Little Red Schoolhouse

49 Gillaspey Ave.

Crested Butte, CO 81224 9/7/17

Dear Sirs,

Several months ago I received a 2017 Real Property Notice of Determination which valued my property (a preschool and infant/toddler center in CB South), Lot 38 Block 5 Filing 2, at $936,540. I appealed this value immediately, and after Bob Blackett came out to inspect my property he reviewed the value to be just that. I disagree with the Assessor's decision and am appealing to the County Board of Equalization.

Two years ago when my property was last assessed, it came in at $277,050. This new value is an increase of almost 4 times, which is just not realistic. I agree the value of two years ago was far too low, but increasing it to this extent warrants looking at some comparable sales in the area. In examining the comparable sales in Gunnison County in the last five years, it appears that the only true comp that can be used (since there are none in CB South area commercial district) is R001669 on 200 N. Spruce St. The reason this is a great comp is because it is a private school, and so is Little Red Schoolhouse. This comp used a price per square foot of $189.96 to come up with a $700.000 value. When using this figure and my square footage of 3252 sq feet, I come up with a more reasonable value of $617,750. This also supports my recent appraisal figure as well, and is a much more realistic value for our real estate market.

I recently received an appraisal on my property as well, and my property came in at $570,000. It is absolutely preposterous to value my property at $936,540 after an appraisal effective 8/23/16 that said my value was $570,000. I agree the $570,000 is a bit low, which is why using the comp of a private school in the county is a better use of determining value and making it a more realistic value for the purpose of resale.

I certainly don't see any reason why my value should've jumped almost 4 times in two years, and request a re- valuation to a more realistic value based on my recent appraisal and commercial comps in the county.

Sincerely,

Jessica Rutherford, owner of Little Red Schoolhouse

Received
County Administration
9/11/17

Gunnison County
COLORADO

2017 REAL PROPERTY NOTICE OF DETERMINATION

Kristy McFarland
Gunnison County Assessor
221 N Wisconsin St, Suite A
Gunnison, CO 81230

Date of Notice: August 31, 2017
Phone: (970) 641-1085
Fax: (970) 641-7920
Email: assessor@gunnisoncounty.org
Website: http://www.gunnisoncounty.org/assessor.html

CBOE #09

ACCOUNT NUMBER	TAX YEAR	TAX AREA	PARCEL NUMBER
R041460	2017	615	3257-272-04-061

PROPERTY OWNER	LEGAL DESCRIPTION
JR & JL LANDOWNERS LLC 49 GILLASPEY AVE CRESTED BUTTE, CO 81224-9617	LOT 38 BLK 5 CRESTED BUTTE SOUTH FILING 2 #510385

PROPERTY CLASSIFICATION	PROPERTY OWNER'S ESTIMATE OF VALUE	ASSESSOR'S VALUATION	
		ACTUAL VALUE PRIOR TO REVIEW	ACTUAL VALUE AFTER REVIEW
Commercial		936,540	936,540
TOTALS		$936,540	$936,540

The Assessor has carefully studied all the available information, giving particular attention to the specifics included on your protest. The Assessor's determination of value after review is based on the following:

The actual value of the property is determined by appropriate consideration of the approaches to appraisal set forth in § 39-1-103(5)(a), C.R.S.

If you disagree with the Assessor's decision, you have the right to appeal to the County Board of Equalization for further consideration, § 39-8-106(1)(a), C.R.S.

The deadline for filing real property and personal property appeals is September 15.

The Assessor establishes property values. The local taxing authorities (county, school district, city, fire protection, and other special districts) set mill levies. The mill levy requested by each taxing authority is based on a projected budget and the property tax revenue required to adequately fund the services it provides to its taxpayers. The local taxing authorities hold budget hearings in the fall. If you are concerned about mill levies, we recommend that you attend these budget hearings. Please refer to last year's tax bill or ask your Assessor for a listing of the local taxing authorities.

Please refer to the reverse side of this notice for additional information.

APPEAL PROCEDURES

County Board of Equalization Hearings will be held from September 1 through November 1 at Gunnison County Courthouse or Blackstock Government Center.

To appeal the Assessor's decision, complete the Petition to the County Board of Equalization shown below, and mail or deliver a copy of both sides of this form to:

Gunnison County Board of Equalization
200 E Virginia Ave
Gunnison, CO 81230
(970) 641-0248

CBOE #09

To preserve your appeal rights, your Petition to the County Board of Equalization must be postmarked or delivered on or before **September 15 for real property and personal property** – after such date, your right to appeal is lost. You may be required to prove that you filed a timely appeal; therefore, we recommend that all correspondence be mailed with proof of mailing.

You will be notified of the date and time scheduled for your hearing. The County Board of Equalization must mail a written decision to you within five business days following the date of the decision. The County Board of Equalization must conclude hearings and render decisions by November 1, § 39-8-107(2), C.R.S. If you do not receive a decision from the County Board of Equalization and you wish to continue your appeal, you must file an appeal with the Board of Assessment Appeals by December 8, § 39-2-125(1)(e), C.R.S.

If you are dissatisfied with the County Board of Equalization's decision and you wish to continue your appeal, you must appeal within 30 days of the date of the County Board's written decision to ONE of the following:

Board of Assessment Appeals
1313 Sherman Street, Room 315
Denver, CO 80203
(303) 866-5880
www.dola.colorado.gov/baa

District Court
Contact the District Court in the county where the property is located. See your local phone book for the address and telephone number.

Binding Arbitration
For information about binding arbitration, contact the County Board of Equalization at the address above.

If the date for filing any report, schedule, claim, tax return, statement, remittance, or other document falls upon a Saturday, Sunday, or legal holiday, it shall be deemed to have been timely filed if filed on the next business day, § 39-1-120(3), C.R.S.

PETITION TO COUNTY BOARD OF EQUALIZATION

What is your estimate of the property's value as of June 30, 2016? (Your opinion of value in terms of a specific dollar amount is required for real property pursuant to § 39-8-106(1.5), C.R.S.)

$617,750

What is the basis for your estimate of value or your reason for requesting a review? (Please attach additional sheets as necessary and any supporting documentation, i.e., comparable sales, rent roll, original installed cost, appraisal, etc.)

I received an appraisal effective 8/23/16, which showed the value at $570,000.
The only comp that is relevant is R001669, a private school sale. This price per square foot would put my property at 617,750.

ATTESTATION

I, the undersigned owner or agent* of the property identified above, affirm that the statements contained herein and on any attachments hereto are true and complete.

Signature	Telephone Number	Date
[signature]	970-349-0996	9/6/17

*Attach letter of authorization signed by property owner.

CBOE # 09

EXHIBIT A
Page 1 of 2

Little Red Schoolhouse
49 Gillaspey Ave.
Crested Butte, CO 81224

9/7/17

Dear Sirs,

Several months ago I received a 2017 Real Property Notice of Determination which valued my property (a preschool and infant/toddler center in CB South), Lot 38 Block 5 Filing 2, Account No. R041460, at $936,540. I protested this value immediately. Although Bob Blackett came out to inspect my property, my protest was denied and the valuation remains at $936,540. I disagree with the Assessor's decision and am appealing to the County Board of Equalization.

Two years ago when my property was last assessed, it came in at $277,050. This new value is more than 3 times what it was, which is just not realistic. After reviewing comparable sales, I am asking you to set the value at $617,750. In examining the comparable sales in Gunnison County in the last five years, it appears that the only true comp that can be used (since there are none in the CB South commercial district) is R001669 on 200 N. Spruce St.. The reason this is a great comp is because it is a private school, and so is my property. This comp used a price per square foot of $189.96 to come up with a $700,000 value. When using this figure and my square footage of 3252 sq. feet, I come up with a more reasonable value of $617,750, still 227% of what it was. That requested value is consistent with my recent appraisal figure as well, and is a much more realistic value for our current real estate market.

I recently received an appraisal on my property for a refinance, and my property came in at $570,000. It is absolutely preposterous to value my property at $936,540 after an appraisal effective 8/23/16 that said my value was $570,000. I agree that the $570,000 is slightly low, which is why using the comp of a private school in the county is a better use of determining value and making it a more realistic value for the purpose of resale.

CBOE #09

EXHIBIT A
Page 2 of 2

Please reduce my valuation to $617,750 based on my recent appraisal and commercial comps in the county.

Thank you for your consideration.

Sincerely,

Jessica Rutherford, owner of Little Red Schoolhouse

CBOE #09

EXHIBIT 13
Page 1 of 1

2017 REAPPRAISAL
GUNNISON COUNTY
COMMERCIAL IMPROVED SALES

SALES STUDY PERIOD:
JULY 1, 2011 - JUNE 30, 2016

								INVENTORY AT TIME OF SALE					
ACCOUNT	SALE DATE	ADJUSTED SALE PRICE	TASP	TOTAL FINISHED SQ FT	PRICE PER SQ FT	ADDRESS	NEIGHBORHOOD	ABOVE GRADE SQ FT	OTHER SQ FT	CONSTRUCTION QUALITY	BUILDING CONDITION	EFFECTIVE YEAR BUILT	TYPE OF USE
R010078	2/28/2012	$1,444,500	**$1,714,145**	3,685	$465.17	194 COUNTY ROAD 11	310010: ECON 1 COMMERCIAL LAND STUDY	2,725		Low	Average	1976	Lodge
R010078 2nd improvement:								960		Low	Average	1982	Bath House
R010205	6/20/2014	$80,000	**$80,000**	8,895	$8.99	44 COUNTY ROAD 51	310010: ECON 1 COMMERCIAL LAND STUDY	3,723	5,172-FINISHED BASEMENT	Fair	Below Average	1990	Health Club
R010172	12/29/2014	$1,400,000	**$1,400,000**	2,470	$566.80	1445 STATE HWY 135	310010: ECON 1 COMMERCIAL LAND STUDY	1,235		Fair	Below Average	1979	Office
R010172 Residential Portion:								1,235		Fair	Below Average	1979	Single Family Residence
R010552	11/12/2013	$323,000	**$338,074**	6,729	$50.24	37610 US HWY 50	310011: ECON 1 WEST OF GUNNISON	6,729		Average	Average	1985	Restaurant
R007996	4/29/2013	$655,000	**$716,131**	30,337	$23.61	41883 US HWY 50	310080: ECON 1 RES/COMM LAND STUDY	22,936		Average	Average	1984	Motel
R007996 2nd Improvement:								4,525		Average	Average	1970	Restaurant
R007996 Residential Portion:								2,263	613-FINISHED BASEMENT 1,230-GARAGE	Average	Average	1987	Single Family Residence
R071039	11/19/2012	$240,000	**$270,401**	4,980	$54.30	1198 US HWY 50	310140: ISLAND ACRES COMMERCIAL	3,541		Average	Fair	1971	Motel
R0071039 Residential Portion:								1,439		Average	Good	1993	Manufactured Home
R002201	9/4/2015	$235,000	**$235,000**	2,125	$110.59	413 W NEW YORK	311100: COMMERCIAL IN RESIDENTIAL	2,125		Fair	Below Average	1979	Workshop/Garage
R001615	6/30/2016	$211,750	**$211,750**	1,200	$176.46	116 N TATLOR ST	311100: COMMERCIAL IN RESIDENTIAL	1,200		Average	Average	1982	Office
R001523	10/3/2012	$120,000	**$136,000**	477	$285.12	827 N MAIN ST	311210: COMMERCIAL HWY 135	477		Average	Average	1995	Drive-up Bank
R001700	9/26/2014	$410,100	**$410,100**	4,200	$97.64	700 N MAIN ST	311210: COMMERCIAL HWY 135	4,200	1,152-CANOPY	Fair	Average	1680	Laundromat/Convenience Store/Office
R001521	9/4/2015	$800,000	**$800,000**	5,400	$148.15	811 N MAIN St	311210: COMMERCIAL HWY 135	5,400		Low	Average	1993	Retail/Storage
R002181	12/7/2012	$150,000	**$168,000**	3,120	$53.85	115 S 12TH ST	311220: COMMERCIAL OFF HWY	3,120		Fair	Below Average	1973	Service Garage
R040191	10/14/2014	$250,000	**$250,000**	4,065	$61.50	808 W NEW YORK AVE	311220: COMMERCIAL OFF HWY	4,065		Average	Average	1999	Warehouse
R001669	10/28/2015	$700,000	**$700,000**	3,685	$189.96	200 N SPRUCE ST	311220: COMMERCIAL OFF HWY	3,685		Average	Average	1980	Private School *
R071759	5/5/2016	$75,000	**$75,000**	252	$297.62	100 BLOCK N TELLER ST	311220: COMMERCIAL OFF HWY	252		Fair	Average	1973	Mini-Golf Shack
R001582	5/26/2016	$368,000	**$368,000**	2,700	$136.30	211 N IOWA ST	311220: COMMERCIAL OFF HWY	2,700	309-UNFIN BASEMENT	Average	Average	1957	Office/Storage

CBOE #09

EXHIBIT C
Page 1 of 4

Appraisal Report

49 Gillaspey Avenue
Crested Butte, CO 81224

Prepared For:
The Gunnison Bank and Trust Company
232 West Tomichi
Gunnison, Colorado 81230-0119

Effective Date:
August 23, 2016

I will send you the rest of this appraisal electronically if you call with an email.
970-349-0496

EastWest ECONOMETRICS

EAST WEST ECONOMETRICS FILE #16150

CBOE #09

EastWest ECONOMETRICS

EXHIBIT C
Page 2 of 4

September 7, 2016

Ms. Sarah Kosin
Credit Administration Officer
The Gunnison Bank and Trust Company
232 West Tomichi
Gunnison, Colorado 81230

RE: Appraisal Report
49 Gillaspey Avenue
Crested Butte, CO 81224
East West Econometrics File #16150

Dear Ms. Kosin:

In fulfillment of our agreement as outlined in the Letter of Engagement, East West Econometrics LLC (East West) is pleased to transmit our appraisal, based on the scope of work of this assignment developing an opinion of the "as is" market in the above referenced real property as of August 23, 2016. The opinion of value reported below is qualified by certain assumptions, limiting conditions, certifications, and definitions, which are set forth in the report.

The appraisal will be used by The Gunnison Bank and Trust Company (client). The function or use of the appraisal shall be for regulatory requirements or for this client's internal needs to establish value. You, as the client, are responsible for reading this report in its entirety. It may not be distributed to or relied upon by other persons or entities without written permission of East West. However, the client may provide complete, final copies of the appraisal report in its entirety (but not component parts) to third parties who shall review such reports in connection with loan underwriting or securitization efforts. As part of this assignment, the appraiser may be asked to provide testimony as part of the litigation. The appraisers are not required to explain or testify as to appraisal results other than to respond to the client for routine and customary questions.

Please note that our consent to allow an appraisal report prepared by East West, or portions of such report, to become part of or be referenced in any public offering, the granting of such consent will be at our sole discretion and, if given, will be on condition that we will be provided with an Indemnification Agreement and/or Non-Reliance letter, in a form and content satisfactory to us, by a party satisfactory to us. We do consent to your submission of the reports to rating agencies, loan participants or your auditors in its entirety (but not component parts) without the need to provide us with an Indemnification Agreement and/or Non-Reliance letter.

P.O. Box 127
Louviers, CO 80131
Phone: 719-687-6533
Fax: 720-306-4392
eastwesteconometrics.com

EastWest ECONOMETRICS

The following appraisal sets forth the most pertinent data gathered, the techniques employed and the reasoning leading to the opinion of value. The analysis, opinions and conclusions were developed based on, and this report has been prepared in conformance with, our interpretation of the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), 2010 Interagency Appraisal Guidelines, Title XI Regulations and client's appraisal standards.

Based on the analysis contained in the following report, the value of the subject property is concluded as follows:

MARKET VALUE CONCLUSION

Appraisal Premise	***Interest Appraised***	***Effective Date***	***Value Conclusion***
As Is	**Fee Simple Estate**	**August 23, 2016**	**$570,000**

The analysis contained in this appraisal is based upon assumptions and estimates that are subject to uncertainty and variation. These estimates are often based on data obtained in interviews with third parties, and such data are not always completely reliable. In addition, we make assumptions as to future behavior of consumers, and the general economy, which are highly uncertain. It is, however, inevitable that some assumptions will not materialize and that unanticipated events may occur which will cause actual achieved operating results to differ from the financial analyses contained in this report, and these differences may be material. Therefore, while our analysis was conscientiously prepared on the basis of our experience, and the data available, we make no warranty of any kind that the conclusions presented will, in fact, be achieved. Additionally, we have not been engaged to evaluate the effectiveness of management, and we are not responsible for future marketing efforts, and other management actions upon which actual results may depend.

We take no responsibility for any events, conditions, or circumstances affecting the market that exists subsequent to the effective date of this appraisal. This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits, and addenda.

It has been a pleasure to assist you in this assignment. If you have any questions concerning the analysis or if East West can be of further service, please contact us.

P.O. Box 127
Louviers, CO 80131
Phone: 719-687-6533
Fax: 720-306-4392
eastwesteconometrics.com

CBOE #09

EXHIBIT C
Page 4 of 4

EastWest ECONOMETRICS

Respectfully submitted,

EAST WEST ECONOMETRICS LLC

James M. Bittel
Managing Member
jamesbittel@eastwesteconometrics.com
Colorado Certified General
Appraiser #CG01315404

Thomas O. Mead
Commercial Appraiser
tmead@eastwesteconometrics.com
Colorado Certified General
Appraiser #CG40022647

Gmail

Jessica Rutherford <lilredschoolhouse1@gmail.com>

new valuation

1 message

Jessica Rutherford <lilredschoolhouse1@gmail.com> Fri, Aug 25, 2017 at 11:34 AM
To: bblackett@gunnisoncounty.org

Hi!
Thanks for visiting my school today.
In looking at my files, I can only find the loan documents for each loan, which gives you and I an idea of what was spent on each renovation time for the business. If I need to move forward with protesting further, which I hope I don't, I can meet with the bank to get more documents for my case. Or if you need more now, I can do that too.
Thank you!

The land was a $70,000 loan 5/1/01
On 4/30/01 we closed on a building loan for Little Red for $212,823 which included $25,000 worth of supplies and equipment.
On 9/15/03 I refinanced and paid off $60,000 to 2 people who lent us money for the downpayment on the loan. Total loan was for $280.196.50

In 2005, Region 10 lent me $70,000 to finish the upstairs construction. That was for supplies as well, and the existing space was there, so it was for drywall, etc to finish it.

7/3/08 I got another loan for $135,269 which was the cost for Teeny Red minus $10,000 in supplies and furniture.

TOTAL COST OF PROJECT:
$70,000 land
$373,092 buildings
Total- **$443,192.00**

Thank for your time in this matter!
Jessica Rutherford

--
Jessica Rutherford
Director, Little Red Schoolhouse
49 Gillaspey Ave.
Crested Butte, CO 81224
970-349-0996
crestedbuttelittlered.com

Appraisal Report

49 Gillaspey Avenue
Crested Butte, CO 81224

Prepared For:
The Gunnison Bank and Trust Company
232 West Tomichi
Gunnison, Colorado 81230-0119

Effective Date:
August 23, 2016

EastWest ECONOMETRICS

EAST WEST ECONOMETRICS FILE #16150

September 7, 2016

Ms. Sarah Kosin
Credit Administration Officer
The Gunnison Bank and Trust Company
232 West Tomichi
Gunnison, Colorado 81230

RE: Appraisal Report
49 Gillaspey Avenue
Crested Butte, CO 81224
East West Econometrics File #16150

Dear Ms. Kosin:

In fulfillment of our agreement as outlined in the Letter of Engagement, East West Econometrics LLC (East West) is pleased to transmit our appraisal, based on the scope of work of this assignment developing an opinion of the "as is" market in the above referenced real property as of August 23, 2016. The opinion of value reported below is qualified by certain assumptions, limiting conditions, certifications, and definitions, which are set forth in the report.

The appraisal will be used by The Gunnison Bank and Trust Company (client). The function or use of the appraisal shall be for regulatory requirements or for this client's internal needs to establish value. You, as the client, are responsible for reading this report in its entirety. It may not be distributed to or relied upon by other persons or entities without written permission of East West. However, the client may provide complete, final copies of the appraisal report in its entirety (but not component parts) to third parties who shall review such reports in connection with loan underwriting or securitization efforts. As part of this assignment, the appraiser may be asked to provide testimony as part of the litigation. The appraisers are not required to explain or testify as to appraisal results other than to respond to the client for routine and customary questions.

Please note that our consent to allow an appraisal report prepared by East West, or portions of such report, to become part of or be referenced in any public offering, the granting of such consent will be at our sole discretion and, if given, will be on condition that we will be provided with an Indemnification Agreement and/or Non-Reliance letter, in a form and content satisfactory to us, by a party satisfactory to us. We do consent to your submission of the reports to rating agencies, loan participants or your auditors in its entirety (but not component parts) without the need to provide us with an Indemnification Agreement and/or Non-Reliance letter.

P.O. Box 127
Louviers, CO 80131
Phone: 719-687-6533
Fax: 720-306-4392
eastwesteconometrics.com

The following appraisal sets forth the most pertinent data gathered, the techniques employed and the reasoning leading to the opinion of value. The analysis, opinions and conclusions were developed based on, and this report has been prepared in conformance with, our interpretation of the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), 2010 Interagency Appraisal Guidelines, Title XI Regulations and client's appraisal standards.

Based on the analysis contained in the following report, the value of the subject property is concluded as follows:

MARKET VALUE CONCLUSION

Appraisal Premise	***Interest Appraised***	***Effective Date***	***Value Conclusion***
As Is	**Fee Simple Estate**	**August 23, 2016**	**$570,000**

The analysis contained in this appraisal is based upon assumptions and estimates that are subject to uncertainty and variation. These estimates are often based on data obtained in interviews with third parties, and such data are not always completely reliable. In addition, we make assumptions as to future behavior of consumers, and the general economy, which are highly uncertain. It is, however, inevitable that some assumptions will not materialize and that unanticipated events may occur which will cause actual achieved operating results to differ from the financial analyses contained in this report, and these differences may be material. Therefore, while our analysis was conscientiously prepared on the basis of our experience, and the data available, we make no warranty of any kind that the conclusions presented will, in fact, be achieved. Additionally, we have not been engaged to evaluate the effectiveness of management, and we are not responsible for future marketing efforts, and other management actions upon which actual results may depend.

We take no responsibility for any events, conditions, or circumstances affecting the market that exists subsequent to the effective date of this appraisal. This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits, and addenda.

