APPRAISAL OF

Two Contiguous Parcels of Vacant Land
Containing a Total of 156.4 Acres

Located Along Both Sides of the Manitou Incline
East of Pike National Forest and 1/2 Mile West of
Manitou Springs, 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: Two Parcels of Vacant Land
File No: 2016-01

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
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January 18, 2016

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

Appraisal of:	Two Contiguous Parcels of Vacant Land - One Containing 80 Acres and the Second Containing 76.4 Acres. Located Along Both Sides of the Manitou Incline and East of the Pike National Forest, Manitou Springs, Colorado.
Interest Appraised:	Fee Simple Interest
Effective Date:	January 12, 2016
File No.:	2016-01

Dear Mr. Schmidt,

As you have requested, I have developed an Appraisal Report opinion for the above captioned properties. 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 the Manitou & Pikes Peak Railway Co. The intend users of this report are The Broadmoor Hotel, Manitou & Pikes Peak Railway Co. 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 61 numbered pages including one Addenda tab (Part 4).

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

80 Acres of Vacant Land - Market Value Indication

Premise	**As Is**
Property Description	80 Acres of Vacant Land, Located along both sides of the Manitou Incline and East of the Pike National Forest, Zoned RT Mountainous Land Form with Grades Exceeding 30%.
Date of Valuation	January 12, 2016
Sales Comparison Approach	$656,000
Indicated Market Value	**$656,000**
Value Per Acre	$8,200

76.4 Acres of Vacant Land - Market Value Indication

Premise	As Is
Property Description	76.4 Acres of Vacant Land, Located along both sides of the Manitou Incline and East of the Pike National Forest, Zoned HLDR, Mountainous Land Form with Grades Exceeding 30%.
Date of Valuation	January 12, 2016
Sales Comparison Approach	$626,500
Indicated Market Value	**$626,500**
Value Per Acre	$8,200

My estimates 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 combined total market value of the two subject properties is estimated at **$1,282,500.**

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

Very truly yours,

Thomas Colon

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.

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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 road conditions.
Client:	The Broadmoor Hotel c/o Mr. Thomas Schmidt One Lake Avenue Colorado Springs, Colorado 80906
Owners of Record:	Manitou & Pikes Peak Railway Co. PO Box 351 Manitou Springs, Colorado 80829 - 0351
Location:	Located Along Gold Camp Road, South of Cheyenne Canyon Park and East of Pike National Forest, Unincorporated El Paso County, Colorado.
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:	84000-00-003 and 74063-00-001
Land/Site Areas:	80.0 Acres (APN – 84000-00-003) 76.4 Acres (APN – 74063-00-001) 156.4 Acres Total
Legal Descriptions:	APN – 84000-00-003: E2SE4 SEC 1, T14S, R68W, El Paso County, State of Colorado. APN – 74063-00-001: W2SW4 SEC 6, T14S R67W, El Paso County, City of Manitou Springs, State of Colorado.
Zoning:	The 80.0 acre subject property is zoned R-T (El Paso County). The 76.4 acre subject property is zoned HLDR (Manitou Springs).
Subject Sales History:	The subject property has not been the subject of sale or transfer for valuable consideration to an unrelated party within the previous 29 years. The subject property is not currently listed for sale or lease.
Subject Use History:	Recreational and Open Space (Manitou Incline and Barr Trail).

Highest and Best Use:	Open Space and Recreational Use Associated with the Manitou Incline and Barr Trail.
Exposure and Marketing Period:	12 Months or Less.

MARKET VALUE CONCLUSIONS

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

80 Acres of Vacant Land - Market Value Indication

Premise	As Is
Property Description	80 Acres of Vacant Land, Located along both sides of the Manitou Incline and East of the Pike National Forest, Zoned RT Mountainous Land Form with Grades Exceeding 30%.
Date of Valuation	January 12, 2016
Sales Comparison Approach	$656,000
Indicated Market Value	**$656,000**
Value Per Acre	$8,200

76.4 Acres of Vacant Land - Market Value Indication

Premise	As Is
Property Description	76.4 Acres of Vacant Land, Located along both sides of the Manitou Incline and East of the Pike National Forest, Zoned HLDR, Mountainous Land Form with Grades Exceeding 30%.
Date of Valuation	January 12, 2016
Sales Comparison Approach	$626,500
Indicated Market Value	**$626,500**
Value Per Acre	$8,200

My estimates 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 combined total market value of the two subject properties is estimated at **$1,282,500.**

CERTIFICATION OF APPRAISER

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

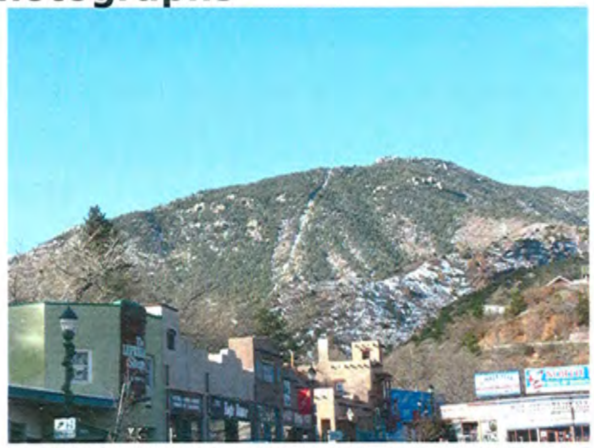
- Statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present 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 no services, as an appraiser or in any other capacity, 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

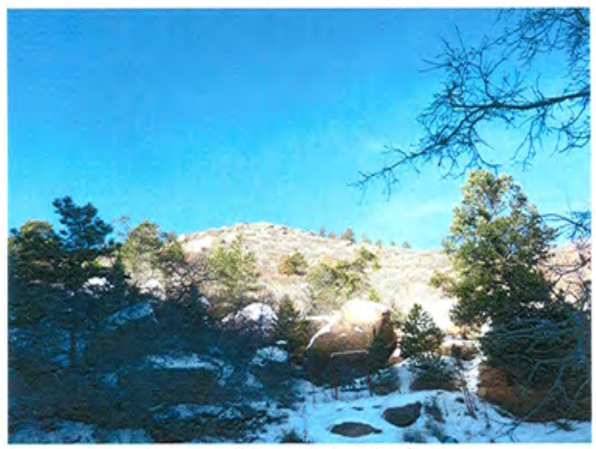
Subject Photographs

Looking West At the Manitou Incline From Manitou Avenue

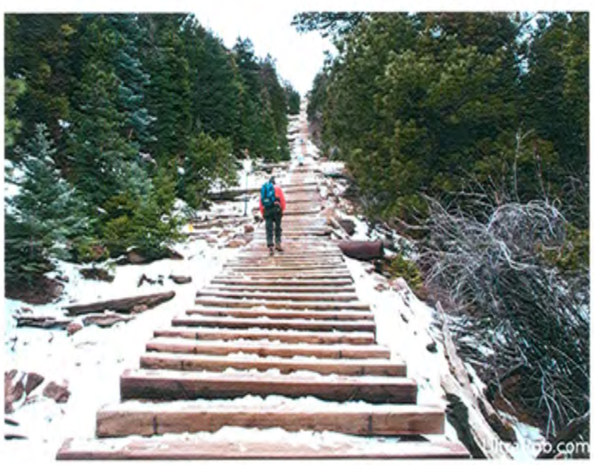


Looking West At the Manitou Incline From Downtown Manitou Springs

View of Manitou Incline From the Barr Trail Head



View of Manitou Incline From the Ruxton Road



Looking Up the Manitou Incline

Looking Down the Manitou Incline

Subject Photographs

Looking East towards Manitou Springs From Barr Trail

Typical View of Barr Trail On the Subject Property

Typical View of Barr Trail On the Subject Property

Typical View of Barr Trail On the Subject Property

Looking West Along Ruxton Road By the Subject Property

Looking East Along Ruxton Road By the Subject Property

The subject photographs were taken January 12, 2016 by Tom Colon. Some of the photos were also obtained from the internet.

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 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 properties are 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 Manitou & Pikes Peak Railway Co. and The Broadmoor Hotel. The intended users are the client, the client's accountant(s), attorneys and the owner of the subject properties – the Broadmoor Hotel 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 estimates 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 two contiguous parcels of vacant land containing a total of 156.4 acres. One of the parcels contains 80 acres and the second contains 76.4 acres. The subject parcels are physically located along both sides of the Manitou Incline approximately 1/2 mile west of downtown Manitou Springs and immediately east of Pike National Forest.

Both subject parcels are rectangular in shape. The land form of both subject parcels is best described as front range Rocky mountain hillside with elevations ranging from approximately 6,400 feet to over 8,000 feet. Except for some small areas the average grade across the parcels is estimated at 41%, reaching 68% at the steepest point. The Manitou Incline bisects both subject properties east to west. Barr Trail meanders through the southerly portions of both subject properties.

The Manitou Incline was constructed in 1907 as a one-mile, funicular, cable tram to aid in the construction of a nearby hydroelectric plant and waterline. Soon after it was constructed the railway was converted to a tourist attraction. In 1990 the railway operation ceased to exist and the rails were removed. The natural staircase of railroad ties became an open invitation to hikers. Despite being substantially privately owned with public access prohibited, the Incline became one of the most popular hikes in the region. Hiking the Incline was legalized in February of 2013, the staircase has grown in popularity as a true Colorado hike and fitness challenge, attracting an estimated minimum of 350,000 user trips annually.

Barr Trail is a 13-mile (21 km) trail in the Pike National Forest that begins in Manitou Springs, Colorado and ends at the Pikes Peak summit. A trail was first created by a prospector Fred Barr. Beginning in 1914, Fred Barr built the burro trail, with a maximum 12% grade to the top of the peak for his burro train business. In 1948, the U.S. Forest Service rebuilt the trail, following the original route. Burro trains were used to transport people along the trail until the 1960s. The 13-mile trail was designated a National Recreation Trail in 1979. It is one of the most frequently used trails 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. There are site improvements to the subject properties associated with the Manitou incline. Per my instructions I am to estimate the value of the subject property as though it's vacant land with no building or site 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 properties. This method has application only in properties which have income producing potential. The subject properties have little income potential as operating ranch.

Summary of Appraisal Problems

There are several appraisal problems. 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. Land sales that were available with similar physical characteristics as the subject were purchases of open space parcels which were used in my sales comparison approach. The problem with these sales is that they are older and they were purchased by governmental and or public entities for preservation of open space, recreation and or park use. The problem is being governmental and or public entities their motivations for purchase are different than what is traditionally seen in the marketplace. In many cases the standard type of comparison adjustments employed by appraisers may not be relevant. As such, I developed several new adjustment categories that are more consistent with the criteria used by the public entities in the purchasing of similar properties. This was done because the subject property's most probable purchaser would be governmental and or public entity for preservation of open space, recreation and or park use.

