt
One Lake Avenue
Colorado Springs, Colorado 80906

Owners of Record: PF LLC
c/o The Broadmoor Hotel
One Lake Circle
Colorado Springs, Colorado 80906-4269.

Location: The subject property is generally located along Gold Camp Road, immediately south of North Cheyenne Canyon Park, west of the Broadmoor Hotel and east of Pike National Forest, in the southwest portion of Colorado Springs.

Real Property Interest Appraised: Fee Simple. The property is appraised "as if free and clear" of all liens, bond assessments, and indebtedness, but subject to existing easements, covenants, deed restrictions, and rights-of-way of record. No investigation nor review of deed restrictions, covenants and easements has been conducted on the subject property or comparable sales except for conservation easements which have been reviewed. No consideration has been given to a division of interests or fractional interests. No separate value was estimated for personal property, mineral rights, water rights or other non-realty items which may or may not be associated with the property.

Tax Parcel Numbers: Portion of 75000-00-263.

Land/Site Areas: 198 Acres. The subject property is currently a portion of a larger parcel containing 1,181.87 acres.

Legal Descriptions: See Part 2 – Legal Descriptions.

Zoning: A-5 (Agricultural 5, El Paso County, Colorado).

Subject Sales History: Assessor's records indicate that the subject property was part of a larger purchase involving the purchase of the Seven Falls tourist attraction. The sale occurred August 26, 2014 and the purchase price was \$961,000. See Part 2 for additional sales history details.

Subject Use History: Agricultural.

Highest and Best Use: The highest and best use of the subject property is for holding for possible future development as a 35 plus acre development. However, given the extended holding period of more than five years and associated development costs, the highest and best use may be limited to recreational use or open space use for the foreseeable future.

Exposure and Marketing Period: 12 Months or Less.

MARKET VALUE CONCLUSION

My estimate of the market value for the subject property is as shown in the following matrix:

198 Acres of Vacant Land - Market Value Indication

Premise	As Is
Property Description	198 Acres of Vacant Land Located along Gold Camp Road Zoned A-5, Mountainous Land Form, with Grades Exceeding 30%
Date of Valuation	January 12, 2016
Sales Comparison Approach	\$634,000
Indicated Market Value	\$634,000
Value Per Acre	\$3,200

My estimate of market value were made with no extraordinary assumptions and no hypothetical conditions as discussed in Part 1 (Scope of Work) of this report.

CERTIFICATION OF APPRAISER

The undersigned certifies that, to the best of my knowledge and belief:

- Statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- 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.
- I have performed appraisal services, as an appraiser, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*
- I have made a personal inspection of the property that is subject of this report.
- No one provided significant real property appraisal assistance to the person signing this report.

Thomas Colon

THOMAS COLON

Colorado Certified General Appraiser

License No.: CG 1315531

Expiration Date: 12/31/2016

Subject Photographs



Looking Northwest Across the Subject Property



Typical View From Old Stage Road



Typical View From Gold Camp Road



Typical Slope Conditions



Looking West Along Gold Camp Road



Looking South Along Gold Camp Road

The subject photographs were taken January 12, 2016 by Tom Colon.

PART 1

SCOPE OF WORK

Assumptions And Limiting Conditions

The certification of the appraiser appearing in the appraisal report is subject to the following conditions, and to such other specific and limiting conditions as are set forth by the appraiser in the report.

Extraordinary Assumptions

I have made no extraordinary assumptions.

Hypothetical Conditions

I have made on hypothetical conditions.

General Assumptions and Limiting Conditions

1. The legal descriptions, land areas, surveying and engineering data provided by others, if any, are assumed to be correct. The sketches and maps in this report are included to assist the reader in visualizing the property and are not necessarily to scale. Various photographs are included for the same purpose. Site plans are not surveys unless prepared by a separate surveyor.
2. This is a Summary Appraisal Report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2 of the Uniform Standards of Professional Appraisal Practice (USPAP) for an Appraisal Report. The report presents summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's workfile. The depth of discussion contained in this report is specific to the needs of the client and for the intended use.
3. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report. The property is appraised "as if free and clear" of liens and encumbrances, but subject to existing easements, covenants, deed restrictions, and rights-of-way of record. No investigation nor review of deed restrictions, covenants and easements has been conducted on the subject property or comparable sales.
4. Information furnished by others, to include the client, the client's representative, or persons designated by the client, is believed to be reliable. No warranty, however, is given for its reliability or accuracy. Unless otherwise noted in the appraisal report, there is no reason to believe that any data furnished by others contains a material error. A material error of any of the pertinent data could have a substantial impact on the value reported. Accordingly, the client-addressee should carefully review all assumptions, data, and relevant conclusions and should notify the appraisers in a timely manner of any questions or errors.
5. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated land use. Separate allocations for land

and improvements must not be used in conjunction with any other appraisal and are invalid if so used.

6. This report is as of the date set out and is not intended to reflect subsequent fluctuations in market conditions, up or down.
7. It is assumed there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or arranging for engineering studies that may be required to discover them.
8. It is assumed the subject property complies with all applicable zoning and use regulations and restrictions, unless non-conformity has been stated, defined, and considered in this appraisal report.
9. It is assumed the use of land is within the boundaries or property lines of the property described and there is no encroachment or trespass unless otherwise stated in this report.
10. The value estimated herein specifically assumes that the subject property does not contain any endangered or threatened species pursuant to the Federal Endangered Species Act of 1973.
11. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyl, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, was not called to the attention of nor did the appraiser become aware of such during the appraiser's inspection of the subject property. I am not qualified to test for such substances. The presence of such hazardous substances could affect the value of the subject property. My value opinion developed in this report is predicated on the assumption that no such hazardous substances exist on or in the property or in such proximity thereto, which would cause a loss in value. No responsibility is assumed for any such hazardous substances, or for any expertise or knowledge required to discover them.
12. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey and analysis of the subject property to determine whether or not it is in conformity with the various detailed requirements of the ADA. The subject proper is vacant land.
13. No geotechnical reports concerning subject property or information relating to geologic conditions and hazards were available to the appraiser. This area of the county has been known for expansive soils and other geological hazards, the effects of which can be minimized when properly engineered foundations are employed. The valuations contained herein are based upon the premise that soil and underlying geologic conditions are adequate to support standard construction consistent with highest and best use. No evidence to the contrary was observed during the physical inspection of the property.
14. Possession of this report, or a copy thereof, does not carry with it the right of publication. The report may only be used by the person or persons to whom it is addressed or for the purpose stated in the report. It may not be used for any purpose by any person other than the parties to whom it is intended without the written consent of the appraiser, and in any event only with proper written qualification and only in its entirety.

15. Neither all or any part of the contents of this report especially any conclusions as to value, the identity of the appraiser(s), or the firm which the appraiser(s) is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval of the appraiser(s).

Identity of the Client and Intended Users

This appraisal report has been prepared for the Broadmoor Hotel. The intended users are the client, the client's accountant(s), attorneys and the owner of the subject property. The appraisal has not and cannot be re-addressed. Use of this report by others not associated with the client is not intended by the appraiser.

Intended Use of the Appraisal

The intended use of this appraisal is to estimate the market value of the property as of the date of valuation (January 12, 2016) to be used in negotiations with the City of Colorado Springs for a possible land trade.

Real Property Interest Appraised

Fee Simple. The property is appraised "as if free and clear" of all liens, bond assessments, and indebtedness, but subject to existing easements, covenants, deed restrictions, and rights-of-way of record. No investigation nor review of deed restrictions, covenants and easements has been conducted on the subject property or comparable sales except for conservation easements which have been reviewed. No consideration has been given to a division of interests or fractional interests. No separate value was estimated for personal property, mineral rights, water rights or other non-realty items which may or may not be associated with the property.

Purpose of the Appraisal

The purpose of this assignment is to estimate the market value of the subject property as follows:

- 1) The Market Value estimate of the fee simple interest in the subject property effective January 12, 2016.

My estimate of market value were made with no extraordinary assumptions and no hypothetical conditions as discussed in Part 1 (Scope of Work) of this report. The term "market value," as used in this appraisal, is defined in the Definition section of this report.

Date of Appraisal Report

The date of the appraisal report is January 18, 2016.

Effective Date of Appraisal

The effective date of appraisal and market value opinion for the subject property is as of January 12, 2016.

Date of Property Inspection

I inspected the subject property on January 12, 2016. January 12, 2016 is also my effective date of value for this appraisal report. I was not accompanied by anyone during my inspection of the subject property.

Property Identification and Description

The subject property is identified as 198 acres of vacant land that is a portion of a larger parcel containing 1,181.87 acres which is part of the Seven Falls tourist attraction. The subject property is generally located along Gold Camp Road, immediately south of North Cheyenne Canyon Park, west of the Seven Falls tourist attraction and east of Pike National Forest, in the southwest portion of Colorado Springs, Colorado.

The subject has an inverted "L" shape and its land form is best described as Rocky Mountain hillside. Elevations on the site range from approximately 6,500 feet to over 8,000 feet. Except for small areas located along the road most of the property could be described as sloping with grades exceeding 30%. Most all of the site is treed except for where there are rock outcroppings.

(**Seven Falls** is a series of seven cascading waterfalls in South Cheyenne Canyon, Colorado and the name of the larger visitor attraction. About ten minutes from downtown Colorado Springs, Seven Falls has been called the "Grandest Mile of Scenery in Colorado").

Data Search Parameters and Analysis Approaches

1. A physical inspection of the property.
2. A search of the public records relative to the subject. This search encompasses, among other things, tax and assessment information, easement, and other private, as well as public, deed restrictions, zoning, history of the property, etc.
3. A summary of neighborhood and regional area characteristics, as well as an analysis of supply and demand within the subject's market segment.
4. Analysis of physically possible uses, legally permissible uses, and all feasible uses in order to estimate the highest and best use of the subject property.
5. Research of public records for comparable sales and listings. Telephone verification, where possible, of all the sales and listings with the buyer, seller, or their representative. A physical inspection of each of the properties, as well as deed verification in some cases. Comparison of the comparable properties to the subject with consideration of such differences as legal encumbrances, financing terms, conditions of sale, market conditions, location, physical characteristics, availability of utilities, zoning, stage of development and highest and best use.

6. The cost approach was not used to estimate the value of the subject property because there are no building improvements.
7. The sales comparison approach was used to estimate the value of the subject property. The sales comparison approach is based upon the proposition that an informed buyer would pay no more for a property than what he would have to pay for a comparable property with the same utility as the subject property. The process involves the comparison of the subject property with comparable properties that have sold recently or that are now listed for sale on the market making adjustments as necessary to compensate for differences between them and the subject property.
8. The income approach was not used to estimate the value of the subject property. This method has application only in properties which have income producing potential. The subject property has little income potential as operating ranch.

Summary of Appraisal Problems

The appraisal problem for the subject property is that there are few recent sales of similar sized properties in the subject's Market Area. Furthermore, not only is there a lack of similarly sized sales, there is a lack of recent sales with similar physical characteristics as the subject. Overall, every effort was made to gather and analyze sales and the listing of properties so that sales with the fewest differences from the subject could be used in this report. The comparable sales and listings that were selected for direct comparison with the subject properties were considered the best ones available; however, as always a better selection of comparable land and lot sales would have been more desirable to perform the analysis.

Definition of Terms

Various special terms used in this report are defined in the following paragraphs to assist the reader in understanding terminology.

Extraordinary Assumption. An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

Hypothetical Condition. That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

Cash Equivalent. A price expressed in terms of cash as distinguished from a price which is expressed all or partly in terms of the face amount of notes or other securities which cannot be sold at their face amount. The cash equivalent price, of a sale property, may differ from its contract price, and should represent the present worth at time of sale, of all cash and other considerations paid for the real property, as opposed to other portions of stated consideration, which may be paid for services, fees and/or non-realty items.

Highest and Best Use. The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest market value of the property as of the date of the appraisal. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

Fee Simple. A fee simple estate is absolute ownership unencumbered by any other interest or estate; subject only to the limitations of eminent domain, escheat, police power and taxation.

Market Value. The current economic definition of market value:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- a. buyer and seller are typically motivated;
- b. both parties are well informed or well advised, and each acting in what he considered his own best interest;
- c. a reasonable time is allowed for exposure in the open market;
- d. payment is made in terms of cash in U.S. Dollars or in terms of financial arrangements comparable thereto; and
- e. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

From the OCC's Final Rule, 12 CFR Part 34, Subpart C-Appraisals, Section 34.42(f), effective August 24, 1990, 55 Federal Register 34696, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499 June 7, 1994.

Cost Approach. The cost approach is based upon the proposition that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility as the subject property. It is particularly applicable when the property being appraised involves relatively new improvements, which represent the highest and best use of the land or when unique or specialized improvements are located on the subject property for which there exist no comparable properties on the market. In this approach, we will estimate the replacement cost. Replacement cost is defined as the cost of construction at current prices of improvements, having utility equivalent to the improvements being appraised but built with modern materials and according to current standards, design and layout. From the replacement cost new there is deducted an estimate of accrued depreciation which is the loss in value arising from physical, functional and economic causes.

Sales Comparison Approach. The sales comparison approach is based upon the proposition that an informed buyer would pay no more for a property than what he would have to pay for a comparable property with the same utility. The process involves the comparison with comparable properties that have sold recently or that are now listed for sale on the market making adjustments as necessary to compensate for differences between them. Where sale financing terms are considered to affect the price paid in a given transaction, an adjustment to the price of the comparable transaction for cash equivalence is made.

Income Approach. The income approach is based upon the proposition that there is a relationship between the income generating capacity of a property and its price. This

method has application only in properties, which have income producing potential. In the income approach, anticipated future benefits in terms of money to be derived from the ownership of the property are converted into a value estimate. The value is dependent upon the quantity, quality, and duration of the anticipated income.

The Endangered Species Act ("Act") prohibits the "take" of listed species. Take, as defined under the Act, means to harass, harm, pursue, hunt, shoot, wound, kill, trap, capture, or collect, or to attempt to engage in any such conduct. This also applies to the knowing removal of habitat that is necessary for the survival of the mouse including suitable streamside vegetation and adjacent uplands. **Civil penalties** for violations under the Act include a civil penalty of up to \$25,000 for each violation. Any person who knowingly violates any provision of any other regulation issued under the Act may be assessed a civil penalty of up to \$12,000 for each violation. **Criminal penalties** for violations under the Act include a fine of up to \$50,000 or imprisonment of up to one year, or both. Any person who knowingly violates any provision of any other regulation issued under the Act, upon conviction, may be fined up to \$25,000 or imprisoned for up to than six months, or both.

PART 2

FACTUAL DATA

Identification of the Subject Property

The subject property is identified as 198 acres of vacant land that is a portion of a larger parcel containing 1,181.87 acres which is part of the Seven Falls tourist attraction. The subject property is generally located along Gold Camp Road, immediately south of North Cheyenne Canyon Park, west of the Seven Falls tourist attraction and east of Pike National Forest, in the southwest portion of Colorado Springs, Colorado.

The subject has an inverted "L" shape and its land form is best described as Rocky Mountain hillside. Elevations on the site range from approximately 6,500 feet to over 8,000 feet. Except for small areas located along the road most of the property could be described as sloping with grades exceeding 30%. Most all of the site is treed except for where there are rock outcroppings.

(**Seven Falls** is a series of seven cascading waterfalls in South Cheyenne Canyon, Colorado and the name of the larger visitor attraction. About ten minutes from downtown Colorado Springs, Seven Falls has been called the "Grandest Mile of Scenery in Colorado").