It has been a pleasure to assist you in this assignment. If you have any questions concerning the analysis or if East West can be of further service, please contact us.

Respectfully submitted,

EAST WEST ECONOMETRICS LLC

James M. Bittel
Managing Member
jamesbittel@eastwesteconometrics.com
Colorado Certified General
Appraiser #CG01315404

Thomas O. Mead
Commercial Appraiser
tmead@eastwesteconometrics.com
Colorado Certified General
Appraiser #CG40022647

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- Appraisers' Qualifications
- Engagement Letter

CERTIFICATION

The undersigned do hereby certify that, to the best of our knowledge and belief:

- the statements of fact contained in this report are true and correct.

- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial and unbiased professional analyses, opinions, and conclusions.

- we have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved.

- we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

- our engagement in this assignment was not contingent upon developing or reporting predetermined results.

- our 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.

- The reported analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the *Uniform Standards of Professional Appraisal Practice*.

- Thomas O. Mead has made a personal inspection of the property that is the subject of this report. James M. Bittel did not inspect the subject property. Lauren E. Mead, Appraiser Trainee, assisted with the site inspection and with gathering market data, writing the local and site, and improvement descriptions. No one provided significant real property appraisal assistance or appraisal consulting assistance to the persons signing this certification.

- the appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

- Thomas O. Mead, and James M. Bittel 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 (3) years period immediately preceding acceptance of this assignment.

- that as of the effective date of this report, all appraisers involved with the preparation and reporting of this assignment are in good standing with the Colorado State Board of Real Estate Appraisers.

EAST WEST ECONOMETRICS LLC

James M. Bittel
Managing Member
jamesbittel@eastwesteconometrics.com
Colorado Certified General
Appraiser #CG01315404

Thomas O. Mead
Commercial Appraiser
tmead@eastwesteconometrics.com
Colorado Certified General
Appraiser #CG40022647

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Location:	Southwest side of Gillaspey Avenue approximately 150 feet north of Elcho Avenue, South Crested Butte, Gunnison County, State of Colorado.
Street Address:	49 Gillaspey Avenue, Crested Butte, CO 81224
Descriptive Data:	
Property Type:	Day Care/ School
Year Built:	Building 1: 2001 Building 2: 2009
Building Area:	Building 1: 2,256 square feet Building 2: 996 square feet Total: 3,252 square feet
Levels:	Building 1: Two levels Building 2: One Level
Parking:	The subject has adequate area parking located immediately east of the subject and across Gillaspey Avenue
Land Area:	0.350 acres or 15,246 square feet
Land to Building Ratio:	4.6:1.0
Zoning:	Special Review by the Owner's Association for the Crested Butte South Property Owners Association
Parcel No.:	3257-272-04-061
Account No.:	R041460
Interest Appraised:	Fee Simple Estate
Date of Value:	August 23, 2016
Date of Inspection:	August 23, 2016

Ownership:	The subject's current owner, JR & JL Landowners LLC acquired the property on May 2, 2001 for $70,000 as vacant land. The owner subsequently built the current improvements. The subject has not transferred ownership in the previous three years.
Occupancy:	The subject is occupied by Little Red Schoolhouse and functions as a daycare/ school.
Legal Description:	Lot 38, Block 5, Crested Butte South Filing 2 #510385, Crested Butte, County of Gunnison, State of Colorado 81224.
Highest and Best Use:	
If Vacant:	Hold for future development or upon demand by a user.
As Improved:	As is currently exists, daycare and school.

PARAMETERS OF THE APPRAISAL

This appraisal report, the letter of transmittal, and the certification of value, are made expressly subject to the following assumptions and limiting conditions, as well as any hypothetical conditions and extraordinary assumptions referenced in the appraisal:

GENERAL ASSUMPTIONS

1. Legal and Title Considerations Pertaining to the Property

   - No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.

   - The subject property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.

2. Illustrative Material and Information Provided by Others

   - The appraiser(s) assumes that the intended user of this report has been provided with copies of available building plans and all leases and amendment, if any, that encumber the property.

   - Currently there are no standards for the uniform measurement of improved properties. The appraiser(s) has utilized standard appraisal procedures common in the local market area to determine the total improved areas of the subject, and has used those results for the sole purpose of completing the appraisal assignment. Please note this does NOT constitute a guarantee as to the accuracy of these measurements, except as they pertain to typical appraisal procedures for obtaining such measurements. The intended user of this report is advised to consult with an architect or other professional to insure the accuracy of building measurements for engineering, legal or other non-appraisal purposes.

   - The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

   - All engineering studies and architectural plans are assumed to be correct. The plot plans and illustrative material in this

report are included only to help the reader visualize the subject property.

3. Property Utilization

   - Responsible ownership and competent property management are assumed.

   - It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.

   - It is assumed that the subject property is in full compliance with all applicable federal, state, and local environmental regulations and laws, along with applicable covenants, conditions and restrictions unless the lack of compliance is stated, described, and considered in the appraisal report.

4. Scope of the Inspection, Property Conditions

   - Only a visual surface inspection of the property has been made by the appraiser(s). It is assumed that there are no hidden or unapparent conditions of the subject property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining engineering studies that may be required to discover them.

   - It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless non-conformity has been identified, described, and considered in the appraisal report.

   - It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national governments or private entity or organization have been or can be obtained or renewed for any use on which the opinion of the value contained in this report is based.

   - Nothing in this report should be deemed a certification or guaranty as to the structural and/or mechanical soundness of the building(s) and systems that relate to the functions and operations of the property. Rather the appraisal assumes

functions, operations, and energy efficiency levels are satisfactory and consistent with the age of the property, unless otherwise noted. The intended user is urged to retain experts in analysis of such systems, if desired.

5. Appraisals Made Subject to Completion

   – On all appraisals subject to satisfactory completions, repairs, or alterations, the appraisal report and value conclusion are contingent upon completion of the improvements according to specifications and as stated in the report, and in compliance with all laws, regulations and other restrictions, in a workmanlike manner, and without delay. Represented designs and engineering are assumed to be correct and adequate.

6. Environmental Disclaimer

   – Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser(s). The appraiser(s), however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, toxic mold, and other potentially hazardous materials may affect the value of the property. The value concluded in this appraisal is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this field, if desired.

7. Market Data Presented

   – The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to change with future conditions.

LIMITING CONDITIONS

1. Allocation of Value

   - Any allocation of the total values concluded in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunctions with any other appraisal and are invalid if so used.

   - Any opinions of value provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the opinion of value, unless such proration or division of interests has been set forth in the report.

2. Possession, Confidentiality, Distribution and Use of Report

   - Possession of this report, or a copy thereof, does not carry with it the right of publication.

   - Information contained in the appraisal may be utilized by the intended user, but the report remains the property of East West.

   - This report shall not be used by anyone but the intended user specified in the report or an appropriate third party as may be determined by the intended user at his/her sole discretion, without written approval, and then only in its entirety.

   - Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or East West) shall be disseminated to the public through advertising, public relations, news, sales or other media without the prior written consent and approval of the Managing Director of East West Econometrics.

   - All conclusions and opinions concerning the analysis which are set forth in the report were prepared by the appraisers whose signatures appear on the appraisal report. No change of any item in the report shall be made by anyone other than the appraisers, and East West Econometrics shall have no responsibility if any such unauthorized change is made.

3. Limitations of the Appraisal Services

   - The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or be in attendance in court with reference to the subject property in question unless arrangements have been previously made.

   - Opinions of value contained in this report are the professional opinions of the appraiser(s). There is no guarantee, written or implied, that the subject property will sell or lease for the indicated amounts within the indicated time frame.

   - Acceptance and use of information in this report in any manner or purpose is acknowledgement that the entire report has been read by the intended user and that he/she agrees with the conclusion and the data contained in this report.

   - The intended user agrees to notify the appraiser(s) of any error, omissions or invalid data **within 30 days** of receipt of the appraisal and return the report along with all copies to the appraiser(s) for correction prior to any use whatsoever.

4. Auxiliary Reports and Related Data by Others

   - Unless stated otherwise, no auxiliary studies or reports related to the subject property, such as surveys, environmental impact reports, special market studies, highest and best use reports, feasibility analysis, or reports regarding modifications to the property for either compliance with the Americans with Disabilities Act, structural, or other reasons, have been furnished or reported to the appraiser(s) by the intended user. Data presented with respect to the subject's ownership, marketing, and income history is made available through the intended user, the borrower, or related parties. Provision of such auxiliary data, or the discovery of same by the appraiser(s), is beyond the scope of the appraisal services contracted. The appraiser(s) reserves the unlimited right to alter, amend, revise or rescind any of the statements, findings, opinions, values, estimates, or conclusions upon any discovery or provision of such data or analysis, subsequent to it becoming known to the appraiser(s).

5. Limitations Related to the Definition of Value

The value concluded under the specified value definition is "the most probable price which a property should bring."

As a point of clarification, the definition of value represents what a prudent, knowledgeable purchaser, under no necessity to buy would be willing to pay to purchase the property in a current sale. By this, value is representative of the price paid by the buyer, not the net proceeds to the seller. That is, the value does not consider payment of current sales commissions, title policy fees, legal fees, liens, past due taxes, or other disposition costs.

6. Americans with Disabilities Act Compliance

The Americans with Disabilities Act (ADA) became effective January 26, 1992. We are not experts in this area, and have appraised this project as if it does comply with ADA.

SCOPE OF WORK[1]

The appraiser has been assigned by the client to develop an opinion of the subject's value, based on the current "as is" of the subject as of August 23, 2016. The subject consists of a property that is owner occupied. Therefore, we have appraised the fee simple interest in the subject.

A determination was made regarding the scope of work necessary to solve the client's appraisal problem. The client has requested the single best approach to value the subject. We will appraise the subject using the sales comparison approach. The sales comparison approach is the most current indicator of values in this small market. Using only this approach is not misleading and we agree with the client on the use of a single approach to value. The appraisal was developed in accordance with Standard 1 (Real Property Appraisal, Development) and in a narrative report format prepared in accordance with USPAP Standard 2 (Real Property Appraisal, Reporting), effectively demonstrating our analysis to derive the valuation conclusion.

Intended Use:

[1] Scope of Work - The type and extent of research and analyses in an assignment. *2016/2017 USPAP*

The intended use of the appraisal shall be for regulatory requirements and/or for The Gunnison Bank and Trust Company's internal needs to establish value for using the subject as loan collateral.

Intended User:
The intended user of this report is the client, The Gunnison Bank and Trust Company.

Property Rights Appraised:
Based on the scope of the appraisal assignment, the fee simple property interest was appraised for the subject.

The **fee simple** interest is defined as follows:

> Fee Simple - Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.
> *(Dictionary of Real Estate, Fourth Edition)*

Value Opinion:
Based on the scope of the appraisal assignment a "market value" opinion was developed.

"Market value," as used in this report, is defined as:

> 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 and knowledgeably, and assuming the price is not affected by undue stimulus.

Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and Seller are typically motivated;

2. Both parties are well informed or well advised, and acting in what they consider their best interests;

3. A reasonable time is allowed for exposure in the open market;

4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

5. 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.

Source: "(12 C.F.R. Part 34.42(g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994); Appraisal Institute, *The Dictionary of Real Estate Appraisal, Fourth Edition,* (Chicago, 2002) Page 177"

Note that the valuation makes no reduction for commission on sale, unpaid taxes, or liens against the property.

Effective Date of Value:
The effective date of this appraisal analysis is August 23, 2016.

In determining the valuation of the property, we will consider the value under conditions as of the effective date. Establishing the effective date of the appraisal is standard appraisal practice, and it is important to consider because value is subject to change over time. Aside from possible physical changes to the property, the value of real estate is also subject to changing economic conditions, under which value may remain static, increase, or decrease. Additionally, changing policies of governing authorities may impede or encourage development over time.

Inspecting Appraiser:
Thomas O. Mead made the inspection of the subject on August 23, 2016. This is the effective date of the appraisal.

Extent of Inspection:
The inspecting appraisers performed an exterior and interior inspection of the subject. We also observed other properties and land uses in the subject area, as well as linkages to traffic routes.

Property Documents Received:
We obtained information regarding the subject property from the owner.

Market Analysis:
Information was collected from county officials, commercial vendor data, CoStar, Loopnet, appraisal file data, and parties involved in the subject. This information was then used to develop the highest and best use analysis, and the applicable approaches to value.

The State of Colorado does not require disclosure of sales prices, the terms of sale, or mortgage details in public records. Moreover, privacy legislation precludes

lenders from revealing the mortgage terms without the written permission of the borrower. The appraisers have accumulated the market data contained in this report over a period of several years, from a variety of sources that are believed to be reliable.

Highest and Best Use:
The highest and best use was determined "as vacant" and "as improved." Under the scope of work assignment, the subject was appraised to its highest and best use, as improved.

Hypothetical Conditions:
According to Advisory Opinion 17 of the Uniform Standards of Professional Appraisal Practice (USPAP), the use of a hypothetical condition is required whenever the following conditions apply:

1. **IF** the subject "as proposed" does not yet, in fact, exist as of the date of this appraisal.

2. **IF** the "as proposed" analysis performed to develop the opinion of value are based on a hypothesis, *specifically that the improved subject property is assumed to exist when in fact it does not exist*.

3. **IF** certain events need to occur, as disclosed in the report, before the property appraised with the proposed improvements will in fact exist.

4. **IF** the appraisal does not address unforeseeable events that could alter the proposed property improvements and/or the market conditions reflected in the analyses.

There were no hypothetical conditions.

Extraordinary Assumptions:
An extraordinary assumption presumes as fact otherwise uncertain information about the subject, and includes the following:

- Physical, legal, or economic attributes of the subject property
- Conditions external to the subject, such as market conditions or trends
- Integrity of the data used in this appraisal

There were no extraordinary conditions.

Approaches to Value:

Under the scope of work assignment, the following approach to value will be considered and used in this appraisal:

Approach	Used
Cost Approach	No
Income Approach	No
Sales Comparison Approach	Yes

Cost Approach
The Cost Approach is considered not applicable given the age of the subject, the limited number of recent commercial land sales, and because investors for similar properties are not using this approach at the present time.

Sales Comparison Approach
We discovered sales of properties generally similar to the subject. The sales comparison approach was used in the appraisal analysis and is considered applicable.

Income Approach
In the small, limited market of Crested Butte, we believe the market would rely to a greater extent on the sales comparison approach when making decisions regarding the subject property.

Reconciliation
We then concluded a final value for the subject.

NATIONAL, STATE, AND REGIONAL MARKET ANALYSIS

We will consider the subject in terms of the national, state and regional markets in which it exists.

NATIONAL

Many fundamentals in the economy have improved. The housing market has begun to recover, and is expected to drive growth over the coming year. Banks have rebuilt their balance sheets, businesses have become more efficient and productive, and households have shed debt. However, uncertainty still remains, and businesses and households have continued to hold back on spending, hiring, and investment decisions as a result. This year is an election year may have further impact on the economics of the country depending on the presidential and congressional candidates elected in November.

Much of Europe is in recession. There have been developments from political and monetary leaders in the management of the European debt crisis that have been well received by financial markets. On June 23, Britain voted to exit the European Union (EU). The International Monetary Fund (IMF) downgraded its forecast for global economic growth forecast on July 19, due to Britain's vote to leave the EU. The IMF estimates global growth at 3.1 percent for 2016, unchanged from last year's growth, and the slowest since the financial crisis.

Violence continues to erupt in the Middle East and economies worldwide are slowing, including those in China, India, Russia, and Brazil. The economy in the US is expected to continue growing at more moderate levels through the third quarter of 2016 and through the rest of the year. These expectations assume that some of the U.S. fiscal policies set to occur will either be postponed or repealed. Continued economic growth in 2016 is dependent on political resolution in Washington D.C. and steady improvements and resolutions in Europe.

The following information was obtained and extracted from the Trading Economics reports.

Gross Domestic Product

The US economy expanded an annualized 1.1 percent on quarter in the first three months of 2016, higher than a second estimate of 0.8, according to final figures released by the Bureau of Economic Analysis. Consumer spending continued to boost growth although it expanded less than expected while exports and software investment rebounded. GDP Growth Rate in the United States averaged 3.23 percent from 1947 until 2016, reaching an all-time high of 16.90 percent in the first quarter of 1950 and a record low of -10 percent in the first quarter of 1958. GDP Growth Rate in the United States is reported by the US Bureau of Economic Analysis.

Inflation

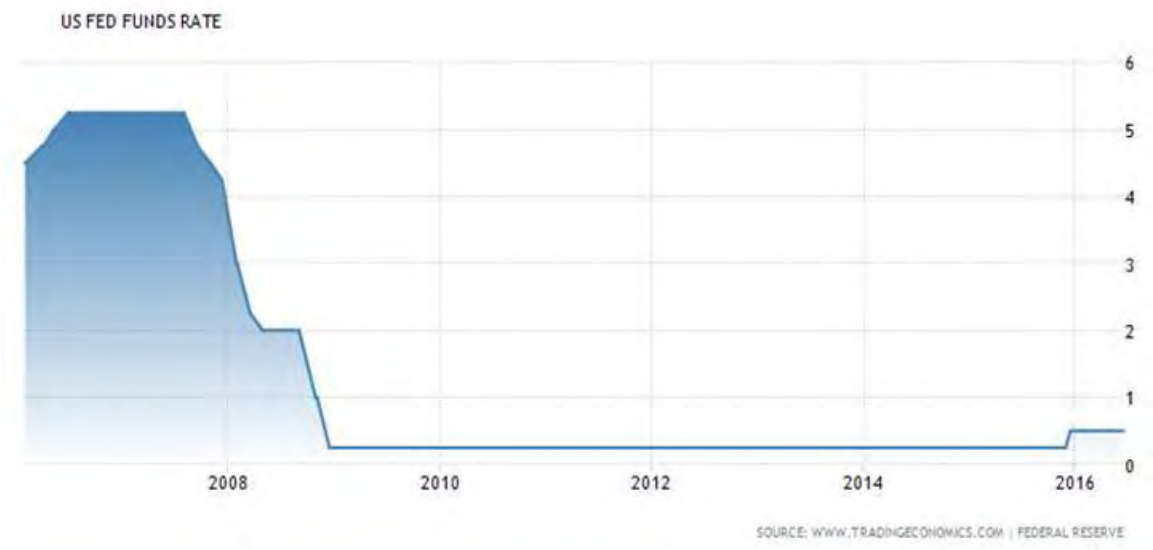
Consumer prices in the United States increased 1 percent year-on-year in June of 2016, the same as the previous month and slightly below market expectations of 1.1 percent rise. Inflation accelerated for shelter and medical care and energy prices fell at a slower pace while food inflation reached the lowest in more than 6 years. The inflation rate in the United States averaged 3.30 percent from 1914 until 2016, reaching a record high of 23.70 percent in June of 1920 and an all-time low of -15.80 percent in June of 1921. Inflation Rate in the United States is reported by the US Bureau of Labor Statistics.

Consumer Price Index

Consumer Price Index CPI in the United States increased to 239.93 Index Points in June of 2016 from 239.41 Index Points in May of 2016. Consumer Price Index CPI in the United States averaged 106.69 Index Points from 1950 until 2016, reaching an all-time high of 239.93 Index Points in June of 2016 and a record low of 23.51 Index Points in January of 1950. Consumer Price Index CPI in the United States is reported by the U.S. Bureau of Labor Statistics.

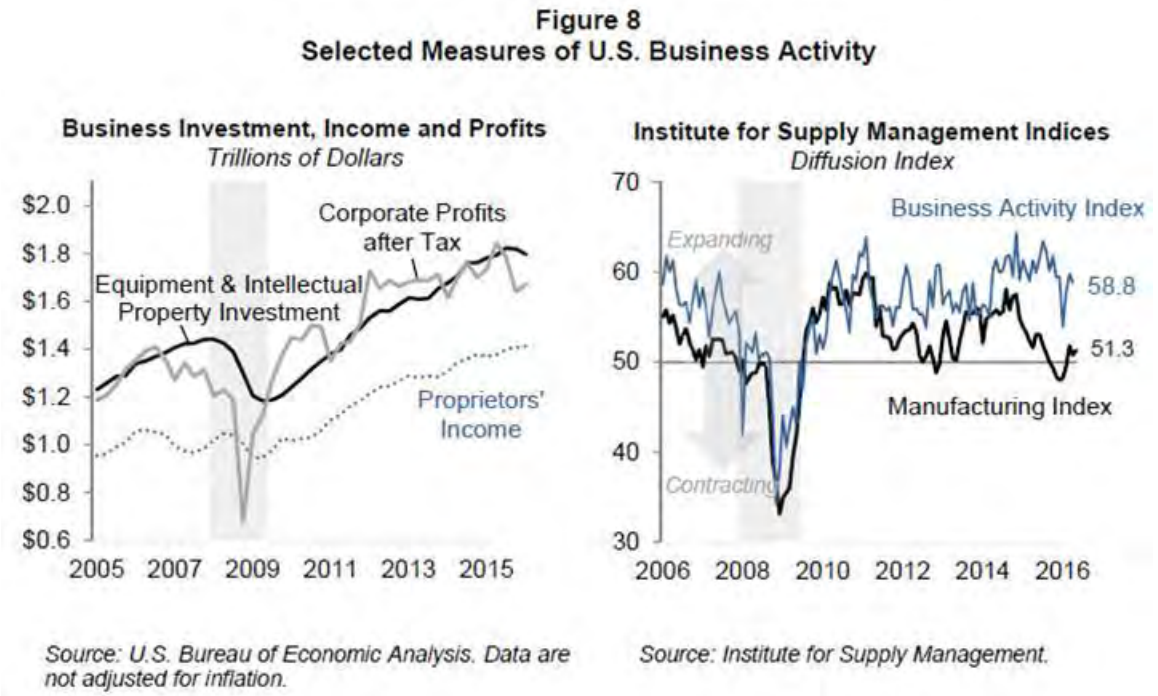
Interest Rates

The Federal Reserve left the target range for its federal funds rate unchanged at 0.25 percent to 0.5 percent for the fourth time during its June 2016 meeting. Yet, future rate assessment suggests policymakers still expect two interest-rate hikes this year. GDP growth forecasts were lowered for 2016 and 2017. Interest Rates in the United States averaged 5.87 percent from 1971 until 2016, reaching an all-time high of 20.00 Percent in March of 1980 and a record low of 0.25 Percent in December of 2008. Interest Rate in the United States is reported by the Federal Reserve. According to Jon Hilsenrath and Michael S. Derby, in an article written in *The Wall Street Journal*, "Federal Reserve officials are looking more confidently toward an interest-rate increase before year-end, possibly as early as September, now that financial markets have stabilized after Britain's vote to leave the European Union and the economy shows signs of picking up… Moreover, the June jobs report was better than expected, putting a September Fed move back on the table."