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 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 CRF 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 two contiguous parcels of vacant land containing a total of 156.4 acres. One of the parcels contains 80 acres and the second contains 76.4 acres. The subject parcels are physically located along both sides of the Manitou Incline approximately 1/2 mile west of downtown Manitou Springs and immediately east of Pike National Forest.

Both subject parcels are rectangular in shape. The land form of both subject parcels is best described as front range Rocky mountain hillside with elevations ranging from approximately 6,400 feet to over 8,000 feet. Except for some small areas the average grade across the parcels is 41%, reaching 68% at the steepest point. The Manitou Incline bisects both subject properties east to west. Barr Trail meanders through the southerly portions of both subject properties.

The Manitou Incline was constructed in 1907 as a one-mile, funicular, cable tram to aid in the construction of a nearby hydroelectric plant and waterline. Soon after it was constructed the railway was converted to a tourist attraction. In 1990 the railway operation ceased to exist and the rails were removed. The natural staircase of railroad ties became an open invitation to hikers. Despite being substantially privately owned with public access prohibited, the Incline became one of the most popular hikes in the region. Hiking the Incline was legalized in February of 2013, the staircase has grown in popularity as a true Colorado hike and fitness challenge, attracting an estimated minimum of 350,000 user trips annually.

Barr Trail is a 13-mile (21 km) trail in the Pike National Forest that begins in Manitou Springs, Colorado and ends at the Pikes Peak summit. A trail was first created by a prospector Fred Barr. Beginning in 1914, Fred Barr built the burro trail, with a maximum 12% grade to the top of the peak for his burro train business. In 1948, the U.S. Forest Service rebuilt the trail, following the original route. Burro trains were used to transport people along the trail until the 1960s. The 13-mile trail was designated a National Recreation Trail in 1979. It is one of the most frequently used trails 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 Overview

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

Location. The subject's neighborhood is identified as Manitou Springs, Colorado. Manitou Springs is centered on Manitou Avenue which runs east and west through the city. The borders of the neighborhood are State Highway 24 on the north, the Manitou Incline and Barr Trail to the west, Iron and Red Mountains to the south, and the City of Colorado Springs to the east.

Access. East west access to the Manitou Springs neighborhood is via Colorado Avenue, which becomes Manitou Avenue, and via Cimarron Expressway (aka US Highway 24). US Highway 24 has exits at both the east and west ends of Manitou Springs. The highway continues west to Woodland Park, Buena Vista, and Leadville and east to Limon.

Streets. Manitou Avenue runs east out of Manitou Springs, becomes Colorado Avenue as it runs east through Old Colorado City, and finally merges with Pikes Peak Avenue as it runs east through the central business district of Colorado Springs. The road is four lanes, paved, curbed, and with street lighting for most of its length.

Topography. The topography of the neighborhood is the foothills to the Rocky Mountains. 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 and rock formations. Many areas have views towards the east, southeast, and north towards downtown or to the west and the surrounding mountains.

Public Utilities. Water and sewer utilities are provided by the City of Manitou Springs. Natural gas, and electricity are provided by the City of Colorado Springs. CenturyLink, formerly Qwest, provides telephone service. Electric and telephone utilities are underground and overhead in the immediate neighborhood.

Public Services. The City of Manitou Springs police protection and fire protection. Local governmental services are provided by the jurisdiction of the City of Manitou Springs and El Paso County. Adequacy of services is rated good.

Public Transportation. Colorado Springs Bus Transit Route #1 runs along Manitou Avenue and into downtown Colorado Springs.

Predominant Land Uses. Manitou Springs, along Manitou Avenue, shows mostly commercial land uses, the majority of which cater to the local tourism business. There are numerous motels, gift shops, restaurants, and entertainment shops all along Manitou Avenue. The building design is a one/two story with a minimally finished walkout basement used for retail sales. The main (street) level is used for retail sales and restaurant while the upper level is an apartment. Motels in Manitou Springs include the Foothills Lodge, the Eagle Motel, the Skyway Motel, Super 8, La Fon Motel, and the Silver Saddle Motel. The remainder of Manitou Springs is mainly residential areas. Manitou Springs is located near many local tourist attractions such as the Cave of the Winds, Cliff Dwellings and the Pikes Peak Cog Railway. To the west there is Pikes Peak and the northwest is the Garden of the Gods Park.

The Pike National Forest forms the westerly boundary of the 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 are accessible are open to the public for multipurpose recreational use, including hiking, mountain biking and limited motorized uses. Cheyenne State Park is located approximately seven miles southeast of the subject property. The Park covers approximately 1,600 acres and the park amenities includes camp sites and hiking trails.

Potential Inharmonious Uses. There does not appear to be any potential inharmonious uses in the neighborhood.

Public Schools. Public Schools in the neighborhood consists of Manitou School District Number 14.

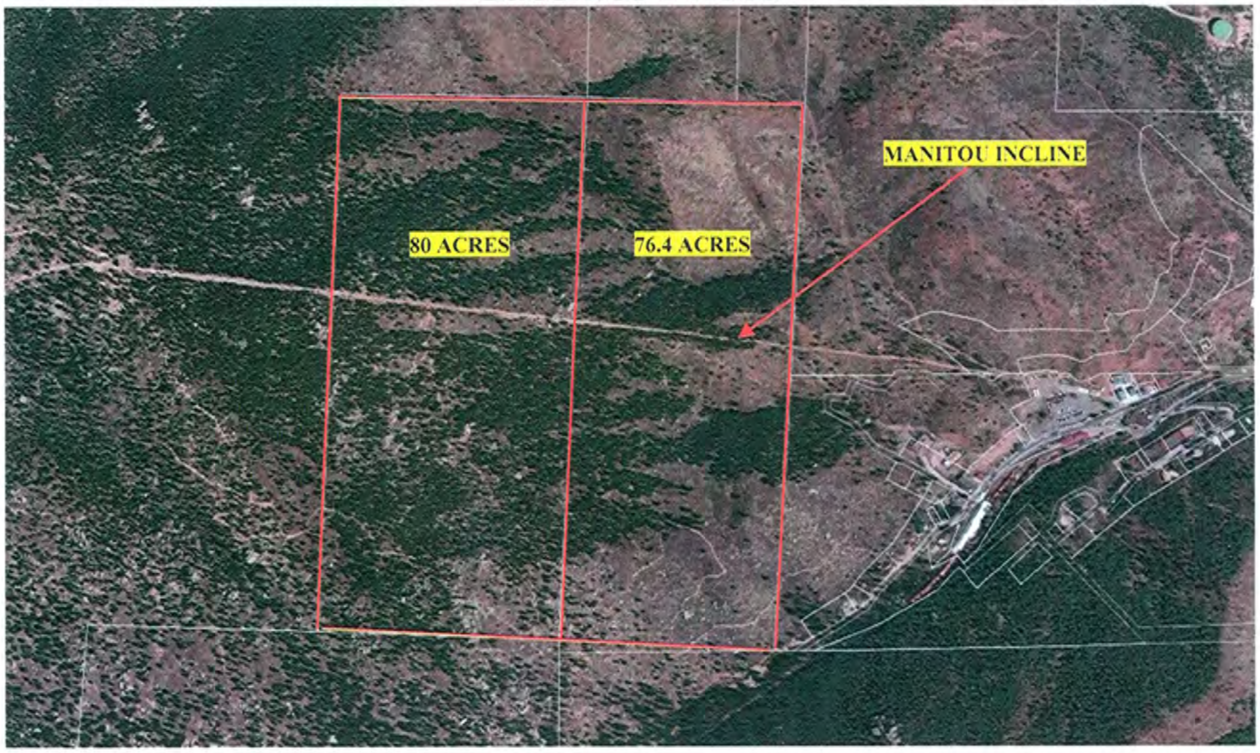
Conclusion - Future Trends. This subject neighborhood is characterized by commercial activity including motels, restaurants, retail shops, offices, and residential properties. Manitou Springs and Old Colorado City are considered the second most visited tourist attractions in El Paso County, second only to the United States Air Force Academy. Overall, the neighborhood is well situated in the city with good access to Interstate 25 and US Highway 24. The neighborhood benefits from its close proximity to the Central Business District of Colorado Springs, recreational facilities, parks and employment centers.

Recent downtown renovation efforts has produced satisfactory results in visual and economic benefits for the commercial core of the area. Overall, the fortunes of Manitou Springs are tied to those of the city's tourist industry as a whole. I would anticipate that values will remain stable and possibly increasing over the next two years.

Property Data

Location. The subject property is identified as two contiguous parcels of vacant land containing a total of 156.4 acres. One of the parcels contains 80 acres and the second contains 76.4 acres. The subject parcels are physically located along both sides of the Manitou Incline approximately 1/2 mile west of downtown Manitou Springs and immediately east of the Pike National Forest. The two subject parcels are outlined in red on the satellite photo below.

Satellite Photo



Legal Descriptions. Legal descriptions were obtained from the Assessor's Office. Below I have shown the Assessor's legal description per tax parcel.

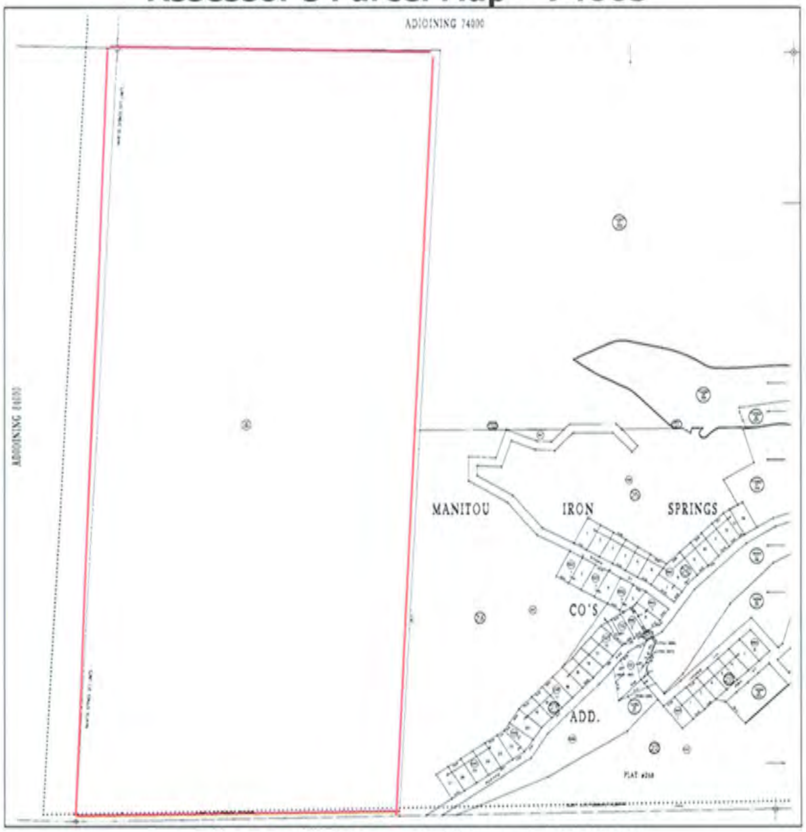
APN – 84000-00-003: E2SE4 SEC 1, T14S, R68W, El Paso County, State of Colorado.
APN – 74063-00-001: W2SW4 SEC 6, T14S R67W, El Paso County, City of Manitou Springs, State of Colorado.