Regional/Metro and Neighborhood Data

Regional/Metro Data Overview

Below is a summary of pertinent metropolitan influences.

Economic Base. The economic base of Colorado Springs consists of a broad mix of industries. Key industries include high-tech manufacturing, software development, call centers, defense contractors, information processing, back office, Olympic sports, national associations and the military.

Community Assets. Wage and utility rates in the area compare favorably with cities of similar size. Excellent industrial sites are still available in planned industrial parks. The well educated work force, central location, dry moderate climate and adequate transportation facilities have proved to be advantageous in attracting new industries to the community.

Population. Population in the Colorado Springs metro area was estimated to be 663,519 as of April 1, 2014. Over the 10 years between 2000 and 2010, population grew at a rate of about 2% per year, adding an estimated 105,300 people. Some of the increase was due to expansion at Fort Carson, with the addition of about 7,000 soldiers and 10,500 dependents. An estimated 52% of the increase was due to natural increase and 48% was due to net migration. Population in the Colorado Springs metro area over the long term has increased at a rate of 2.4% per year. Long term projections indicate that population in the Colorado Springs metro area is expected to grow annually at a rate of about 1.5% to 2% in future years.

Population Growth Metro Area 1970 – 2014

Year	Population	Change	Annual Percent Change	Births	Deaths	Natural Increase	Net Migration
Decade							
1970	240,100						
1980	312,600	72,500	2.7%	56,324	15,748	40,576	31,924
1990	397,500	84,900	2.4%	69,412	19,009	50,403	34,497
2000	516,929	119,429	2.7%	76,506	24,591	51,915	67,514
2010	622,263	105,334	1.9%	87,717	33,073	54,644	50,690
2013	655,453	33,190	1.6%	29,854	12,395	17,459	15,731
2014	663,519	8,066	1.2%	9,305	4,178	5,127	2,939
Totals							
Totals		423,419		329,118	108,994	220,124	203,295
Percent						52%	48%

Source: US Bureau of the Census and Colorado State Demographer. 1970-2010 Data is for April 1st of each year. 2013-2014 data is for July 1.

Job Growth. Job growth in Colorado Springs showed strong growth third quarter of 2015. The number of wage and salary (payroll) jobs increased (year-over) by close to 6,000 compared to the 1st quarter of 2014. The local economy saw three consecutive years of job losses in 2008-2010, then went into positive territory over the past four years. This was in spite of federal spending cuts in 2014 and the shift away from both the Manufacturing and Information Technology sectors, which were key components of the local economic base. Job sectors that have contributed to recent job gains include healthcare, construction and some of the services sector.

Over the past decade the structure of the Colorado Springs economy experienced a dramatic change. Since 2004 the Information and Manufacturing sectors lost 8,500 jobs. At the same time the Education and Health Services sector grew by 9,900. The economy's largest employer, is still the Government sector with 48,700 employees.

The Colorado Springs Regional Business Alliance plays a key role in reinventing the local economy. CSRBA's focus includes: (1) attracting, retaining and growing primary industry, (2) building a strong business climate, (3) providing support for local businesses. The CSRBA recently announced the expansion and/or relocation of three companies and 2,194 new primary jobs in the first three months of 2015. The largest announcement was Sierra Completions, a firm that will locate at the municipal airport, with 2,100 jobs announced.

New primary job announcements in the first three months of 2015 were up significantly compared to the 459 announced for all of 2014. The loss of primary jobs continues to have a negative impact on the local economy. A total of 178 primary job layoffs were announced in the first three months of 2015. The largest was Sinton Dairy with an announced 120 job cut-back.

Primary jobs are a major driver of economic growth because they bring new dollars into the local economy. The new dollars support jobs at supermarkets, real estate offices, gas stations, home building companies and the like. Then, as the workers in these local industries spend their earnings, even more jobs are supported. Thus, primary industry activity has an expansive multiplier effect on the local economy.

Military Economic Base. The military makes up a significant part of the Colorado Springs economic base. Total employment at the four military bases is about 55,900 including 37,245 military personnel and almost 19,000 civilian workers. Employment on local military bases amounts to about 19% of the total jobs in the Colorado Springs area. As a footnote, these figures include about 4,000 soldiers deployed to the middle east, but do not include about 4,000 cadets at the Air Force Academy. The four local military bases all provide some on-base family housing, with units totaling almost 4,700.

With the war winding down in Afghanistan and the expected cut-backs in defense spending, the future level of military and civilian defense contractor personnel assigned to bases in the Colorado Springs area is a big unknown at the present time.

Latest Economic Indicators. The latest economic data indicates that the local economy is finally out of the deep hole dug by the 2007-2009 recession. However, the recovery is plodding along at a very slow pace. Most all of the monthly economic indicators show good news:

- **Wage and Salary Jobs:** El Paso County's job growth remained strong in the second quarter and likely passed the statewide average during the third quarter, according to a new report. Employers in the county added jobs in the second quarter at the same rate as the first quarter, which was the fastest growth rate since mid-2006, according to data posted Tuesday on the Colorado Department of Labor and Employment's website. The 3% growth rate from the second quarter of 2014 is up from the 2.3% growth rate in the second quarter of 2014 and just slightly behind the state's 3.3% growth rate in the second quarter. The county's growth rate for the quarter is double the 1.5% gain reflected in payroll data for the same period from the U.S. Bureau of Labor Statistics generated from monthly surveys.

Nearly half of the county's job growth — 46.8% — came from the health care and social assistance sector and the accommodation and food service sector, with outpatient health care (including physician offices) and food service and drinking places each generating more than 1,100 jobs, growing more than 5% from a year earlier. The retailing and professional and technical services industries each added more than 800 jobs. Together the four categories make up nearly 70% of the 7,542 jobs added during the 12 months ended June 30.

- **Sales and Use Tax:** Colorado Springs sales tax collections continued to reflect strength in the local economy in November, rising 7.2% from a year earlier with much of the gain coming from sales of building materials, restaurants and vehicles, the city's Finance Department reported December 17, 2015. Sales tax revenue in November increased 7.2% from November 2014 to \$11.7 million, the second consecutive monthly gain and the eighth rise in the past nine months. The November total is based on revenue collected in November from spending in October. The total this year is up 5.1% from the same period last year to \$115.3 million, though that total doesn't include special taxes for public safety and trails and open space that have generated another \$30.6 million. All of those taxes combined provide more than half of the city's general fund budget and pay for basic services that include police, fire and roads. Sales tax collections also are a key local economic indicator followed by economists.

Other information from the November report included:

- Nearly half of the increase was generated from three broad categories of spending — building materials, restaurants and automobile dealers. Collections on building materials were up 11.2%, while revenue from restaurants increased 8.2% and collections from auto dealers rose 7.8%. The three categories are among the four largest of the 14 tracked by the finance department. The only categories with declines were sales of commercial machines, down 12%, and tax paid on utility bills, down 3.8%.

- Paul Rochette, senior partner of Summit Economics LLC, a local economic research and consulting firm, said the increased revenue from building materials, restaurants and vehicles all "reflect improved consumer confidence. The car sales and restaurant meals likely are purchases that had been deferred until economic conditions improved and the building material sales increase stems from little new construction in recent years and the resulting price increases we have seen in the past year or so. I am bullish on the local economy for the next year or two."

- Collections from the city's Lodger's and Auto Rental Tax continued to surge in November, increasing 13.8% from a year ago to \$454,444, and this year are up an identical 13.8% from the same period last year to \$4.53 million. That 10-month total is higher than any other 12-month total in the city's history. Collections from the tax have increased year-over-year for eight consecutive months and jumped by double-digit levels in seven of those months.

- Revenue from the city's use tax, collected on equipment and machinery bought outside of the city for use in the city, surged 24.4% to \$861,911, the biggest monthly increase since May and the highest monthly total since July 2014. Use tax collections this year are up 1.7% to \$6.95 million.

- **New Vehicle Registrations:** El Paso County's new car and truck market went into overdrive in December with registrations surging to the highest monthly total in more than 10 years and the fifth highest ever, according to a report just released by the El Paso County Clerk and Recorder's Office. County residents registered 2,719 new cars and trucks in December, up 25.9% from December 2014 and the highest monthly total since a record 3,222 new vehicles were registered in August 2005. The big gain for the month came after registrations had declined slightly in the previous three months. Cars registered in December likely were sold in October and November since consumers have up to 60 days to register a new vehicle they purchased. Registrations for all of 2015 were up just 3.8% from 2014, but the total of 26,585 was the highest annual total since 2002 and the fourth-highest ever after 2000-02. The number of new vehicles registered in the county has increased six consecutive years after declining in four of the previous five years. Tim Jackson, president of the Colorado Auto Dealers Association, attributed the strong sales in December and for the year to historically low gasoline prices, widespread availability of inexpensive credit for vehicle purchases and surging consumer confidence. Statewide registration numbers for December won't be available for two weeks, but the November total was up 29.6% from November 2014 to 19,923, according to the Colorado Auto Dealers Association. Registration totals for the first 11 months of the year were up 10.3% from a year earlier to 186,550.
- **Unemployment Rate:** The Colorado Springs-area unemployment rate remained unchanged in November while the labor force posted another decline, according to the latest data from the U.S. Bureau of Labor Statistics. The local jobless rate had declined for five consecutive months, reaching an eight year low of 4.3% in October. While the percentage of residents looking for work didn't change, the number of people in the job market fell by 603 in November to a six year low of 312,788. The labor force has contracted 1.9%, or by 6,148 residents, since November 2014.

Other information included in the report:

- * Payroll totals in the Colorado Springs area in November rose just 0.5% from November 2014 to 265,500 — the slowest year-over-year growth rate in nearly five years. The 1,300 jobs added during the past 12 months in the health care industry equals payroll growth for all industries. That's because the loss of 2,100 jobs in the business and professional services sector in the past year wiped out small gains in restaurants, retailing, financial services, government and other services sectors. The business and professional services sector includes many defense contractor employees.
- * The unemployment rates also remained unchanged in November at 3% in the Boulder area, 3.2% in the Fort Collins area, 3.6% in the Greeley area and 5.3% in Pueblo area. The Denver area's jobless rate fell to 3.4% in November from 3.5% in October, while the Grand Junction area's rate rose to 5.5% from 5.3%. Colorado's unemployment rate fell in November to 3.6%, the lowest since June 2007, from 3.8% in October.
- * The bureau will release December unemployment rate and payroll numbers for Colorado Springs and 386 other metro areas nationwide Feb. 2, 2016.
- **Foreclosure Filings:** The number of Colorado Springs-area properties falling into foreclosure rose slightly last month (November), although the pace of local foreclosure activity continues to run at a 14-year low, according to a report Tuesday by the El Paso County Public Trustee's Office. Foreclosure notices in the county totaled 147 in November, a 2.2% increase over October and a 4.1% rise over November of last year, the report showed. Even with the increases, the number of foreclosure notices during the first 11 months of the year totaled 1,332, a 21% percent drop from the same period last year. Barring a dramatic change in the recent pace of foreclosure activity, this year's total of foreclosure notices should be the fewest since 1,165 were tallied in 2001. A record 5,288 foreclosure notices were recorded in 2009 in El Paso County. Since then, notices have declined each year; real estate agents and economists have attributed the lower numbers to an improving economy and healthier single-family housing market. Property owners are served with a foreclosure notice after several months of missed mortgage payments; a failure to resolve the situation can lead to the sale of a property at a Public Trustee's auction.
- **Hotel occupancy:** The mild weather in October helped to fill Colorado Springs hotel rooms, pushing the occupancy higher than a year earlier for the second consecutive month and seventh time in the past eight months, according to the Rocky Mountain Lodging Report. The occupancy rate for local hotels rose to 65.3% in October, up from 61.4% in October 2014, Local occupancy rates have risen every month this year, when compared with the same month a year earlier,

except February and August. The year-to-date occupancy rate was 68.6%, up from 65.8% during the first 10 months of 2014.

The Lodging Report also showed:

- * The average room rate in October headed in the same direction as occupancy rates, rising 5.7% from October 2014 to \$96.78. The average for the first 10 months of the year is up 7.4% from a year ago to \$101.71.

- * The statewide occupancy rate in October fell for the second time in the past three months, when compared with the same month a year ago, to 68.9%. Colorado’s hotels filled 69.4% of their rooms in October 2014. However, the occupancy rate for the first 10 months of the year is still up to 71.8% from 71% during the same period a year ago. The average room rate for the state in October rose 5.5% from October 2014 to \$137.57 and the average rate for the first 10 months of the year was up 7.1% to \$145.23.

- * What’s not included in the Colorado Springs numbers: The Broadmoor hotel and Cheyenne Mountain Resort are both included in the report’s “other resorts” category that also includes many of the state’s ski resorts.

The key local economic indicators show that the corner may have been turned, but it is still a long way to go to get back to a normal level of activity. The local economy has recovered all of the nearly 14,000 jobs it lost during the recession. The local economy is definitely in the rebound mode and hopefully the city can continue on this positive path.

New Single Family Home Permits. New housing construction in the Colorado Springs Metro area has averaged almost 3,996 per year over the ten year period between 1999 through 2008. The peak year was 2005 with over 5,314 units constructed (does not include multi-family). New home construction remained strong through 2005 but in 2006 the trend reversed itself with permits totaling only 3,446, which represented a -35.2% decline compared to 2005. For 2007 new home permits were down -38.0% compared to 2006. In 2008 new single family home permits were down -42.79% compared to 2007. New detached single family building permits for 2009 were down -9.72% compared to 2008. 2009 marked the fourth year in a row with declining building permit numbers but the trend was slowing. In 2010 the negative trend reversed itself and detached single family building permits were up 27.1% compared to 2009. In 2011 it appears that the market is still recovering slowly with 1,399 detached single family building permits which was five permits less than in 2010 or down a -0.36% compared to 2010. In 2012 detached single family building permits totaled 2,218 up +58.54%, compared to 2011, which was a five year high for single family building permits. New home construction continued its recovery in 2013, as the pace of homebuilding climbed to its highest level in seven years. Building permits totaled 2,676 in 2013, a 20.65% over 2012. However, the pace of Colorado Springs-area homebuilding declined in 2014, single family building permits totaled 2,438, down -8.89% compared to 2013.

For 2015 the Pikes Peak Regional Building Department issued 2,739 permits last year for the building of single-family homes, according to a report the department just released. Last year’s single-family permit total rose by 12.3% over 2014 and was the highest number of permits since Regional Building issued 3,446 in 2006. However, last year ended on a down note; in December, permits totaled 171, a 3.4% decline from the same month in 2014. Permits have increased in 10 out of the past 12 months on a year-over-year basis.

Detached Single Family Permits		
Year	Permits	% Change
2001	4,925	+5.3%
2002	4,466	-9.3%
2003	4,356	-2.5%
2004	5,059	+16.1%
2005	5,314	+5.0%
2006	3,446	- 35.2%

2007	2,136	- 38.0%
2008	1,223	- 42.7%
2009	1,105	-9.6%
2010	1,404	+27.1%
2011	1,399	-0.36%
2012	2,218	+58.54%
2013	2,676	+20.65%
2014	2,439	-8.89%
2015	2,739	+12.3%

Homebuilders have credited historically low mortgage rates as a major reason for this year's increase in local home construction. Long-term, fixed-rate mortgages averaged below 4% for much of 2015; they ticked up to 4.01% last week, the highest since late July, according to mortgage buyer Freddie Mac. Some homebuilders also have said that an extremely tight inventory on the resale side of the single-family housing market has contributed to the demand for new homes. Economists and government officials closely watch building permit activity because of the housing industry's impact on the local economy. The industry employs thousands, while taxes collected on the purchase of building materials help fill the coffers of area governments, which use the money for roads, public safety and other services.