Business Income and Activity

According to the Colorado Legislative Council June 2016 Economic Forecast, "business income, activity, production and manufacturing orders are often leading indicators of future economic activity. Sustained declines can signal future job losses or an economic contraction. Businesses in most services industries are doing well. The service industries are showing the strongest employment growth and business surveys continue to indicate moderate gains. The industrial production and manufacturing sectors, however, are battling considerable headwinds. Manufacturing and industrial production have softened since the summer of 2015, reflecting a strong US dollar, less global for goods, and a decline in the value of refined oil products."



Business Confidence

The institute for Supply Management's Manufacturing PMI came in at 53.2 in June of 2016, up from 51.3 in May and well above market expectations of 51.4. It is the highest reading since February of 2015 as new orders growth accelerated and employment expanded for the first time since November. Business Confidence in the United States averaged 52.77 from 1948 until 2016, reaching an all-time high of 77.50 in July of 1950 and a record low of 29.40 in May of 1980. Business Confidence in the United States is reported by the Institute for Supply Management.

Consumer Confidence

The University of Michigan's consumer sentiment for the United State came in at 89.5 in July 2016 down from 93.5 in June and well below market expectations of 93.5. It is the lowest reading since April as current conditions worsened, the future outlook reached the lowest since September of 2014 and inflation expectations rose, preliminary figures showed. Consumer Confidence in the Unites States averaged 85.91 from 1952 until 2016, reaching an all-time high of 111.40 in January of 2000 and a record low of 51.70 in May of 1980. Consumer confidence in the United States is reported by the University of Michigan. The Index of Consumer Expectations focuses on three areas: how consumers view prospects for their own financial situation, how they view prospects for the general economy over the near term, and their view of prospects for the economy over the long term.

Unemployment

The US unemployment rate went up to 4.9 percent in June 2016 after falling by 0.3 percentage points to 4.7 percent in the previous month. The figure came in worse than market expectations, as more people entered the labor force. The number of unemployed persons increased by 347,000 to 7.8 million, offsetting declines in May and bringing both measures back in line with levels that had prevailed from August 2015 to April. Unemployment Rate in the US averaged 5.82 percent from 1948 until 2016, reaching an all-time high of 10.80 percent in November of 1982 and a record low of 2.50 percent in May of 1953. Unemployment Rate in the United States is reported by the US Bureau of Labor Statistics. In the United States, the unemployment rate measures the number of people actively looking for a job as a percentage of the labor force.

Conclusion

GDP growth has increased in the second quarter of 2016, and improvements in the labor market continue to increase but at a much reduced pace. Consumer spending and business and household income have slowed. However, the improving housing market is expected to help drive growth throughout 2016 and into 2017. Continued economic growth is dependent on political resolution in Washington D.C. and steady improvements in Europe. Many fundamentals in the economy are much healthier than a few years ago, and the underlying fundamentals should promote growth once uncertainty eases. While credit markets remain tight, banks have rebuilt their balance sheets and appear to be successfully working through bad loans. Households have some pent up demand for large purchases and have reduced debt obligations on their balance sheets. Businesses have also repaired their balance sheets and have reorganized themselves to be more efficient. Both investors and businesses appear ready to take on more risk, once confidence improves.

STATE

This section provides a historical perspective of key Colorado economic indicators, highlighting Colorado's output, income, population, employment, and inflation. The information below has been extracted from the Colorado Legislative Council June 2016 Economic Forecast.

The U.S. and Colorado economies continued to expand at a more moderate rate through the first half of 2016 and is expected to progress at a more modest pace in both Colorado and the US throughout the remainder of 2016 and into 2017. Low unemployment rates and slowing job growth are signaling full employment, which will increase wage pressure. The tourism, services, real estate, and construction sectors continue to grow at healthy rates. Oli prices have reversed their downward trend, relieving some of the pressure on the US energy industry. However, financial markets and indicators of consumer spending point to slower growth. Further, business conditions have softened and manufacturing activity remains weak.

Meanwhile, leading indicators of what is to come, including corporate profits, business investment, business credit markets, and manufacturing activity, have weakened. Slow economic growth has left US monetary policy makers with a delicate balance. Raising interest rates too quickly may slow growth further. Yet, maintaining low rates for an even longer period may distort equity markets and savings patterns, and future pinch financial industry earnings. Much of the weakness in business and manufacturing activity is the result of low commodity prices and a strong dollar, stemming from turbulence in the global economy. Oil prices have reversed their downward trend, relieving some of the pressure on the US energy industry. Yet, weak growth abroad is sapping economic momentum in the US, contributing to a rising risk of recession according to the Colorado Legislative Council June 2016 Economic Forecast.

Slower growth can also be attributed to domestic factors that are reducing the long-run growth rate potential for the US economy, according to the Colorado Legislative Council June 2016 Economic Forecast (CLC). The CLC sites, "the aging population is weighing on labor force participation, pulling down wage growth, and shifting consumption away from goods toward services such as health care. Sluggish growth in US labor productivity is also stunting economic prospects and wage gains. Slow economic growth has left US monetary policy makers with a delicate balance. In spite of many factors slowing growth, the economies of the US and Colorado are expected to continue to expand in 2016 and 2017 at a relatively modest pace.

According to the CLC June 2016 Economic Forecast, the economic growth in Colorado, as measured by nominal (not adjusted for inflation) state GDP, ranked third highest among states in 2014 with 5.7 percent growth rate. In 2015, growth slowed to 3.1 percent, and Colorado's rank fell to 30 among 50 states. This change in

rank is due to the recession in the oil and gas industry. Other energy states, such as Texas, Oklahoma, and North Dakota also experienced significant decreases in rank by worse margins than Colorado.

Colorado oil prices continued to fall through the winter of 2015/2016, reaching a low of just under $24 per barrel in February. Oil prices have increased to just above $40 per barrel through the spring of 2016. Production in Weld County has not yet declined significantly and industry has indicated that the Niobrarra Basin remains one of the safest bets for oil exploration. Weld County is now responsible for over 89 percent of the state's oil production, and average monthly production in the county increased to 8.2 million barrels in 2015.

The impact of the price drop on future drilling activity will depend on the length of time that prices remain low and the degree to which producers can increase drilling efficiency. This forecast assumes that oil prices will rise gradually through the remainder of the forecast period, averaging about $44 per barrel in 2017 and $53 per barrel in 2018.

Regional natural gas prices continued to decline through the winter of 2015/2016. Prices at regional hubs were around $2.20 per Mcf in the first week of December 2015, but fell to about $1.50 per Mcf by the last week in February 2016. Prices are expected to remain relatively stable through the spring and summer months around $2.50 to $2.70. For FY 2015-16, oil and gas severance tax collections are expected to total $72.2 million due to consistently low oil prices and an increase in the ad valorem tax credits taken by operators. Collections will then increase to $92.8 million in FY 2016-17 and $150.1 million in FY 2017-18.

Coal production represents the second largest source of severance taxes in Colorado after oil and natural gas, and is expected to account for $4.3 million in collections in FY 2015-16.

Total coal production in Colorado declined 18.5 percent in 2015 compared with 2014 on a year-over-year basis. This decline was largely due to year-to-date production drops of 34.0 percent and 38.1 percent, respectively, at the Bowie #2 and Foidel Creek mines. Of Colorado's top eight producing mines, two had year-over-year production increases in 2015, while six had production declines of between 6.4 and 38.1 percent. The Elk Creek mine in Gunnison County remains closed, and the Colowyo mine in Moffat County is operating under a modified mining plan in response to a federal district court order.

The mountain and southwest mountain regions are also expanding as building activity has increased in these areas. The production of oil in the northeastern portion of the state slowed in the first half on 2015.

Total taxes on marijuana are expected to generate $131.6 million in FY 2015-16 and $149.8 million in FY 2016-17 (Table 12). Tax collections in the first seven months of the fiscal year have surpassed the full 12 month collections in FY 2014-15, representing continued growth in the regulated marijuana market. The first $40 million in excise tax revenue each year is constitutionally dedicated to school construction, and excise taxes are expected to exceed this threshold by $2.4 million in FY 2016-17.

Growth in marijuana sales are expected to moderate in FY 2016-17 and FY 2017-18 as the market matures. House Bill 15-1367 reduced the sales tax rate from 10 percent to 8 percent starting in FY 2017-18. This results in a $9.0 million reduction in sales tax collections at the end of the forecast period.

The state's 2.9 percent sales tax on medical and retail marijuana is subject to the TABOR spending limit. This revenue is expected to be $29.8 million in FY 2015-16 and $32.9 million in FY 2016-17.

The table below summarizes main Colorado economic indicators and growth trends for the state.

Table 15
Colorado Economic Indicators

						Legislative Council Staff Forecast		
Calendar Years	2011	2012	2013	2014	2015	2016	2017	2018
Population (*Thousands, as of July 1*)[1]	5,119.7	5,191.7	5,272.1	5,355.9	5,456.6	5,551.8	5,649.3	5,762.3
Percent Change	1.4%	1.4%	1.5%	1.6%	1.9%	1.7%	1.8%	2.0%
Nonfarm Employment (*Thousands*)[2]	2,259.0	2,313.2	2,382.3	2,464.7	2,541.7	2,602.7	2,657.4	2,723.8
Percent Change	1.7%	2.4%	3.0%	3.5%	3.1%	2.4%	2.1%	2.5%
Unemployment Rate[2]	8.3	7.8	6.7	4.9	3.8	3.3	3.4	3.7
Personal Income (*Millions*)[3]	$227,052	$240,905	$246,448	$261,735	$275,107	$289,138	$305,619	$323,344
Percent Change	7.4%	6.1%	2.3%	6.2%	5.1%	5.1%	5.7%	5.8%
Wage and Salary Income (*Millions*)[3]	$118,558	$125,014	$129,509	$138,654	$146,397	$154,303	$162,789	$172,882
Percent Change	4.2%	5.4%	3.6%	7.1%	5.6%	5.4%	5.5%	6.2%
Retail Trade Sales* (*Millions*)[4]	$75,548	$80,073	$83,569	$90,653	$94,920	$98,812	$103,357	$108,732
Percent Change	6.8%	6.0%	4.4%	8.5%	4.7%	4.1%	4.6%	5.2%
Housing Permits (*Thousands*)[1]	13.5	23.3	27.5	28.7	31.9	33.8	35.3	37.2
Percent Change	16.5%	72.6%	18.1%	4.3%	11.1%	6.0%	4.5%	5.5%
Nonresidential Building (*Millions*)[5]	$3,923	$3,695	$3,617	$4,312	$4,792	$5,190	$5,424	$5,722
Percent Change	24.7%	-5.8%	-2.1%	19.2%	11.1%	8.3%	4.5%	5.5%
Denver-Boulder-Greeley Inflation[2]	3.7%	1.9%	2.8%	2.8%	1.2%	2.4%	2.4%	2.4%

Sources
[1] *U.S. Census Bureau. Residential housing permits are the number of new single and multi-family housing units permitted for building.*
[2] *Bureau of Labor Statistics. Nonfarm employment estimates include revisions to 2015 data expected by Legislative Council Staff from the Bureau of Labor Statistic's annual re-benchmarking process. Inflation shown as the year-over-year change in the consumer price index for Denver-Boulder-Greeley metro areas.*
[3] *Bureau of Economic Analysis. Personal income and wages and salaries not adjusted for inflation.*
[4] *Colorado Department of Revenue.*
[5] *F.W. Dodge.*

Employment

Employment growth in Colorado has outpaced the nation since early in the recovery. The rate of job gains in Colorado has slowed considerably, however, since energy and other commodity prices began to fall in December 2014. Employment in Colorado increased 3.5 percent in 2014 and 3.1 percent in 2015 over year-ago

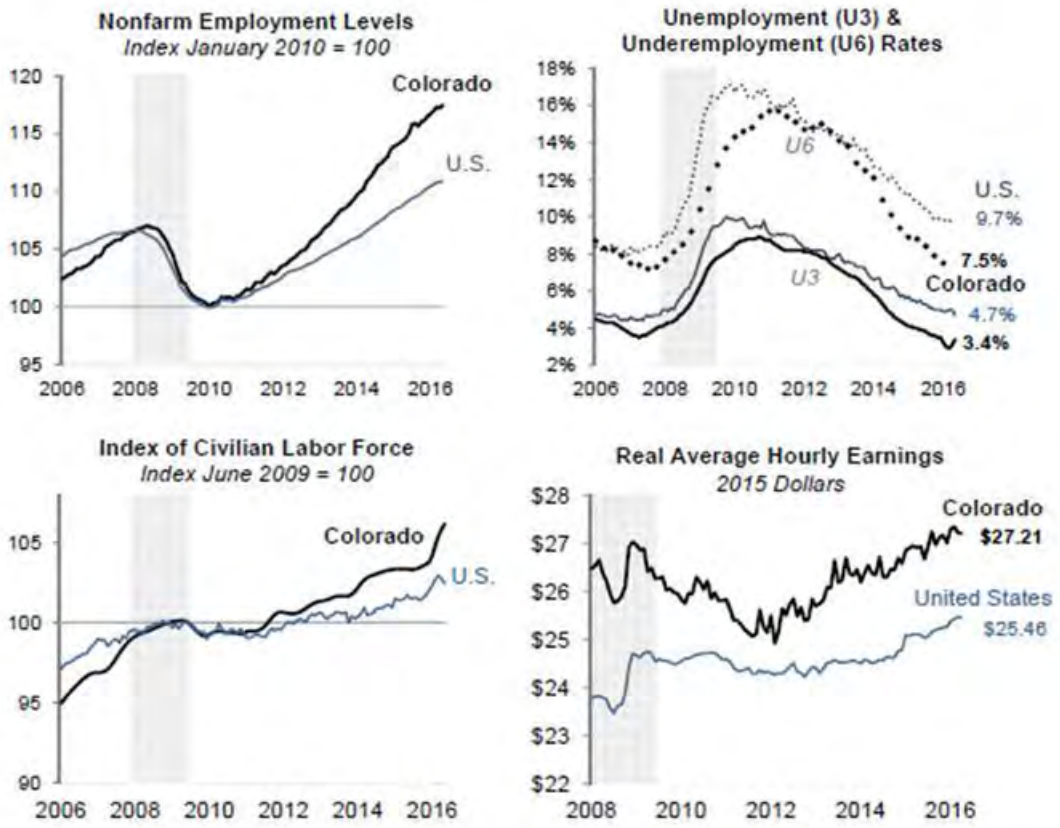
levels. Job growth peaked at 4.0 percent in December 2014 over the same month in 2013. By May, job growth had slowed to 2.5 percent over the same month last year.

Colorado's unemployment rate ticked up in May to 3.4 percent, having fallen to post-recession low of 2.9 percent in March. The increase was accompanied by a surge in Colorado's labor force. Meanwhile, the gap between Colorado's unemployment and underemployment rates has narrowed to a level consistent with full employment. Taken together, these data suggest that Colorado's labor market may be at or close to its natural rate of unemployment, the lowest rate of unemployment that an economy can sustain over the long run without overheating.

Labor mobility, or the ease with which workers change jobs, has also been lower during this expansion than during past expansions. Since workers tend to gain larger pay increases by changing jobs than by remaining with the same employer, a lower rate of labor mobility is presumably depressing wage gains. The aging population is resulting in a younger, less experienced, and cheaper labor pool.

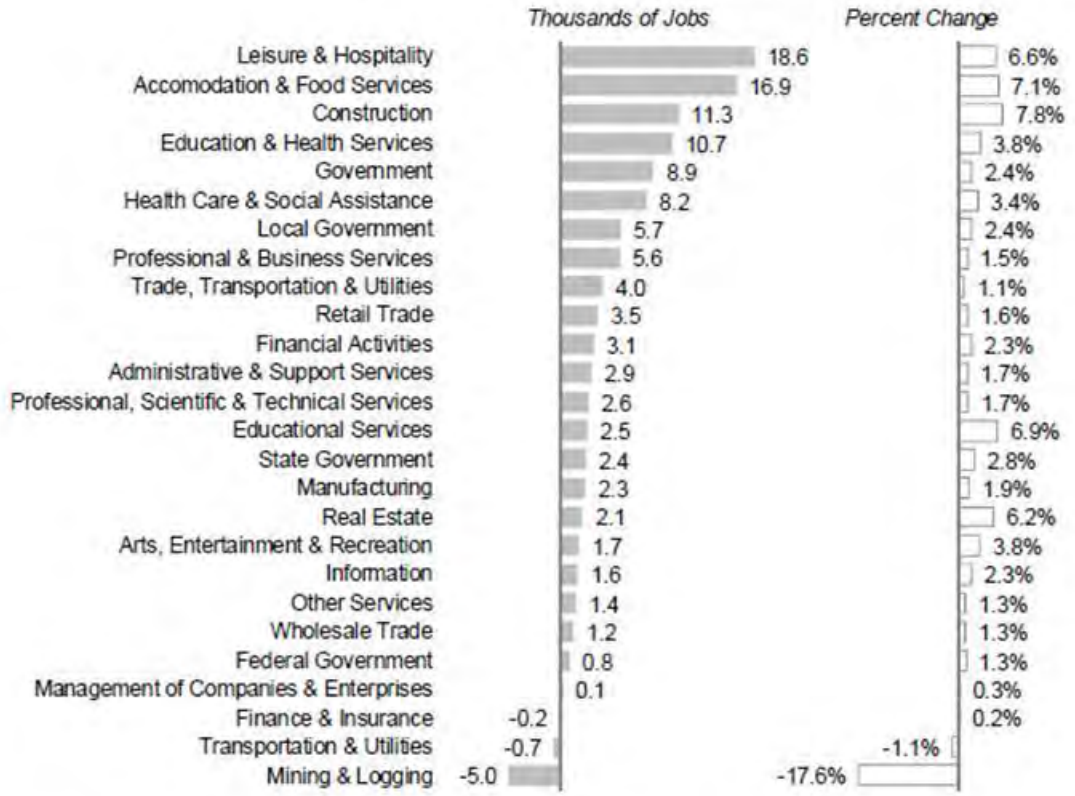
The Colorado Legislative Council Economic Forecast for June 2016 predicts that Colorado will continue to add jobs at a faster rate than the nation throughout the forecast period. Colorado non-farm employment will increase 2.4 percent in 2016 and 2.1 percent in 2017. Nationally, non-farm employment will increase 1.7 percent in 2016 and 1.3 percent in 2017.

Figure 13
Comparison of Colorado and U.S. Labor Markets



Source: U.S. Bureau of Labor Statistics. Underemployment rates for Colorado are shown as four-quarter averages, while data for the U.S. are monthly. Data are seasonally adjusted. Nonfarm employment estimates include revisions expected by Legislative Council Staff from the Bureau of Labor Statistic's annual re-benchmarking process.

Figure 16
Colorado Job Gains and Losses by Industry
Between April 2015 and April 2016



Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted.
Nonfarm employment estimates include revisions expected by Legislative council staff from the Bureau of Labor Statistic's annual re-benchmarking process.

Households and Consumers

Retail trade growth rates continue to expand both nationally and in Colorado. However, retail trade has been slowing nationwide for some time. Colorado retail trade sales have increased 8.5 percent and 4.7 percent in 2014 and 2015. Meanwhile, sales taxes collected by the State of Colorado have been trending downward since April of 2014. This reflects an increasing share of spending on services relative to tangible goods.

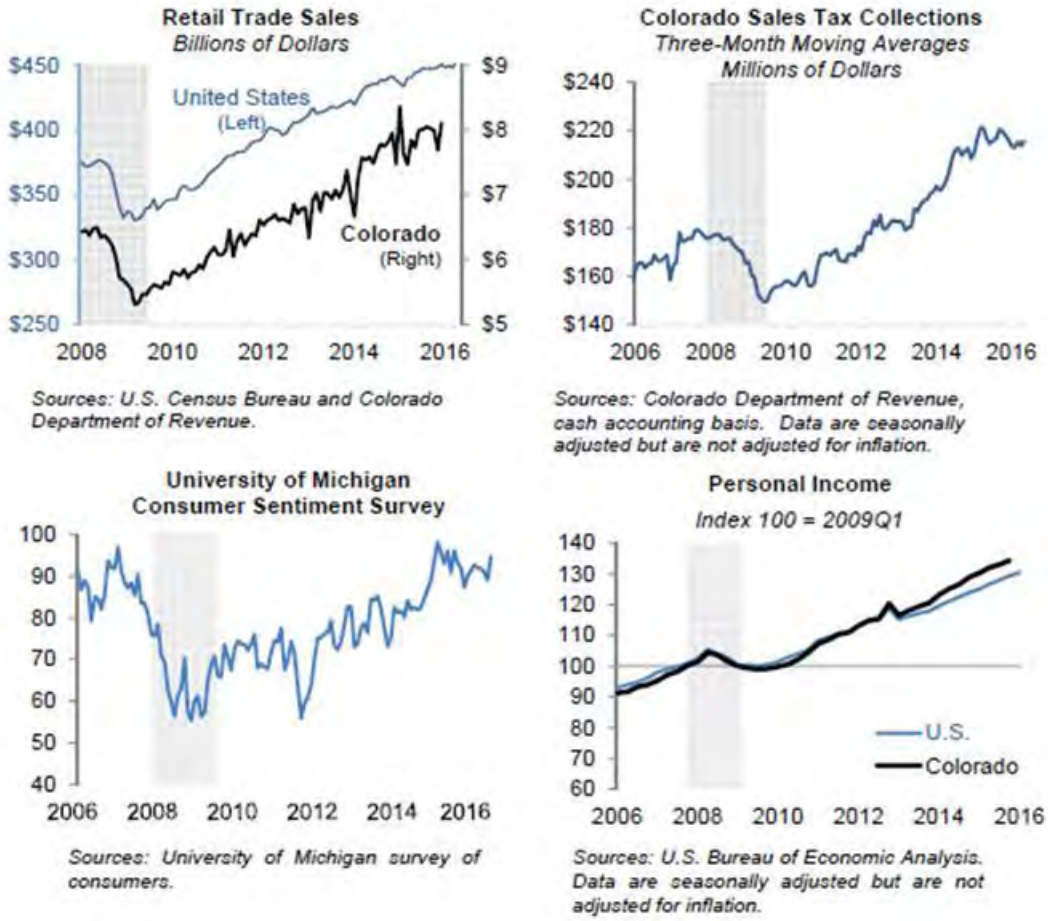
According to the Colorado Legislative Council, consumer sentiment is lower than it was a year ago; however, it remains at levels consistent with economic expansion. Job growth and wage gains have sustained spending. In addition, household balance sheets have improved markedly since the end of the recession, with lower debt burdens, increased wealth, and higher income. Personal income and wages and salaries in Colorado increased 5.1 percent and 5.6 percent, respectively, in 2015. Colorado has been outpacing the nation in personal income growth throughout the expansion. The improvement in household balance sheets has begun to slow and

even reverse, stated the Colorado Legislative Council, Recent volatility in the stock market has diminished the wealth effect for higher income consumers, which has likely had a significant impact on the pace of consumer spending overall. Households are no longer shedding consumer debt, but instead have begun to slowly accumulate debt at rates nearing historical averages. Meanwhile, the increase in the savings rate reflects the slowdown in consumer spending. After record sales in 2015, sagging demand for vehicles is expected to suppress retail trade growth through 2016.