Tax Schedule Numbers, Actual Values, Assessed Values, and Taxes. The subject property is identified by Assessor's records as tax schedule numbers 84000-00-003 and 74063-00-001. The Market Value, Assessed Value, and estimated Taxes for the subject properties are as follows:

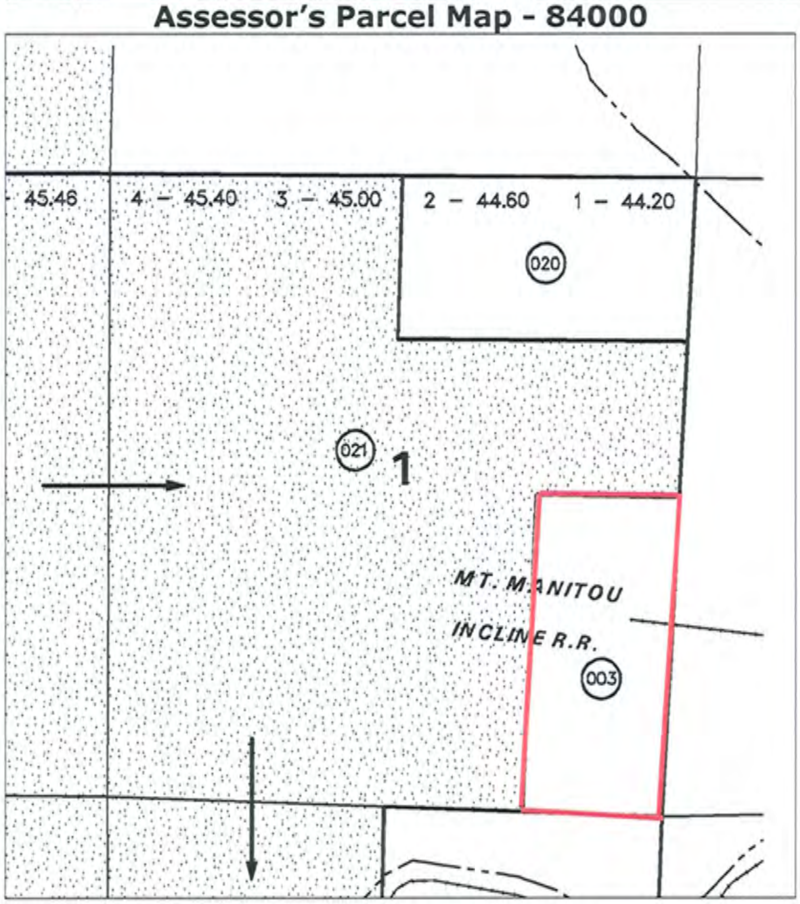
APN #	2015 Market Value	2015 Assessed Value	2015 Mill Rate	Estimated 2015 Taxes Payable In 2016
84000-00-003	$0	$0	62.726	$0
74063-00-001	$0	$0	76.913	$0
Total	$0	$0		$0

The subject parcels are outlined in red on the Assessor's parcel maps to be found on the following page. The subject properties are currently owned by a railroad company which is tax exempt.

Assessor's Parcel Map – 74063



Assessor's Parcel Map - 84000



Overall, 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 the last reassessment year.

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 properties are owned by Manitou and Pikes Peak Railway Co. PO Box 351, Manitou Springs, CO 80829-0351.

Property Sales History. Assessor's records did not indicate that the subject property has been the subject of sale or transfer for valuable consideration within the past 29 years. The subject property is not listed for sale or lease.

Zoning. The 80 acre subject property (APN: 84000-00-003) is located in unincorporated El Paso County and is zoned R-T. The R-T 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 properties could not meet the criteria to be developed as five acre lots mainly due to excessive slope conditions (slopes exceeding 30%).

The 76.4 acre subject property (APN: 74063-00-001) is located in City of Manitou Springs and is zoned HLDR (Hillside Low-Density Residential). The HLDR is a rural residential zoning district of the City of Manitou Springs. The zoning district was established to enable and encourage flexibility of single-family design and emphasizes cluster development of hillside land in a manner that promotes the most appropriate use of the land; protects ridgelines and steep slopes, wildlife habitat, and other environmental features; facilitates the adequate and economical provision of streets and utilities; facilitates the provision of emergency services and daily access and maintenance; and preserves the natural and scenic quality of Manitou Springs as supported by the Manitou Springs Open Space Master Plan. Permitted Uses in the Hillside Low-Density Residential Zone is detached single-family residences, including accessory structures. Minimum Lot Size - Allowable lot size for traditional development (as opposed to Clustered Development), shall be based on the average percent of slope.

Census Tract Number. The 80 acre subject property lies within the El Paso County area 2010 census tract number 34. Whereas, the 76.4 acre subject property lies within census tract number 67 (Manitou Springs).

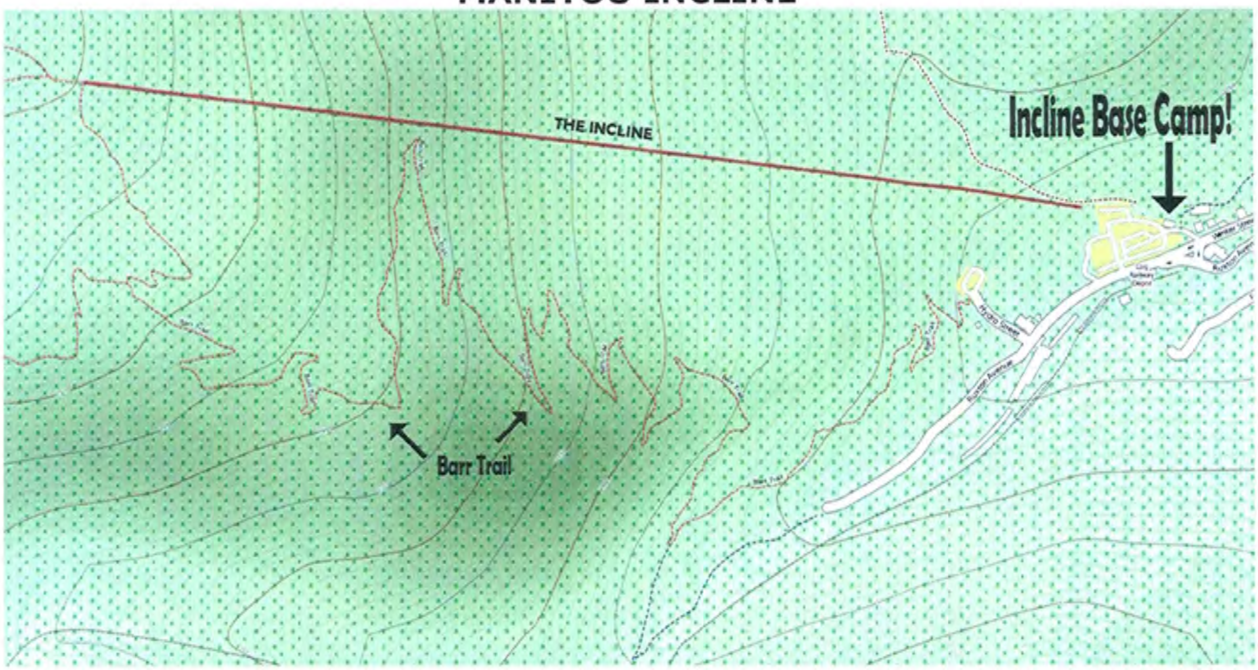
Easements. I have not reviewed a survey or title information on the subject property. The Manitou Incline bisects both subject properties east to west. Barr Trail meanders through the southerly portion of both sites. See descriptions of the Manitou Incline and Barr Trail Below.

The owner's agent reported that both the Manitou Incline and Barr Trail are easements. The easement for the Manitou Incline is with the City of Manitou and Colorado Springs and can be canceled with a 90 day notice. The Barr Trail easement is with the US Forest Service, which expired in 2009.

I 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. Overall, my opinion is that there are no unknown easements which would adversely affect the value of the subject property.

Manitou Incline. The Manitou Incline was constructed in 1907 as a one-mile, funicular, cable tram to aid in the construction of a nearby hydroelectric plant and waterline. Typical wooden boxcars were used to haul materials and pipe up to the top of Mount Manitou. Shortly after it was constructed, the Railway was purchased by Dr. Newton M. Brumback who quickly converted it to a tourist attraction boasting a 16-minute ride to Mount Manitou Park on the "longest and highest incline on the globe." See map below.