Resale Residential Market. The pace of buying and selling homes showed no signs of slowing last month (November) in Colorado Springs and surrounding communities, according to a new report from the Pikes Peak Association of Realtors. Single-family home sales totaled 1,107 last month, almost 14 percent higher than in October 2014. Sales now have risen for 15 straight months, on a year-over-year basis. Through the first 10 months of this year, sales have totaled 11,332 which is nearly 19% increase over the same period last year. Year-to-date sales already have exceeded the total for all of last year and are on pace for their highest total in a decade. The median price (or mid-point) of homes that sold in October rose to \$234,900, a 4.4% increase over a year ago. Median prices have increased for 11 straight months on a year-over-year basis. The supply of homes for sale totaled 2,936 in October, a 16.1% drop from a year ago. It's the 15th consecutive month that listings have declined and the fewest number of homes for sale in any October since 2000. Despite the increase in sales and prices, there are some concerns about the market's direction, said Joe Clement, broker-owner of Re/Max Properties in Colorado Springs. The demand for upscale homes remains slow, while an increase last month in foreclosure activity was troubling, he said. And while the tight supply helps to drive up prices, some buyers can't find a home in lower price ranges. Buyers seeking a \$260,000 or \$270,000 house, "can't find a whole bunch to look at," Clement said. "There's just a limit. What happens then is, one comes on the market and three people are standing there and all of a sudden you've got a multiple-offer situation and that drives the price up."

Apartment Market. New apartment construction has been cyclical, with building activity occurring when vacancies are low and rents are rising. The apartment market took a triple hit early in this decade as a result of (1) the big loss of tech jobs in 2001 and 2002; (2) the deployment of troops to Iraq and Afghanistan that started in late 2002; and (3) easy mortgage credit in 2004 to 2006 that made it possible for many renters to become home owners. Since 2007 the vacancy rate has been slowly declining and within the past five years the vacancy rate has generally hovered in the 5% to 7% range.

According to a report by the Colorado Division of Housing, rents continue to increase at Colorado Springs-area apartments. Average rents soared to a record high of \$932.25 a month in the third quarter. The latest figure increased \$33 a month from the second quarter's \$899.22, the previous record high. Rents have increased for 23 straight quarters on a year over-year basis. At the same, the local apartment vacancy rate dropped to 4.2% in the third quarter from 4.6% in the second quarter. That is the lowest rate since the second quarter of 2001, the Housing Division report showed. Several factors have combined

to increase demand and, in turn, drive up rents. Generally, millennials who don't want to be tied down to homes and mortgages are driving much of the demand, experts have said. Empty nesters who have downsized or who want maintenance-free living also have contributed to lower vacancy rates.

Meanwhile, even as developers have built more than 2,000 apartments in the last three years, the pace of construction isn't keeping pace with demand. Construction might continue to lag until rents rise even higher. Developers are looking for double-digit rent increases on an annual basis to cover rising construction costs. Third-quarter rents in the Springs rose 5.8% percent over the same period last year, but annual rents are increasing at a double-digit clip in the Denver area, where many more construction projects are underway. Developers have added 567 units to the supply of Springs-area apartments so far in 2015. According to the Bamberger report there is approximately 800 units currently under construction and about 1,300 in the planning pipeline.

Retail Market. The total shopping center market consists of over 329 centers with a total of 19,757,573 square feet of space. The figure does not include the two Colorado Springs regional malls, Chapel Hills located in the northern part of the city and the Citadel located in the eastern part of the city. Academy Boulevard and Powers Boulevard, on the eastern side of the city, are the city's two major retail corridors. Much of the new retail construction over the past 15 years has occurred in the Powers Boulevard corridor.

According to the Turner Commercial Report at the end of the 3rd quarter of 2015 there were 10 new retail centers or new additions under construction containing 134,259 square feet. In 2014 six new buildings had been completed containing approximately 47,138 square feet.

Retail Market Trends – 2009 through the 3rd Quarter of 2015							
Year	2009	2010	2011	2012	2013	2014	2015
Vacancy Rate	10.7%	11.2%	11.6%	12.2%	11.7%	10.2%	10.0%
Avg. Rents - \$/SF NNN	\$13.85	\$13.37	\$12.72	\$12.34	\$12.80	\$13.08	\$13.37
Leasing Activity	414,967	473,817	404,574	506,948	519,533	577,824	408,837
Absorption	162,570	95,536	-71,496	-93,284	116,917	296,189	96,979
Number of Building Sales	36	56	64	78	88	74	66
Avg. Bldg. Sales - \$/SF	\$85.14	\$60.33	\$117.12	\$85.77	\$156.27	\$98.70	\$124.08
Wt. Avg. Bldg. Sales - \$/SF	\$120.24	\$117.63	\$124.48	\$139.33	\$170.44	\$157.32	\$184.55

In 2006 the citywide retail vacancy rate reached the bottom of a downward trend, at the end of 2006 the commercial vacancy rate had fallen to 6.4%. Since the end of 2006 the retail vacancy rate has been increasing. At the end of the 4th quarter 2008 the reported citywide retail vacancy rate had reached 8.4%. By the end of the 4th quarter 2012 the reported citywide retail vacancy rate had reached 12.2%. In 2013 the retail vacancy rate trend reversed itself and fell to 11.7%. In 2014 the retail vacancy continued to fall 1.5% percentage points to 10.2%. Through the 3rd quarter 2015 the vacancy rate has declined to 10%.

Turner indicates that the asking retail lease rates, on a citywide basis, averaged \$13.30 NNN at year-end 2006. In 2007 retail lease rates increased 4.96% to an average rate of \$13.96 per square foot NNN and in 2008 they increased 2.4% to an average \$14.30 NNN. Starting in 2009 the average asking retail rate started declining and this downward trend continued through the 4th quarter of 2012. At the end of the 4th quarter of 2012 the average asking retail lease rate had fallen to \$12.34 per square foot NNN, a -13.71% decrease from 2008's yearend asking rate. In 2013 the asking rate trend reversed a four year trend and increased to \$12.80 per square foot NNN. Asking rates increased to \$13.08 in 2014 and at the end of the 3rd quarter of 2015 the average asking rate has increased to \$13.37 per square foot NNN.

Turner reports that during the time period 2004 through 2006 approximately 2.3 million square feet of retail space was absorbed. During the same time period approximately one million square feet of new owner occupied retail space was constructed. This still resulted in a net absorption gain of 1.3 million square feet. The downward absorption trend returned in 2007. Retail leasing activity reached 715,870 square feet during 2007 but absorption was -624,369 square feet. Again, in 2008 leasing activity was 451,027 square feet and absorption was -98,776 square feet. In 2009 the negative absorption trend reversed itself with a positive absorption of 162,570 square feet after leasing activity of 414,967 square feet. In 2010 the positive absorption trend continued with 95,536 square feet absorbed after leasing activity of 473,817 square feet. In 2011 absorption went negative with -71,496 square feet after leasing activity of 404,574 square feet. The downward trend has continued through 2012 with negative absorption of -93,284 square feet after leasing activity of 506,948 square feet. In 2013 absorption turned positive with 116,917 square feet after leasing activity of 519,533 square feet. The positive absorption trend continued in 2014 with 296,189 square feet after leasing activity of 577,824 square feet. Today at the end of the 3rd quarter 2015 absorption has been positive with 96,679 square feet after leasing activity of 406,837 square feet.

Office Market. The office market in Colorado Springs consists of over 1,509 buildings and 29,264,033 square feet of space. About 40%+ of these buildings were owner-occupied. At this time according to the Turner Commercial Report at the end of the 3rd quarter of 2015 there was 40,161 square feet of new office space in two buildings under construction in the city, most all of the space is reportedly preleased or will be owner occupied. Approximately 276,415 square feet in 14 building was constructed this past year (2014). This is compared to the 63,342 square feet of new office construction took place in all of 2013.

Office Market Trends – 2009 through the 3rd Quarter of 2015							
Year	2009	2010	2011	2012	2013	2014	2015
Vacancy Rate	15.9%	14.3%	14.3%	14.5%	12.8%	13.6%	12.7%
Avg. Rents - \$/SF NNN	\$10.95	\$10.66	\$10.26	\$10.27	\$10.12	\$10.42	\$10.60
Leasing Activity	820,743	969,508	696,875	890,463	910,781	710,393	632,723
Absorption	-176,747	658,158	27,870	152,330	546,959	-27,006	232,089
Number of Building Sales	43	51	63	59	90	90	48
Avg. Bldg. Sales - \$/SF	\$122.01	\$106.08	\$81.22	\$71.61	\$82.32	\$104.28	\$99.44
Wt. Avg. Bldg. Sales - \$/SF	\$114.48	\$130.05	\$99.23	\$98.28	\$105.42	\$112.69	\$116.95

In 2007 the city wide office vacancy rate was 8.6%. Over the next two years (2008 and 2009) the vacancy rate increased and at the end of 2009 the city wide office vacancy rate had risen to 15.9%. In 2010 the vacancy rate came down to 14.3% and remained there for the past three years. In 2013 the metro office vacancy rate fell significantly down to 12.8%. However, for 2014 the vacancy rate increased to 13.6% and today at the end of the 3rd quarter 2015 the office vacancy rate is estimated at 12.7%.

The office trends data would indicate that the asking lease rates peaked around the end of 2007 at \$11.56 per square foot NNN. At the end of the 4th quarter of 2011 the average asking office lease rate citywide had dropped to \$10.26 per square foot NNN. In 2012 the average asking lease rate remained at about \$10.27 NNN, but in 2013 asking lease rate fell to \$10.12. Asking rates increased to \$10.42 in 2014 and at the end of the 3rd quarter of 2015 the average asking rate has increased to \$10.60 per square foot NNN.

Turner reports that leasing activity over the last five years has remained fairly stable, generally between 700,000 to 980,000 square feet of activity. Absorption, over the same time period, went negative in 2008 and 2009 and positive in 2010 and 2011. In 2010 absorption was a positive +658,158 square feet but in 2011 is was only 27,870 square feet. In 2012 an upward trend reemerge with positive absorption of +152,330 square feet after leasing of 890,463 square feet. Again in 2013 the upward trend continued with positive absorption of +546,959 square feet after leasing of 910,781 square feet. For 2014

absorption went negative with -27,006 square feet of absorption after leasing activity of 710,393 square feet. Today at the end of the 3rd quarter 2015 absorption trend has turned positive with 232,089 square feet after leasing activity of 632,723 square feet.

Industrial Market. The industrial market consists of slightly over 1,668 buildings totaling 34,092,743 square feet of space. More than half of these buildings (60%) are owner-occupied. According to the Turner Commercial Report at the end of the 3rd quarter of 2015 there were 8 buildings of new industrial space under construction in the city containing a total of 295,788 square feet. Approximately 183,432 square feet of new industrial space in two buildings was completed in 2014. Completed new industrial construction during 2013 totaled 75,649 square feet in six buildings.

Industrial Market Trends – 2008 through the 3rd Quarter of 2015							
Year	2009	2010	2011	2012	2013	2014	2015
Vacancy Rate	11.5%	11.6%	9.3%	9.3%	9.2%	8.8%	8.2%
Avg. Rents - \$/SF NNN	\$6.49	\$6.19	\$6.17	\$6.12	\$6.48	\$6.85	\$7.04
Leasing Activity	1,152,590	976,840	1,091,241	687,485	1,070,653	649,123	508,662
Absorption	-1,926,104	4,938	800,711	125,587	138,839	291,310	197,962
Number of Building Sales	40	46	44	49	78	74	37
Avg. Bldg. Sales - \$/SF	\$23.75	\$42.41	\$49.55	\$58.96	\$56.30	\$55.02	\$58.42
Wt. Avg. Bldg. Sales - \$/SF	\$77.24	\$68.83	\$62.56	\$62.11	\$68.39	\$69.60	\$76.67

At the end of the year 2000 citywide industrial vacancy rates had fallen to 3.2%. The vacancy rate increased over the next four years and at the end of 2004 vacancy rates stood at 10.5%. From 2004 the vacancy rate went on a downward trend and at year end 2006 the vacancy rate had decreased to 6.4%. Between 2006 and 2010 the vacancy rate increased and at the end of 2010 it had reached 11.6%. In 2011 absorption was significant and the vacancy rate decreased to 9.3% where it remained through 2012. For 2013 the vacancy dropped slightly to 9.2%. The downward trend continued in 2014 dropping to 8.8%. Today at the end of the 3rd quarter of 2015 the vacancy rate has continued to decrease to 8.2%.

Turner indicates that the industrial asking lease rates, on a citywide basis, averaged \$7.15 NNN at year-end 2006. Since the end of 2006 asking industrial lease rates have been on a downward trend. At the end of the 4th quarter of 2012 the asking rate appeared to have bottomed out at \$6.12 per square foot NNN, which represented -14.41% from 2006's asking rate of \$7.15. In 2013 the average asking rent climbed to \$6.48 per square foot NNN and in 2014 it increased to \$6.85 NNN. At the end of the 3rd quarter 2015 has increased slightly to \$7.04 per square foot NNN.

For the year end 2006 leasing activity was 1,034,628 square feet and absorption was 1,076,401 square feet. Over the next four years (2007-2010) there was a negative absorption of 2,339,827 square feet, while leasing activity remained relatively constant. In 2011 the trend reversed itself with positive absorption of 803,711 square feet. The upward trend continued through 2012 with absorption of 125,587 square feet and into 2013 with absorption of 138,839 square feet. For 2014 the positive absorption trend continued with 291,310 square feet after leasing activity and 649,123 square feet. Today at the end of the 3rd quarter 2015 absorption has been positive with 197,962 square feet after leasing activity of 508,662 square feet.

Neighborhood Data

According to the MLS and the Turner Report the subject property lies in the Southwest Market area of the city. See Vicinity Map below.



Location. The subject property is located in the southwest portion of the City of Colorado Springs, Colorado, approximately 5 miles south of downtown. It is bound on the north by US Highway 24, on the east by Interstate 25, on the south by Fort Carson and on the west by foothills and Pike National Forest. (See Vicinity Map).

Access. Access to the subject property from the north and south is by way of Interstate 25, Nevada Avenue, 8th Street, and 21st Street. Access to the neighborhood east and west is by way of U.S. Highway 24, Cheyenne Boulevard, and Lake Avenue. Access to the subject's immediate neighborhood is by way of Gold Camp Road and Old Stage Road.

Streets. Interstate 25 is a four-lane divided Interstate Highway that basically bisects the state from north to south. Nevada Avenue, also known as U.S. Highway 85-87 and the Interstate 25 Business Loop, remains one of the City's major north/south thoroughfares. Nevada Avenue extends from I-25 on the north and intersects again with I-25 about eight miles south. Nevada Avenue continues farther south and becomes State Highway 115 to Penrose and Canon City. Nevada Avenue is four lanes and divided, with a median and turning lanes in most places. State Highway 115 for the most part is two lanes, except for an occasional passing lane on steep grades.