Consumer spending has also been impacted by low prices for commodities, including fuels, agricultural products, and metals.

According to the Colorado Legislative Council, Colorado's personal income is forecast to increase 5.1 percent in 2016 and 5.7 percent in 2017. The largest component of personal income, wages and salaries, is expected to increase 5.4 percent in 2016 and 5.5 percent in 2017 in Colorado. Colorado retail sales will grow 4.1 percent in 2016 and 4.6 percent in 2017. Regional growth is expected to continue to outpace US retail sales.

Figure 17
Selected Indicators of Consumer Spending



Real Estate

The housing market has become a driving force in economic growth in Colorado. Decreasing unemployment, low mortgage interest rates, and a limited inventory of homes for sale are contributing to higher prices and increased construction, and even residential bidding wars in some parts of the state. Boulder, Fort Collins, and the Denver Metropolitan Area are experiencing home prices above pre-recession levels. However, the housing market is not improving at equal rates across the state. Lower housing demand in Southern and Western Colorado have resulted in a less vigorous recovery in housing prices. Pueblo, Colorado Springs and Grand Junction have increased at a slower rate than the Front Range Denver Metropolitan Area and have finally surpassed pre-recession levels.

Nationally, home price appreciation has slowed considerably in 2016, while Colorado home prices continue to rise at a near double-digit pace relative to prices a year ago. Demand for living spaces in the Denver metro area remains strong and supply constraints persist, preserving a market favorable to landlords and home-

owners seeking to sell. Home prices in Denver were still climbing at a near double-digit pace in March 2016, up 9.9 percent over year-ago levels, while two composite indices for urban markets across the US were up at rates near 5.0 percent.

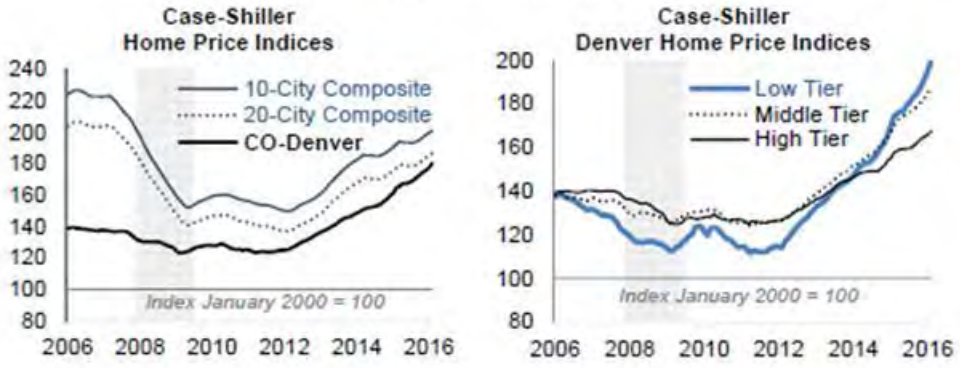
In Denver, household formation and in-migration of young adults is driving demand, particularly for inexpensive residential property. Appreciation in the cheapest third of houses and condominiums is outpacing price hikes for middle and upper tier properties. Between March 2015 and March 2016, the price for a lower-tier home in the Denver area increased 15.8 percent, while prices of medium and high priced homes increased 10.8 percent and 6.7 percent, respectively.

Over the past few years, low and middle-tier home prices in Colorado appreciated at double-digit rates, constraining low and middle-income home buyers and pricing many out of the market. The Colorado real estate market is likely to continue to improve at a moderate rate because the Federal Reserve could possibly change monetary policies sooner than expected, which could cause a rise in mortgage rates. An increase in rates could reduce the demand for houses and could cause price appreciation to slow.

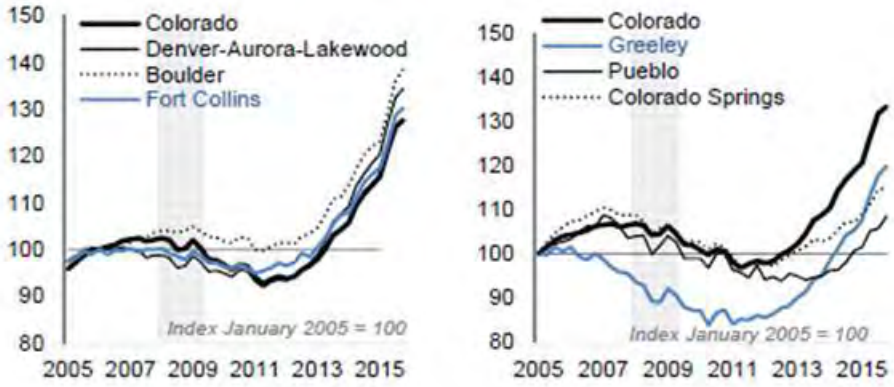
Similarly, rents have been on the rise. According to the Apartment List Inc., the median rent in Colorado increased 4.8 percent between May 2016 over year-ago levels; May rents were $1,260 for one-bedroom apartments and $1,490 for two-bedroom apartments. Nationwide rents increased by a more subdued 2.7 percent. Median two-bedroom rents in May in the Denver Metropolitan Area were highest in Boulder ($1,830), Denver ($1,770), and Centennial ($1,690) and lowest in Aurora ($1,380), Fort Collins ($1,330), and Colorado Springs ($1,000).

Most areas of the state have followed a trend in home prices similar to the Denver area. The northern Front Range cities, including Fort Collins, Greeley, and Boulder, have experienced housing price pressure on par with the Denver Area over the last two years, while home prices along the southern Front Range, including Colorado Springs and Pueblo, have increased to a lesser extent.

Figure 20
Selected Indices of Home Price Appreciation



Source: S&P Dow Jones Indices LLC. Seasonally adjusted.



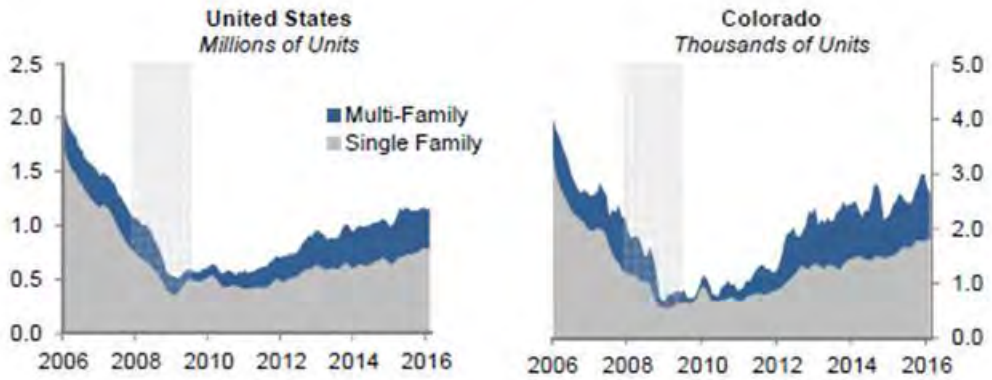
Source: U.S. Federal Housing Finance Agency.

Construction

Colorado housing construction activity continues to rise, supported by strong demand in most regions of the state (Figure 21). The total number of residential construction permits have risen by 16.7 percent year-to-date through April compared with year-ago levels, after growing 4.0 percent in 2015. Single and multi-family permits rose 19.1 percent and 12.3 percent through April in Colorado. Nationwide, permits rose 11.1 percent year-to-date through April after growing 10.7 percent in 2015, with strong gains in single family building a slight decrease in multi-family building.

Supported by the tight housing market in Colorado, total residential building permits will increase 6.0 percent in 2016 and 4.5 percent in 2017.

Figure 21
Building Permits Issued for New Residential Construction



Source: U.S. Census Bureau. Seasonally adjusted three-month moving averages.

Despite strong growth following the recession, Colorado nonresidential construction has not reached 2007 levels. In 2015, a strong regional economy helped boost nonresidential construction growth to 10.7 percent. The growth was mainly due to large increases in the construction of hotels, telecommunications and power utilities, and manufacturer owned laboratories. There were declines in several types of nonresidential construction, such as manufacturing, warehouses, and schools and universities. Demand for new office and retail space along the Front Range will help nonresidential construction grow 4.8 percent in 2016 and 2.3 percent in 2017.

Nationwide, nonresidential construction spending rose 8.5 percent year-to-date through April compared with year-ago levels. Growth was driven by spending on lodging, office, and commercial projects, through gains were broad-based across nearly all building types relative to a year prior. The American Institute of Architects semi-annual survey projects nonresidential construction spending will continue to grow in 2016. They expect consistent demand for hotel, office space, manufacturing, and amusement and recreation facilities.

The value of nonresidential construction in Colorado increased 24.7 percent year-to-date through May compared with year-ago levels. More valuable projects are planned for 2016 relative to those that received permits during the first five months of 2015, as the square footage for permitted projects increased 10.1 percent and the number of projects decreased 14.8 percent. Growth was led by the commercial, lodging, amusement, and warehouse sectors. The value of permits to build office and bank buildings fell 6.9 percent.

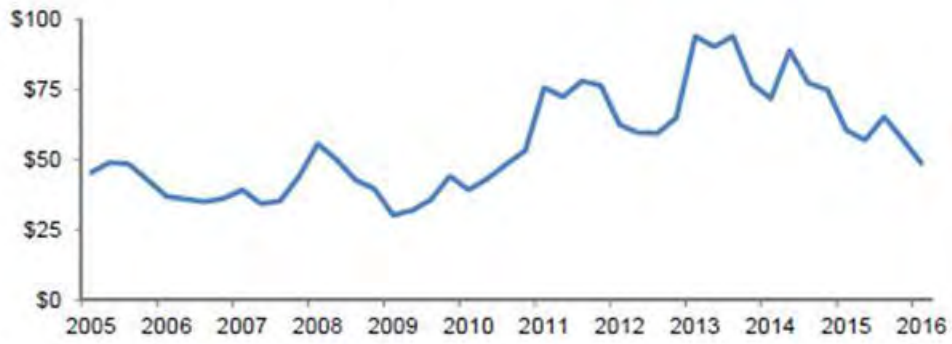
Continued demand for retail and tourism-related projects will help nonresidential construction growth 8.3 percent in 2016 and 4.5 percent in 2017.

Agriculture

The US agricultural industry continues to struggle. US farm income has fallen sharply in the last two years. In 2015, farm income was 33 percent lower than the post-recession peak in 2013, and 2016 has not had a good start. Thus far in 2016, farm income has fallen by almost 20 percent in the first quarter compared over year-ago levels. Low agricultural goods continue to put pressure on farm earnings. Prices for soybeans, corn, and wheat have improved, but crop and animal prices remain below their level from one year ago. The US Department of Agriculture expects farm income to continue to fall throughout 2016.

Declining income, low commodity prices, and low profit margins have hurt farm cash flows, prompting many farmers to take on short-term loans. According to a survey by the Federal Reserve Bank of Kansas City, farm loans to help pay for operating expenses and the costs of production increased 50 percent between 2012 and 2015. Loan repayment rates remain high, and concerns over farm credit are rising. Delinquency rates on farm real estate property and agricultural production loans were 1.5 percent and less than 1.0 percent, respectively, during the fourth quarter of 2015. In 2016, these conditions may deteriorate as the industry faces the prolonged impact of low commodity prices, rising loan demand, and tighter farm credit conditions.

Figure 23
U.S. Farm Income
Millions of Dollars



Source: U.S. Bureau of Economic Analysis. Data are seasonally adjusted.

Oil and Natural Gas

According to the Colorado Economic Forecast for June 2016, energy prices have rebounded somewhat from their lows earlier in the year, due to lower production and expectations for the usual boost in US demand as the summer travel season approaches. While this has eased some of the pressure on the energy sector, prices remain low on a weak global demand and still bulging reserves of oil and gas, although oil reserves have begun to fall from historic highs. Production has fallen in the US and elsewhere, although some of the production decreases are due to

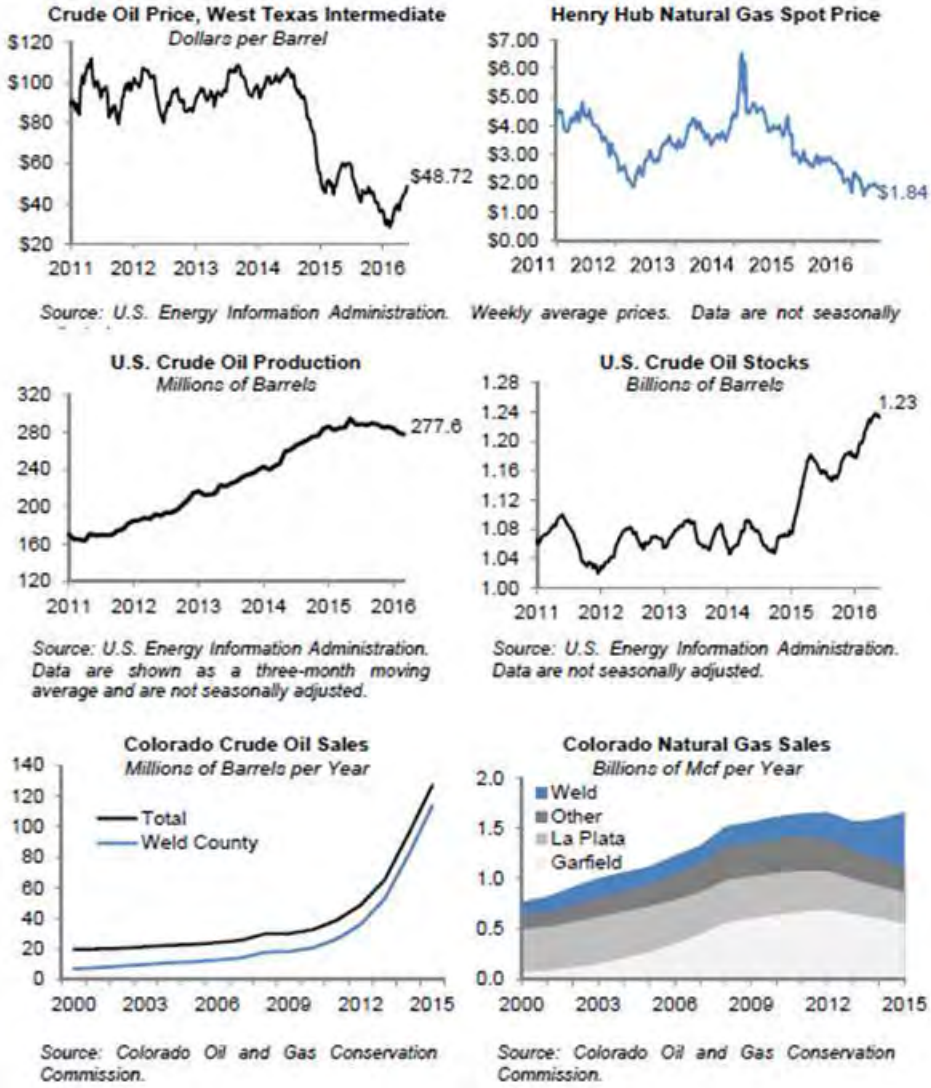
temporary disruptions in supply, including a brief labor strike in Kuwait and wildfires in Canada. Offsetting supply disruptions somewhat, Iran has ramped up production since economic sanctions were lifted.

US crude oil production increased 8.3 percent in 2015, despite low global oil prices. Much of this increase was due to growth in the first half of the year (Figure 12, middle left), before leveling off in the second half and falling 2.4 percent in the first three months of 2016 compared with year-ago levels. Meanwhile, the number of active oil rigs has been declining. In the fourth quarter of 2015, there was an average of 567 active drilling rigs operating in the US, according to Baker Huges. By the end of May, the number of rigs had declined to 316. The recent recovery in oil prices is expected to stem and slowly reverse this decrease over the next year.

In Colorado, oil production increased 33.4 percent in 2015 due to production in the Denver-Julesburg Basin. Oil producers are benefitting from efficiencies in drilling technology, which allows for increased production from each well. Production companies are still investing in the Denver-Julesburg Basin, likely taking production activity away from other areas of the country and moving resources to Weld County. Because natural gas is a byproduct of oil production, Weld County is now the leading county, in Colorado in natural gas production and the only area of the state where natural gas production is on the rise.

While Colorado production continues to rise, low oil prices have suppressed profits, wages, employment, and investment in the industry. Prices are expected to remain stable, averaging between $40 and $50 per barrel for the remainder of 2016 and rising gradually to between $50 and $60 by 2018. By the end of 2016 and into 2017, this will gradually mitigate and eventually reverse the energy sector's drag on the Colorado economy.

Figure 12
Selected Indicators of Oil and Gas Industry Activity



According to the Economic Impact of Fracking Study performed by the Leeds School of Business at the University of Colorado at Boulder, Colorado oil and gas applications for permits to drill (APDs) peaked in 2008 with 8,027 approved permits. While APDs remain a market indicator, technological advancements, such as horizontal drilling and permitting changes, make APDs less of an indicator of the health of the industry. In December 2009, the Colorado Oil and Gas Conservation Commission extended drilling permit time from one year to two years stating that, "Drilling permits for new gas and oil wells in Colorado will now be good for two years, doubling the amount of time energy companies will have to schedule

investments and drilling rigs in the state." This makes counting drilling site applications an inaccurate comparison for the health of the industry, and makes it difficult to compare drilling site application numbers to other states. However, it is worth mentioning that 2014 saw 3,801 APDs with a significant increase in horizontal drilling at 2,173 permits. Horizontal drilling allows sites to extract more resources than just vertical drilling techniques. Weld County leads the state in the most APDs around 2,500. Garfield County had 870 APDs, followed by Rio Blanco County, Mesa County and Lincoln County. In December of 2014, Colorado had 52,938 active wells producing 4.43 billion cubic feet of natural gas per day and 177.8 thousand barrels of oil per day. In November 2012, voters in Longmont passed a charter amendment effectively banning the use of hydraulic fracturing (fracking) and the storage of resultant waste products. Boulder, Broomfield, Ft. Collins and Lafayette all have passed additional initiatives concerning hydraulic fracturing. The topic remains an issue for many voters along the Front Range. The state has taken initiatives to educate the public on hydraulic fracturing emphasizing its importance on the state and world economy, its minimal environmental impact and its strict regulations.

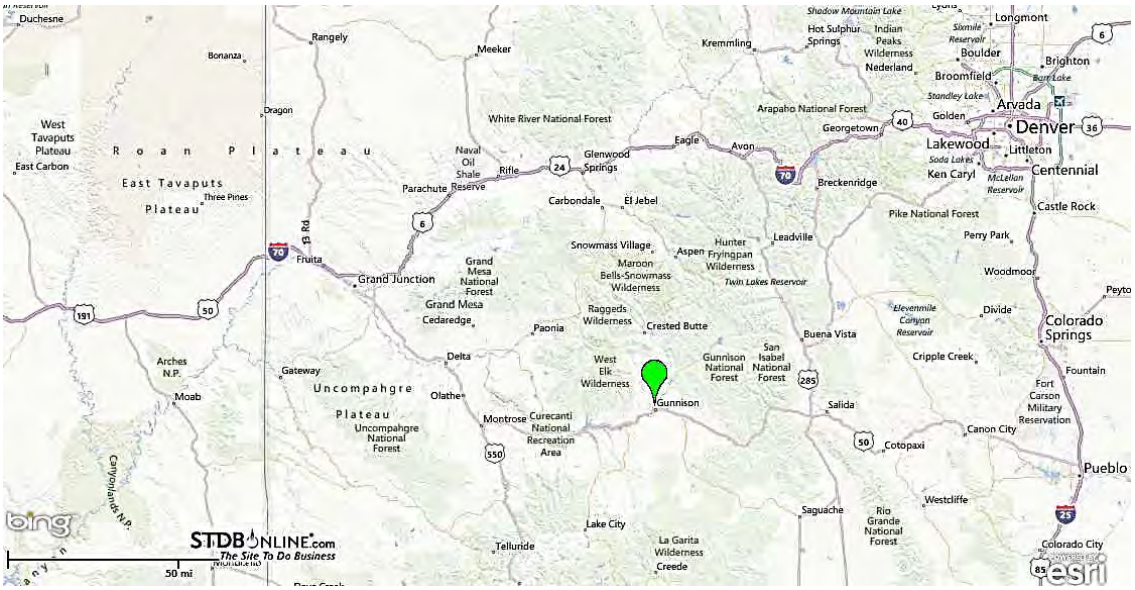
The Image below illustrates the location of drilling permit sites in Colorado for 2016. Image from the Colorado Oil and Gas Conservation Commission website.