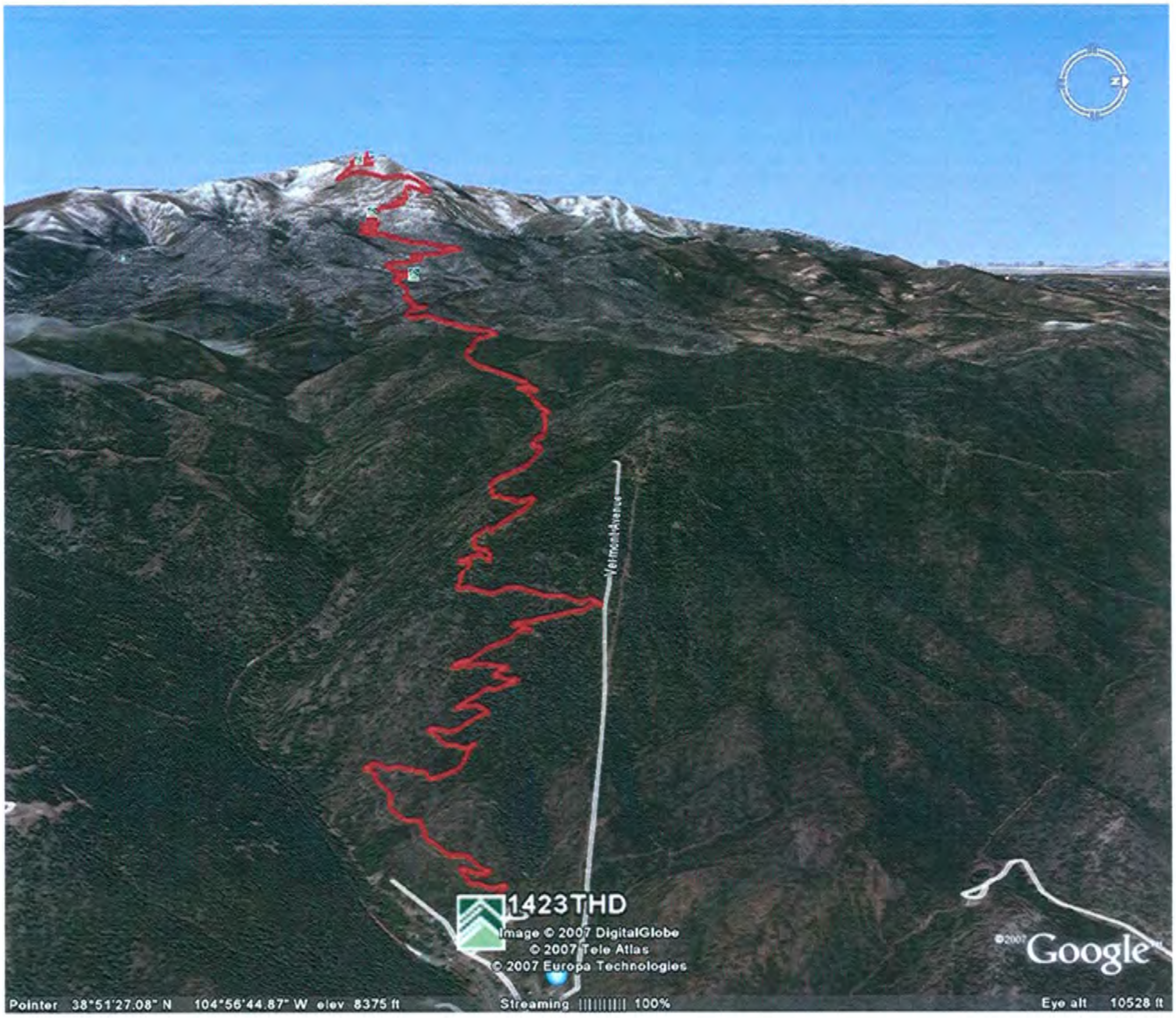
MANITOU INCLINE



Spencer Penrose purchased the Incline Railway in 1923 and upgraded the entire operation. He added newer cars with better benches and retractable roofs designed for inclement weather. In 1958, the summit station was rebuilt to allow for a much fancier dining and viewing experience for passengers. Due to its location and grade, the Incline Railway incurred very high maintenance costs. Therefore, in 1990, the Railway operation ceased to exist and the rails were removed, creating a natural staircase of railroad ties and an open invitation to hikers. Despite being substantially privately owned with public access prohibited, the Incline became one of the most popular hikes in the region.

Hiking the Incline was legalized in February of 2013, the staircase has grown in popularity as a true Colorado hike and fitness challenge, attracting an estimated minimum of 350,000 user trips annually. Starting at 6,500 feet (2,000 meters) and ending at 8,590 feet (2,620 meters), the Incline is an almost straight shot of about 2,750 steps, 0.9 miles up Mount Manitou. If you do the math, you will find that in just under one-mile, you increase your elevation by about 2,000 feet. There is a bailout point (which is on the subject property) about 2/3 of the way up that intersects with the down-bound Barr Trail. A newly built trail to the south connects the top of the Incline to Barr Trail and it is about 3 miles back to the base.

Barr Trail. Barr Trail is a 13-mile (21 km) trail in the Pike National Forest that begins in Manitou Springs, Colorado and ends at the Pikes Peak summit. The high elevation trail with a long sustained grade is rated more difficult by the U.S. Forest Service. With a 7,800 feet (2,400 m) elevation gain to reach the summit, the Colorado Springs Convention & Visitors Bureau states that it is an advanced trail and is the most difficult trail in the Pikes Peak region.

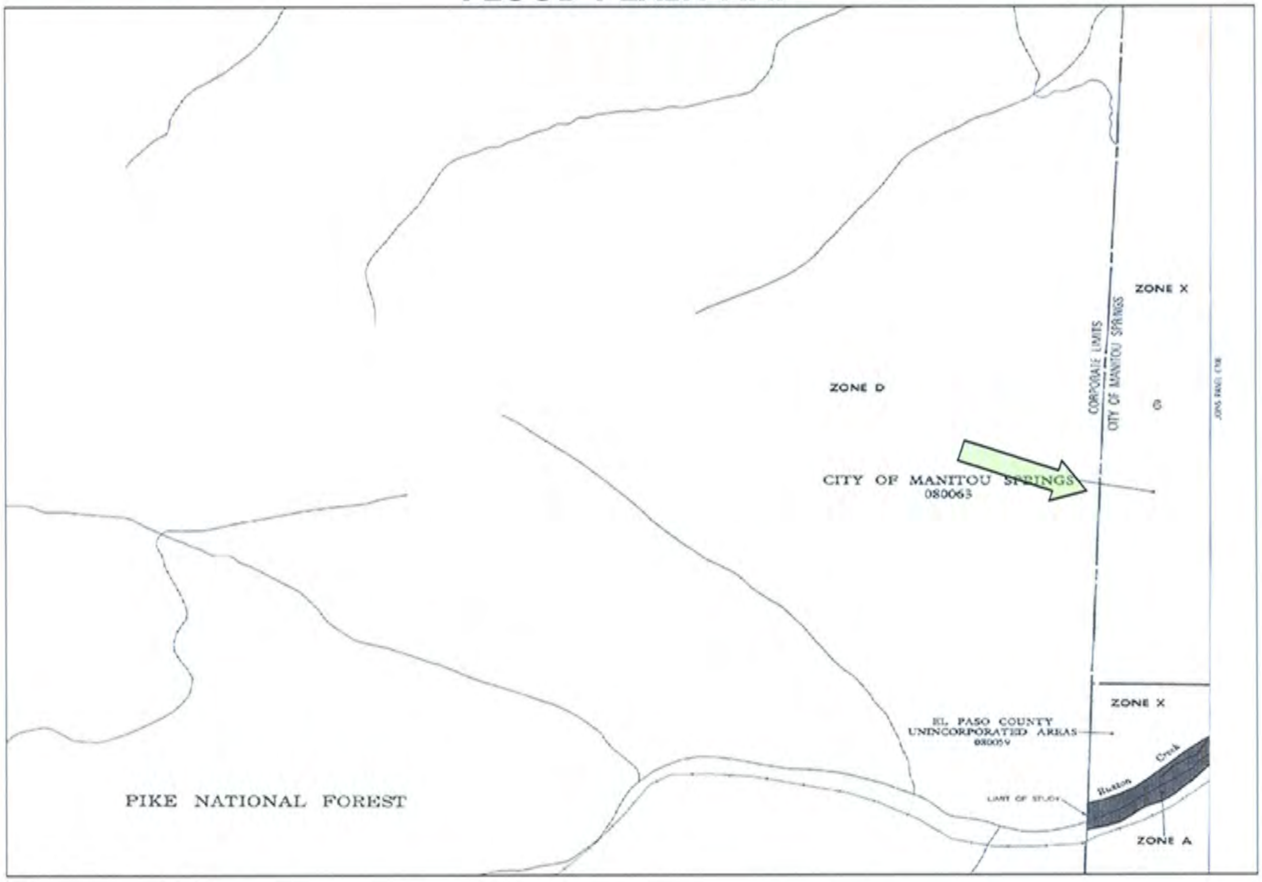


A trail was first created by a prospector in the mid-1800s, but the trail did not allow for travel by burro from Mount Manitou to the summit of Pikes Peak. Beginning in 1914, Fred Barr built the burro trail, with a maximum 12% grade to the top of the peak for his burro train business. Aside from his work on the major portion of the trail, he supervised a crew of ten men for the U.S. Forest Service in 1917 who built the portion of the trail from the top of the Manitou Incline down to Manitou Springs. He hiked the entire trail and made it to the top of Pikes Peak on Christmas Eve, 1918.

Barr Camp was built by Barr between 1922 and 1924. It was used by Barr and his burro train customers for an overnight stay between Manitou Incline and the summit. Staffed by year-round caretakers, the camp continued to provide overnight accommodations for Barr Trail hikers. In 1948, the U.S. Forest Service rebuilt the trail, following the original route. Burro trains were used to transport people along the trail until the 1960s. The 13-mile trail was designated a National Recreation Trail in 1979. It is one of the most frequently used trails in Colorado.

Flood Plain Statement. It would appear that the subject properties are not located within a designated 100 year floodplain area for Fountain Creek. Flood Hazard Boundary Map No. 08041C00702F, dated 3/17/97, for Colorado Springs and El Paso County published by the Federal Emergency Management Agency (FEMA). See map below.

FLOOD PLAIN MAP



Site Description

Land Area. According to Assessor's records one of parcels contains 80 acres and the other contains 76.4 acres.

Land Shape/Land Form. Both subject parcels are rectangular in shape. The land form of both subject parcels is best described as eastern Rocky Mountain hillside. Elevations on the property range from approximately 6,400 feet to over 8,000 feet. The average grade is 41%, reaching 68% at the steepest point.

USGS Topographical Map

Frontage/Exposure. The subject properties do not have any road frontage but their exposure is considered excellent. The subject properties are part of the mountain backdrop visible from both Interstate Highway 25 and US Highway 24.

Access. Access to the subject properties is from Ruxton Road which appears to touch the southeast corner of the 76.4 acre subject property. As such, access to the 80 acre subject property would be through the 76.4 acre subject property. Access to the subject properties can also be obtained on foot by either Barr Trail or the Manitou incline.

Topography and Drainage. The topography of the site is described as sloping (mountainous) with average grades of 41%. Drainage generally flows from the northwest towards the southeast and Ruxton Creek.

Vegetation. Vegetation in the subject properties is typical of the Pikes Peak region: mountain shrub land at lower elevations transitioning into coniferous forest in the upper reaches of the Incline 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 views from the subject properties are considered excellent with views of Manitou Springs and Colorado Springs.

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. Water and sewer utilities are provided by the City of Manitou Springs. Natural gas, and electricity are provided by the City of Colorado Springs. CenturyLink, formerly Qwest, provides telephone service. Electric and telephone utilities are underground and overhead in the immediate neighborhood.

Public Improvements. Public improvements to the subject properties consists of a two lane paved road.

Site Improvements. There are no site improvements to the subject properties, except the Manitou Incline site improvements which are not valued in this report.