U.S. Highway 24 (Midlands Expressway within Colorado Springs) is a six lane median divided restricted access expressway between downtown Colorado Springs and Woodland Park, Colorado, 19 miles on the west. 21st Street originates at Uintah Avenue one mile on the north and continues southward through to the southwestern part of the city. 21st Street is a two to four lane paved secondary street extending mainly through residential and industrial areas. 8th Street is a four-lane major arterial. 8th Street is fully improved with asphalt paving, curb and gutter in most areas, and sidewalk and street lighting.

Lake Avenue is a westerly extension of Circle Drive which surrounds the city on the east and intersects with Interstate 25 and then becomes Lake Avenue and extends westerly two miles to the Broadmoor Hotel. Academy Boulevard (aka State Highway 83) extends southwesterly from old Highway 85-87 then meanders in a north and northwesterly direction and intersects with Interstate 25.

Topography. The topography of the neighborhood is rolling foot hills with valleys and mesas. Many areas have views towards the east, northeast towards downtown or to the west and the mountains.

The topography of the subject's immediate neighborhood is rolling Rocky Mountain foot hills with valleys, valley walls, mesas and rock formations. Many areas have views towards the east, southeast, and north towards downtown or to the west and the surrounding mountains.

Predominant Land Uses. The most predominant of all the land uses in the immediate area of the subject neighborhood is Fort Carson. Fort Carson is home to about 15,100 troops from the 3rd Armored Cavalry Regiment, 3rd Brigade of the 4th Infantry Division, 43rd Area Support Group, 10th Special Forces Group, the Colorado National Guard, and various other units. The total maneuver and live fire training area of Fort Carson is 360,000 acres, second only to the vast expanse of the National Training Center at Fort Irwin, California. Approximately 80% of Fort Carson is usable for mechanized maneuver training, and virtually all is usable for dismounted maneuver training. Units can train at brigade level and fire all of the Army's modern weapons systems. Fort Carson has an Air Force bombing range which can be used by the Air Force's most advanced aircraft. Fort Carson units can conduct live fire training up to battalion level and regularly incorporate the Air Force, Reserve and National Guard Forces and equipment into live fire training exercises.

Fort Carson is the largest employer in El Paso County and is the second largest employer in the state after the Colorado State government. Consequently, Fort Carson has played an important role in the Colorado Springs/El Paso County economy.

Cheyenne Mountain is home to North America's eye on the skies. Housed deep inside of Cheyenne Mountain in a 4.5 acre cavern is the Cheyenne Mountain Air Station. Cheyenne Mountain Air Station accommodates NORAD – the North American Aerospace Defense Command and its centers for Space Control, Missile Warning and Air Warning. In addition to watching for hostile missiles and aircraft, NORAD tracks about 14,000 man-made objects orbiting the earth.

The Pike National Forest forms the westerly boundary of the Southwest neighborhood. The Pike National Forest covers approximately 117,000 acres (8.5% of the total county land area). It is confined to the mountainous western portion of the county in an area extending south from the Douglas County line to south of Cheyenne Mountain. Nearly all of the mountain slope area that can be seen from the I-25 corridor is U.S. Forest Service land, and nearly all that is accessible is open to the public for multipurpose recreational use, including hiking, mountain biking and limited motorized uses. Cheyenne State Park is located approximately two miles southeast of the subject property. The Park covers approximately 1,600 acres and the park amenities includes camp sites and hiking trails. North Cheyenne Park adjoins the subject property on the north and contains approximately 1,500 acres and is owned by the City of Colorado Springs. Park amenities include camp sites, hiking trails and a water fall (Helen Hunt Falls). These lands act as a regional recreational and open space resource for the residents of El Paso County. They virtually form the backdrop and edge of the populated area. The undeveloped hillsides help define the character of the county.

The subject neighborhood is also known for the Broadmoor Hotel and having one of the most prestigious residential area in Colorado Springs. Overall, the neighborhood is considered the older part of the city but highly desirable for all age groups.

Potential Inharmonious Uses. Other than Cheyenne Mountain Air Station and Fort Carson there does not appear to be any potential inharmonious uses in the neighborhood.

Public Utilities and Services. For the most part, water, sewer, natural gas and electrical utilities are provided by the City of Colorado Springs. Adequacy of service is rated good. Water and sanitary sewer is also provided in the neighborhood by Stratmoor Hills Water and Sanitation. The US Forest Service provides fire service in the subject's immediate neighborhood.

Public Schools. Public Schools in the neighborhood consists of Harrison School District Number 2, Cheyenne Mountain School District 12 and Fountain/Fort Carson School District 8.

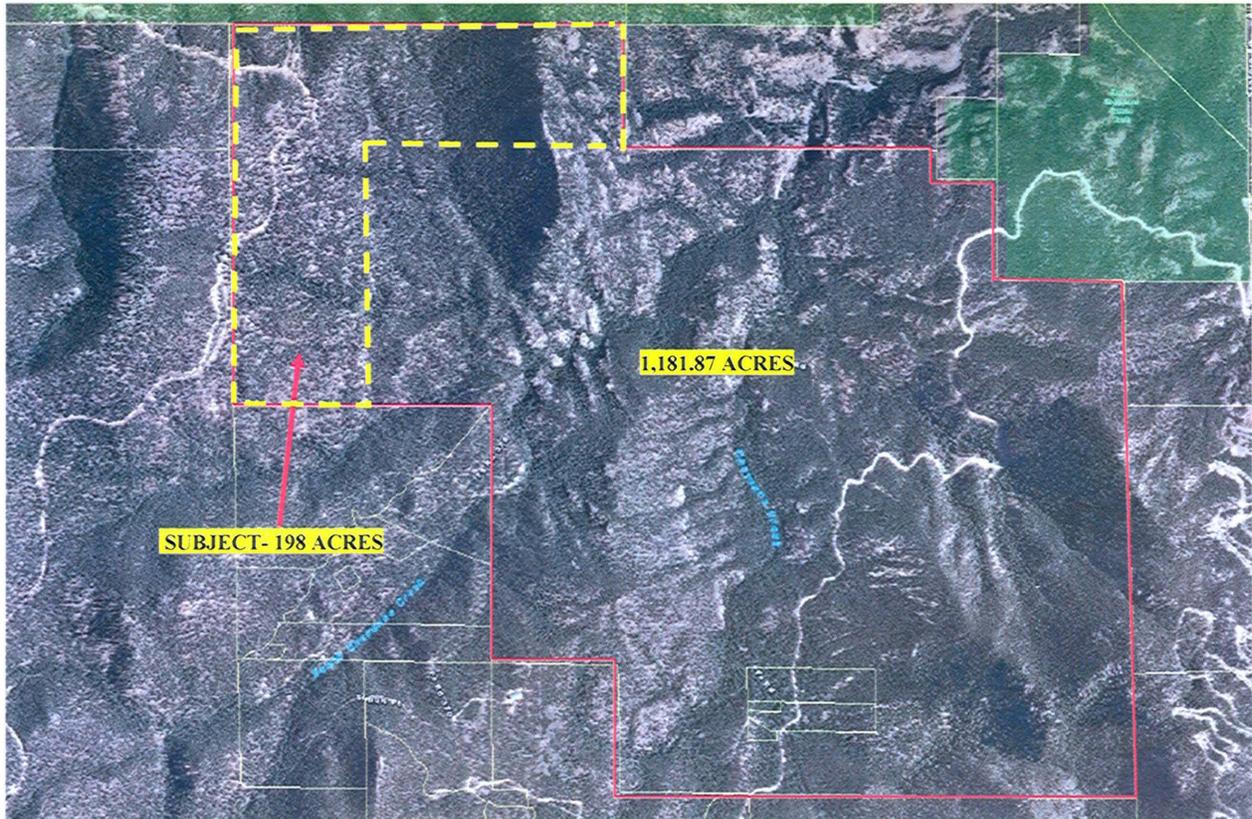
Public Transportation. Public Transportation to the neighborhood is provided by Colorado Springs Transit Route Nos. #17 (Cheyenne Mountain Zoo), #42 (Cheyenne Mountain Jr. High School) and #43 (Cheyenne & Pinon Elementary).

Conclusion – Future Trends. This subject neighborhood is characterized by commercial activity including motels, restaurants, retail centers, offices, and multi-family residential properties. The westerly portion of the area is considered an older part of the city, while the easterly portion has experienced newer construction with a variety of free standing buildings in all shapes, sizes, and uses. Overall, the neighborhood is well situated in the city with good access to Interstate 25, Highway 115 and US Highway 24. The neighborhood benefits from its close proximity to the Central Business District, recreational facilities and employment centers. I would anticipate that land values will remain stable or possibly increase over the next two years.

Property Data

Location. The subject property is generally located along Old Stage Road, immediately south of North Cheyenne Park, west of the Seven Falls tourist attraction and east of Pike National Forest, in the southwest portion of Colorado Springs. The property the subject property is a portion of is a larger parcel containing 1,181.87 acres. The larger parcel the subject property is a portion of is outlined in red. The subject property is outlined in the dashed yellow line.

Satellite Photo



Legal Descriptions. The legal description for the property the subject property is a portion of was obtained from the Assessor's Office. The subject legal description was obtained from the owner. Below I have shown the Assessor's legal description for the parcel the subject property is a portion of and the subject's legal description obtained from the owner.

APN - 75000-00-263: NW4NW4, N2NE4, S2NE4NW4 EX PT BEG AT NW COR SD TR, RUN E 300 FT, S 110 FT, W 300 FT, N 100 FT TO POB. SEC 10-15-67 E2NW4, NE4, E2SE4 SEC 4-15-67 ALL EX NE4NE4 SEC 3-15-67 S2SE4, SE4SW4 SEC 33-14-67, EX E 625 FT OF N 300 FT OF NW4NE4 SEC 3-15-67. El Paso County, State of Colorado.

Legal Description – Subject Property

LEGAL DESCRIPTION – 7 Falls Swap Parcel

December 29, 2015

A TRACT OF LAND BEING A PART OF THE SOUTH HALF OF SECTION 33, TOWNSHIP 14 SOUTH AND A PART OF THE NORTH HALF OF SECTION 4, TOWNSHIP 15 SOUTH, ALL IN RANGE 67 WEST OF THE SIXTH PRINCIPAL MERIDIAN, COUNTY OF EL PASO, STATE OF COLORADO, BEING DESCRIBED AS FOLLOWS:

“BEGINNING” AT THE SOUTHEAST CORNER OF SAID SECTION 33 AND CONSIDERING THE SOUTH LINE OF SAID SOUTHEAST QUARTER TO BEAR NORTH 89°21'39" WEST, WITH ALL BEARINGS CONTAINED HEREIN RELATIVE THERETO; THENCE NORTH 89°21'39" WEST, ALONG SAID SOUTH LINE, A DISTANCE OF 2154.84 FEET; THENCE SOUTH 01°02'12" EAST, A DISTANCE OF 2278.14 FEET; THENCE NORTH 89°14'13" WEST, A DISTANCE OF 1677.03 FEET TO THE WEST LINE OF THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER OF SAID SECTION 4; THENCE NORTH 00°45'27" WEST, ALONG SAID WEST LINE AND ALONG THE WEST LINE OF THE NORTHEAST QUARTER OF THE NORTHWEST QUARTER OF SAID SECTION 4, A DISTANCE OF 2271.01 FEET TO THE NORTHWEST CORNER THEREOF; THENCE NORTH 02°44'43" WEST, ALONG THE WEST LINE OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SAID SECTION 33, A DISTANCE OF 1244.44 FEET TO THE NORTHWEST CORNER THEREOF; THENCE NORTH 89°56'20" EAST, ALONG THE NORTH LINE OF SAID SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER, A DISTANCE OF 1269.06 FEET TO THE NORTHEAST CORNER THEREOF; THENCE SOUTH 89°59'41" EAST, ALONG THE NORTH LINE OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SAID SECTION 33 AND THE NORTH LINE OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SAID SECTION 33, A DISTANCE A DISTANCE OF 2552.97 FEET TO THE EAST LINE OF THE SOUTHEAST QUARTER OF SAID SECTION 33; THENCE SOUTH 02°35'10" EAST, ALONG SAID EAST LINE, A DISTANCE OF 1284.86 FEET TO THE “POINT OF BEGINNING”.

THE ABOVE DESCRIBED TRACT CONTAINS 198.000 ACRES OR 8,624,882 SQUARE FEET, MORE OR LESS.

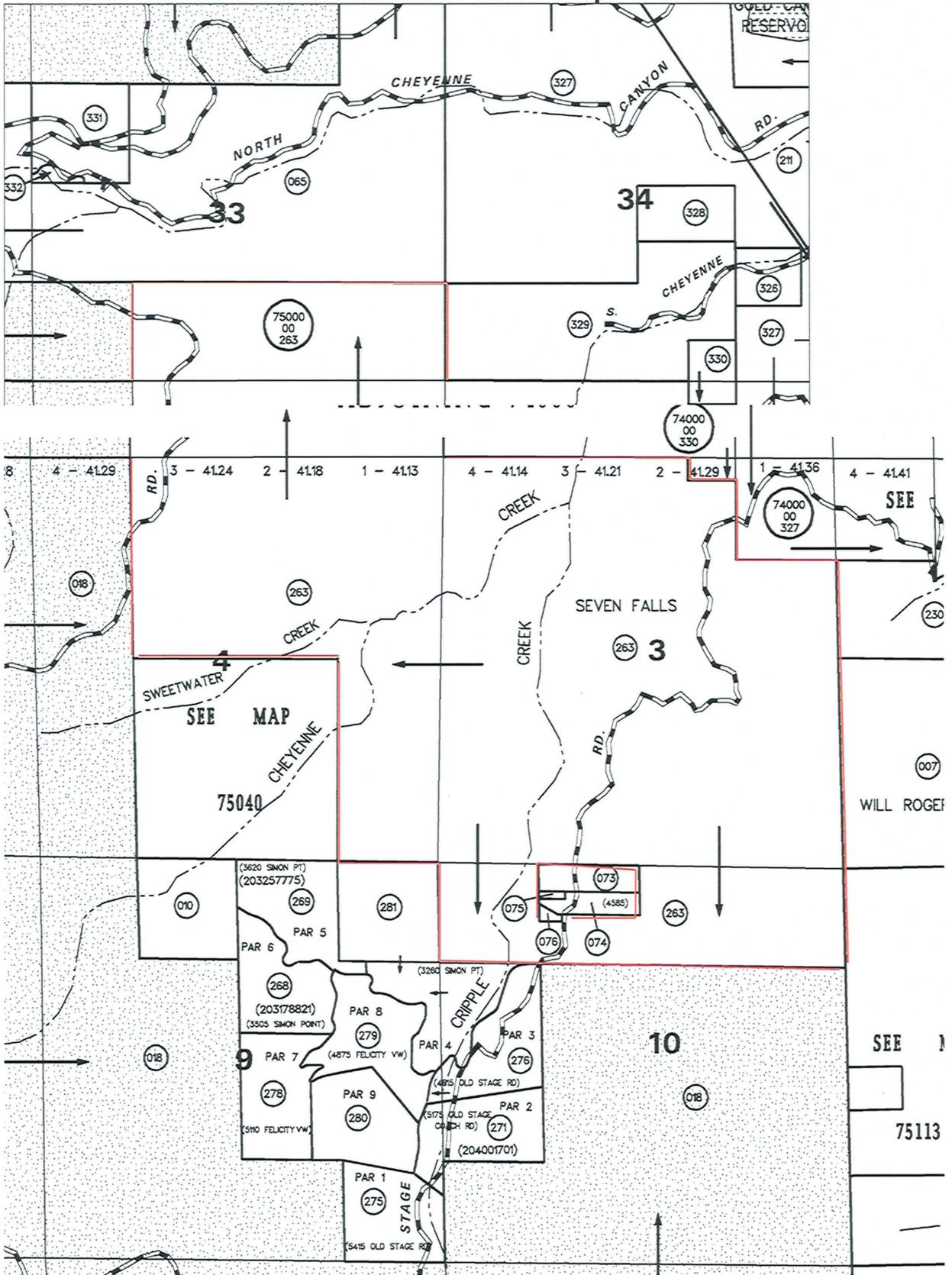
I, PATRICK C. O'HEARN, A PROFESSIONAL LAND SURVEYOR, LICENSED IN THE STATE OF COLORADO, DO HEREBY CERTIFY THAT THE ABOVE LEGAL DESCRIPTION WAS PREPARED BY ME OR UNDER MY DIRECT SUPERVISION AND CHECKING.