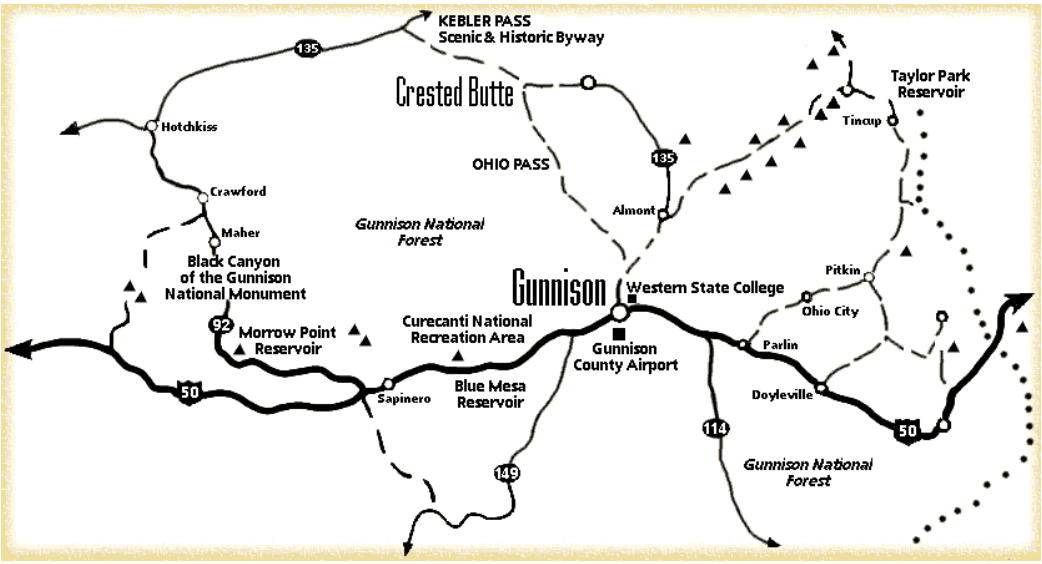
Summary

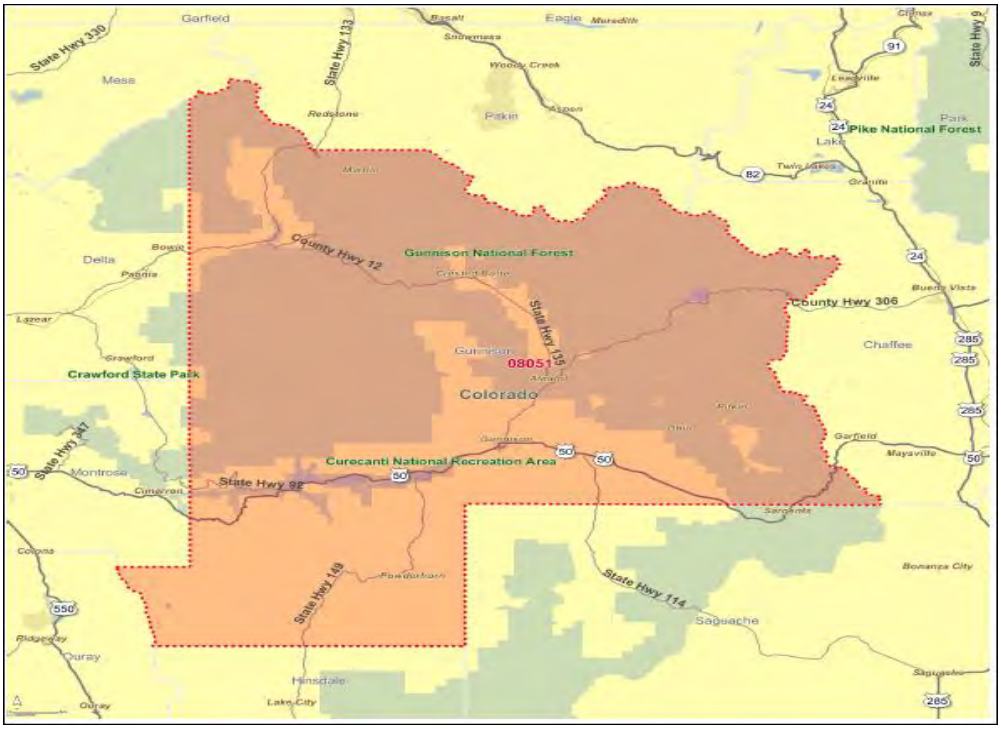
Colorado's economy is expected to grow at rates above the nation's economy in 2016. Employment is growing and the unemployment rate has fallen well below the national average. Consumer confidence is growing and the real estate market is experiencing price appreciation due to historically low housing inventories and increased consumer confidence. The Federal Reserve is expected to begin raising short term interest rates, but recently decided not to for the time being due to weak GDP growth. Economic growth is anticipated to be moderate due to tightening monetary policy and a weak global economy. Oil prices are expected to be a net positive for the economy on the national level. On balance, Colorado is most likely to continue to outperform the national economy through 2016 by continued growth in employment, consumer confidence, and housing demand.

REGIONAL MARKET ANALYSIS

We will first consider the subject in terms of the regional market in which it exists, and then will discuss the local area.







Gunnison County is located in west central Colorado on the western slope of the Continental Divide. It is located 190 miles from the Denver metropolitan area, based on shortest route driving miles. Some 1.6 million acres (more than 85%) of Gunnison County is public land that includes alpine desert, ranchland, mountain meadows and mountain peaks in excess of 12,000' elevation.

The county is made up of varying climate zones and topography. Its physical attributes are dominated by both natural and man-made features. The Gunnison River forms the major watershed in the county, flowing out of the Collegiate Range to the east (via Tomichi Creek) and the Maroon and Elk Mountain ranges to the north, as well as from several tributaries of the Gunnison River that flow out of the south from the San Juan Mountains. This includes the Lake Fork of the Gunnison. The Black Canyon of the Gunnison, the deepest gorge in the state, begins in Gunnison County to the west. Man-made features include Blue Mesa Reservoir, the largest of a series of reservoirs along the Gunnison, as well as the Morrow Point Reservoir.

Economic activity in the county began in the 1800's, when large ranches were established along the broad river valleys. Two decades later, silver was discovered in the mountains rimming the northern boundary of the county. The mining boom set off a new round of growth, with the Town of Crested Butte established as a commercial center serving mining towns such as Gothic, Pittsburgh, and Elkton. When silver collapsed in 1893, coal mining replaced it as the chief economic activity. By 1952, the last coal mine (Big Mine) was closed. Today the county is served by a

broader based economy. Agriculture remains as a dominant economic activity, but has been augmented by a strong tourist-based industry, focused around the ski resort in Mount Crested Butte. Today this resort ranks as the 11th largest ski resort in the state, as measured by annual skier visits:

Crested Butte's ski area (actually Mt. Crested Butte) is categorized under one system as a Tier 2 ski area, well below the largest ski areas (Tier 1) but also significantly larger than the smaller Tier 3 resorts. Another ski area classification scheme lists Crested Butte as a destination resort, since visitors to the ski area predominantly travel from other regions (such as Texas and Oklahoma) to visit the ski area and tend to stay there for multiple days.

A recent study indicates that nearly 200,000 non-residents per year visit Gunnison County; Crested Butte sees a large number of those. The two historic mining communities – Gunnison and Crested Butte – offer a variety of outdoor activities including alpine skiing at Crested Butte Mountain Resort. Hiking, fishing, mountain biking, skiing and hunting are also available.

The City of Gunnison is the county seat and is the largest populated municipality in the county. Gunnison also is home to Western State Colorado University and serves as a primary base for outdoor recreational excursions and contains the only commercial airport in the region.

The century-old mountain town of Crested Butte with a population of approximately 1,650 exemplifies a 19th century Victorian community with its beginnings in coal mining. This area is scattered with ghost towns reflective of that era. Three miles north of Crested Butte is the Crested Butte Mountain Resort (or Mt. Crested Butte), the only ski resort within Gunnison County. Some of Colorado's most spectacular mountain landscapes, including the Gunnison National Forest and the Oh-Be-Joyful, West Elk, Maroon Bells/Snowmass, Collegiate Peaks and Ragged Wilderness areas, are within proximity of Crested Butte.

Transportation and Highways

Gunnison County is crossed by few paved roads. An area known for its rugged terrain and sparse population, many of the roads were originally designed for mining purposes and are today used for four-wheel recreation.

The primary east-west arterial through the county is US 50, one of the major transcontinental highways prior to the Interstate Highway System. US 50 leads from Pueblo at Interstate 25 to the east through Gunnison County and joins Interstate 70 on the western slope at Grand Junction. US 50 is a two-lane federal highway that crosses Monarch Pass at the extreme eastern section of the county at 11,312 feet above sea level. State Highway 135 leads north from the city of Gunnison

approximately 30 miles to Crested Butte and Mt. Crested Butte. Various roads requiring four-wheel access branch off from the road to scenic points of interest. Southward, State Highway 149 travels through the Curecanti National Recreational Area to Creed.

Population Trends

The county has historically been built on ranching and mining with settlement of the county dating back to the 1870s. The county is economically driven by recreation, hunting/fishing, coal, cattle and Western State College in Gunnison. During the 1980's Gunnison County suffered as a result of the poor national economy and a decline in tourism. The net out-migration exceeded the in-migration during this time period with an actual county population decline -0.39 percent during the decade. Mt Crested Butte was the exception to this decline with a reported increase in all decades. This was followed by relatively strong population growth during the 1990s with Mt Crested Butte very strong in this period. Based on the current population estimates, the growth has been minimal from 2000 through 2015.

Demographics – Gunnison County

The data employed in this section of the report was obtained from "The Site to Do Business"; the reports represent 2016 data, the latest data available for Gunnison County with projections from 2016 to 2021 (August 2016):

Population
In the identified area, the current year population is 15,778. In 2010, the Census count in the area was 15,324. The rate of change since 2010 was 0.47 percent annually. The five-year projection for the population in the area is 16,027 representing a change of 0.54 percent annually from 2016 to 2021.

Households
The household count in this area has changed from 6,516 in 2010 to 6,703 in the current year, a change of 0.45 percent annually. The five-year projection of households is 6,908, a change of 0.60 percent annually from the current year total. Average household size is currently 2.21, compared to 2.22 in the year 2010. The number of families in the current year is 3,544 in the specified area.

Income
Current median household income is $47,994 in the area, compared to $54,149 for all US households. Median household income is projected to be $53,258 in five years, compared to $59,476 for all US households. Current average household income is $65,644 in this area, compared to $77,008 for all US households. Average household income is projected to be $71,651 in five years, compared to $84,021 for all US households. Current per capita income is $28,431 in the area, compared to the

US per capita income of $29,472. The per capita income is projected to be $31,069 in five years, compared to $32,025 for all US households.

Housing

Currently, 32.6 percent of the 11,675 housing units in the area are owner occupied; 24.8 percent renter occupied; and 42.6 percent are vacant. Currently, in the US 55.4 percent of the housing units are owner occupied; 32.9 percent are renter occupied, and 11.7 are vacant. In 2010, there were 11,412 housing units in the area – 34.2 percent owner occupied, 22.9 percent renter occupied, and 42.9 percent vacant. The annual rate of change in housing units since 2010 is 1.02 percent. Median home value in the area is $348,406, compared to a median home value of $198,891 for the US. In five years, median value is projected to change by 1.45 percent annually to $374,424.

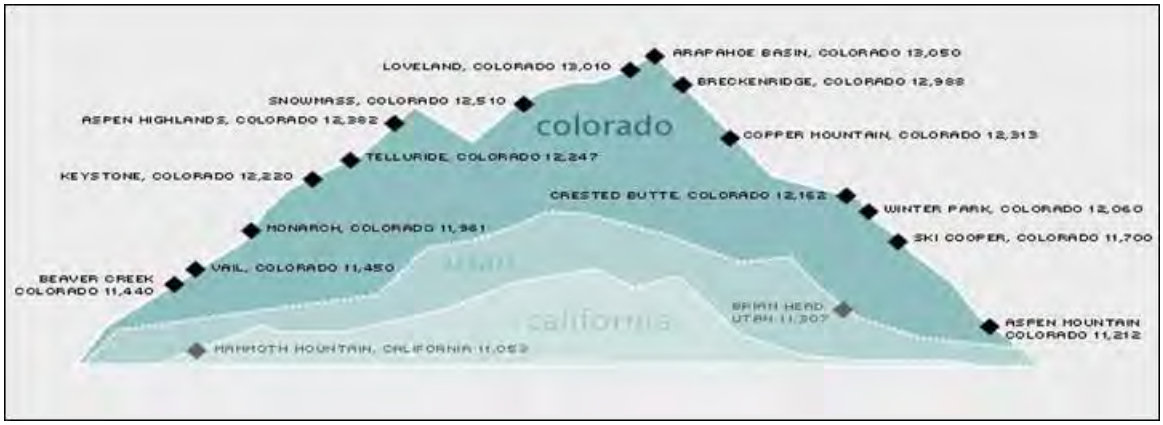
Employment

According to the Colorado Department of Labor and Employment, as of May 2016, Gunnison County had an unemployment rate of 3.0 percent. It should be noted that the Gunnison County labor forces is very seasonal and subject to significant variation with the peak employment during the ski season and during summer tourist months. The state unemployment rate was 3.6 percent as of May 2016.

Area Name	Civilian Labor Force	Number Employed	Number Unemployed	Unemployment Rate	Preliminary Data
Gunnison County	9,591	9,307	284	3.0%	Yes
Colorado	2,888,463	2,785,606	102,857	3.6%	Yes

Source: LAUS Unit, LAUS system output file

Skier Visits



Colorado Ski Industry

Changes in the ski market impact construction activity and real estate values in the area. Information relating to ski area statistics and skier visits in Colorado is presented on the following chart.

Season	Colorado
1999-00	10,891,318
2000-01	11,666,672
2001-02	11,128,131
2002-03	11,605,777
2003-04	11,254,231
2004-05	11,815,572
2005-06	12,533,108
2006-07	12,561,221
2007-08	12,540,603
2008-09	11,855,495
2009-10	11,850,000
2010-11	11,980,350
2011-12	6,160,000*
2012-13	11,430,000
2013-14	12,600,000
2014-15	12,340,000
2015-16	7,400,000*

Source: Colorado Ski Country USA
**Does not include the Vail Resorts' properties*

During the 2008-2009 season, Colorado's mountain resorts reported approximately 11.86 million visits, according to data compiled by Colorado Ski Country USA. This total was lower than the previous two seasons. The slower economy had an impact on the season and this trend carried into the 2009-2010 season as the number of skiers decreased slightly from the previous year. The 2012-2013 season had an increase in skier visits of 3.8 percent over the previous season. Colorado accounts for approximately 20 percent of ski and snowboard visits in the US, which means

more than one out of every five winter travelers selects Colorado as their winter ski/ride destination. Even in a troubled economy and below average snowfall, Colorado saw approximately 12 million skiers for the 2010-11. The 2012-2013 season saw close to 11.45 million skiers, 235,000 more skiers than the previous season. The 2013-2014 season experienced the largest volume of skier visits in Colorado at 12.6 million. Over a million more visits than the previous season. Colorado did experience better than average snowfall towards the end of the season. The 2014-2015 season saw a decrease of 2.1 percent from the previous year skier visits to approximately 12.3 million.

For the 2013-2014 ski season, The Ski Country USA resorts reported skier visits of 4.2 percent less than the 2012-2013 at the same time, and the 2011-2012 season was the worst since 1980-1981. Vail Resorts, which is not a member of Ski Country, experienced a 9 percent decline from the in 2011-2012 from previous season to 4.85 million skier visits. Poor snow fall is the stated reason for weak skier visits during the 2012-2013 season. Colorado Ski County USA reported skier visits for the 2014-2015 for the 21 member resorts totaled 7.1 million, down 0.5 percent from the 2013-2014 season.

Colorado experienced its best season on record during the 2013-2014 season. Over 12.5 million skier visited Colorado resorts. "Seeing our visitation punch through the 12.5 million level and best our prior mark demonstrates the vibrancy of Colorado's ski industry and the passion of our resident and visiting skiers," state Melanie Mills, president and CEO of Colorado Ski Country USA. Colorado resorts outperformed the ski industry nationally. "We're thrilled with this year's (2014-2015) numbers, especially in the a season that saw snow totals that were 36 percent below the 10-year averages during the core of the ski season, as it's a real testament to the caliber of Colorado Ski Country USA's brand of resorts and the dedication of our guests." Stated Melanie Mills on the 2014-2015 year's skier visit numbers.

According to Colorado Ski Country USA annual release on June 9, 2016, "Colorado Ski Country USA (CSCUSA) announced today at the association's 53rd Annual Meeting that skier visits at its 21 member resorts totaled 7.4 million in 2015/16, up by nearly five percent compared to last year's CSCUSA membership season total and a new record for visitation. Additionally, the 2015/16 season skier visit total for CSCUSA members bested the five-year average. CSCUSA resorts' 2015/16 skier visits outpaced the ski industry nationally, which saw gains in visitation by 0.05 percent despite weather challenges in the East and Midwest. CSCUSA resorts also supported strong percentage gains across the Rocky Mountain region, which enjoyed good snow conditions.

National Ski Industry

The National Ski Areas Association (NSAA) reported US Ski areas had approximately 51 million skier and snowboarder visits in the 2011-12 season. This was one of the lowest skier visit seasons since 1991-92 when there were 50.8 million visits and represents a 15.7 percent decrease from the previous year. The decrease came after a record setting 2010-11 season when there were over 60 million skier visits. The 1980-81 season had the largest year-to-year drop in visits with a 17.6 percent decrease but the industry had a 22 percent increase the following year. For the 2012-2013 ski season, there was an increase of 6 million skier and snowboard visits totaling to 56.9 million visits. The 2013-2014 tallied an estimated 56.2 million skier and snowboarder visits, a figure just shy of the 10-year industry average of 57.3 million, and down only 1.3 percent from last season's 56.9 million skier visits. The 2014-2015 ski season estimated 53.6 million skier and snowboarder visits. This is down 5 percent from the previous season and down 3.8 percent from the 5-year industry average of 55.7 million skier visits.

According to the National Ski Areas Association press release dated May 4, 2015 (the most recent press release on this topic from NSAA):

The skier and snowboard visits for the 2014-2015 season were encouraging given the weather challenges experienced throughout the season. According to the National Ski Areas Association May 4, 2015 report, "Despite a stronger economy, weather challenges across all regions of the country contributed to this drop in skier visits. Nationally, snowfall was 28 percent below average this season - particularly on the West Coast – and especially frigid temperatures in the Midwest and the East, along with sizeable snow storms in the Northeast, impacted the ability of skier and snowboarders to even get to many resorts." According to Michael Berry, president of NSAA, "The good news is that despite the vagaries of Mother Nature, ski areas have adapted and responded with dramatic expansions and investments in energy-efficient snowmaking."

The Rocky Mountain region experienced visits well above the region's 5-year average. Similarly, both the Northeast Region and Southeast Region also had seasons that surpassed their 5-year averages. Colorado set an all-time record in skier visits last year. Season pass sales, also increased nationally by 6.2 percent from the previous season, illustrating that the ski industry is strengthening in demand. Furthermore, international visits continue to increase and accounted for 6 percent of all skier visits to American Area Resorts.

According to the NSAA's survey, for the 2014-2015 season, the Northeast region was barely off last season's strong skier visits numbers by 0.8 percent, and the Southeast region was also down slightly by 1.4 percent. The Rocky Mountain region was down slightly from last season by 2.1 percent. The Midwest region, which suffered from brutal cold spells, dropped 9.3 percent from last season. The Pacific Southwest was down 6.4 percent, and the Pacific Northwest fell by 36.3 percent

over the previous season, declines driven largely by weather.

In the 24 seasons of available NSAA's data, this season is estimated to have had the lowest snowfall on record for half of the county (Pacific Southwest, Pacific Northwest, and Rocky Mountain Regions), and the second-lowest snowfall overall in the past quarter-century. By contrast, snowfall was slightly above average in the Northeast and Southeast regions.

The Rocky Mountain Region enjoyed its sixth-best season on record, whereas the Southeast region had its 10th best season in the last quarter century. The 2014-2015 skier visits nationally were up 5.1 percent from a recent low of 51 million visits in 2011-12, and down 11.5 percent from the industry's record high of 60.5 million visits from the 2010-11 season.

Local Ski Industry

The Town of Crested Butte saw close to 250 inches of snowfall in the 2013-2014 season, undoubtedly helping with the increased ski and snowboard visits. Weak skier visits can have an adverse effect on the subject, as the Town of Crested Butte relies on revenue from tourists during both the ski season and during the summer months. Higher ski numbers in the most recent season portend well for the area.

Crested Butte Skier Visits 2008-2014 Seasons

Season	Skier Visits
2013-2014*	355,000
2012-2013	309,412
2011-2012	305,290
2010-2011	362,576
2009-2010	341,260
2008-2009	358,735
2007-2008	416,009

*Estimate

As noted in the chart above, skier visits were down substantially after the start of the national recession, with only a minor up-tick in 2010-2011 followed by substantially lower numbers in the 2011-2012 seasons. However, the most recent season has shown marked improvement over recent years. The most recent season, 2013-2014, was estimated to be the strongest since the record year of 2010-2011. Specific numbers for Mt. Crested Butte are not available, but national totals support the increased estimate. The Town of Crested Butte saw close to 250 inches of snowfall in the 2013-2014 season, undoubtedly helping with the increased ski and snowboard visits. Weak skier visits can have an adverse effect on the county, as

the Gunnison County relies on revenue from tourists during both the ski season and during the summer months.

In November of 2014, Crested Butte announced that it would be adding 40 acres of new terrain directly adjacent to Teocalli Bowl. This new area was named Teocalli 2 (Teo 2). The area is expert terrain and does require a short hike to access. In conjunction with the expansion of Teocalli 2, in July 2015, Crested Butte Mountain Resort received word from the US forest service stating that plans can move forward on a 500-acre expansion of the ski area. Although the project is still in its initial stages, the Forest Service has officially accepted the resort's project proposal in accordance with Crested Butte's 2013 Master Development Plan. The move paves the way for an environmental review of the project, and if that goes well, for construction to start in the next few years. The Master Plan Development is to include: two new lifts in the Two Park and Drainage area, a 440-acre Special Use Permit (SUP) increase in the Teo Drainage area, replacement of the existing North Face surface lift, approximately 118 acres of developed terrain, and 200 acres of undeveloped trails and gladed skiing terrain, new snowmaking infrastructure covering 32 acres of existing terrain, a warming house located at the top of the North Face lift, a ski patrol outpost located at the top of the North Face lift, and construction of approximately 15 miles of multi-use and mountain bike trails with the current ski boundary.

According to the article, *Potential buyer in the works for CNL Lifestyle's mountain properties*, posed August 31, 2016 written by Alissa Johnson, "It seems that a possible buyer of CNL Lifestyle's mountain properties, including Crested Butte Mountain Resort (CBMR), visited the resort last week as part of due diligence related to any potential sale. No buyer has been officially announced, and it is not clear how serious the buyer might be, or how many properties might be involved. Whether or not a sale is completed, the Mueller family's Triple Peak LLC would continue to control the management contract and run CBMR. CNL, a real estate investment trust, has owned CBMR since 2008. CNL also owns Mount Sunapee Mountain Resort and Okemo Mountain Resort, and leases all three to the Mueller family, which manages the resorts through Triple Peaks, LLC. In 2015, CNL announced it intended to sell its whole portfolio of mountain properties, which included 15 ski resorts among other assets. The company did not meet its own deadline for the sale, which was December 31, 2015." Since the operator is likely to remain the same, it is unlikely that large changes will be felt if the sale of CBMR does happen.