Stage of Development. The subject properties are not platted but they are zoned. 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 parcels as two lots were available. However, additional road improvements and utilities would be needed for any lot development.

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 vacant highest and best use will be considered.

Highest and Best Use - As Vacant:

Legally Permissible. The R-T zoning on the 80 acre parcel permits limited agricultural uses and rural residential uses on lots with a minimum area of 5 acres. The HLDR zoning on the 76.4 acre parcel permits residential development with the number of units based upon the average percent of slope. Both subject properties are encumber by easements for the Manitou Incline and Barr Trail. The easement for the Manitou Incline is with the City of Manitou and Colorado Springs and can be canceled with a 90 day notice. The Barr Trail easement is with the US Forest Service, which expired in 2009.

The land uses adjacent to or in close proximity to the subject are either national forest, open space/recreation with residential and commercial further to the east. Thus, based upon the principle of conformity open space with recreational use would be the most likely use of the subject properties.

Physically Possible. The subject properties contains a total of 156.4 acres and are located in a scenic area just west of the City of Colorado Manitou Springs. The subject parcels are both rectangular in shaped and their land forms are best described as eastern Rocky Mountain hillside with elevations ranging from approximately 6,500 feet to over 8,000 feet. Most of the property could be described as sloping with grades averaging 41%. Most of the sites are treed except for where there are rock outcroppings. The subject properties have generally stable soil conditions and are believed to be free from environmental contaminants. Other than topography there does not appear to be any physical characteristics of the sites that would limit its use for rural residential development as two lots. The existing utilities and roadway systems would appear to adequately support 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 real 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 is significantly reduced.

The subject properties are not platted but zoned R-T and HLDR. Physically the subject sites could not meet the criteria due to excessive grades. Both subject properties are encumbered by easements for the Manitou Incline and Barr Trail. The Manitou Incline bisects the subject properties east to west and Barr Trail meanders through the southerly portions of both sites. The Incline has become one of the most popular hikes in the region with an estimated 350,000 user trips annually. Barr trail was designated a National Recreation Trail in 1979 and is one of the most frequently used trails in Colorado.

The subject properties offer valued historical resource, biological resources, visual resources, and provides connection with adjacent public lands and trails. In addition, there is also community support for conserving the subject properties as open space and for recreational use. Overall, the subject properties act as a regional recreational and open space resource for the residents of El Paso County and the visitors who come here. They virtually form the backdrop and edge of the populated area. The Manitou Incline, Barr Trail and undeveloped hillsides help define the character of the community. In my opinion, given what is physically and legally possible for the subject properties, the only financial feasible use of the properties would be for public open space with recreational use. Development of the subject parcels as 35 plus acre lots would probably not be physically possible and financially feasible give the current inventory of similar lots.

Maximum Productive. Because of the subject's physical and legal limitations, public open space with 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 "as vacant" would be for open space with recreational use associated with the Manitou Incline and Barr Trail.

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 properties. In the first part of the valuation section I will estimate the value of the subject parcel containing 80.0 acres. This will then be followed by the valuation of the 76.4 acre parcel.

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 - 80.0 Acres

In this section of the report I will use the sales comparison approach to estimate the value of the 80 acres of subject property. First I researched sales transactions involving vacant open space parcels which are summarized in the table below (Summary of Open Space Land Sales).

Open Space Land Sales

No.	Location	Sq. Ft.	Acres	Zoning	Sale Date	Grantee	Sales Price/	$/SF	$/Acre
1	South of Constellation and Cresta Drive	10,062,360	231.00	A	09-Jul-98	Trust for Public Land	$3,604,000	$0.36	$15,602
2	Cheyenne Road/Cheyenne Canyon	13,372,920	307.00	A	08-Jul-98	CS Parks Dept.	$5,700,000	$0.43	$18,567
3	3 miles West of I-25, N of AFA	6,969,600	160.00	A	04-Aug-99	U.S Forest Service	$640,000	$0.09	$4,000
4	W side of SH 115 at Nelson Rd	72,614,520	1,667.00	Mixed/HS	28-Jul-00	State of Colorado	$16,670,000	$0.23	$10,000
5	SW Powers Blvd. & Drennan Road	28,180,706	646.94	R-4	05-Oct-00	Trust For Public Land	$8,086,800	$0.29	$12,500
6	W Side of Powers Blvd. 1/2 Mile N of Barnes	2,352,240	54.00	R	15-Mar-01	CS Parks Dept.	$1,200,000	$0.51	$22,222
7	W Side of Wilson Rd, N of Orchard Road	7,394,310	169.75	A/HS	02-Apr-01	CS Parks Dept.	$2,000,000	$0.27	$11,782
8	S of US Hwy 24 & W of 31st Street	32,016,600	735.00	F	23-Nov-03	City of Colorado Springs	$12,457,106	$0.39	$16,948
9	Portion of Cheyenne Mtn State Park	4,113,371	94.43	A-5	31-Jan-08	City of Colorado Springs	$441,000	$0.11	$4,670
10	Portion of Cheyenne Mtn State Park	3,534,023	81.13	A-5	31-Jan-08	City of Colorado Springs	$331,212	$0.09	$4,082
11	Portion of Cheyenne Mtn State Park	4,597,322	105.54	A-5	31-Jan-08	City of Colorado Springs	$441,000	$0.10	$4,179
12	0 Rock Creek Mesa Road	3,484,800	80.00	A-5	16-Sep-08	City of Colorado Springs	$538,400	$0.15	$6,730
13	Coral Bluffs, SH 94	22,767,505	522.67	RR-5	25-Nov-08	City of Colorado Springs	$1,000,000	$0.04	$1,913
14	Crystal Park Road	1,742,400	40.00	F-5	07-Dec-09	City of Manitou Springs	$160,000	$0.09	$4,000
15	Section 16	27,878,400	640.00	F-5	07-Dec-10	City of Colorado Springs	$3,800,000	$0.14	$5,938
16	Portion of Digital Site	9,016,920	207.00	PIP,HS	28-Aug-13	Trust For Public Land	$7,000,000	$0.78	$33,816
17	Adjoins Cedar Heights Sub	1,459,260	33.50	HLDR	UC	City of Manitou Springs	$350,000	$0.24	$10,448

The land sales in the table above represents a good majority of the open space land purchases that have occurred over the past 18 years. I have analyzed the ranges and the averages of the comparable open space land sale transactions. The comparable sale transactions are located throughout the city and county but most are located west of Interstate 25.

The range of un-adjusted sale prices, per acre, are from $1,913 to $33,816, with an average of $11,023 and a median of $10,000. The weighted average sales price was $11,155. In my opinion, the value of the subject properties would probably be below the average and median sales price demonstrated by the comparable open space land sales. They would be lower because most of the open space land sales were more developable than the subject properties.

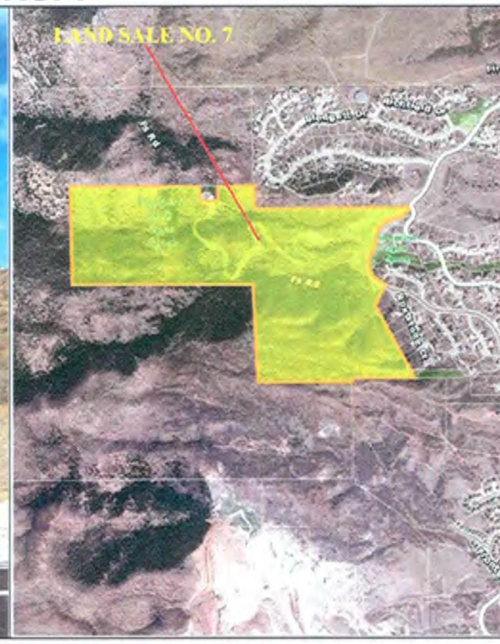
From the 16 comparable land sale transactions and one property under contract for purchase, as shown on the table above, I have selected 4 of the open space sale transactions (Nos. 7, 11, 12 and 14) to be used in direct comparison with the subject property.

I also researched recent sales and listings of similar sized properties with similar physical characteristics in the subject's market areas. 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 4 sales and 3 current listings. One of these four sales contained a conservation easement. From the 4 land sales and 3 listings I have selected one of the land sales, the one with the conservation easement for direct comparison with the subject property. This land sale was selected because of its close proximity in location and the fact that it contained a large amount of unbuildable land. This typical comparable sale will be my eighteenth land sale or Comparable Land Sale No. 18.

The four comparable open space land sales and the typical land sale 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.

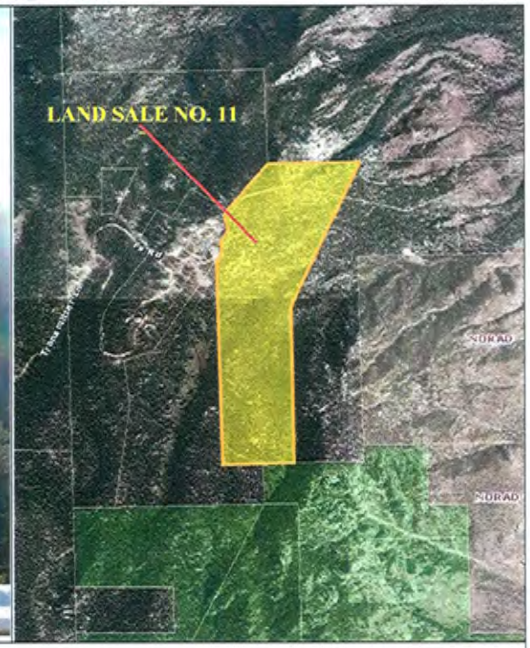
Comparable Land Sale No. 7



View:	Looking west from Woodmen Road		
Date Inspected/Photo by:	January 13, 2016/Tom Colon		
Location/Address:	West side of Woodmen Road and North of Orchard Road		
Tax Schedule #:	73000-00-477		
Legal Description:	Metes and Bounds – See Assessors Records.		
Grantor:	Peregrine JV etal.		
Grantee:	City of Colorado Springs		
Sale Confirmed with/Date:	Seller - Lori Kurtz/January 2016		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R#201039309/Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Cash to Seller, Plus Tax Credits	Date of Sale:	April 2, 2001
Post Sale Expense:	None	Selling Price:	$2,000,000
Project Influence:	N/A	Unit Price:	$11,782/ Acre
Physical Characteristics – Legal Aspects			
Land Area:	7,394,310 SF (169.75 AC)	Access:	Woodmen Road
Shape:	Irregular	Utilities:	All Available
Topography:	Sloping, Mountain Hillside	Zoning:	A, HS
Drainage/Flood Plain:	Two Streams/No FP involvement	Platted:	No
Visibility	Good	Corner/Interior Parcel	Interior Parcel
Surrounding Properties:	National Forest, Residential	Stage of Development:	Undeveloped
Use at time of sale:	Agricultural – Holding for Future SF Residential Development		
Highest and Best Use:	Residential Single Family and Open Space		

Remarks:	Terms of this sale were $2,000,000 cash to the seller plus a reported $175,000 in tax benefits. The comparable property is located at the most westerly point of Woodmen Road in the Peregrine Subdivision. A large portion of comparable property is surrounded on three sides by Pike National Forest. Originally the comparable property was to be developed into a gated residential community containing 20 single family residential lots to be known as Staghorn at Peregrine. 74 acres of the 169.75 acres was to be used for the lot development with the remaining 96.06 acres as common area. Views from the comparable property vary. The comparable property's vegetation ranged from small open areas with native grasses to areas thick with scrub oak and ponderosa pine trees. Sales History: No unrelated transfers within the previous five years.