PATRICK C. O'HEARN PLS No. 23515
for and on behalf of
DREXEL, BARRELL & CO.
3 SOUTH 7TH STREET
COLORADO SPRINGS, COLORADO 80905
719-260-0887

Tax Schedule Numbers, Actual Values, Assessed Values, and Taxes. The subject property is identified by Assessor's records as a portion of tax schedule number 75000-00-263. The Assessor's parcel that the subject property is a portion of is outlined in red on the Assessor's parcel maps to be found on the following page. It's also noted that the subject tax parcel 75000-00-263 is split between two Assessor's Parcel Maps – 74000 and 75000, which I have tried to combine.

Assessor's Parcel Maps



The Market Value, Assessed Value, and estimated Taxes for the property the subject is a portion of is as follows:

APN #	2015 Market Value	2015 Assessed Value	2015 Mill Rate	Estimated 2015 Taxes Payable In 2016
75000-00-263	\$669,269	\$194,090	64.726	\$12,562.67

Taxes in Colorado are paid one year in arrears, i.e., the 2015 taxes are due and payable in 2016. To estimate market value, for 2015 assessments of the property, the Assessor used sales from July 2013 through June 30, 2014. The assessed values for 2015 are 29% of market value for improved non-residential properties and vacant land. The assessment ratio for residential properties slides to meet the requirements of the Gallagher Amendment and is currently set at 7.96% of the market value. Overall property taxes are reassessed every two years in Colorado. 2015 was a reassessment year.

The market, assessed values and taxes, as shown above, are as determined by using the Assessor's value for the year of 2015 and with the 2015 mill levy. The subject property's assessed value and taxes appear to conform to similar properties assessed values and taxes.

Special Assessments. The subject property would not appear to be subject to general obligation indebtedness that are paid by revenues produced from annual tax levies on the taxable property within such districts. Property owners in such districts may be placed at risk for increased mill levies and excessive tax burdens to support the servicing of such debt where circumstances arise resulting in the inability of such a district to discharge such indebtedness without such an increase in mill levies.

Ownership. According to information from the Assessor's office the subject is owned by PF LLC, One Lake Circle, Colorado Springs, CO 80906-4269. PF LLC is owned by the Broadmoor Hotel.

Property Sales History. Assessor's records indicate that the subject property was part of a larger purchase involving the purchase of the Seven Falls tourist attraction. The sale occurred August 26, 2014 and the purchase price was \$961,000. The grantor was the Seven Falls Company and the transaction was recorded at Reception Number 214077710.

Terms of the sale involved the seller keeping the insurance proceeds for water damages suffered by floods and the purchaser was responsible for making all the necessary repairs. According to the current owner's representative they have spent \$12.3 million on repairs, updating and adding new features (Zip Line). In addition, it was reported that the seller decided to sell Seven Falls because they want to devote their time and energy elsewhere.

Overall the purchase involved 1,367.19 acres of land and six building improvements including two single family dwellings, two retail buildings, office building and warehouse building.

The subject property is not currently listed for sale or lease.

Zoning. The subject property is located in unincorporated El Paso County and is zoned A-5. The A-5 is a rural residential zoning district of the County of El Paso. The zoning district was established to allow for areas of low density single family residential development. The minimum lot area for a single family dwelling in the district is 5 acres.

In my opinion the subject property could not meet the criteria to be developed as five acre lots mainly due to excessive slope conditions (slopes exceeding 30%). However, 35 acre lot development could be possible.

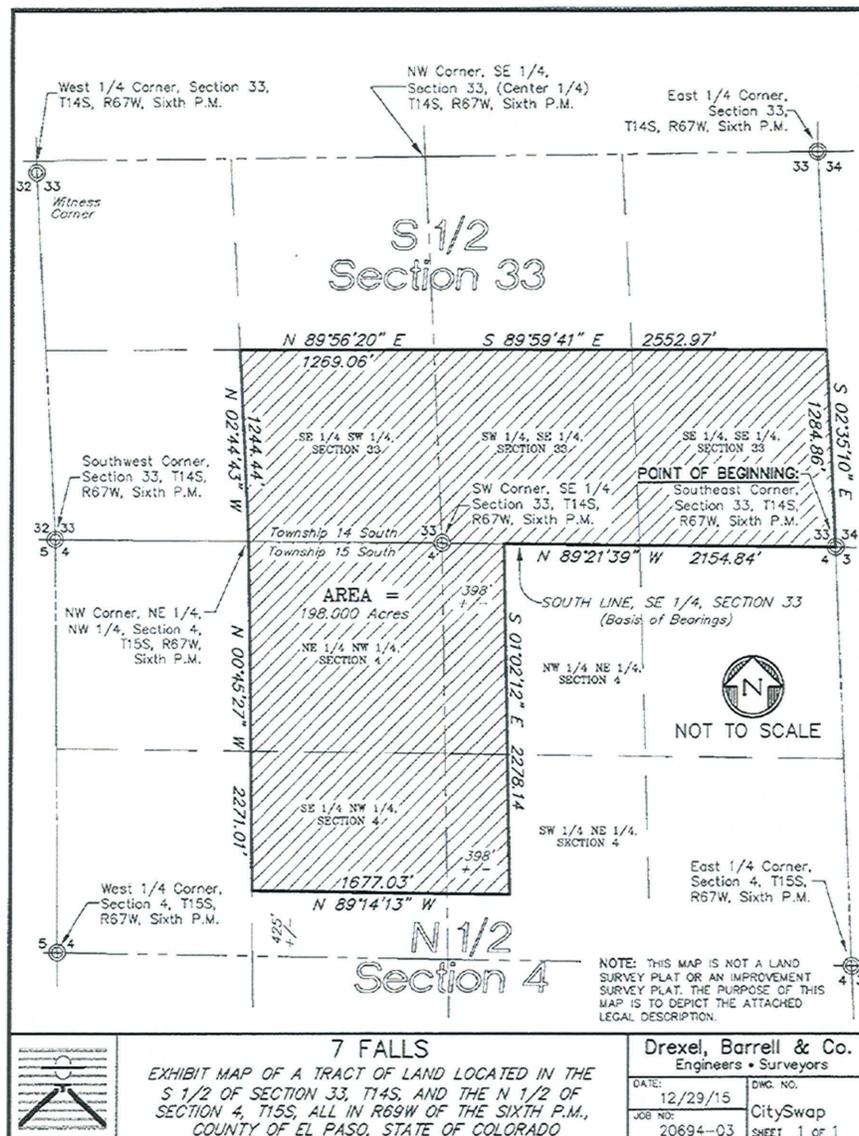
Census Tract Number. The subject property lies within the El Paso County area 2000 census tract number 33.06.

Easements. I have not reviewed a survey or title information on the subject property. I have assume no responsibility for the existence of any unknown easements or encroachments, and this appraisal is subject to the absence of any adverse easements, encroachments, or violations, except as stated herein. There would appear to be easements associated with electrical and telephone transmission lines. Overall, my opinion is that there are no known easements which would adversely affect the value of the subject property.

Flood Plain Statement. It would appear that the subject property is not within a mapped area for Federal Emergency Management Agency (FEMA). The Flood Hazard Boundary Map Number is 080041C 0725F.

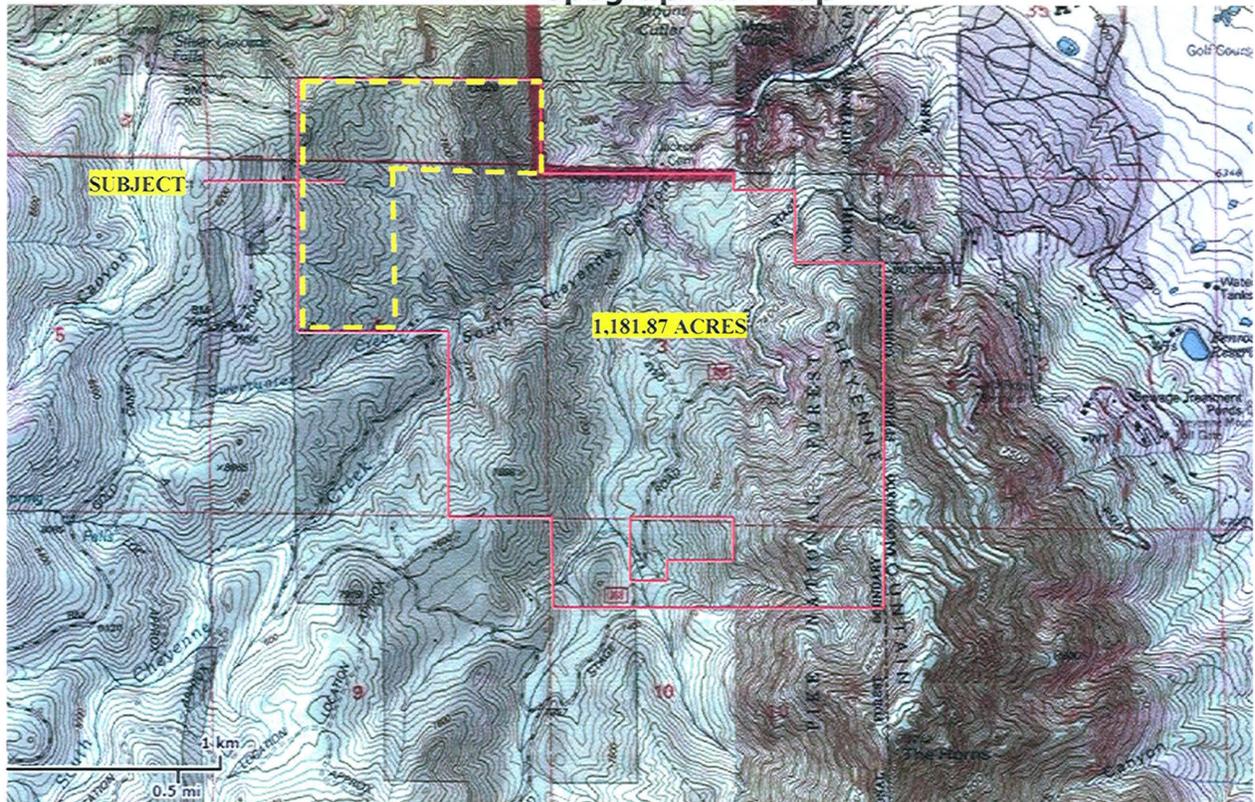
Land Area. According to Assessor's records the parcel that the subject property is a portion of contains 1,181.87 acres. The subject property contains 198 acres based upon the owner's legal description and legal graphic prepared by Drexel, Barrell & Co. dated December 29, 2015. See Legal Graphic below.

LEGAL GRAPHIC



Land Shape/Land Form. The larger parcel containing 1,181.87 acres that the subject is a portion of is irregularly shaped, whereas the subject property has an inverted "L" shape. The land form of the subject property is best described as front range Rocky Mountain hillside with elevations on the property ranging from approximately 6,500 feet to over 8,000 feet. The property has several valleys, sloping valley walls and spires of rock. Except along the roads and other small areas most of the property could be described as sloping with grades exceeding 30%. Most all of the site is treed except for where there are rock outcroppings. The larger parcel that the subject property is a portion of containing 1,181.87 acres is outlined in red on the USGS Topographical Map below. The subject property is outlined in the dashed yellow line.

USGS Topographical Map



Frontage/Exposure. The subject property has frontage along Old Stage Road as it runs through the northwest corner of the site. The subject does not have any exposure to a major arterial.

Access. Access to the subject property is via Gold Camp Road, which meanders through the northwesterly portion of the site.

Topography and Drainage. The topography of the site is described as sloping (mountainous) with average grades exceeding 30%. Drainage generally flows from the northwest towards the southeast and Sweetwater Creek.

Vegetation. Vegetation in the subject property is typical of the Pikes Peak region: mountain shrub land at lower elevations transitioning into coniferous forest in the upper reaches of the site and on north-facing slopes. Mountain shrub land communities are characterized by dense stands of gambel oak interspersed with ponderosa pine, and an understory of yucca and both native and introduced grasses. Coniferous forest communities are dominated by ponderosa pine interspersed with gambel oak, mountain mahogany, smaller shrubs, and native and introduced grasses.

Views. The surrounding area views are scenic with views of rock formations, streams and the treed Rocky Mountains hillsides.

Wildlife Habitat. The subject properties provides habitat for a variety of wildlife that is typical of the region. Common mammals include golden-mantled ground squirrel, mountain cottontail, mule deer, black bear, and mountain lion. Common birds include western scrub jay, mountain chickadee, Steller's jay, magpie, and turkey vulture.

Public Utilities. Electric service in the area is provided by the City of Colorado Springs. CenturyLink, formerly Qwest Communications, supplies telephone service. Water and sanitary sewer service in the area are generally provided by individual wells and septic systems. There is no natural gas in the area and propane tanks are common.

Public Improvements. Public road improvements to the subject property consists of a gravel road – Gold Camp Road.

Site Improvements. There are no site improvements to the subject property.

Stage of Development. The subject property is not platted but is zoned A-5. The State of Colorado statutes exempt 35 acre or larger parcels from the requirement to go through the subdivision review process of the appropriate county. El Paso County, however, does have requirements for access and the interior private roads must meet certain standards including the access to each building site within a 35 acre parcel development even though the private roads are not county maintained. For the most part all of the utilities necessary for the development of the subject parcel as 35+ acre tracts/lots appear to be available.

PART 3

ANALYSIS AND VALUATION

Highest and Best Use

Highest and best use is defined as that reasonable and probable use, or succession of potential uses, that support the highest market value of the property as of the date of the appraisal.

The Appraisal Institute in The Dictionary of Real Estate Appraisal, Fourth Edition, Chicago, 2002, p. 135, defines highest and best use as:

“The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.”

First, in this analysis, the subject site is considered as if the subject ownership is vacant land or a vacant site or land that can be made vacant by demolishing any existing improvements. Second, the site is considered as it is currently improved (“as is”) or as an improved property. There are no building improvements, therefore, only the as though vacant highest and best use will be considered.

Highest and Best Use - As Though Vacant:

Legally Permissible. The subject property is not platted but is zoned A-5. The A-5 zoning district permits limited agricultural uses and rural residential uses on lots with a minimum area of 5 acres. Legally the subject property could not meet the criteria to be developed as five acre lots mainly due to excessive slope conditions (slopes exceeding 30%). Overall, the land uses adjacent to or in close proximity to the subject are either national forest, park or detached single family rural residential homes on lot sizes 35 acres and larger. Thus, based upon the principle of conformity detached single family rural residential on lot sizes 35 acres and larger could be a very likely use of the subject property.