The Slate River Development, planned north of Crested Butte, went to the Gunnison County Planning Commission for a vote on Friday August 5, 2016. The Gunnison County Planning Commission recommended that the county commissioners approve the sketch plan presented by Cypress Foothills, LP. However, according to an article written by Mark Reaman for the Crested Butte News, "the planning board

continued to emphasize certain issues with the proposal, including elk migration route that passes within some of the Cypress property; the location of any road that provides access to the subdivision from Highway 135, especially the impact of headlights on existing properties; the possibility of not only hooking up houses in the subdivision to Crested Butte's central sewer line but possible connecting to Crested Butte's central water service system as well; looking at the idea of a possible access through town on Eight Street; and they want to take a closer look at the sever lots (lots 7-13) located directly east of the Crested Butte cemetery." The new subdivision would consist of 44 acres north of Crested Butte and west of the highway and would be subdivided according to the proposal. It would allow for 23 homes. According to the article, "the west side of the property would go through a Crested Butte annexation process. The developers would retain six home sites with the rest of the property earmarked for public uses outlined in the pre-annexation agreement between the town and Cypress. The potential uses include property for affordable housing, open space, an emergency services parcel for something like a new firehouse, a potential site for school uses, public river access, trails, parks, and snow storage." The next step is for the county commissioners to approve the sketch plan so more detailed drawings of the project can be presented.

Real Estate Trends

We relied on the Gunnison County Multi-List Service (MLS) to provide the following information concerning residential real estate trends in this market. We first examined the total volume of residential sales (attached & detached residential) in this market since January 2008. The market data included sales from Crested Butte, Gunnison, Rural Crested Butte and Rural Gunnison:

Year	No. of Sales	Avg Price	Median Price	AVG DOM
2008	180	$664,096	$362,450	293
2009	207	$431861	$279,000	329
2010	216	$428,281	$289,950	274
2011	302	$402,755	$225,000	287
2012	296	$362,591	$242,950	336
2013	360	$431,463	$275,000	284
2014	379	$415,074	$275,000	264
2015	421	$449,970	$270,500	272
2016*	227	$426,602	$280,500	285

*January 1, 2016 through July 16, 2016

The drop in sale volume has not been linear and is impacted by the entry of new projects. Sales volume decreased in 2008 but increased from 2009 to 2014. The largest number of sales was in 2015 with 421 total residential sales. So far, in 2016, there have been 227 sales.

In terms of price level, the highest average price experienced for residential dwellings was in 2008 with $664,096. The median price was $362,450. The average price for residential homes sold in 2010 was $428,000. This level was recently surpassed in 2015 with an average sales price of $429,992. The median sales price in 2010 was $289,950. So far, the median sales price from 2014, 2015, and 2016 has not reached the level experienced in 2010. The 2014 median sales price was $275,000, with the 2015 sales price down slightly to $270,500. The median sales price for 2016 is up to $280,500.

We next examined the reported days on market for this same set of sale data. The average days on market has not been linear. The average days on market experienced in 2008 was 293 days. This number increased non-linearly from 2009 through 2013. In 2014, the average days on market was the lowest recorded since 2008 with 264 days on market. The average days on market for 2015 was 272 days on market. So far, the average day on market for 2016 is at 285 days.

GUNNISON COUNTY-COMMERCIAL REAL ESTATE

The following table tracks commercial/industrial sales for Gunnison County from January 2008 to July 16, 2016:

Year	No. of Sales	Avg Price	Median Price	Median DOM
2008	8	$788,500	$345,000	373
2009	6	$779,250	$775,000	409
2010	4	$240,250	$277,000	55
2011	6	$487,500	$280,000	372
2012	12	$373,583	$160,000	381
2013	9	$367,333	$365,000	286
2014	22	$493,215	$332,500	271
2015	20	$432,190	$307,500	422
2016	5	$445,850	$450,000	635

The above sales included retail, industrial, and commercial/industrial, lodging, real estate only (no business values included), indicated by the Gunnison Country MLS. Overall, the commercial/industrial market is smaller scaled than other larger mountain region counties, although, until 2012, there was a clear downward trend in terms of sale volume in the above data.

The above data indicates a significant drop in the price levels in 2010 across the commercial/industrial class of properties, although it should be noted that this data covers a wide range of commercial and industrial property subclasses. There were only 4 sales recorded in 2010. There were 6 sales in 2011 with a 46 percent increase in the average sale price from the previous year. There were 12 sales in 2012, with total volume of $4.48 million, the highest for number and dollar volume in 5 years. In 2013, the trends are somewhat better than last year in terms of numbers of sales and median prices. The trends of 2014 increased significantly with over $11 million in total volume from 22 total sales. For 2015 there were 20 sales with over $8 million in total volume. There has only been five sale for 2016 totaling $450,000.

The days on market for these sales were the highest in 2009 and then declined significantly in 2010 with another increase in 2011 and 2012. However, as it was noted before, the data is extremely limited with only 4 sales in 2010, 8 sales in 2011 and 12 sales in 2012. Days on market in 2013 are also down somewhat from 2012. However, the median days on market increased in 2014 to 271, decreasing from days on market seen in 2013. For 2015, the median days on market increased to 422.

As of the effective date of this report, there are 37 active listings of commercial properties in Gunnison County, with a median asking price of $315,000 and total asking prices of $31.6 million. Median days on market are 243 days for these listings.

ONE VALLEY PROSPERITY STRATEGY

A plan has been developing since 2014 for the Gunnison area to re-think and re-commit to an overall economic and quality of life plan. The plan was completed and presented for public discussion in May 2016. It was described in the plan presentation as follows:

"In 2014, representatives from Gunnison County, the City of Gunnison, Town of Crested Butte, Town of Mt. Crested Butte, Western State Colorado University, and Crested Butte Mountain Resort attended the Community Builders Leadership Institute held by the Sonoran Institute. Out of that forum, the attendees formed the Community Builders Task Force (CBTF) with the mission of increasing prosperity from Gunnison to Gothic. The group met during 2014 to collaborate on ideas for improving prosperity and developing a public process to discuss the future of the Gunnison Valley… The outcome of this effort is the One Valley Prosperity Strategy (the Strategy), a regional plan that will guide collaboration on community development efforts in Gunnison Valley."

The strategy was focused on four primary areas:

- Affordable Housing
- Community Health and Equity
- Resilient Local Economy
- Sustainable Tourism and Recreation

These topics are discussed in detail in the One Valley Prosperity Strategy report. The idea is to create a more vibrant community in the area in the primary areas of focus. Public input was requested by the end of May 2016 and the participants are in the process of formulating a final plan and methods to execute the proposals. This is an aggressive and forward thinking initiative and, if implemented, the strategies that have been developed could be of great help in achieving the goals the report has presented.

CONCLUSION:

The above real estate trends indicate a significant slowdown in terms of real estate volume since 2008, prior to the beginning of the national recession, although some recent improvement has also been evident. At this stage, the Crested Butte ski resort market is on par with price levels seen in Winter Park and Keystone, and lag behind those seen in Steamboat Springs and Breckenridge. It should be noted that all of these other ski areas are much larger in terms of their skier visits, each posting visits at or above 1,000,000 per year, or at least twice as many as the Crested Butte market. While Keystone and Winter Park are Front Range destination resorts, Steamboat is more similar to Crested Butte in terms of distance and driving times to the Front Range urban centers. The issue of wide fluctuations in tourist visits

throughout the year has also been solved by many of these other markets, and it remains a challenge to the Crested Butte resort market.

At this point, however, the current market has reached pre-recession levels in several areas. Vacancy for commercial space is low and rents remain at relatively high levels indicating that the commercial market in Gunnison County and in the City of Gunnison area may be starting to stabilizing somewhat. The number of commercial and residential sales has increased, suggesting that the economy is continuing to improve and consumer confidence is increasing. In the present and near future, we expect that prices will remain relatively stable with continued slow volume. It is also likely that a significant rebound in the residential market will take several years but it is likely this trend will continue through the remainder of 2016.

Market Interviews

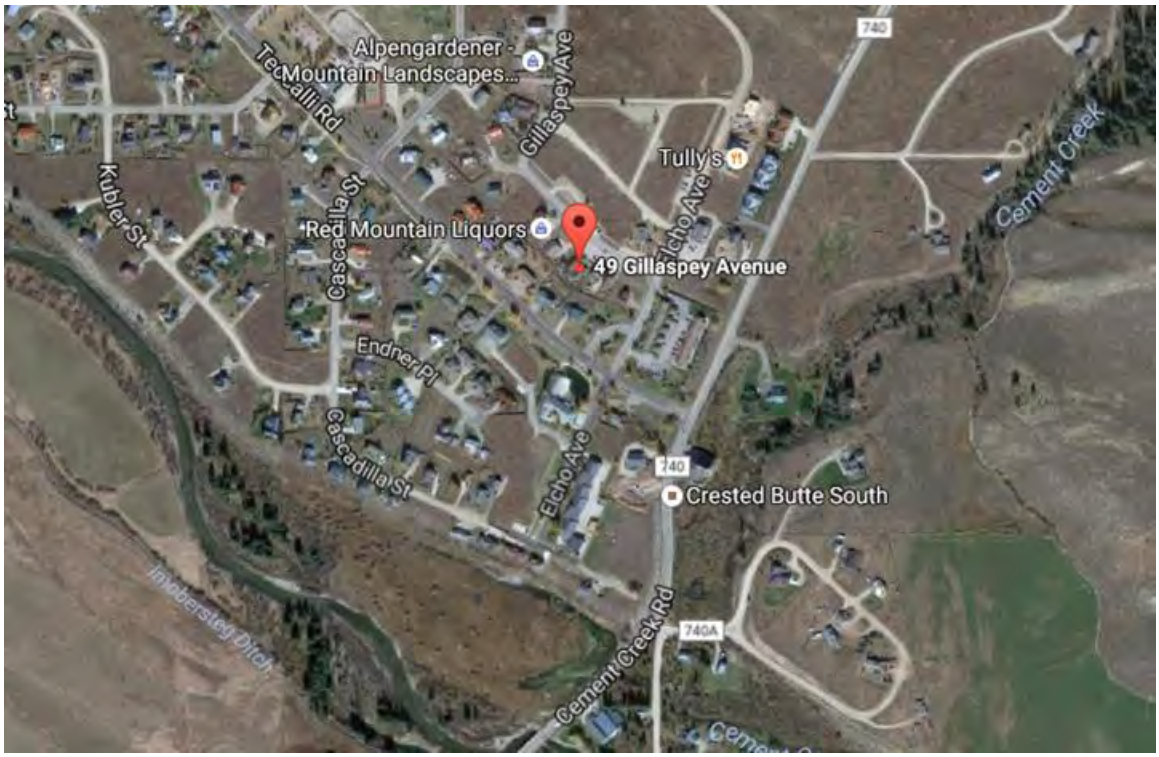
Cathie Elliott is a commercial and residential real estate broker in Gunnison County. On the commercial retail market as a whole, Elliott explained that the market is still slow but has been improving. She said vacancy is lower currently but rental rates have not improved too much in recent years. Elliott reported the real estate market in the Town of Gunnison has not returned to pre-recession levels. She said the residential market is improving faster than the commercial market.

Bob Blackett of the Gunnison County Assessor's office reported the Town of Gunnison is still recovering from the national recession. He indicated commercial property vacancy may be down in some parts of the county, but rental rates do not appear to be improving. He also said residential real estate seems to be improving ahead of commercial real estate.

Channing Boucher is a real estate broker in Gunnison County. Boucher sees far more strength in the Crested Butte and Mt. Crested Butte markets than in the Town of Gunnison and other smaller towns in the county. He supported the fact that rental rates are lagging sales prices in Gunnison and the commercial market in general has not fully recovered from the national recession.

Eric Ferchau is a real estate broker and property owner in Gunnison County. Mr. Ferchau believes the residential market is improving in the area and commercial is at least stable. He reported seeing commercial property prices starting to increase somewhat but rents are still lagging the price increases.

LOCAL AREA ANALYSIS



General Location Characteristics

The subject property is located in Crested Butte South, a Property Owner's Association (POA) community. Crested Butte South has a POA that approves all new development in the community. The amenities for the community consist of a Bus Stop, mailbox building, POA Building office and meeting area, community room with kitchen, warming house, finish pond, tennis court, playground, NHL sized hockey rink, skating pond, park, basketball court, 12 community bicycles, Nordic trails, pedestrian path, annual picnic, annual clean-up day. Each owner in the community pays dues to the POA in exchange for use of the common elements of the community. There are 720 residential lots in South Crested Butte with 352 developed (48.9 percent developed). There are 62 commercial lots with 16 lots developed (25.7 percent developed). The entire community consists of 782 total lots with 47.1 percent developed. Within the residential lots, there is a variety of residential sizes including single-family homes, single-family with accessory dwellings, duplex, 3-unit structures, 4-unit structures, and other multi-family structures. The dues for 2016 are as follows:

2016 ANNUAL DUES

Single Family Residences	
Single Family Home - 1 Unit	$331.13
Single Family Home - 2 Units	$662.26
Single Family Home - 3 Units	$993.39

Multi-Family Residences	
Multi-Family Home - 1 Unit	$331.13
Multi-Family Home - 2 Units	$662.26
Multi-Family Home - 3 Units	$993.39
Multi-Family Home - 4 Units	$1,324.52
Multi-Family Home - 5 Units	$1,655.65
Multi-Family Home - 6 Units	$1,986.78
Multi-Family Home - 7 Units	$2,317.91
Multi-Family Home - 8 Units	$2,649.04
Multi-Family Home - 9 Units	$2,980.17

Vacant Land	
Vacant Land - 1/2 Unit	$82.82
Vacant Land - 1 Unit	$165.65
Vacant Land - 2 Units	$331.30
Vacant Land - 3 Units	$496.95
Vacant Land - 4 Units	$662.60
Vacant Land - 5 Units	$828.25
Vacant Land - 6 Units	$993.90
Vacant Land - 7 Units	$1,159.55
Vacant Land - 8 Units	$1,325.20
Vacant Land - 9 Units	$1,490.85
Vacant Land - 10 Units	$1,656.50

Commercial	
Commercial - 1 Unit	$683.11
Commercial - 2 Units	$1,366.22
Commercial - 3 Units	$2,049.33

The main entrance to South Crested Butte from Gunnison is Colorado State Highway 135, then east on Cement Creek Road. The area contains commercial, retail, and single-family developments. Most of the business development in South Crested Butte is concentrated along Teocalli Road, Gillaspey Avenue and Elcho Avenue.

Access

Primary traffic linkage to Crested Butte is provided by Colorado State Highway 135 to Gunnison, which is 27 miles south of Crested Butte. State Highway 135 is a two-lane regional highway that parallels the Gunnison River to the town of Almont; from there, it travels along the East River and eventually the Slate River into the valley where the Town of Crested Butte is located. South Crested Butte is located 7.8 miles south of the Town of Crested Butte. State Highway 135 continues northeast out of the valley to Mt. Crested Butte, which is located at the base of the Crested Butte Ski Area.

Access to the region is provided by US 50, a federal all-weather principal arterial highway interconnecting with I-70 at Grand Junction 126 miles to the west, and with I-25 at Pueblo 150 miles to the east. US 50 also connects with several principal arterial highways to Phoenix, Salt Lake City, Albuquerque, Denver, Dallas and other metropolitan areas as part of the original interstate highway system designed in the 1920's. Because the road is an older, two lane design, US 50 has not been plagued by the heavy traffic volume that has impacted Interstate 70. US 50 is a major four-lane highway from Interstate 25 west to Canon City. At that point it becomes two lanes as it traverses through Bighorn Sheep Canyon between Cañon City and Salida. It has sufficient passing lanes throughout the canyon and over Monarch Pass into the Gunnison Valley. The State of Colorado maintains this highway all year.

Access characteristics to and through the neighborhood are good.

- State Highway 135 is west of the subject approximately 0.7 miles.
- County Road 740, or Cement Creek Road gives access to the South Crested Butte development.
- Teocalli Road and Elcho Avenue give access to Gillaspey Avenue, which gives access to the subject.

Neighborhood Characteristics

The section of South Crested Butte where the subject is located is the primary development area for South Crested Butte. There is commercial development and single-family development in close proximity to the subject.

Adjacent to Subject

North: Immediately north of the subject is a commercial unit with residence.

South: Directly south of the subject is commercial development with residence.

East: Directly east of the subject across Gillaspey Avenue is parking for the subject and vacant commercial lots.

West: Immediately west of the subject is multi-family and single-family residential.

Demographics

The following demographic information from the CCIM Site to do Business is for a three mile radius from the subject extracted August 2016, for 2016 through 2021.

Population
In the identified area, the current year population is 1,405. In 2010, the Census count in the area was 1,176. The rate of change since 2010 was 2.89 percent annually. The five-year projection for the population in the area is 1,556 representing a change of 2.06 percent annually from 2016 to 2021.

Housing
Currently, 54.7 percent of the 719 housing units in the area are owner occupied; 23.5 percent renter occupied; and 21.8 percent are vacant. Currently, in the US 55.4 percent of the housing units in the area are owner occupied; 32.9 percent are renter occupied; and 11.7 percent are vacant. In 2010, there were 589 housing units in the area – 57.0 percent owner occupied, 21.1 percent renter occupied, and 21.9 percent vacant. The annual rate of change in housing units since 2010 is 8.52 percent. Median home value in the area is $395,270, compared to a median home value of $198,891 for the US. In five years, median value is projected to change by 1.50 percent annually to $425,877.

Households
The household count in this area has changed from 467 in 2010 to 562 in the current year, a change of 3.01 percent annually. The five-year projection of households is 625, a change of 2.15 percent annually from the current year total. Average household size is currently 2.50, compared to 2.52 in the year 2010. The number of families in the current year is 368 in the specified area.

Income
Current median household income is $113,284 in the area, compared to $54,149 for all US households. Median household income is projected to be $117,441 in five years, compared to $59,476 for all US households. Current average household income is $125,735 in this area, compared to $77,008 for all US households. Average household income is projected to be $132,869 in five years, compared to $84,021 for all US households.

Hazards and Nuisances

No significant hazards or nuisances are known.

Summary and Trends

Population and housing growth has been slow in recent years however, the growth in the area is above one percent per year. Future growth is anticipated to increase in area. However, income levels are above the national average, while the median home value is expected to grow to over $420,000.

The area is heavily dependent on tourism. Job growth and new business creation has been slow. Crested Butte is a small community with slow growth prospects. Even so, local residents will continue to require services provided by mixed-use property users, similar to the subject, and these property types should continue to have some level of demand. Residential properties are in greater demand. This market is heavily influenced by the ski resort and overall market conditions.

SUBJECT DESCRIPTION

PROPERTY IDENTIFICATION

Address:	49 Gillaspey Avenue, Crested Butte, CO 81224
Legal Description	Lot 38, Block 5, Crested Butte South Filing 2 #510385, Crested Butte, Gunnison County, State of Colorado
Parcel ID Number: Account Number:	3257-272-04-061 R041460
Current Ownership:	JR & JL Landowners LLC
Sale/Marketing History	
Previous Sale(s):	The property was acquired on May 2, 2001 for $70,000 by JR & JL Landowners LLC. The grantor was Bishop Anthony et al. The current owners built the current improvements. There have been no transfers of ownership in the previous three years. The property is not currently listed for sale.

REAL ESTATE TAXES

Tax Authority: Gunnison County
Tax Year: 2015 payable in 2016
Mill Levy: As shown below

Parcel ID	Actual Value	Assessment Percentage	Assessed Value	Mill Levy	Estimated Taxes
3257-272-04-061	$277,050	29%	$80,340	66.667	$5,356.05

The taxes above are the taxes for 2015, due in 2016. According to the Gunnison County Treasury Department, the taxes have been paid for 2015. Delinquent Taxes: There are no special tax districts according to the treasurer's office.

Tax Authority: Gunnison County
Tax Year: Estimated 2016 payable in 2017
Mill Levy: Using the 2015 Mill Levy

Parcel ID	Actual Value	Assessment Percentage	Assessed Value	Mill Levy	Estimated Taxes
3257-272-04-061	$277,050	29%	$80,340	66.667	$5,356.05

Assessment Comments: The appraisers value appears to be low based on sales in the market area. This may be due to the time limitations imposed on the assessor.

ASSESSOR MAP WITH SUBJECT PARCEL OUTLINED IN RED

SITE DESCRIPTION	
Land Area (SF):	0.35 Acres
Surplus Site Area:	None
Excess Site Area:	None
Land to Building Ratio:	4.6: 1.0
Frontage:	Approximately 100+ feet along Gillaspey Avenue
Visibility:	Along Gillaspey Avenue
Access:	Gillaspey Avenue
Shape:	Irregular
Topography:	Generally Level
Site Improvements	
Parking Type/# of Spaces:	Approximately 10 gravel parking spaces located on the east side of the site with additional parking located across Gillaspey Avenue
Parking Adequacy:	Appears to have adequate parking
Sidewalks / Type:	None

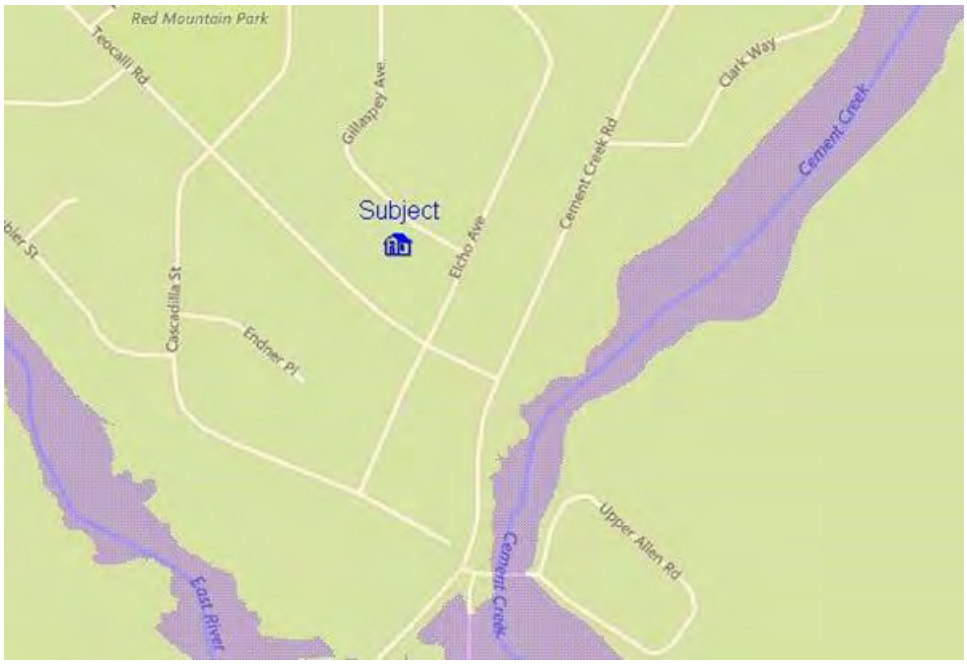
Curbs and Gutters / Type:	None
Landscaping:	Trees and shrubs as well as fenced in playgrounds for the kids.
Signage:	There are small sign on the east elevation of the building.
Utilities At Site	
Electricity:	Gunnison County Electric Association
Gas:	ATMOS Energy
Water:	Crested Butte South Water and Sewer
Sewer:	Crested Butte South Water and Sewer
Telephone:	Other providers

Environmental Assessment

We were not provided any environmental reports concerning the site. Based on the existing development in place and continued use of the property, we assumed that there are no significant environmental conditions that would adversely affect the use of the subject.