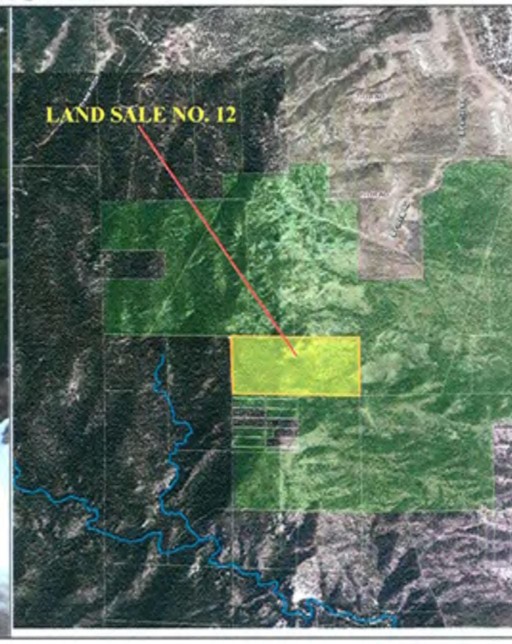
Comparable Land Sale No. 11



View:	Looking southeast from Old Stage Road		
Date Inspected/Photo by:	January 12, 2016/Tom Colon		
Location/Address:	East Face of Cheyenne Mountain		
Tax Schedule #:	7500000290		
Legal Description:	TR IN PORT OF SEC 14 & PORT OF N2N2 SEC 23-15-67 DESC AS FOLS: BEG AT NW COR OF SW4NE4 OF SD SEC 14 FROM WHICH THE N4 OF SD SEC 14 BEARS N 00<00'00" E, TH S 90<00'00" E ALG N LN OF SD SW4NE4 & N LN OF SE4NE4 1374.93 FT, S 25<42'58" W 2200.74 FT, S 00<00'00" W 2200.00 FT, N 90<00'00" W 947.15 FT, N 00<00'00" E 2684.64 FT TO A PT ON SELY LN OF TRACT CONV BY REC #99059463, N 33<08'06" E 153.02 FT, N 13<42'00" W 136.92 FT, N 31<18'00" E 200.00 FT, N 13<41'59" W 212.13 FT TO A PT ON SELY LN OF TRACT CONV BY BK 1896-836, N 31<17'56" E ALG SD SELY LN 95.53 FT TO MOST ELY COR THEREOF, TH N 25<34'59" E 862.97 FT TO POB, CSC		
Grantor:	Myra Benjamin (Cheyenne Mountain Reserve LLC)		
Grantee:	State of Colorado		
Sale Confirmed with/Date:	County Assessor Records, Seller/January 2016		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# 208012321/Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	1/31/2008
Post Sale Expense:	None	Selling Price:	$441,000
Project Influence:	N/A	Unit Price:	$4,179/ Acre
Physical Characteristics – Legal Aspects			
Land Area:	4,597,332 SF (105.54 AC)	Access:	Private – Road to Antennas
Shape:	Irregular	Utilities:	None
Topography:	Mountainous, Grades +30%	Zoning:	A-5 (CSC)
Drainage/Flood Plain:	Average, No FP involvement	Platted:	No
Visibility	Excellent	Corner/Interior Parcel	Interior Parcel
Surrounding Properties:	Residential, Open Space	Stage of Development:	No Platted, Undeveloped
Use at time of sale:	Vacant Land		
Highest and Best Use:	Single Family Rural Residential – Open Space		

Remarks:	Terms of the sale were cash to the seller. The comparable property is located on the southeast face of Cheyenne Mountain - west of SH 115. Access to the site is by the road used to service the antennas on the top of Cheyenne Mountain and from Old Stage Road which crosses the northerly portion of the site. The property has good exposure and can be seen from miles around. Mountain hillside topography with grades exceeding 30% on most of the site. Native grass vegetation with moderate trees. Sales History: No unrelated transfers within the previous five years.

Comparable Land Sale No. 12

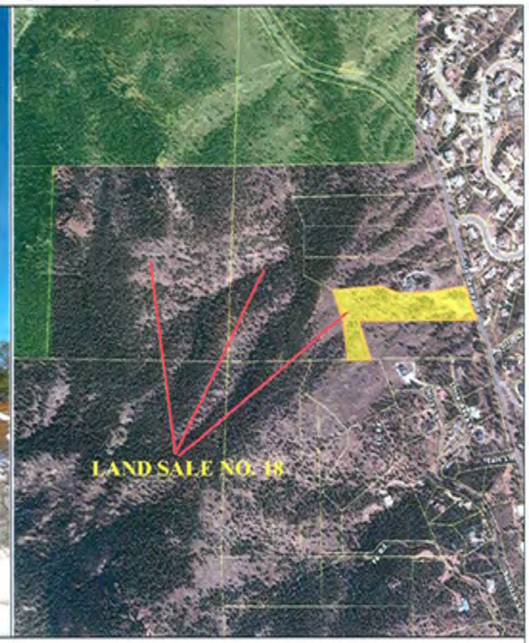


View:	Looking Northeast From Access Road		
Date Inspected/Photo by:	January 12, 2016/Tom Colon		
Location/Address:	0 Rock Creek Mesa Road		
Tax Schedule #:	7500000055		
Legal Description:	Portion of Section 23, Township 15 South, Range 67 West, CSC		
Grantor:	Stephany Joy-Newman, Bruce W. Newman		
Grantee:	City of Colorado Springs		
Sale Confirmed with/Date:	County Assessor Records/January 2016		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# 208102235/Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	9/16/2008
Post Sale Expense:	None	Selling Price:	$538,400
Project Influence:	N/A	Unit Price:	$6,730/ Acre
Physical Characteristics – Legal Aspects			
Land Area:	3,484,800 SF (80 AC)	Access:	Poor – Rock Creek Mesa Road
Shape:	Rectangular	Utilities:	None
Topography:	Mountainous, Grades +30%	Zoning:	A-5 (CSC)
Drainage/Flood Plain:	Average, No FP involvement	Platted:	No
Visibility	Average	Corner/Interior Parcel	Interior Parcel
Surrounding Properties:	Residential, Open Space	Stage of Development:	No Platted, Undeveloped
Use at time of sale:	Vacant Land		
Highest and Best Use:	Single Family Rural Residential		
Remarks:	Terms of the sale were cash to the seller. The comparable property is located southwest of Cheyenne Mountain and west of SH 115. The comparable property does not have frontage on any public or private street. The property does have good exposure and can be seen from miles around. Mountain hillside topography with grades exceeding 30% on most of all 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 south of the comparable is the Cheyenne State Park. Highest and best use is for detached single family residential or open space use. Sales History: No unrelated transfers within the previous five years.		

Comparable Land Sale No. 14

View:	Looking Northwest From Crystal Park Road		
Date Inspected/Photo by:	February 12, 2014/Tom Colon		
Location/Address:	0 Crystal Park Road		
Tax Schedule #:	7400000165		
Legal Description:	NE4SE4 TOG WITH NON-EXCLUSIVE PERPETUAL R/W FOR INGRESS, + EGRESS, MINERAL RIGHTS, WATER RIGHTS AS DES IN BK 2794-360 SEC 8-14-67		
Grantor:	Estate of Kil Jo Lee, JA Chang Lee Personal Representative		
Grantee:	City of Manitou Springs		
Sale Confirmed with/Date:	County Assessor Records, Broker and owner's attorney/ March 2010		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# 209140067/Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length – Court Order Sale (+10%)		
Financing Source and Method:	Cash to Seller	Date of Sale:	12/07/2009
Post Sale Expense:	None	Selling Price:	$160,000
Project Influence:	N/A	Unit Price:	$4,000/ Acre
Physical Characteristics – Legal Aspects			
Land Area:	1,742,400 SF (40 AC)	Access:	Fair - Crystal Park Road
Shape:	Square	Utilities:	Elec. & Tel.
Topography:	Sloping, Grades +25%	Zoning:	F-5 (El Paso County)
Drainage/Flood Plain:	Average – No Flood Plain	Platted:	No
Visibility	Average	Corner/Interior Parcel	Interior Parcel
Surrounding Properties:	Residential, Open Space	Stage of Development:	No Platted, Undeveloped
Use at time of sale:	Vacant Land		
Highest and Best Use:	Single Family Rural Residential		
Remarks:	Terms of the sale were cash to the seller. The listing Broker stated that there had been infighting among the heirs. As a result the estate ended up in court which ordered the property sold. I have adjusted this sale upward 10% for being a court ordered sale. The comparable property is located approximately 500 feet northwest of Crystal Park Road. The subject property does not have frontage on any public or private street. The property does have good exposure and can be seen from miles around. Mountain hillside topography with grades exceeding 30% on most of the site. Mostly native grass vegetation and sparsely treed. Sales History: No unrelated transfers within the previous five years.		