Physically Possible. The subject property contains 198 acres and is located in a scenic area just west of the Seven Falls tourist attraction and the City of Colorado Springs. The sites adjoin Pike National Forest on the east and North Cheyenne Canyon Park on the north. Access is from Gold Camp Road which meanders through the westerly portion of the site.

The subject is shaped like an inverted “L” and its land form is best described as eastern Rocky Mountain hillside. Elevations on the site range from approximately 6,400 feet to over 8,250 feet. Except along the access road most of the property could be described as sloping with grades exceeding 30%. Most of the site is treed except for where there are rock outcroppings. The subject has generally stable soil conditions and is believed to be free from environmental contaminants. Other than topography and utilities there does not appear to be any physical characteristics of the site that would limit its use for rural residential development or possibly open space. The existing utilities and roadway systems would appear to adequately support open space and possibly rural residential use of the sites.

Financially Feasibility. The global and US economies have limped along for the past six years. The effect of slowdown has been felt in almost every sector and every country worldwide. The recovery has been described as anemic and the US and global economies still have a way to go before returning to normal. However, the US economy has shown signs of steady growth, led by professional services, healthcare, and leisure, while housing and manufacturing are holding steady. Job growth is up, equity markets are sending positive news. Federal austerity continues to create some drag on growth. The Federal Reserve is watching the recovery closely and is gradually slowing down their bond buying program, which will send interest rates the first part of next year.

As the market moves forward there is a mixture of positives and negatives that add some uncertainty about the path the market will take in 2016 and 2017. The positives include job growth in the 3rd quarter of 2015 was strong; mortgage rates are still historically low; existing home prices are rising; primary job announcements were up, substantially this year; and new and resale home inventories remain low. The election of new city council members and a new mayor could mean an end to the recent political turmoil that has weighed heavily on local business and consumer confidence. The negatives include cuts in defense spending remain uncertain and their potential to slow local job growth could dampen future real estate market; the possibility of rising mortgage rates looms heavily over the real estate market.

General Residential Market Conditions. According to the latest Bamberger's study builder's spec inventory of new single family homes was estimated to be 368 units in October 2015 which represented only a 2.3 month supply of specs. Metrostudy reports a total vacant lot inventory, as of the end of the 3rd quarter of 2015, of 2,905, a drop of -1.06% from a year ago. The pace of home construction has improved so much in the past 36 months that the market is beginning to run low on certain types of home sites. According to the study local home builders now have a 16.3 month supply at current building rates. However, the study also indicates that lots similar in lot-frontage to the lots that would be developed on the subject property report a 54.6 month supply, which are the highest of all the lot frontage categories. In my opinion, the opportunity for new high end residential development still does not look good in the Colorado Springs area over the next few years. I believe that there will be no new high end 35 acre lot residential development until market conditions improve and the inventory of similar developed lots are significantly reduced.

In conclusion, development of the subject property as five acre lots is not physically or economically feasible. Development of the subject site as 35 plus acre sites is physically more feasible but market conditions which indicate that lots similar to lots that could possibly be developed on the subject have a 56.4 month supply. As such, in my opinion, the most financially feasible use of the subject property is for holding for possible future development as 35 plus acre development.

Maximally Productive. Because holding for possible 35 plus acre lot development is considered the most financially feasible use of the subject property, it would also be considered to be the maximally productive use of the site.

Conclusion Highest and Best Use As Vacant. In my opinion, the highest and best use of the subject property is for holding for possible future development as 35 plus acre development.

Appraisal Valuation Methodology

This appraisal is intended to provide a narrative presentation of those facts and techniques of analysis believed appropriate for providing a reasonably supported value estimate. The data and analysis considered most relevant are discussed in the remainder of this report. The value of the subject property is estimated using the appraisal techniques as described below

Property Valuation

I have used the sales comparison approach to estimate the market value for the subject property.

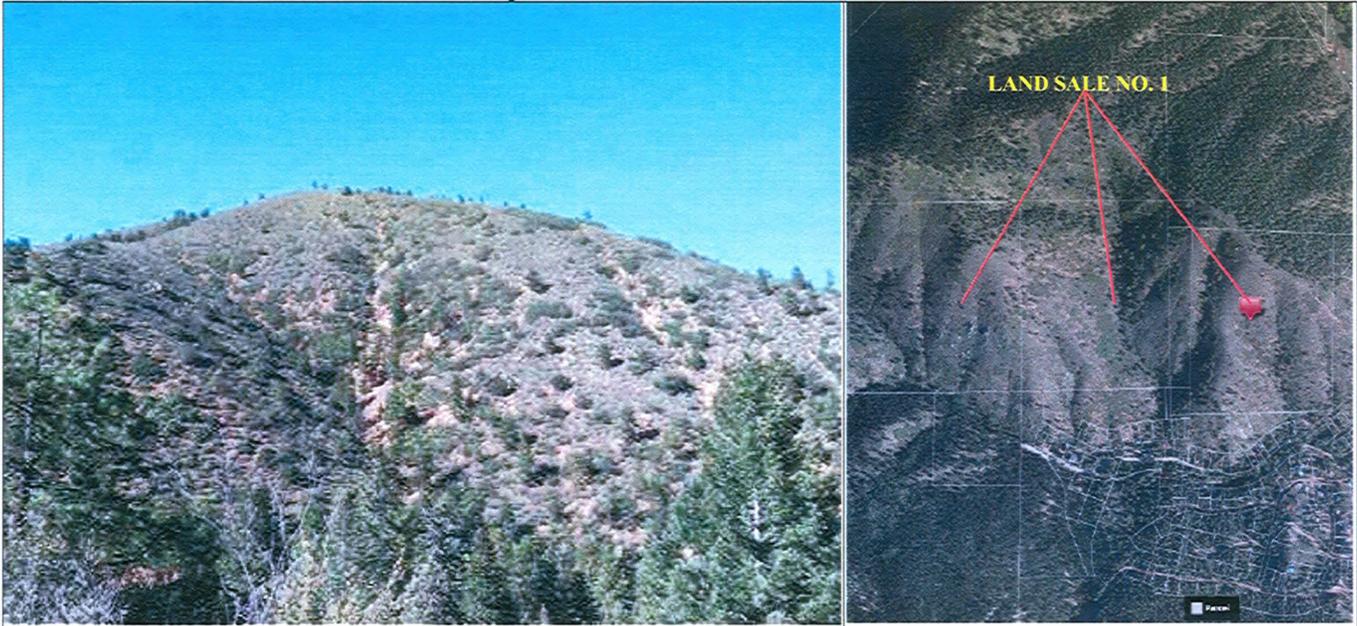
The sales comparison approach is based upon the proposition that an informed buyer would pay no more for a property than what he would have to pay for a comparable property with the same utility as the subject. The process involves the comparison of the subject property with comparable properties that have sold recently or that are now listed for sale on the market making adjustments as necessary to compensate for differences between them and the subject. Where sale financing terms are considered to affect the price paid in a given transaction, an adjustment to the price of the comparable transaction for cash equivalence is made.

Sale Comparison Approach

To estimate the value of the subject property I first researched recent sales and listings of similar sized properties in the Southwest Market Area. Recent sales of similar sized properties with similar physical characteristics have been rare therefore I expanded my search to include the past three years.

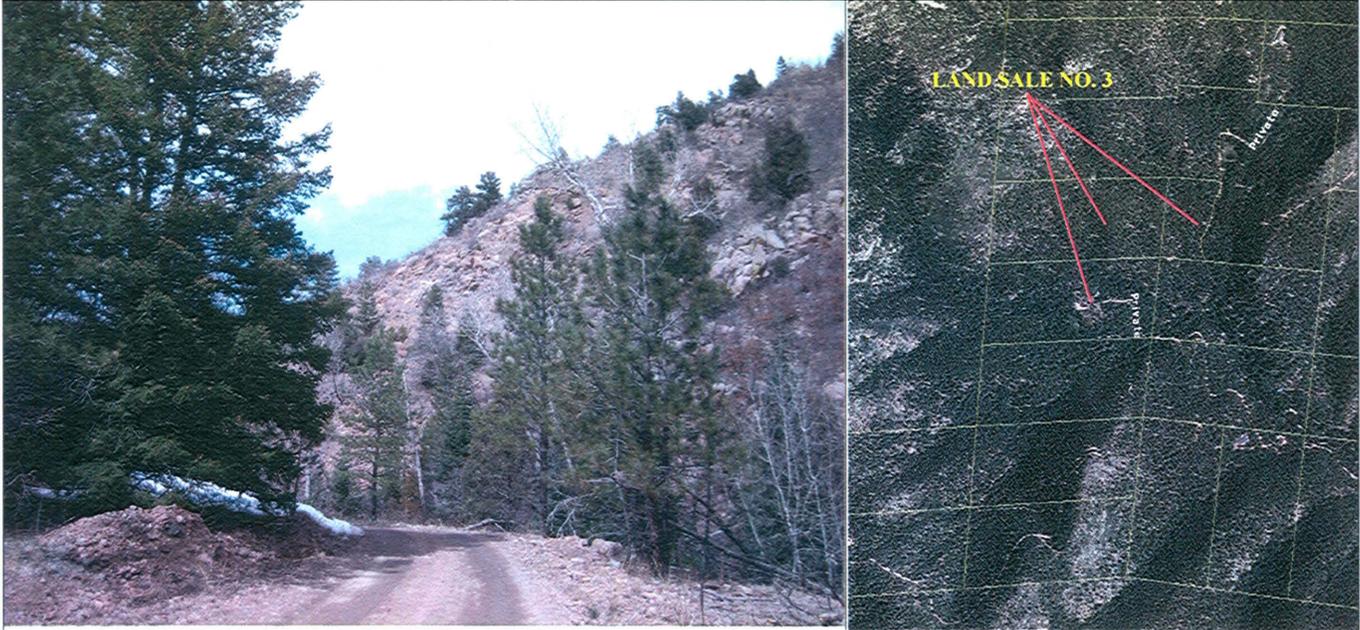
In my expanded search I found 6 sales and 3 current listings. From the 6 land sales and 3 comparable listings I have selected four of the land sales and one of the listings for direct comparison with the subject property. The four comparable sales and the current listing were selected on the basis of similarity to the subject property as to time of transaction, proximity of location, size, physical characteristics and similarity as to zoning and highest and best use. The five comparable properties are detailed on the following pages, then discussed and compared to the subject property on a sales comparison (adjustment) grid. The selected comparable land sales are also keyed to the Comparable Land Sales Map.

Comparable Land Sale No. 1



View:	Looking west from Myrtle Street		
Date Inspected/Photo by:	February 12, 2014/Tom Colon		
Location/Address:	Myrtle Street (NW4NW4 08-13-68)		
Tax Schedule #:	El Paso County - 8308201941 and Teller County - R0024188 and R0011067.		
Legal Description:	Not Platted Meets and Bounds Legal, Teller and El Paso County, Colorado		
Grantor:	Howard R and Margret A Burgess		
Grantee:	Yogev Erez and Victoria A. Rust		
Sale Confirmed with/Date:	El Paso County Assessor's Records, MLS and Broker		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# 213131277 /Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	October 22, 2013
Post Sale Expense:	None	Selling Price:	\$150,000
Project Influence:	N/A	Unit Price:	\$1,250 / Acre
Physical Characteristics – Legal Aspects			
Land Area:	5,227,200 SF (120 AC)	Access:	Average (Common Easement)
Shape:	Irregular	Utilities:	Limited public utilities available
Topography:	Mountainous	Zoning:	R-T (County)
Drainage/Flood Plain:	No Flood Plain	Platted:	No
Visibility	Average	Corner/Interior Parcel	Interior Parcel
Surrounding Properties:	Vacant Land, Residential	Stage of Development:	Not Platted
Use at time of sale:	Vacant site.		
Highest and Best Use:	Highest and best use is as a single lot or possibly three rural residential lots.		
Remarks:	<p>Terms of this sale were cash to the seller. DOM-34. Three contiguous parcels of vacant land containing a total land area of 120 acres. The 3 parcels are 40 acres each. One is in El Paso County with access to Co Spgs Utilities at the lot line. The other two are in Teller County and will need wells. All three lots need sewer/septic. The owner prefers not to break up the 3 lots. The lots have access to Pike National Forest and ingress from the west end of Green Mtn. Falls, CO. Sloping mountainous topography. Native grass vegetation with scrub oak and trees - approximately 40% of the site is treed. The views were considered average to above average for the neighborhood.</p> <p>Sales History: No unrelated sales history within the previous ten years. This comparable was resold in 2014 in two parcels – one of which was the Historic Green Mountain Falls.</p>		

Comparable Land Sale No. 2



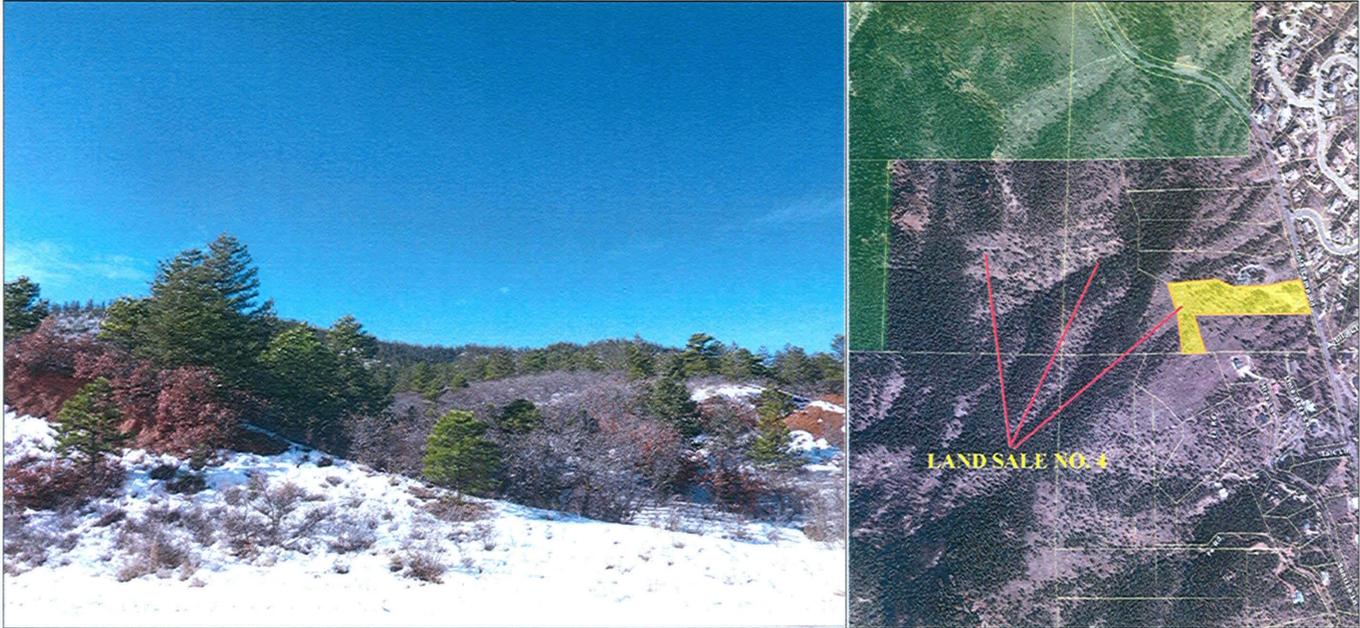
View:	Looking west from private road		
Date Inspected/Photo by:	January 12, 2016/Tom Colon		
Location/Address:	0 Little Turkey Creek Road		
Tax Schedule #:	76000-00-286, 287 and 288		
Legal Description:	Not Platted Meets and Bounds Legal, El Paso County		
Grantor:	Dry Head Ranch LLC		
Grantee:	Matthew David Cook		
Sale Confirmed with/Date:	El Paso County Assessor's Records and Listing Agent		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# 214009139 /Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	February 3, 2014
Post Sale Expense:	None	Selling Price:	\$184,315
Project Influence:	N/A	Unit Price:	\$4,029/ Acre
Physical Characteristics – Legal Aspects			
Land Area:	1,992,870 SF (45.75 AC)	Access:	Average (Private)
Shape:	Irregular	Utilities:	Limited utilities available
Topography:	Mountainous, +30% Grades	Zoning:	RR-5 (County)
Drainage/Flood Plain:	Stream Present	Platted:	No
Visibility	Average	Corner/Interior Parcel	Interior
Surrounding Properties:	Vacant Land, Agricultural	Stage of Development:	Not Platted, No Entitlements
Use at time of sale:	Vacant site, Agricultural		
Highest and Best Use:	Highest and best use is rural residential		
Remarks:	<p>Terms were cash to seller. Purchased by a user. Three contiguous parcels of land with a utility shed. Rolling mountainous topography with native vegetation and good trees. The views were considered above average for the neighborhood. Highest and best use is for detached single family rural residential use – little to no development potential beyond a single lot. Water Rights: The sale did include the water rights but there was a single well but no electric. Limited utilities were available to the site at the time of sale.</p> <p>Sales History: No unrelated sales history within the previous five years.</p>		