Flood Plain Status

It appears from our examination of the following flood map (see below), 08051C0742D, dated May 16, 2013, that the subject is located in an area of low flood risk (Zone X).



Source: STDB FEMA Flood Map.

Easements, Restrictions and Encumbrance

We were not provided a title report by the client for the subject. No unusual easements or encumbrances were noted. We have assumed that there are no significant restrictions or easements that would impact the use of the subject units. Please note that we are not experts in this area and cannot guarantee that significant restrictions do not exist. Easements, mineral rights, patent reservations and deed restrictions are a legal matter and only a title examination by an attorney or title company can identify such restrictive covenants.

Zoning

The subject is located in South Crested Butte, which is a Property Owner's Association Community. While they do not have specific zoning, however they do have a commercial district. The subject is located within this commercial district. Each building must undergo a design review with the design review board for approval.

Some of the permitted uses for Commercial Properties, however, again all uses are required to go through a design review process.

Please note this is an artist's rendering of the commercial district and does not accurately display what is currently in the district. This graphic was used to illustrate the overall size of the commercial district and the subject's location within the district.

5.1 Permitted Uses

A. Commercial Lots.

It is the goal of this Special Area Plan that mixed uses (commercial on first floor and residential above) be used to create a vital downtown area. Commercially designated lots shall be used only for the following purposes:

1. **Retail Commercial Establishments**: antiques, appliances, art supplies, galleries, retail bakeries, bike shop, clothing stores, shoe stores, jewelry stores, video stores, bookstores, cameras, candies, tobaccos, florists, food markets, furniture, gifts, hardware, hobby shops, photo shops, print shop, sporting goods, stationery and variety stores, liquor store, and pet shop. These uses shall be located on the first level.

2. **Service Commercial Establishments**: business offices, financial institutions and personal services establishments, including barber and beauty shops, non-commercial laundromats, shoe repair, sewing and tailoring, daycare center (subject to State requirements), animal grooming, studios for instruction in the arts, health clubs, radio and television broadcasting, artist's studio, and catering services. These uses shall be located on the first or second level.

3. **Auto-Related Uses**: fueling and washing vehicles which are provided as a service incidental to a retail store, provided the following conditions are met: a minimum lot area shall be 16,000 S.F., and there is not a similar use within 500-feet, and the fuel dispensing units accommodate no more than four vehicles at any given time. These uses shall be located on the first level.

4. **Assembly Halls**: recreational clubs, theatres, assembly halls, schools, churches, public or civic buildings, and P.O.A. or governmental offices. Assembly halls may require additional off-street parking.

5. **Restaurants**: coffee shop, cocktail lounges or other places serving food and/or alcoholic beverages (excluding drive-in eating places that serve customers in their vehicles, which are prohibited). Restaurants serving alcohol will have limited hours of operation to be determined by the P.O.A. Board. Outdoor dining is encouraged, but outdoor music, outdoor speakers, live music and/or live advertising will require special approval by the P.O.A. Board. These uses shall be located on the first or second level.

6. **Medical and Dental Clinics and Professional Offices**. These uses may be located on the first or second level.

7. **Rental, Repair and Wholesaling Facilities**: These uses are allowed only in conjunction with any of the above uses, provided all activity is clearly incidental and accessory to the permitted uses and wholly conducted within the building. No purely warehousing and storage uses shall be permitted. These uses shall be located on the first level.

8. **Newspaper and Publishing Offices**. These uses shall be located on the first or second level.

9. **Accommodations**: including hotels, motels, and bed and breakfasts (subject to applicable Sections of the *Gunnison County Land Use Resolution*), limited in size to no more than 15,000 S.F., unless approved by the P.O.A. Board.

10. **Parks and Plazas**: should meet the following criteria:

    The parks and plazas should have South-facing orientation;

    Food and beverage service is or can be located nearby;

    The parks and plazas should have water and/or Public Restrooms located within or near them;

    The parks and plazas should be designed as places for activity and events;

    The parks and plazas should be connected by developed and undeveloped paths to and from neighborhoods; and

    Space for playgrounds is provided, where appropriate.

11. **Farmer's Market**. Any market established by an organization of farmers/producers to provide the opportunity for direct sales (by farmers of their representatives) of primarily Colorado-grown produce, with the possibility of accessory sales of other agriculturally-related products, to wholesale or retail buyers at stalls or other similar structures of a temporary nature.

12. **Construction-Oriented Specialty Uses:** paint store, tile/flooring store, locksmith, shop-craft industry, household appliance repair shop, garden shops,

fabric and sewing supplies, provided all uses are conducted within the building (except garden shops), and provided a storefront is utilized, maintained and accessible to the general public. These uses shall be located on the first level.

13. **Propane Refilling Station**: as a use incidental to a primary business use that provides new tanks and the re-filling of propane tanks for residential applications. These uses must be located on the first level and shall be screened from view.

14. **Residential Units**.

    Commercial Core: must be located on the second level or higher, comprising not more than 2/3 of the total floor area of a mixed use building.

    Commercial Perimeter: single-family, duplex and multi-family buildings are allowed as well as mixed-use buildings.

15. **Home Occupations**: shall be allowed in the CB South Special Area in accordance with the Crested Butte South Home Occupation Regulations.

16. **Wireless Communications Facilities**: provided they are installed on public or quasi-public lands such as fire stations, P.O.A. offices, etc.

17. **Outdoor Commercial Vending/Vending Carts**: Shall be permitted in accordance with CB South regulations.

General Commercial Design Guidelines:

Minimum square footage: 400 Studio or efficiency residences, 1500 minimum floor area

Setbacks: Perimeter Commercial: 0 feet front, 25 feet rear and 7.5 feet for side
Perimeter Residential: 15 feet front, 25 feet rear and 7.5 feet side
Commercial Core: 0 feet front, 15 feet rear and 7.5 to 0 feet for side

Building Height: 32 feet on perimeter and 35 on commercial core

Building Entrances: orient to street, plaza or park

Streets and alleys: please refer to guidelines

Parking: 1 space per 1000 square feet, parking lots located in the rear, please refer to guidelines

Landscaping: required, please refer to Section 9

For more detailed information refer to the Special Area Regulations, Section 9

We confirmed with the South Crested Butte POA that the current use as a daycare is a legal conforming use that did undergo design review when it was built and was approved by the South Crested Butte POA.

IMPROVEMENT ANALYSIS

Building 1:

Building 2:

The subject consists of two separate buildings. Building 1 was constructed in 2001 and is two levels at 2,256 square feet. Building 2 was constructed in 2009 and is one level at 996 square feet. Both buildings are occupied by the Little Red Schoolhouse business. The daycare/ school has a capacity of 70 students and is currently at full capacity. The Little Red Schoolhouse is for children from 3 months old to five years old.

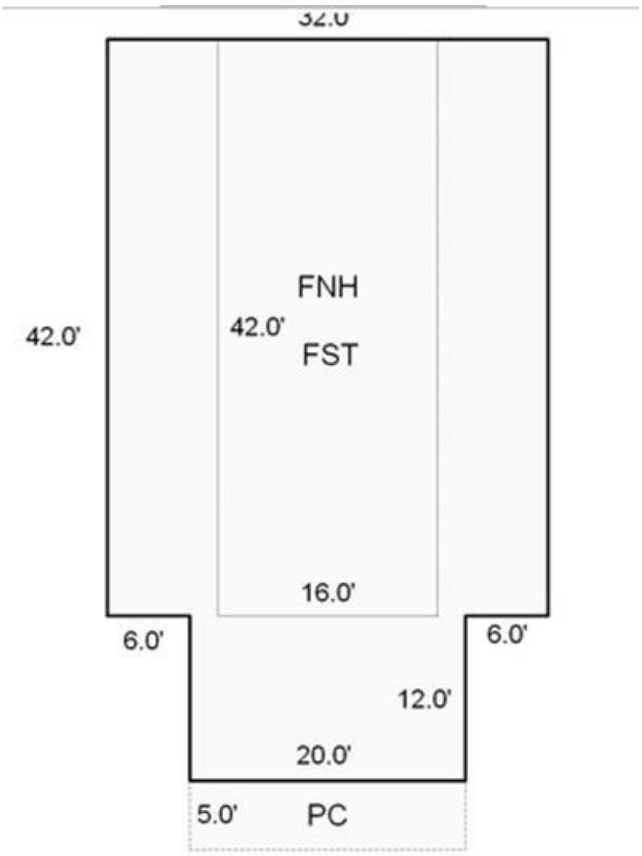
General	
Property Type:	Commercial: Daycare/ School
Building Area:	Building 1: 2,256 square feet Building 2: 996 square feet Total: 3,252 square feet

Year Built:	Building 1: 2001 Building 2: 2009
Number of Stories/Levels:	Building 1: 2001 Building 2: 2009
Construction Class:	Mixed Class D (by Marshall Valuation Service; for wood frame buildings)
Construction Quality:	Average
Exterior Construction Summary	
Foundation:	Concrete slab on grade
Sub-Floor:	Wood
Wall Framing:	Wood frame
Wall Covering:	Masonite wood paneling, and cedar shakes
Roof Frame:	Wood trusses, wood decking
Roof Covering:	Metal roof for building 1, and compositing shingles for building 2
Windows:	Double pane in wood frames
Doors:	The exterior doors are metal in wood frames in both building 1 and 2. Building 1 has two exterior doors, while Building 2 has five exterior doors. All of the interior doors are wood in wood frames.
Ceiling Height:	Nine foot ceilings
Stairway:	Building 1 has an interior stairway located in the northeast corner of the building. There is also an exterior metal stairway on the west elevation
Interior Description	
Interior Layout:	Building 1: The primary entrance is on the east elevation through double metal doors. Upon entry is a large room subdivided into different areas. There is a kitchen located to the north of the large entrance room with two rooms west and east of the kitchen. The western room has restrooms for the children with sinks located outside of the toilet area. There is an office adjacent to the restroom area. There is also an exit to the backyard on the west elevation. There is an interior stairway located to the north of the primary entrance. The upper level consists of a large open room, one storage area, and a restroom. Building 2: The primary entrance is on the northern elevation. There are two rooms located in

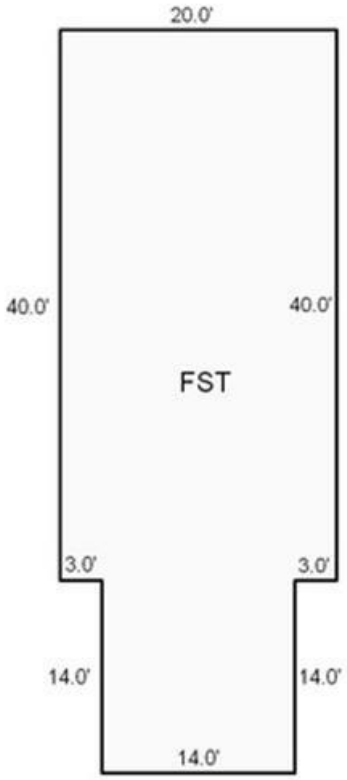
	the western portion of the building. There is a kitchen located in the center of the building. There are two rooms located in the eastern portion of the building. The southern rooms have exterior doors that lead to the south side of the subject. The backyard consists of two areas. One area is covered with a rubber composite membrane with playground equipment. The second playground area consist of a sandbox play area with a secondary area consisting plastic grass composite. Both playground areas are enclosed with 5 foot plastic fencing and 5 foot wood fencing.
Interior Finish:	Building 1: The walls and ceiling are finished and painted drywall. The lighting is ceiling mounted florescent lighting. The flooring consists of vinyl tile and carpeting. The kitchen area has a refrigerator, sink, oven/stove, and microwave. The countertops throughout the building are laminate The finishes in the restrooms are average. Building 2: The walls and ceiling consist of finished and painted drywall. The lighting is ceiling mounted florescent lighting. The flooring consists of vinyl tiles and carpeting. The kitchen area has a refrigerator and sink. The countertops consist of laminate The finishes in the restrooms are average.
Mechanical Description	
Heating & Cooling System:	Gas fired forced air heating. There is one individual swamp cooler in the window of the second floor for the first building.
Plumbing:	Typical, assumed adequate.
Electrical:	Typical, assumed adequate.
Fire Protection:	Smoke detectors and fire extinguishers
Physical Condition	
Overall Condition:	Average
Deferred Maintenance:	Very minor deferred maintenance with peeling paint on the exterior of Building 1.
Effective Age:	10 years; property has been adequately maintained
Typical Economic Life:	45

Remaining Economic Life:	35
Functional Utility:	Average for a commercial daycare/school

Building Floor Plan Sketches from the Assessor



Building 1



Building 2

SUBJECT PHOTOGRAPHS

Building 1: South Elevation

Building 1: East Elevation

Building 1: North Elevation

Building 1: West Elevation

Building 1: South Elevation

Building 1: Entrance

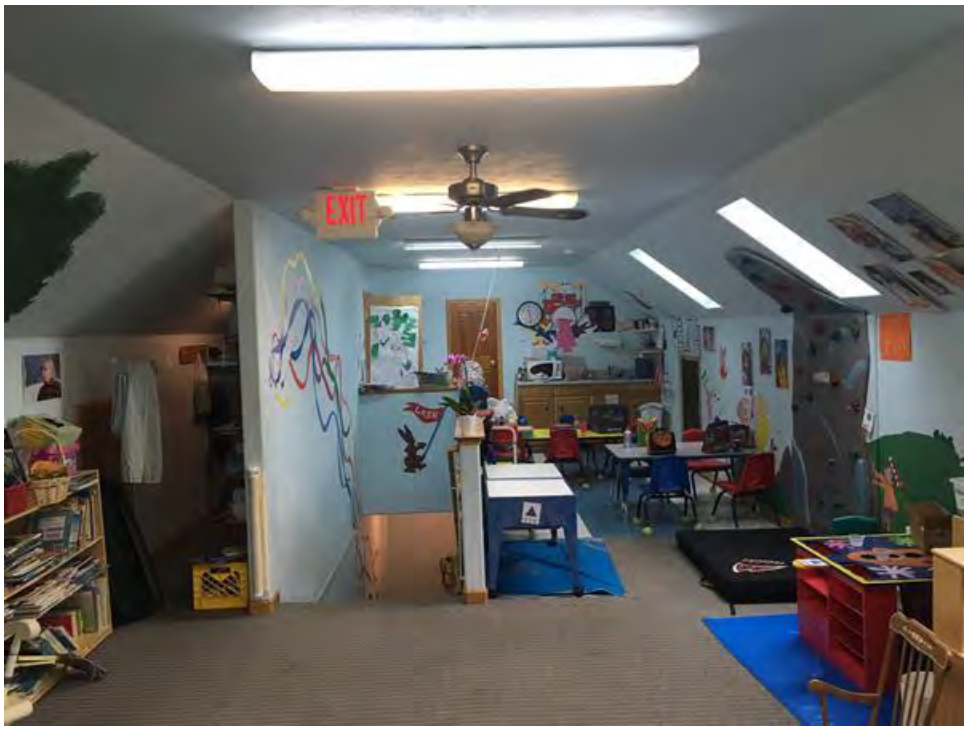
Building 1: Large Open Room

Building 1: Kitchen

Building 1: Bathroom Area/ Exit to Backyard

Building 1: Classroom

Building 1: Adult Restroom



Building 1: Second Level

Building 1: Second Level Storage

Playground Area

Building 2: East Elevation

Building 2: North Elevation

Building 2: West Elevation

Building 2: South Elevation

Building 2: Classroom

Building 2: Classroom

Building 2: Room

Building 2: Kitchen Area

Parking Area and Eastern Side of Site

Gillaspey Avenue looking South

Gillaspey Avenue looking North

HIGHEST AND BEST USE ANALYSIS

Four criteria are examined in order to determine the highest and best use of the subject property. The criteria and their applicability to the subject are as follows:

1. ***Legally Permissible:*** *a legally permissible use is determined primarily by current zoning regulations. However, other considerations such as long-term leases, deed restrictions, and environmental regulations may preclude some possible highest and best use.*

2. ***Physically Possible:*** *the size, shape and topography affect the uses to which land may be developed. The utility of a parcel is dependent on its frontage and depth. Sites with irregular shapes may be more expensive to develop, and topography or subsoil conditions may make utilization too costly or restrictive. Highest and best use as improved also depends on physical characteristics such as condition and utility.*

3. ***Financially Feasible:*** *the use of the property is analyzed to make a determination as to the likelihood that the property is capable of producing a return which is greater than the combined income needed to satisfy operation expenses, debt service, and capital amortization. Any use that is expected to produce a positive return is classified as financially feasible.*

4. ***Maximally Productive:*** *the use that provides the highest rate of return among financially feasible uses is the highest and best use. The use of the land must yield a profitable net return, and the quantity of land devoted to any specific use must be limited to that quantity which will yield a maximum return to each owner.*

Highest and Best Use - As Vacant:	
Legally Permissible:	The subject is in the commercial district of a Property Owners Association master planned community. A broad range of uses are allowed in this district, however each use and each building must undergo a special review by the Property Owners Association. Some of the uses include retail, office, restaurant, hospitality, and combinations of these uses. Furthermore, a combination of residential and commercial uses is permitted in the commercial district.
Physically Possible:	There are no significant physical limitations that would affect development of the subject site. The terrain is generally level and at street grade and the site is of adequate size to support a wide variety of smaller development options.
Financially Feasible:	In examining financially feasible uses for the subject, we considered the surrounding uses in the area with respect to the theory of conformity, which indicates that property value is created and sustained when the characteristics of a property conform to the demands of its market. Surrounding uses in the subject's immediate neighborhood are primarily commercial uses. Current uses in the neighborhood include office, retail, restaurant, mixed-uses with a residential component, and related uses. Single-family residential uses are in close proximity to the subject. Retail and office rental rates have been improving the area in recent years. Vacancy rates have generally been decreasing as well. Most commercial property types have seen stronger demand represented by greater sales and leasing activity. Although market conditions have improved in recent years, market conditions do not warrant speculative development in the area at this time. Any development of the subject site would require demand by an owner-user or tenant(s).
Maximally Productive:	The maximally productive use of this site would consider all of the available development options, the current market conditions, and the character of the greater area. It appears that an office or retail use,

	including day care or general retail uses, or a combination of these uses, is the maximally productive use for the subject site as vacant, upon demand and not on speculation.
Highest and Best Use – As Improved	
	The subject operates as a daycare, which is an approved use under the commercial design review. Other types of retail and office uses are also allowed, upon approval of a specific development plan. The improvements are in average condition and are adequately maintained. The subject operates as a day care, but the configuration of the improvements could accommodate a number of uses with little or no retrofitting. Classrooms and play areas could easily be used for offices, conference rooms, display areas, etc. In addition, the upper levels of the building could be used for an apartment, again with some retrofitting. The existing improvements do have flexibility in use depending on the demand by a user. Rental rates for commercial properties are generally supportive of commercial uses in the market. Rates have been increasing to levels that provide an adequate return. The current day care has operating at capacity, according to the property/business owner. Therefore, the subject as improved is financially feasible and other office or retail uses could also be financially feasible. In addition, mixed-uses with a commercial and residential components are also financially feasible. A day care use, or an office or retail use upon demand, considers all of the factors above and these uses are maximally productive for the subject.

Ownership Profile

Based on an examination of the marketplace, the likely ownership profile is an investor and/or owner/user. There is no holding period associated with highest and best use.

VALUATION PROCEDURES AND METHODOLOGIES

Current appraisal standards recognize three basic approaches to real estate value. These are identified as the cost, sales comparison, and income capitalization approaches.

The Cost Approach to value is developed by two fundamental opinions: the value of the land and the value of the improvements to the land. Initially, the current market value of the land is estimated as if unimproved and capable of being put to its highest and best use. The reproduction or replacement cost new of the improvements, less any depreciation, is then added, along with any contributory value of the site improvements. There have been a limited number of commercial land sales in recent years, the subject is approximately 20 years old, and investors are not typically using the cost approach when making investment decisions for similar properties. Therefore, we will not use this approach in our analysis.

The Income Approach measures value by capitalization of the net income from the real estate. The potential gross income is first estimated based on data derived directly from the market. Deductions are then made for vacancy and collection loss, and normal operating expenses. The resulting net income figure is then converted to a value estimate by any one of several capitalization methods. Rents for commercial and mixed-use properties in Crested Butte have not kept up with sales prices. Brokers in the area report some increasing rents but they still lag price increases. As a result, we believe the market would rely to a greater extent on the sales comparison approach when making decisions regarding the subject property.

The Sales Comparison Approach is based on comparison between the subject property and similar properties which sold within a reasonable period prior to the date of appraisal, and which are capable of providing insight into the valuation of the subject property. Units of comparison are examined and developed and after making the appropriate adjustment for differences such as location and physical characteristics, are then applied to the subject to derive an indication of value. We searched the market for recent sales of properties in the area that were generally similar to the subject. Investors for similar properties typically use the sales comparison approach and we will use this approach in our analysis. The client has requested the appraisal be based on the single most appropriate approach to value. In the scope of work section of this appraisal, we have specified the sales comparison approach is the most appropriate approach to use for the subject.