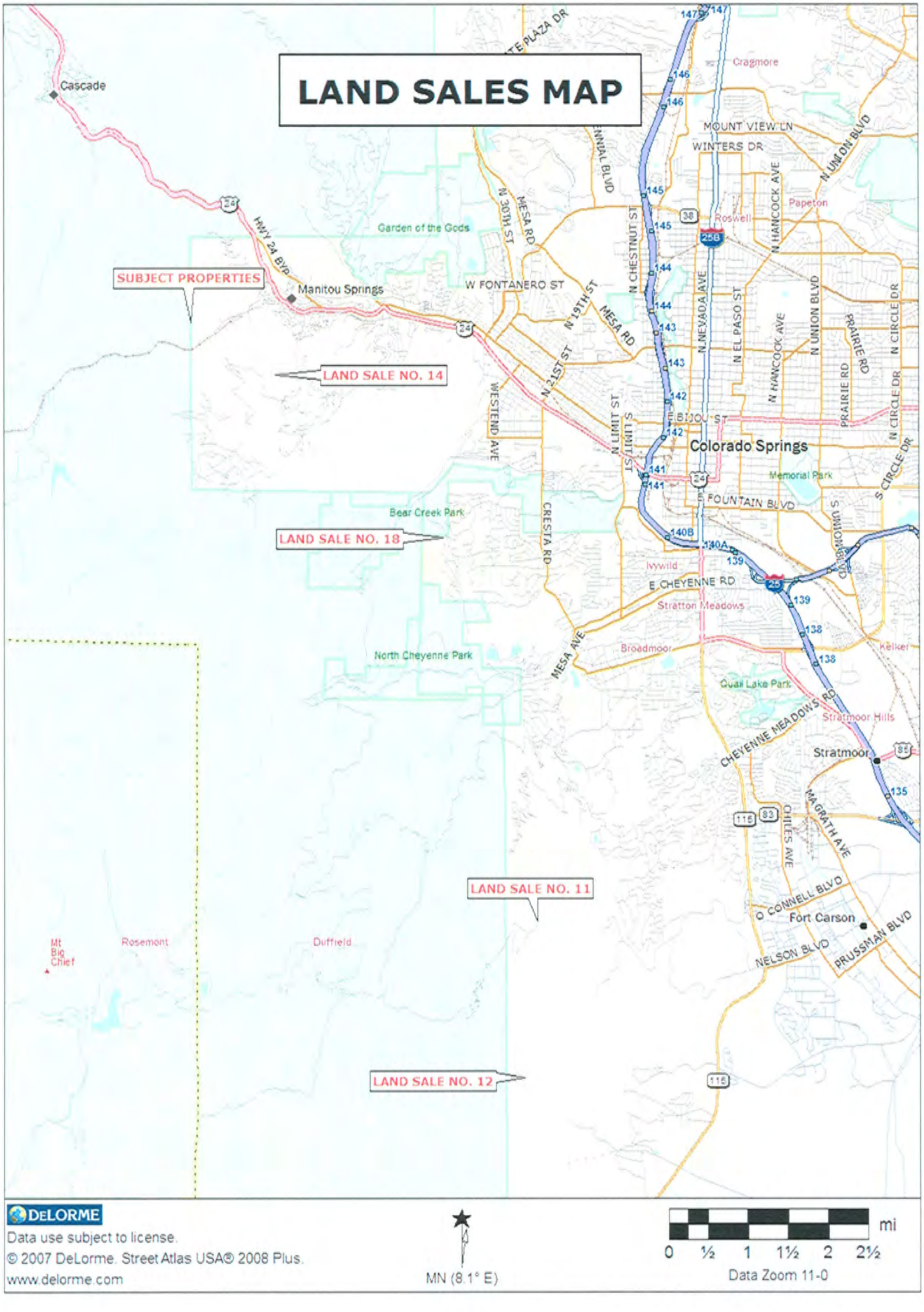
Comparable Land Sale No. 18



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: 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.

Sales History: No unrelated sales history within the previous five years.



LAND SALES MAP
SUBJECT PROPERTIES
LAND SALE NO. 14
LAND SALE NO. 18
LAND SALE NO. 11
LAND SALE NO. 12
Cascade
Manitou Springs
Garden of the Gods
Colorado Springs
Bear Creek Park
North Cheyenne Park
Memorial Park
Quail Lake Park
Broadmoor
Stratton Meadows
Ivywild
Cragmore
Roswell
Papeton
Stratmoor Hills
Stratmoor
Kelker
Fort Carson
Rosemont
Duffield
Mt Big Chief
W FONTANERO ST
E BIJOU ST
E FOUNTAIN BLVD
E CHEYENNE RD
MESA AVE
CHEYENNE MEADOWS RD
MOUNT VIEW LN
WINTERS DR
O CONNELL BLVD
NELSON BLVD
PRUSSMAN BLVD
HWY 24 BYP
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Adjustments to Comparable Land Sales. The four comparable open space land sales transactions and typical land 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 five 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, except for Comparable Land Sale No. 14. The listing Broker stated that there had been infighting among the heirs. As a result the estate ended up in court which ordered the property sold. I have adjusted this sale upward 10% for being a court order sale.

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 177 months (14.75 years) 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 values over the past 15 years. To accomplish this, I have relied upon data from the Office of Federal Housing Enterprise Oversight's (OFHEO). According 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). Local economists and housing industry experts have credited historically low mortgage rates, in a large part, for propelling the recovery.

Overall, the OFHEO data would indicated that on the average housing prices in the Colorado Springs MSA have increased approximately 2.3% per year over the past 15 years. See Changes in Value - Single Family Homes table on the following page as reported by OFHEO.

Changes in Value - Single Family Homes
Colorado Springs Metro Area, 1985-2015

Year	Quarter	Single Family Home Value	Percent Change Over One Year Ago
1985	2	$73,050	4.7%
1986	2	$75,990	4.0%
1987	2	$75,580	-0.5%
1988	2	$74,190	-1.8%
1989	2	$72,010	-2.9%
1990	2	$73,170	1.6%
1991	2	$74,050	1.2%
1992	2	$78,400	5.9%
1993	2	$85,540	9.1%
1994	2	$95,250	11.4%
1995	2	$101,570	6.6%
1996	2	$108,990	7.3%
1997	2	$113,480	4.1%
1998	2	$119,330	5.2%
1999	2	$123,750	3.7%
2000	2	$131,480	6.2%
2001	2	$143,060	8.8%
2002	2	$150,300	5.1%
2003	2	$155,330	3.3%
2004	2	$161,150	3.7%
2005	2	$173,050	7.4%
2006	2	$181,650	5.0%
2007	2	$185,740	2.3%
2008	2	$181,230	-2.4%
2009	2	$176,720	-2.5%
2010	2	$170,550	-3.5%
2011	2	$163,980	-3.9%
2012	2	$164,300	0.2%
2013	2	$171,920	4.6%
2014	2	$178,920	4.1%
2015	2	$187,705	4.9%

Source: Federal Housing Finance Agency

Market Conditions Adjustment Conclusion. To determine a market conditions adjustment for the subject property I analyzed single family residential market data as reported by OFHEO. Overall, the local housing market has rebounded over the past four years after the national recession; home construction, sales and prices all have risen. The OFHEO data would indicate that on the average housing prices in the Colorado Springs MSA have increased approximately 2.3% per year over the past 15 years.

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 15 years. On Table 1 I have adjusted all of the comparable land sales upwards 2% per year for market conditions.

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.

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.

In this valuation procedure I have used four land sale transactions that involved properties that were purchased by governmental and or public entities for preservation of open space, recreation and or park use. Being governmental and or public entities their motivations for purchase are different than what is traditionally seen in the marketplace. Therefore, in many cases the standard type of comparison adjustments employed by appraisers may not be relevant. As such, I developed several new adjustment categories that are more consistent with the criteria used by the public entities in the purchasing of similar properties.

To determine what type of comparison adjustments to make to the open space land sales, I first contacted the purchasers and discussed with them their motivations. In addition, we reviewed three pertinent studies that were performed by the State of Colorado, El Paso County and the City of Colorado Springs. These plans not only recognize the importance of conserving the visual resources, but also a unique ecological system that is imperiled by human pressures. The following reoccurring questions were used in their evaluation process.

1. Is the land vacant?
2. What significant natural features are present?
3. Is there a potential for recreation?
4. Would the area fulfill any of the supplemental purposes of open space?
5. What natural area does the parcel represent?
6. What trails or open space resource could connect to the parcel?
7. Would the parcel provide open space to an area that is not currently served?
8. Is there community support for conserving the parcel as open space?
9. Is the land owner in a position to offer favorable terms or conditions for conservation?
10. Does the parcel present any unusual maintenance or development costs?

In general these studies have set guidelines regarding the criteria used for their purchases. The subject properties offer valued historical resource, biological resources, visual resources, and provides connection with adjacent public lands and trails. In addition, there is also community support for conserving the subject properties as open space and for recreational use. Overall, the subject properties act as a regional recreational and open space resource for the residents of El Paso County and the visitors who come here. They virtually form the backdrop and edge of the populated area. The Manitou Incline, Barr Trail and undeveloped hillsides help define the character of the community

As shown on Table 1, I have adjusted the comparable land sales for physical differences as compared with the subject property using the typical adjustments and several new adjustment categories that are more consistent with the criteria used by the public entities in the purchasing of similar properties.

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. Like the subject none of the comparable land sales had building improvements.