Comparable Land Sale No. 3



View:	Looking Southeast From Turkey Canyon Ranch Road		
Date Inspected/Photo by:	October 11, 2013/Tom Colon		
Location/Address:	3755 Turkey Ranch Road		
Tax Schedule #:	76000-00-194		
Legal Description:	Lot 21, Turkey Canyon Ranch Estates, El Paso County, State of CO		
Grantor:	1999 Roediger Family Trust		
Grantee:	Harold L and Christine L Woods		
Sale Confirmed with/Date:	El Paso County Assessor's Records, MLS		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	Reception # 214024242/Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Assumed Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	3/25/2014
Post Sale Expense:	None	Selling Price:	\$156,000
Project Influence:	N/A	Unit Price:	\$4,234/ Acre
Physical Characteristics – Legal Aspects			
Land Area:	1,954,537 SF (44.87 AC)	Access:	Average
Shape:	Somewhat Rectangular	Utilities:	Elec. & Tel.
Topography:	Slightly Slopping	Zoning:	RR-5 (County)
Drainage/Flood Plain:	No Flood Plain	Platted:	Yes
Visibility	Average	Corner/Interior Parcel	Interior Parcel
Surrounding Properties:	Rural Residential	Stage of Development:	Platted, Fully Developed
Use at time of sale:	Vacant Site		
Highest and Best Use:	Highest and best use is Rural Residential		
Remarks:	<p>Terms were cash to the seller. CDOM - 564 the comparable had been listed at \$190,000. The comparable has a somewhat rectangular shape, moderately treed and average views. Comparable lot has slightly sloping topography with several good building sites. Gated community.</p> <p>Sales History: The comparable property was purchased by the seller in May of 1994 for \$130,000.</p>		

Comparable Land Sale No. 4



View:	Looking west from Gold Camp Road		
Date Inspected/Photo by:	January 12, 2016/Tom Colon		
Location/Address:	1182 Gold Camp Road		
Tax Schedule #:	74223-02-021, 74000-00-021 and 74223-00-023		
Legal Description:	Lot 5 Top of Skyway West and two parcels with meets and bounds legal descriptions, Colorado Springs, CO		
Grantor:	Thomas J Stoen		
Grantee:	James Brian and Kathlyn L Farrell		
Sale Confirmed with/Date:	El Paso County Assessor's Records and Seller/January 2016		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# 214042913 /Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Seller Carry	Date of Sale:	05/21/2014
Post Sale Expense:	None	Selling Price:	\$345,000
Project Influence:	N/A	Unit Price:	\$5,504 / Acre
Physical Characteristics – Legal Aspects			
Land Area:	2,730,341 SF (62.68 AC)	Access:	Average
Shape:	Irregular	Utilities:	Public utilities available
Topography:	Sloping, Mountain Hillside	Zoning:	A, HS (CSC)
Drainage/Flood Plain:	Adequate, No FP	Platted:	One Parcel is Platted
Visibility	Average	Corner/Interior Parcel	Interior
Surrounding Properties:	Residential, Open Space	Stage of Development:	Fully Development
Use at time of sale:	Vacant Land – Residential		
Highest and Best Use:	Single Family Residential		
Remarks:	<p>Terms were \$69,000 down (20%) with a seller carry of \$276,000 at 6% interest due in two years. Purchaser is a user who is going to construct a single family dwelling on the site that is platted. Three contiguous parcels – one of the parcels, containing 5.27 acres, is a platted lot and has all City utilities available. The parcel is located in a small six lot gated community. The remaining two parcels containing 58.37 acres are not platted and they are encumbered by a conservation easement. The conservation easement allows for recreation use of the property and the construction of two barn structures within a designated building envelope. Mountain hillside topography with grades exceeding 30% on most of the site. The soils in the area are reported to be decomposed granite. Good vegetation with pine trees, gambel oak, and other vegetation native to the area. The views were considered above average for the neighborhood. Adjacent to the west of the comparable is the Pike National Forest. Highest and best use is for detached single family residential with recreational use.</p> <p>Sales History: No unrelated sales history within the previous five years.</p>		

Comparable Land Sale No. 5



View:	Looking northwest from access road		
Date Inspected/Photo by:	January 12, 2016/Tom Colon		
Location/Address:	0 Turkey Canon Road/Southwest Market Area		
Tax Schedule #:	7600000216		
Legal Description:	Metes and Bounds		
Grantor:	Portland Turkey Creek LLC		
Grantee:	TBD		
Sale Confirmed with/Date:	El Paso County Assessor's Records, MLS		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	TBD/Assumed Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Assumed Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	Current Listing
Post Sale Expense:	None	Selling Price:	\$290,000
Project Influence:	N/A	Unit Price:	\$2,683/ Acre
Physical Characteristics – Legal Aspects			
Land Area:	4,708,836 SF (108.1 AC)	Access:	Average
Shape:	Irregular	Utilities:	Elec. & Tel.
Topography:	Sloping (Mountainous)	Zoning:	RR-5 (County)
Drainage/Flood Plain:	Stream Present	Platted:	No
Visibility	Average	Corner/Interior Parcel	Interior Parcel
Surrounding Properties:	Rural Residential	Stage of Development:	Not Platted, Undeveloped
Use at time of sale:	Vacant Site		
Highest and Best Use:	Highest and best use is Rural Residential		
Remarks:	<p>Current Listing - Terms to be cash to the seller. DOM - 848. The comparable has an irregular shape and good view of the surrounding mountains. Mountain hillside topography with grades exceeding 30% on most of the site. The soils in the area are reported to be decomposed granite. Good vegetation with pine trees, gambel oak, and other vegetation native to the area. Utilities for rural residential development are to the site.</p> <p>Sales History: No sales history within the previous five years.</p>		

LAND SALES MAP



DeLORME

Data use subject to license.
© 2007 DeLorme. Street Atlas USA® 2008 Plus.
www.delorme.com

MN (8.1° E)



Data Zoom 11-0

Adjustments to Comparable Land Sales. The four comparable land sale transactions and the current listing selected for direct comparison with the subject property are shown on Table 1 (Sales Comparison Grid).

Circumstances of the Sale Adjustments. To the nominal sales price of each respective transaction there is made, if required, adjustments for circumstances of sale. Circumstances of sale adjustments include four categories, which are adjusted in a specific order. The first adjustment is for property rights conveyed, which includes adjustments for leasehold transactions where necessary or for partial interests. The transaction price adjusted for property rights conveyed is further adjusted first for financing terms, if any, and then for conditions of sale including any non-arm's length relationship between the parties to the transaction.

Property Rights Conveyed. All four land sales were sold fee simple and no adjustments were made.

Financing. Financing arrangements can affect the sale price of real estate, particularly when seller financing is involved. All the sales were cash to the seller except Land Sale No. 18 but no adjustments were made because the purchaser put down 20% and the interest rate was at market.

Conditions of Sale. All of the comparable land sales were open market, arm's length transactions without any reported extraordinary considerations or circumstances.

Market Conditions. Most commonly referred to as the "time adjustment," the market conditions adjustment recognizes changes in the market (appreciation/depreciation) from the time the comparable sale closed to the subject's date of value. The comparable land sales analyzed range in age from 26 months before the subject's date of value to 19 months prior.

To help estimate the change in market conditions and form my adjustment for market conditions, I have analyzed the detached single family residential market. In the analysis, I looked at building permits, builder's spec inventory, the available lot inventory and the change in home values in the Colorado Springs Metro area. Overall, the market data would appear to indicate that residential home and land/lot values have risen over the past 36 months.

New housing construction in the Colorado Springs Metro area has averaged almost 3,996 per year over the ten year period between 1999 through 2008. The peak year was 2005 with over 5,314 units constructed (does not include multi-family). New home construction remained strong through 2005 but in 2006 the trend reversed itself with permits totaling only 3,446, which represented a -35.2% decline compared to 2005. For 2007 new home permits were down -38.0% compared to 2006. In 2008 new single family home permits were down -42.79% compared to 2007. New detached single family building permits for 2009 were down -9.72% compared to 2008. 2009 marked the fourth year in a row with declining building permit numbers but the trend was slowing. In 2010 the negative trend reversed itself and detached single family building permits were up 27.1% compared to 2009. In 2011 it appears that the market is still recovering slowly with 1,399 detached single family building permits which was five permits less than in 2010 or down a -0.36% compared to 2010. In 2012 detached single family building permits totaled 2,218 up +58.54%, compared to 2011, which was a five year high for single family building permits. New home construction continued its recovery in 2013, as the pace of homebuilding climbed to its highest level in seven years. Building permits totaled 2,676 in 2013, a 20.65% over 2012. However, the pace of Colorado Springs-area homebuilding declined in 2014, single family building permits totaled 2,438, down -8.89% compared to 2013.

For 2015 the Pikes Peak Regional Building Department issued 2,739 permits last year for the building of single-family homes, according to a report the department just released. Last year's single-family permit total rose by 12.3% over 2014 and was the highest number of permits since Regional Building issued 3,446 in 2006. However, last year ended on a down note; in December, permits totaled 171, a 3.4% decline from the same month in 2014. Permits have increased in 10 out of the past 12 months on a year-over-year basis.

Builder's spec inventory of new single family homes was estimated to be 368 units in October 2015 which represented only a 2.3 month supply of specs. Metrostudy reports a total vacant lot inventory, as of the end of the 3rd quarter of 2015, of 2,905, a drop of -1.06% from a year ago. Overall, the pace of home construction has improved so much in the past 36 months that the market is beginning to run low on certain types of home sites. According to the Bamberger study local home builders now have a 16.3 month supply at current building rates. However, lots similar in lot-frontage to the lots that would be developed on the subject property report a 56.4 month supply, which are the highest of all the lot frontage categories.

According to the Office of Federal Housing Enterprise Oversight's (OFHEO) latest Housing Price Index Report housing prices in the Colorado Springs MSA have been on a roller-coaster ride over the past 15 years. Housing prices were increasing in the 4% to 6% range between the years 2000 and 2007. In 2008 the positive trend reversed itself and housing prices started to fall. The downward trend in values continued for four years. Housing prices fell 3% to 4% per year over the time period. In 2012 the positive trend returned and the trend has continued through the end of 2015. Housing prices have been increasing in the 3% to 4% range over the past four years. The Colorado Springs MSA saw a +4.9% increase in housing prices in the past year (2nd quarter 2014 through 2nd quarter 2015).

Market Conditions Adjustment Conclusion. To determine a market conditions adjustment for the subject property I analyzed single family residential market data. Overall, the local housing market has rebounded over the past 36 months after the national recession; home construction, sales and prices all have risen. Economists and housing industry experts have credited historically low mortgage rates, in large part, for propelling the recovery.

The data would also appear to say that residential home and land/lot values have risen (3% to 4%) over the past 36 months. However, the possible lots that could possibly be developed on the subject property have an existing 56.4 month supply. Overall, I believe that land similar to the subject has not increased more than home values or other types of residential land over the past 36 months. As such, on Table 1 I have adjusted all of the comparable land sales upwards only 2% per year or 0.167% per month for market conditions.

Listing Adjustment. Comparable Land Sale No. 5 is a listing and its sales prices is obviously subject to negotiation and the most likely price direction would be downward. According to the Turner Commercial Availability Report the "asking price" versus the "selling price" for all commercial buildings (retail, office and industrial). The average "asking price" versus the "selling price" was 87.7% so far in 2015. The average "asking price" versus the "selling price" is shown in the table below.

Year	2008	2009	2010	2011	2012	2013	2014	2015 -3Q
Adj. Per Month %	83.6%	70.5%	76.9%	73.9%	84.1%	85.0%	75.4%	87.7%

While the Turner Report did not track residential land sales specifically for "asking" price vs. "selling" price, my analysis of large acreage land sales with no entitlement indicates that selling prices are significantly lower than the asking prices, particularly given the lack of the number of sales and the extended marketing periods. On Table 1 I have adjusted the comparable listing (Comparable Land Sale No. 5) downward -10% for being a listing and not closed sale transactions.

Contributory Value Adjustments. To the sales price as adjusted for property rights conveyed, financing terms, conditions of sale, and market conditions, on Table 1 I have made adjustments for the contributory value for any water rights and building improvements.

Water Rights. All of the land comparable sales had water rights similar to how the subject is being appraised.

Building Improvements. No adjustments were warranted, all of the comparable land sales were vacant land or the improvement had little to no contributory value.

Comparison Adjustments. To the sales price as adjusted for property rights conveyed, financing terms, conditions of sale, and market conditions, there are made adjustments as necessary for physical differences between the comparable properties and the subject property. Where the comparable property is considered superior to the subject property, a downward adjustment is made. Where the comparable property is considered inferior to the subject property, an upward adjustment is made. For each respective transaction the net adjustment is the sum of the individual adjustments. As shown on Table 1, I have adjusted the comparable land sales for physical differences as compared with the subject property.

Location/Access. Location/access adjustments considers proximity and exposure to major commercial corridors, accessibility and the surrounding general level of land values. Comparable Sale No. 4 was considered superior in location and adjusted downwards. The remaining comparable land sales were all considered inferior to the subject in location and were adjusted upwards. In terms of access all of the comparable land sales were considered superior and were adjusted downwards.

Zoning. The zoning adjustment considers the differences in permitted, special and accessory use and development restrictions. No adjustment were made to the comparable land sales for zoning.

Physical Characteristics. The need for a physical characteristics adjustment arise from differences as to topography, parcel shape, parcel location in a block, easements, soil and site conditions. Considered under this heading are the presence of toxic or hazardous materials or any other hazardous condition known to the parties at the time of sale.

Adjustments to the comparable land sales for parcel shape, soil conditions and land form are discussed below. The adjustment for differences in land preparation costs, if any, are handled in my adjustments for stage of development to be discussed below.

Parcel Shape. No adjustments were made for parcel shape.

Soil Conditions. No adjustments were made for soil conditions.

Land Form. In this adjustment category I considered the fact that most of the subject property is unbuildable due to excessive grades. All of the comparable land sales selected for direct comparison with the subject contained had mountainous land forms and no adjustment were made and contained unbuildable land.

The adjustment percentage shown on Table 1, per comparable land sale, reflects the sum of the individual adjustments as discussed above.

TABLE 1 - SALES COMPARISON GRID

Transaction Number: Location	SUBJECT	Land Sale No. 1	Land Sale No. 2	Land Sale No. 3	Land Sale No. 4	Land Sale No. 5
0 Gold Camp Road	El Paso County Southwest	0 Myrtle Street	0 Little Turkey Creek Rd	3755 Turkey Canyon Ranch Road	1182 Gold Camp Road	0 Turkey Canyon Ranch Road
Jurisdiction	El Paso County Southwest	Green Mountain Falls Ute Pass	El Paso County Southwest	El Paso County Southwest	CSC Southwest	El Paso County Southwest
Market Area						
Property Data:						
Land Area in Sq.Ft.	1/12/2016	10/22/2013	2/3/2014	3/25/2014	5/21/2014	Listing
Land Area in Acres	8,624,880	5,227,200	1,992,870	1,954,537	2,730,341	4,708,836
Zoning	198.000	120.00	45.75	44.87	62.68	108.10
	R-T El Paso County	RT (County)	RR-5 (County)	RR-5 (County)	A, HS	A, HS
Sale Price	\$150,000	\$184,315	\$156,000	\$156,000	\$345,000	\$290,000
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjusted Sale Price	\$150,000	\$184,315	\$156,000	\$156,000	\$345,000	\$290,000
Financing Terms	Cash Out	Cash Out	Cash Out	Fee Carry	Fee Carry	Fee Carry
Adjusted Sale Price	\$150,000	\$184,315	\$156,000	\$156,000	\$345,000	\$290,000
Conditions of Sale	Arm's Length	Arm's Length	Arm's Length	Arm's Length	Arm's Length	Arm's Length
Adjusted Sale Price	\$150,000	\$184,315	\$156,000	\$156,000	\$345,000	\$290,000
Market Conditions (Time)	+4.33% Mkt.		+3.5% Mkt.		+1.7% Mkt.	
Sale Price Adjusted for Property Rights, Financing, Conditions of Sale, and Time:	\$156,495	\$191,374	\$161,460	\$161,460	\$355,937	\$261,000
Contributory Value - Water Rights	\$0	\$0	\$0	\$0	\$0	\$0
Contributory Value - Building Improvements	\$0	\$0	\$0	\$0	\$0	\$0
Adjusted Sales Price	\$156,495	\$191,374	\$161,460	\$161,460	\$355,937	\$261,000
Purchase Price Per Acre	\$1,304	\$4,183	\$3,598	\$3,598	\$5,679	\$2,414
Comparison Adjustments						
Location/Access	Good/Average	Inf./Sup	Inf./Sup	Inf./Sup	Inf./Sup	Inf./Sup
Zoning	R-T Average	RR-5 Equal	RR-5 Equal	F-5 Equal	F-5 Equal	A Equal
Physical Characteristics	198 Average	45.75 Equal	44.87 Equal	44.87 Equal	62.68 Equal	108.10 Equal
Size/Acres	198 Average	45.75 Equal	44.87 Equal	44.87 Equal	62.68 Equal	108.10 Equal
View	Average	Equal	Equal	Equal	Equal	Equal
Vegetation	Average	Equal	Equal	Equal	Equal	Equal
Stage of Development	Zoned/Undeveloped	Inferior	Superior	Superior	Superior	Equal
Highest and Best Use	35-Acre Lot Development	Equal	Equal	Equal	Equal	Equal
Net Adjustments (%)	35.20%	24.80%	34.03%	39.14%	36.92%	20.99%
Gross Adjustments (%)	35.20%	34.03%	39.14%	39.14%	36.92%	20.99%
Net Adjustments (\$)	\$323	\$0	-\$329	-\$329	-\$2,096	\$217
Adjusted Price Per Acre	\$1,628	\$4,183	\$3,269	\$3,269	\$3,582	\$2,632
Appraisers Weighting Factor	10.00%	15.00%	30.00%	30.00%	25.00%	20.00%
Product	\$163	\$627	\$981	\$981	\$896	\$526
Indicated Range of Values Per Acre	\$1,628 to \$3,059	\$4,183 to \$4,183	\$3,269 to \$3,269	\$3,269 to \$3,269	\$3,582 to \$3,582	\$2,632 to \$2,632
Average Value Per Acre	\$3,059	\$3,059	\$3,269	\$3,269	\$3,582	\$2,632
Median Value Per Acre	\$3,269	\$3,269	\$3,269	\$3,269	\$3,582	\$2,632
Weighted Value Per Acre	\$3,193	\$3,193	\$3,269	\$3,269	\$3,582	\$2,632
Concluded Value Rounded Acre	\$3,200	\$3,200	\$3,269	\$3,269	\$3,582	\$2,632
Number of Acres	198.00	198.00	198.00	198.00	198.00	198.00
Concluded Value As Though Vacant	\$633,600	\$633,600	\$633,600	\$633,600	\$633,600	\$633,600
Rounded	634,000	634,000	634,000	634,000	634,000	634,000

2016-02-11

Size. Size adjustments are made to allow for the fact that larger land areas of a given level of utility tend to sell for less per area unit than smaller parcels and vice-versa. Simply, a larger tract with similar characteristics compared to a smaller tract will typically sell for less on a comparative unit basis. All of the comparable land sales were smaller than the subject and downward adjustments are warranted. My adjustment for size on Table 1 is a sliding scale. Comparable Land Sale Nos. 1 and 5 are the largest of the land sales. These sales were adjusted based upon a 1% adjustment per 15 acres difference in size. Comparable Land Sale Nos. 2, 3 and 4 were the smallest land sales and they were adjusted based upon a 1% adjustment per 8 acres difference in size.

View. The best views command the highest prices for most types of properties. All of the comparable land sales had somewhat similar views therefore no adjustments were made.

Vegetation. The quality and to a certain extent the quantity of vegetation that a residential property possess can greatly influence its sales price. Unlike the other adjustment categories too much vegetation/trees can also have a negative effect on value. All of the comparable land sales, except Land Sale No. 1, had similar vegetation and were not adjusted. Land Sale No. 1 had inferior vegetation and was adjusted upwards.

Stage of Development. Stage of Development adjustment considers the location and extent of public utilities and road improvements, other site conditions and their impact on the developability of the comparable properties relative to the subject. Also considered under this heading is whether or not the comparable property was platted and if associated platting fees have been paid.

As of the effective date of this report there were no development entitlements on the subject property other than zoning. Most all the necessary utilities for development of the subject property as rural residential lots (35+) would appear to be to the perimeter of the site. Additional public road improvements may also be necessary to support this type of rural residential development. Land Sale Nos. 3 and 4 were considered superior in stage of development and were adjusted downwards. Land Sale No. 3 is a platted lot and a portion of Land Sale No. 4's site was platted and fully developed as a residential lot. No adjustments were made to the remaining comparable land sales for stage of development.

Highest and Best Use. The adjustment for highest and best use compares the sale property with the subject in terms of relative value of end uses. The adjustment additionally considers ripeness for development and compares the time for optimum development of the comparable property with that of the subject. Where a differential in ripeness occurs, the size of the adjustment is based upon carrying costs over the estimated time period. As discussed above, the highest and best use of subject property would be holding for possible future 35 plus acre lot development. The physical characteristics of the site with its excessive slopes severely limits its development potential to just a few lots. No adjustments were made for highest and best use.

Conclusion - Sales Comparison Approach. On Table 1 the respective net adjustments expressed as dollars are the sum of the individual comparison adjustments. For each comparable sale, the sales price is adjusted by the net adjustment. The range of adjusted sales prices, the average and median adjusted sales price, and the weighted average sales price are as shown on the table.

On Table 1 the range of adjusted sale prices per acre are from \$1,628 to \$4,183 with an average of \$3,059 and a median sales price of \$3,269. The adjusted sales are then weighted according to the appraiser's estimate of the degree of comparability that each of the respective sales bears to the subject property. Land Sale No. 1 had the lowest indicated value for the subject and Land Sale No. 2 had the highest. Excluding the current listing

(Sale No. 5), these two sales required the least amount of gross adjustment. While these two sales required the least amount of gross adjustment, I have given them the least amount of weight because they represent the lowest and highest indicated values. Overall, I gave most weight to Comparable Land Sale No. 3, followed by Land Sale No. 4. As indicated on Table 1 my weighted average is estimated at \$3,193 per acre. I have selected **\$3,200** per acre as my concluded value per acre for the subject property. This value is slightly above the average and my weighted average sales price per acre but below the median.

Using the sales comparison approach methodology as described above, the indicated value of the subject property is estimated on Table 1 or **\$634,000 (\$3,200/Acre)**

Conclusion

Value Indication

I used the sales comparison to estimate the market values of the subject property.

Sales Comparison Approach (Table 1)	\$634,000 (\$3,200/Acre)
-------------------------------------	--------------------------

The sales comparison approach is typically well adapted to properties in active real estate markets where there are a sufficient number of recent sales of similar properties. This approach does not produce good estimates of market value when few recent sales of comparable properties exist, or when the adjustments between comparable sales and the subject property are large. In terms of this appraisal, I had four slightly older land sales, one of which had a conservation easement and one current listing to perform the analysis. Overall, the approach's accuracy was limited due to adjustments made for location, size and stage of development.

In arriving at the final estimate of market value for the subject properties, I carefully considered all the pertinent factors. I thoroughly analyzed the indication of value derived from the sale comparison approach with regard to their strengths and weaknesses in relation to the purpose and function of this appraisal. As such, my conclusion of market value for the subject property is **\$634,000 or \$3,200 per acre.**

My estimate of market value for the subject property was made with no extraordinary assumptions and no hypothetical condition as discussed in Part 1 (Scope of Work) of this report.

Exposure and Marketing Period

It is my opinion that the value estimate for the subject property is obtainable within one year or the exposure and marketing period is not more than one year. To estimate the exposure and marketing period for the subject properties, I have discussed typical marketing times with area real estate brokers active in the sales of similar properties in Colorado Springs. According to these conversations, marketing times have decreased within the past few years. The Colorado Springs land real estate market appears to be improving slowly. As such, I have estimated a typical marketing time for the subject property.

However, it should be noted that estimating an appropriate marketing period is always difficult; the actual marketing period can be significantly longer or shorter than estimated. Reasons for this can be the effect of various economic shortcomings or windfalls, which cannot be foreseen in the future. As a result, the final estimate of the marketing period should, in the final analysis, be treated as only the best estimate of a time period, which is always difficult to estimate. The estimate also takes into consideration competent and aggressive marketing of the subject property. Anything less can potentially extend the estimate of the marketing time frame.

2016-02

PART 4

EXHIBITS AND ADDENDA

Appraiser's Qualifications and License

APPRAISER QUALIFICATIONS

THOMAS COLON

EMPLOYMENT HISTORY:

11/1993 - Present: Independent real estate appraiser -Thomas Colon & Associates, Inc.

1/1989-10/1993 Hastings & Colon Real Estate Appraisers. Appraisal assignments included - Motels: existing properties along the front range and Canon City. Retail: community and neighborhood shopping centers in Colo. Spgs. and Denver. Industrial: light and heavy industrial properties along the front range. Office: office buildings in the CBD and suburban areas of Colo. Spgs. Residential: both single family and multi-family properties in all areas of El Paso County and the City of Colorado Springs.

1978-1988 Smartt Construction Company - President. Responsibilities included development of all types of land uses for company including single family, multi-family, industrial and commercial and mobile home park. Construction of single family dwellings, office, warehouse, and retail buildings. Construction was done for company's projects or for other owners on a negotiated or competitive bid basis. Activity involved in all Company sales and leasing, from actually selling and leasing to overseeing all other sales and leasing activities for the Company.

1970 - 1978 Various Contractors and Subcontractors: Ross Construction Company, Guy Graham Construction, K.D. Rose Construction Co., Horn Brothers Construction Co., Columbine Construction Co., Ambassador Homes. Involved in various aspects of single family, multi-family, commercial, office and industrial construction.

EDUCATION:

University of Colorado: Bachelor Degree, 1974

Pikes Peak Association of Realtors: Courses include - Real Estate Law, Ethics

Jones Real Estate Collage: Approximately 165 hours of real estate courses required for Colorado Broker License.

University of Colorado Division of Continuing Education: Approximately 876 hours in appraisal courses required for Colorado Certified General Appraisers license and continuing education for both the appraisers and brokers licenses.

Northwest Center of Professional Education: Courses/Seminars included - Retail Center Feasibility and Leasing, Valuation of Real Estate, Leasing Commercial Real Estate, Commercial Property Management, Developing and Managing a Mini-Storage Warehouse.

Judy Car & Associates: Developing a Manufactured Housing Community. Manufactured Housing Resource Group Inc.: The Manufactured Housing Land Development.

AFFILIATIONS:

Housing and Building Association of Colorado Springs - (HBA): Associate Member, Board of Director for 18 years, I also chaired the HBA's Land Use/County Affairs Committee for 18 years. HBA's Associate of the Year -1996.

Colorado Springs Board of Realtors (Broker Member)

RCIS (Realtors Commercial Industrial Society)

Appraiser Qualifications (Thomas Colon)
Continued
Page 2

Colorado Association of Real Estate Appraisers

El Paso County Comprehensive Plan (Former Committee and sub-Committee Member)

El Paso County Land Development Code (Former Committee Member)

El Paso County Oversight Sub-Committee (Former Board Member)

El Paso County Regulatory Review Commission (Former Board Member)

City of Colorado Springs/El Paso County Drainage Board (Former Board Member and Chairman)

City of Colorado Springs School/Park Fee Advisory Committee (Former Appraiser Member)

PROPERTY TYPES APPRAISED:

Single Family Residential: Individual single family, Condominiums, and Townhomes

Multi-Family Residential: Duplex properties up to a 479 unit apartment complex.

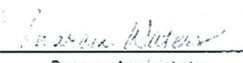
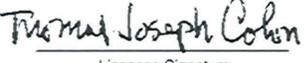
Vacant Land: Single Family and Commercial Subdivision Development, agricultural, retail, office, and industrial.

Commercial Improved: Office buildings, banks, strip retail buildings, free standing retail buildings fast food restaurant buildings, full service restaurant buildings, motels, B & Bs, multi-user and single user industrial buildings, mini-warehouse facilities, automotive buildings, car wash properties both self service and tunnel type, nursing home properties and Gaming Casinos.

LICENSES:

Colorado Certified Appraiser License No. CGO 1315531
 License expires December 31, 2016

Colorado Real Estate Broker License No. EI00 321421
 License expires March 21, 2016

STATE OF COLORADO		
Department of Regulatory Agencies Division of Real Estate		
Active	PRINTED ON SECURE PAPER	
Cert Gen Appraiser		
1315531	Jan 1 2014	Dec 31 2016
Number	Issue Date	Exp.res
THOMAS JOSEPH COLON COLORADO SPRINGS, CO 80921		
		
Program Administrator	Licensee Signature	