TABLE 1 - SALES COMPARISON GRID
80 ACRE SUBJECT PARCEL

Transaction Number:	SUBJECT		Land Sale No. 7		Land Sale No. 11		1 Sale No. 12		Land Sale No. 14		Land Sale No. 18
Location	Both Sides of Manitou Incline Ruxton Drive		East Side of Wilson Rd and North of Orchard Rd		East Face of Cheyenne Mt		0 Rock Creek Mesa Rd		0 Crystal Park Rd		1182 Gold Camp Road
Jurisdiction	El Paso County		CSC		CSC		CSC		EL Paso County		CSC
Market Area	Manitou		Northwest		Southwest		Southwest		Manitou		Southwest
Property Data:											
	1/12/2016		4/2/2001		1/31/2008		9/16/2008		11/7/2009		5/21/2014
Land Area in Sq.Ft.	3,484,800		7,394,310		4,597,322		3,484,800		1,742,400		2,730,341
Land Area in Acres	80.000		169.75		105.54		80.00		40.00		62.68
Zoning	R-T El Paso County		A, HS		A-5 (CSC)		A-5 (CSC)		F-5		A, HS
Sale Price			$2,000,000		$441,000		$538,400		$160,000		$345,000
Property Rights Conveyed		Fee Simple	-0-	mple	-0-		-0-	Fee Simple	-0-	Fee Simple	-0-
Adjusted Sale Price			$2,000,000		$441,000		$538,400		$160,000		$345,000
Financing Terms		Cash Out	-0-	Out	-0-		-0-	Cash Out	-0-	y	-0-
Adjusted Sale Price			$2,000,000		$441,000		$538,400		$160,000		$345,000
Conditions of Sale		Tax Credits	$175,000	ngth	$0	Arm's Length	$0	10% Court	$16,000	Arm's Length	$0
Adjusted Sale Price			$2,175,000		$441,000		$538,400		$176,000		$345,000
Market Conditions (Time)		+28% Mkt.	$609,000	Mkt.	$70,560	+15% Mkt.	$80,760	+12% Mkt.	$21,120	4kt.	$10,350
Sale Price Adjusted for Property Rights, Financing, Conditions of Sale, and Time:			**$2,784,000**		**$511,560**		**$619,160**		**$197,120**		**$355,350**
Contributory Value - Water Rights			$0		$0		$0		$0		$0
Contributory Value - Building Improvements			$0		$0		$0		$0		$0
Adjusted Sales Price			$2,784,000		$511,560		$619,160		$197,120		$355,350
Purchase Price Per Acre			**$16,401**		**$4,847**		**$7,740**		**$4,928**		**$5,669**
Comparison Adjustments	Subject	Comp.	Adj.	mp.	.		Adj.	Comp.	Adj.	Comp.	Adj.
Location/Access	Good/Average	Inf./Equal	5.00%	Inf./Sup.	10.00%	Inf./Inf	15.00%	Inf./Equal	10.00%	Equal/Sup.	-5.00%
Zoning	R-T	A, HS	0.00%	A	0.00%	F-5	0.00%	F-5	0.00%	A, HS	0.00%
Physical Characteristics	Fair	Superior	-10.00%	Equal	0.00%	Equal	0.00%	Equal	0.00%	Equal	0.00%
Significant Natural Features	Average	Equal	0.00%	Equal	0.00%	Equal	0.00%	Equal	0.00%	Equal	0.00%
Biological Significance	Average	Equal	0.00%	Equal	0.00%	Equal	0.00%	Inferior	5.00%	Equal	0.00%
Size/Acres	80	169.75	8.98%	105.54	3.19%	80	0.00%	40	-6.67%	62.68	-2.89%
View	Excellent	Equal	0.00%	Equal	0.00%	Inferior	5.00%	Inferior	5.00%	Inferior	3.00%
Linkage to Trails and Open Space	Excellent	Inferior	5.00%	Inferior	5.00%	Inferior	5.00%	Inferior	5.00%	Inferior	10.00%
Potential For Recreation	Excellent	Inferior	3.00%	Inferior	3.00%	Inferior	3.00%	Inferior	3.00%	Inferior	10.00%
Community Support	Excellent	Inferior	3.00%	Inferior	3.00%	Inferior	3.00%	Inferior	3.00%	Inferior	5.00%
Stage of Development	Zoned/Undeveloped	Equal	0.00%	Equal	0.00%	Equal	0.00%	Equal	0.00%	Superior	-5.00%
Highest and Best Use	Recreational	Superior	-15.00%	qual	0.00%		0.00%	Equal	0.00%	ual	0.00%
Net Adjustments (%)			-0.03%		24.19%		31.00%		24.33%	Equal	15.11%
Gross Adjustments (%)			49.98%		24.19%		31.00%		37.67%		40.89%
Net Adjustments ($)			-$4		$1,173		$2,399		$1,199		$857
Adjusted Price Per Acre			$16,396		$6,020		$10,139		$6,127		$6,526
Appraisers Weighting Factor			15.00%		30.00%		25.00%		20.00%		10.00%
Product			$2,459		$1,806		$2,535		$1,225		$653
Indicated Range of Values Per Acre			$6,020	to	$16,396						
Average Value Acre			$9,042								
Median Value Acre			$6,526								
Weighted Value Acre			$8,678								
Concluded Value Rounded Acre			**$8,200**								
Number of Acres			80.00								
Concluded Value As Though Vacant			$656,000								
		Rounded	**$656,000**								

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Location/Access. Location/access adjustments considers proximity and exposure to major commercial corridors, accessibility and the surrounding general level of land values. In this case I have also considered the location and access of the comparable open space sale and their ability to service the public in comparison to the subject's location and its ability to serve the public. Comparable Sale No. 18 was considered equivalent in location. The remaining comparable land sales were all considered inferior to the subject in location and were adjusted upwards. In terms of access Comparable Land Sale Nos. 11 and 18 were considered superior in access and were adjusted downwards. Whereas, Land Sale No. 12 was considered inferior in access and was adjusted upwards. Comparable Land Nos. 7 and 14 were considered equivalent in access and were not adjusted.

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 unbuildable land. However, Comparable Land Sale No. 7 contains significantly less unbuildable land and was adjusted downwards. The adjustment percentage shown on Table 1, per comparable land sale, reflects the sum of the individual adjustments as discussed above.

Significant Natural Features. The Significant Features adjustment considers the presence of significant natural features of the comparable property relative to that of the subject property. The need for adjustments may arise from differences as to the geology. No adjustment were made. All of the comparable sales were considered equal to the subject in terms of significant natural features.

Biological Significance. The Biological Significance adjustment considers the presence of valued biological resources of the comparable property relative to that of the subject property. Considered under this category is the type and quality of vegetation, wildlife habitats and wildlife migration routes. All of the comparable land sales, except Land Sale No. 14, were considered equal and were not adjusted. Land Sale No. 14 had inferior vegetation and was adjusted upwards.

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. This is a standard adjustment category. There appears to be no rational size adjustment among the comparable open space land sales. However, my adjustment for size on Table 1 is based on a sliding scale. Comparable Land Sale No. 7 is the largest of the land sales. This sale was adjusted based upon a 1% adjustment per 10 acres difference in size. Comparable Land Sale Nos. 11 and 12 were similar to the subject's size and they were adjusted based upon a 1% adjustment per 8 acres difference in size. Comparable Land Sale Nos. 14 and 18 were the smallest land sales and they were adjusted at 1% adjustment per 6 acres difference in size.

View. The best views command the highest prices for most types of properties. Comparable Land Sale Nos. 12, 14 and 18 had inferior views and were adjustments upwards.

Linkage to Trails and Other Open Space. The linkage to trails and other open space adjustment considers the presence of and the amount of linkages to trails and other open space. The subject property contains existing trails and linkages to open spaces. At the time of sale all of the comparable sales had inferior linkages to trails and other open space. As such, upward adjustments were made to the comparable land sales because of their inferior linkages to trails and other open space/parks.

Potential For Recreation. The potential for recreation adjustment considers the comparable property's potential for public and private recreation as compared with the subject property. The subject property is currently being used for recreation associated with the Manitou Incline and Barr Trail. At the time of sale all of the comparable land sales, except Land Sale No. 18, had the potential for public recreation. Land Sale No. 18 has the only the potential for private recreation but not public recreation. Overall, the subject's potential for recreation was considered superior to all of the comparable land sales and they were all adjusted upwards.

Community Support. All of the comparable land sales, except Land Sale No. 18, had community support for their acquisition. In my opinion, give the current use of the subject property by the public, measures in place for its acquisition, the subject property would be superior in community support in comparison with the comparable open space land sales. As such all of the comparable open space land sales were adjusted upwards. Only Land Sale No. 18 which is my typical land sale also did not have community support and was adjusted upwards significantly.

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. All the necessary utilities for development of the subject property as a single rural residential lot is basically to the perimeter of the site. Only Land Sale No. 18 was considered superior in stage of development and was adjusted downwards. A portion of the comparable sale'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.

The physical characteristics of the subject site with its excessive slopes severely limits its development potential. Comparable Land Sale No. 7 does not have its development potential limited by its physical characteristics. As such, this land sale was adjusted downwards. Comparable Sale No. 18 is encumbered by a conservation easement which limited its use as a single lot, therefore no adjustments were made. The remaining comparable land sales were considered equivalent in highest and best use and not adjusted.

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.

Overall, significant adjustments were made to the four comparable open space land sales for market conditions. On Table 1 the range of adjusted sale prices per acre are from $6,020 to $16,396 with an average of $9,042 and a median sales price of $6,526. 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. Overall, I gave most weight to Comparable Land Sale No. 11 because it required the least amount of gross adjustment. This followed by Comparable Land Sale No. 12. Comparable Sales Nos. 7 and 18 were given the least amount of weight as these two sales required the most amount of gross adjustment. As indicated on Table 1 my weighted average is estimated at $8,678 per acre. I have selected **$8,200** per acre as my concluded value per acre for the subject property. This value is below the average and my weighted average but above the median sales price per acre.

Using the sales comparison approach methodology as described above, the indicated value of the subject property containing 80 acres is estimated on Table 1 or **$656,000 or $8,200 per Acre.**

Sale Comparison Approach – 76.4 Acres

The value of the remaining subject parcel is estimated by comparison with the 80.0 acre subject parcel. My concluded value for the 80.0 acre subject parcel as shown on Table 1 was **$656,000 or $8,200 per acre,** as discussed above in the sales comparison approach. The 76.4 acre subject parcel is virtually identical to the 80 acre subject parcel except for being slightly smaller and slightly lower in elevation. As such, I have made no adjustments for these minor differences. Thus the value of the 76.4 acre subject property is estimated at the same value per acre as the 80.0 acre subject property or **$626,500 rounded or $8,200 per acre.**

Conclusion

Value Indications

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

80.0 Acre Parcel	(Table 1)	\$656,000 (\$8,200/Acre)
76.4 Acre Parcel		\$626,500 (\$8,200/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 used four older open space land sales and one typical sale that had a conservation easement, to perform the analysis. Overall, the approach's accuracy was limited due to adjustments made for location, my open space adjustments and highest and best use.

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 sales comparison approaches 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 containing 80.0 acres is **\$656,000** and my conclusion of market value for the subject property containing 76.4 acres is **\$626,500.**

My estimates 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 combined total market value of the two subject properties is estimated at **\$1,282,500.**

Exposure and Marketing Period

It is my opinion that the value estimate for the subject properties 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 year. The Colorado Springs land real estate market appears to be improving. As such, I have estimated a typical marketing time for the subject properties.

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.

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.

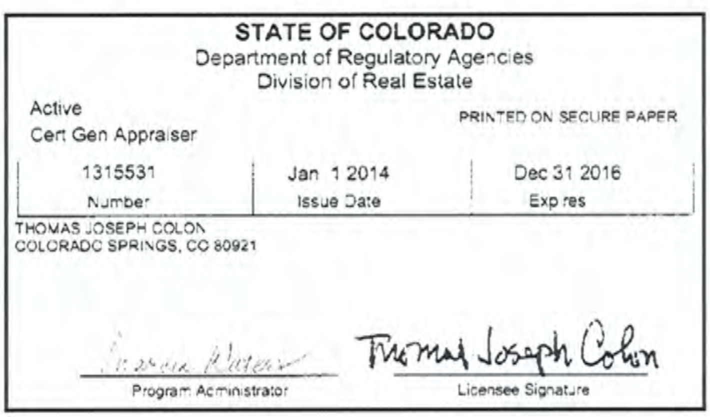
Vacant Land: Single Family and Commercial Subdivision Development, agricultural, retail, office, and industrial.

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
Cert Gen Appraiser

PRINTED ON SECURE PAPER

1315531	Jan 1 2014	Dec 31 2016
Number	Issue Date	Expires

THOMAS JOSEPH COLON
COLORADO SPRINGS, CO 80921

Program Administrator

Thomas Joseph Colon
Licensee Signature