SALES COMPARISON APPROACH

The sales comparison approach to value compares the subject to similar properties that have sold or are under contract in the same or similar market. This approach is based on the principle of substitution, which states that no commodity has a value greater than a similar commodity offering similar uses, similar utility, and similar function that can be purchased within a reasonable period. In other words, the market value of a property is set by the price of acquiring a substitute property, which could provide the owner with similar utility. The principle of substitution also is crucial in reconciling all three approaches to value, as it provides linkage in the underlying determination of the subject's market value.

Unit of Comparison

Using a common unit of comparison is an effective device to adjust for differences in physical characteristics while controlling for scale or some other factor. This control allows the appraisers to determine the impact of differences in attributes between the subject and comparable sale properties.

As for the subject, the appraisers discussed recent market transactions with area brokers, as well as evaluating the physical attributes of the subject's use type. In both instances, the predominant unit of comparison was price per building square foot. The following analysis will use this unit.

Elements of Comparison

Eight major comparison categories must be considered in the direct sales comparison approach. These include the following: Property rights, financing, conditions of sale, expenditures made after the sale, market trends, location, physical attributes, and economic attributes.

Each of these categories will be addressed as appropriate in the subsequent analysis, as it relates to the subject. We reviewed recent sales in the market and also reviewed generally similar property listings.

Listings in the Market

We reviewed current listings of properties in the Gunnison County market that are generally similar to the subject with highest and best use and a daycare, office, or retail, as allowable uses under zoning regulations. We discovered one listing that is a reasonable substitute for the subject. The listing is located at 123 North Boulevard

Street in the City of Gunnison. The building consists of 2,149 square feet in one building and 520 square feet in an additional "office" building. The asking price is $384,000, or $143.87 per square foot. The listing is in the B-1 City of Gunnison zoning district which allows a daycare as part of a home or school. We have included this listing in our analysis.

Sales Selection Criteria

The sales were selected based on the following criteria:

- Size: 1,200 to 4,000 square feet
- Location: Gunnison County
- Sale Dates: January 2015 to present
- Highest and Best Use: Commercial allowing a variety of uses, including a daycare.

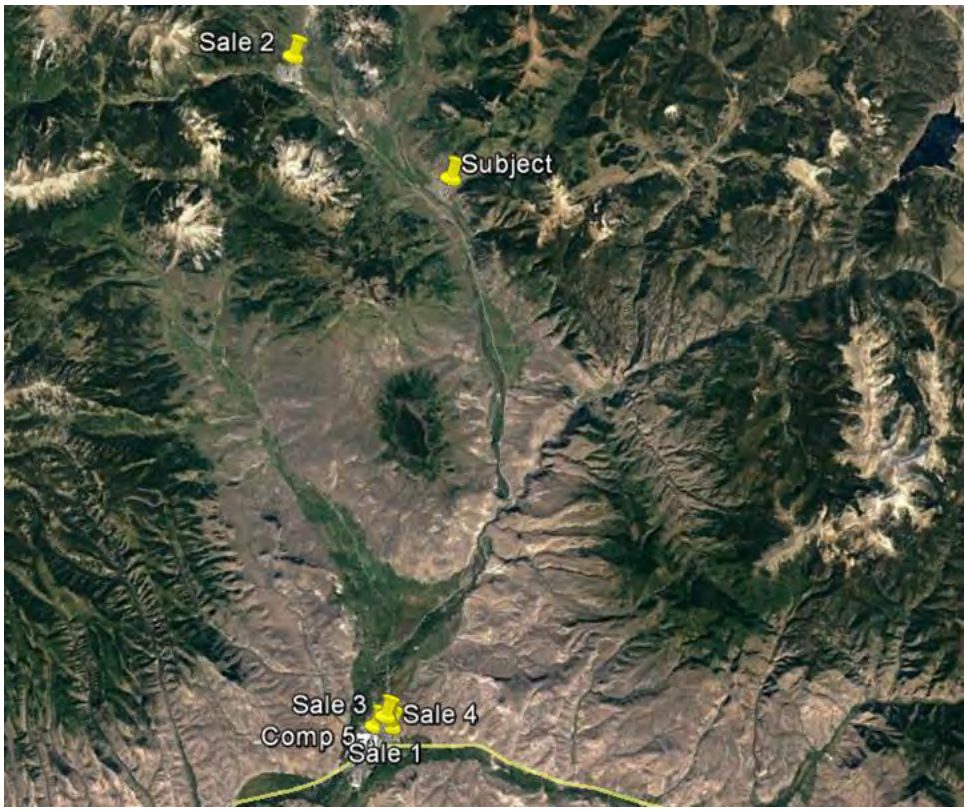
We found no sales of day care properties in Gunnison County that have transacted in recent years. Therefore, we expanded our search to include sales of schools and daycare facilities throughout the state, excluding major metropolitan areas and Aspen and Vail. We found only two potential sales in our search. One property is located in Canon City and sold for $32.46 per square foot, while the second sale is located in Alamosa and sold for $22.72 per square foot. We believe that these two sales are not indicative of the local market for the subject. Therefore, we considered the highest and best use as well as allowable zoning for properties in the subject's local area. Since the subject is located in a "commercial district" with a variety of uses, including other types of commercial and residential uses (upon review), we expanded our sales search to include properties that had zoning that would allow for a school or daycare uses and other uses including mixed-use with a residential component. Mixed use commercial with a residential component is allowed in the subject's commercial district under special review.

Of the sales reviewed, based on the above criteria, the following comparables represent the best available from the market to determine the subject's market potential under this valuation approach. While some are more ideal than others are, the appraisers believe that they represent a sufficient sample of the data reviewed to illustrate a market-based conclusion for the subject. We also included a property that is currently listed for sale (Comparable 5).

SUMMARY OF COMPARABLE SALES

No.	Location	Date of Sale	Sale Price	Bldg Size SF	Price Per SF	Year Built
1	116 Taylor Street Gunnison	Jul-16	$211,750	1,200	$176.46	1976
2	429 Elk Avenue Crested Butte	Feb-16	$626,000	3,365	$186.03	1951
3	100 E Gothic Avenue Gunnison	Sep-15	$290,000	1,920	$151.04	1959
4	104 W Ruby Avenue Gunnison	Jan-15	$398,000	3,301	$120.57	1921
5	123 Boulevard Street Gunnison	Listed	$384,000	2,149	$178.69	1881

COMPARABLE SALES MAP



SALE 1 – 116 Taylor Street, Gunnison

BUILDING AREA:	1,200 square feet
LAND AREA:	6,250square feet
YEAR OF CONSTRUCTION:	1959
DATE OF SALE:	July 1, 2016
GRANTOR:	Logi LLC
GRANTEE:	Sustainable Development Strategies Group
CONSIDERATION:	$211,750
PRICE PER SQUARE FOOT:	$176.46
FINANCING:	Cash sale

COMMENTS:

This property is located in the downtown sector of the City of Gunnison in close proximity to Highway 50. The improvements consist of a one story building that was originally built as a single-family residence. The improvements are brick construction. The property is zoned Central Business District for the City of Gunnison and does include a permit for in- home daycare, and a daycare school. There is ample parking in the front and back if needed. The sale was originally listed for $250,000 and was on the market for 197 days. There were no transfers of ownership in the prior three years, expect as noted above.

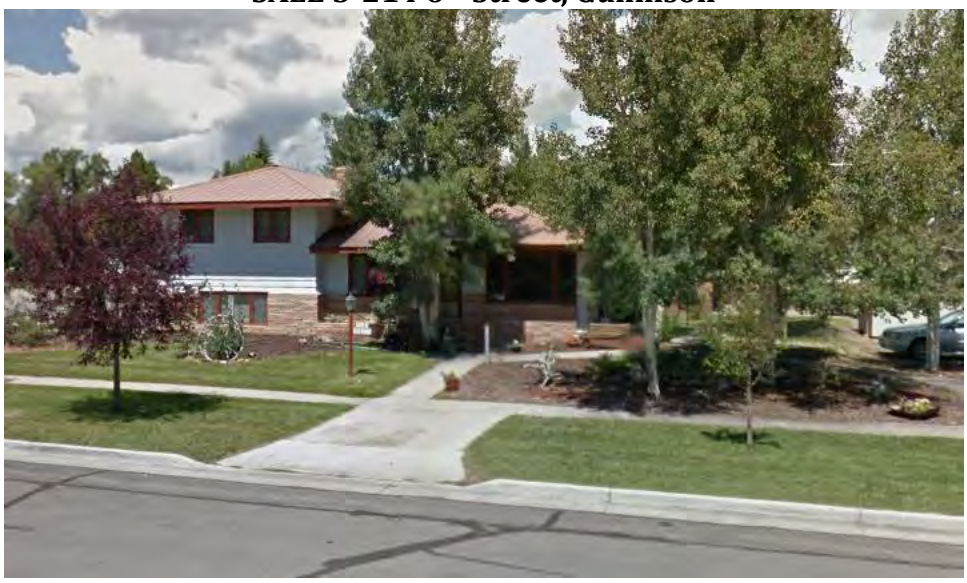
SALE 2- 429 Elk Avenue, Crested Butte

BUILDING AREA:	1,708 square feet
LAND AREA:	3,365 square feet
YEAR OF CONSTRUCTION:	1963
DATE OF SALE:	February 29, 2016
GRANTOR:	Jane Rossiwall
GRANTEE:	429 Elk LLC
CONSIDERATION:	$626,000
PRICE PER SQUARE FOOT:	$186.03
FINANCING:	Cash to seller

COMMENTS:

This property is located at the northwest corner of Elk Avenue and 5th Street. Elk Avenue is the primary commercial corridor through the town of Crested Butte and commercial properties, consisting mostly of retail and office uses, are located on both sides of Elk avenue. In addition to retail and office uses, a school use is allowed in this zone district. The zoning is B-3 for the town of Crested Butte. This sale has an apartment on the second floor with retail and office on the first floor. Construction is wood frame. The property was listed at $650,000 and was on the market for 448 days. There were no transfers of ownership in the prior three years.

SALE 3-214 6th Street, Gunnison



BUILDING AREA:	1,920 square feet
LAND AREA:	9,375
YEAR OF CONSTRUCTION:	1959
DATE OF SALE:	September 2, 2015
GRANTOR:	Alfred Jack Macallister Trust
GRANTEE:	Velocity Property LLC
CONSIDERATION:	$290,000
PRICE PER SQUARE FOOT:	$151.04
FINANCING:	Cash to seller; bank financing

COMMENTS:

This property is located at the northeast corner of Gothic and Main Street. The improvements consist of a former residence constructed of wood frame. However, the improvements were converted to an office. This property is zoned B-1 in the City of Gunnison which allows for a daycare in the home, or daycare school, upon approval by the city. These uses are conditional uses. The property was listed $290,000 and sold for that amount. The property was on the market for 49 days. There were no transfers of ownership in the prior three years, except for the sale mentioned above.

SALE 4- 104 W Ruby Avenue, Gunnison

BUILDING AREA:	3,301 square feet
LAND AREA:	12,500 square feet
YEAR OF CONSTRUCTION:	1922
DATE OF SALE:	January 2, 2015
GRANTOR:	Susan Wyman Et al
GRANTEE:	401 LLC
CONSIDERATION:	$398,000
PRICE PER SQUARE FOOT:	$120.56
FINANCING:	Cash to seller; bank financing

COMMENTS:

This property is located at the corner of Main Street and Ruby Street along one of the main commercial corridors in the City of Gunnison. This property was originally built as a single-family residence but was converted to office use. According to the listing broker, the property had new wiring and upgrades including new wood floors at the time of sale. The property also has a detached garage. The property is located in B-1 zoning for the City of Gunnison which allows for in-home daycare use or daycare school, upon approval by the city. These uses are conditional uses. The property was listed at $429,500 and was on the market for 105 days. The previous sale of the property was on January 31, 2011 for $288,000.

Comparable 5- 123 N. Boulevard Street, Gunnison

BUILDING AREA:	2,149 square feet
LAND AREA:	8,437 square feet
YEAR OF CONSTRUCTION:	1881
DATE OF SALE:	Listed August 19, 2016
GRANTOR/ Owner:	Elizabeth A. Marcue
GRANTEE:	N/A
CONSIDERATION:	$384,000
PRICE PER SQUARE FOOT:	$178.69
FINANCING:	N/A

COMMENTS:

This property is currently listed for sale. It was placed on the market August 19, 2016 for $393,000. There has been a price reduction to $384,000. The property is located at the corner of North Boulevard Street and West Virginia Avenue in the City of Gunnison. The property was originally built as a single-family residence, but was converted into a bed and breakfast with an addition office building constructed in 1950. According to the listing broker, the single-family residence and office are in good condition. The property is located in B-1 zoning for the City of Gunnison which allows for in-home daycare use or daycare school, upon approval by the city. These uses are conditional uses. There is on-site parking as well as street parking.

DISCUSSION AND ANALYSIS

Property Rights Conveyed
The sales were leased at market terms, were vacant, or were owner-occupied when sold. No adjustments are required for property rights conveyed for these sales.

Cash Equivalency
The sales were for cash or were for cash equivalent financing and no adjustments are warranted for financing.

Conditions of Sale
No other conditions of sale were known to apply.

Buyer Expenditures
This element is based on the understanding that a knowledgeable buyer would consider possible expenditures to be made upon purchase of a property and those costs affect the price a buyer would pay. None of the sales are currently used as day care properties, although zoning does allow these uses. Therefore, a day care user could expect to incur some retrofitting of these properties. Items to consider for retrofitting would include: child-friendly restrooms; door and cabinet hardware accommodations; security system; child-friendly flooring; etc. Office and retail users may have to retrofit the existing improvements to accommodate specific needs of the end user. We have reviewed costs from Marshall Valuation Service, a national recognized cost estimator service, to determine adjustments for retrofitting. Overall, it appears the cost would be in the range of $10 to $15 per square foot. The comparables will be adjusted downward by a commensurate percentage to account for possible retrofitting. We applied a downward adjustment of $12.50 per square foot for each comparable.

Market Conditions
The sales transacted in 2015 and 2016. Prices for commercial and mixed-use properties decreased when the full effects of the national recession were absorbed by the market in 2009-2011. However, prices have been rebounding for these properties overall in recent years. The sales transacted relatively recently and market conditions have changed significantly since 2015. No adjustments for market conditions are warranted.

Age
The subject was built in 2001 and 2009 and is in average condition. All of the sales are older compared to the subject and upward adjustments will be applied.

Condition

The subject is in average condition overall. The comparables have been updated and renovated over the years and have been adequately maintained. Overall, the comparables are also in average condition and no adjustments are warranted.

Location
The subject has average access and visibility. There have been no recent similar commercial sales in South Crested Butte. Therefore, we looked for comparable commercial sales in the Town of Crested Butte and the City of Gunnison. While both locations are within a 30 minute drive from South Crested Butte, the Town of Crested Butte commands a higher price per square foot than does South Crested Butte or Gunnison. The City of Gunnison is located farther south of South Crested Butte along US Highway 50. Gunnison is not considered a destination resort community, therefore, the price per square foot in Gunnison is lower than the Town of Crested Butte and lower than for South Crested Butte. South Crested Butte benefits from the closer proximity to the ski resort and prices are reflective of this proximity, being higher than in Gunnison. Sale 1, 3, 4, and 5 are located in the City of Gunnison, therefore an upward adjustment was applied. Sale 2 is located in the Town of Crested Butte, therefore a downward adjustment was applied.

Quality
The subject buildings are wood frame construction. All of the comparables are also wood frame construction. Therefore, no adjustments are warranted.

Building Size
The subject consists of 3,252 square feet in two buildings. The sales range from 1,200 to 3,365 square feet. Typically, there is an inverse relationship between size and price per square foot. A downward adjustment will be applied to Comparables 1, 3, and 5 all of which are smaller in scale compared to the subject. Sale 2 and 4 are of generally similar scale as the subject and no adjustment was is warranted.

Residential
The subject is in a zoning that allows for residential and commercial uses under special review. Additionally, there is a kitchen area in both of the subject buildings. However, the subject does not currently have a residential component. Sale 2 has a one bedroom, one bathroom unit on the second floor. This is a feature that could help the property function as a live/work property, or the apartment could be leased for additional income. A downward adjustment will be applied for this physical characteristic.

Amenities
The subject consists of 3,252 square feet in two buildings with onsite parking and a playground area. Sale 1, while it does not have two buildings, has enough square footage to add a playground if needed. There is also ample parking on the street, therefore no adjustment is warranted. Sale 2 is on a smaller lot with no designated onsite parking. Adding a playground could be difficult, therefore an upward

adjustment was applied. Sale 3, 4 and 5 all have onsite parking, or designated parking areas with enough land area to add a playground, therefore no adjustment was applied.

SALES ADJUSTMENT GRID

NO.	SALE PRICE/SF	BUYER EXPENDITURES	AGE	LOCATION	SIZE	RESIDENTIAL	AMENITIES	OVERALL NET ADJUSTMENT	INDICATED ADJUSTED PRICE
1	$176.46	DOWNWARD -$12.35	UPWARD $8.82	UPWARD $17.65	DOWNWARD -$8.82	NONE	NONE	UPWARD $5.29	$181.75
2	$186.03	DOWNWARD -$11.16	UPWARD $9.30	DOWNWARD -$18.60	NONE	DOWNWARD -$18.60	UPWARD $46.51	UPWARD $7.44	$193.47
3	$151.04	DOWNWARD -$12.08	UPWARD $7.55	DOWNWARD $15.10	DOWNWARD -$7.55	NONE	NONE	UPWARD $3.02	$154.06
4	$120.57	DOWNWARD -$12.06	UPWARD $12.06	UPWARD $12.06	NONE	NONE	NONE	UPWARD $12.06	$132.63
5	$178.69	DOWNWARD -$12.51	UPWARD $17.87	UPWARD $17.87	DOWNWARD -$8.93	NONE	NONE	UPWARD $14.30	$192.99
Subj	N/A	None	2001 & 2009	CB South	3,252	NONE	Land	MEAN	$170.98

Market Value Conclusion

The above sales represent smaller scale commercial properties in the Town of Crested Butte and the City of Gunnison, similar to the subject.

The range in unadjusted prices is $120.57 to $186.03 per square foot and the mean adjusted price is $162.56 per square foot and the median adjusted price is $176.46 per square foot. The subject is well located and has been adequately maintained. There was no one best sale.

Considering all of the factors in this analysis, the market indicates a value close to the mean adjusted price of $170.98 and median adjusted prices of $181.75 per square foot, as follows:

Concluded Adjusted Price Per Square Foot:	$175.00 PSF
Building Area:	x3,252 SF
Market Value by Sales Comparison:	**$569,100**
Rounded:	**$570,000**

RECONCILIATION

A summary of the value conclusions of each of these individual approaches indicates the following:

Cost Approach:	**Not Used**
Income Approach:	**Not Used**
Sales Comparison Approach:	**$570,000**

Discussion and Reconciliation

Cost Approach: The cost approach was not used in this appraisal because of the limited number of vacant industrial land sales in the area in recent years, the difficulty in determining depreciation, and because investors in properties similar to the subject typically do not use this approach when making investment decisions.

Income Approach: The subject owner occupied. As a result, and in consideration of the scope of work, we have not used the income approach to value the subject property.

Sales Comparison Approach: The sales comparison approach was developed using recent sales of similar commercial/mixed-use properties in the Crested Butte and Gunnison market. The sales were analyzed and the prices were adjusted relative to the subject property. This approach is also considered to be reliable and is used to develop the final value conclusion.

We have relied on the sales comparison approach to value in our final value conclusion for the subject.

AS IS MARKET VALUE CONCLUSION

Appraisal Premise	***Interest Appraised***	***Effective Date***	***Value Conclusion***
As Is	**Fee Simple Estate**	**August 23, 2016**	**$570,000**

EXPOSURE TIME

The appraisers examined the average length of time that small commercial properties (2,000 to 10,000 square feet) were exposed to the market in Gunnison County since January 2013. The list below is representative of these commercial property sales.

Address	City	Days On Market	Sold Price	Closing Date
125 N Main Street	Gunnison	569	$7,500	1/4/2013
TBD S 9th	Gunnison	1343	$51,000	6/5/2014
428 Elk Ave, B	Crested Butte	720	$70,000	1/16/2015
626 Andreas Circle	Crested Butte	415	$150,000	9/4/2013
500 W HIGHWAY 50 #101	Gunnison	758	$190,000	4/1/2015
219 Silver St	Lake City	1951	$194,000	10/23/2014
230 Gunnison Ave	Lake City	3139	$200,000	4/2/2015
912 West Gunnison	Gunnison	292	$249,000	3/21/2014
503 RED LADY---UNIT 101	Crested Butte	344	$265,000	6/1/2015
322 N Main Street	Gunnison	101	$265,000	8/17/2015
323 E Tomichi Ave (Hwy 50)	Gunnison	255	$350,000	3/15/2013
37550 W U. S. Hwy 50	Gunnison	203	$353,000	11/12/2013
516 W Highway 50	Gunnison	976	$365,000	5/17/2013
312 E Tomichi Avenue	Gunnison	473	$377,000	8/21/2015
TBD S 9th	Gunnison	1452	$385,000	9/22/2014
231 W Tomichi Avenue	Gunnison	395	$475,000	3/14/2013
310 Silver Street	Lake City	467	$573,300	6/25/2014
309 Third Street Street	Crested Butte	495	$699,000	7/13/2015
319-321 Elk Ave	Crested Butte	820	$2,425,000	9/26/2014

The average days on market were 798 days and the median days on market were 495 days. The comparables used in the sales comparison approach had days on market of 365, 79, 514, and 34 days. Based on the indicated exposure and marketing periods, the value conclusion represents a market price achievable within 18 months prior to the effective date.

ADDENDUM

- APPRAISERS' QUALIFICATIONS
- ENGAGEMENT LETTER

APPRAISER QUALIFICATIONS

JAMES M. BITTEL

RELATED PROFESSIONAL EXPERIENCE

Firm: East West Econometrics LLC
Managing Partner
PO Box 127
Louviers, CO 80131
March 2013 to present

Firm Wildrose Appraisal, Inc.
President
PO Box 383
Divide, Co. 81211
September 1993 to present

Firm: Rocky Mountain Valuation Specialists, LLC
Director
PO Box 848
Salida, Co. 81201
June 1999 to January 2007

Firm: Valuation Research Corporation
Title: Vice President-Appraisal Branch Operations
9590 W. 14th
Lakewood, Co. 80215
December 1991 to September 1993

Firm: Promark Realty, et. al.
Title: Partner
743 Horizon Court
Grand Junction, Co.
March 1986 to December 1991

Firm: Farm Credit Services
Title: Vice President-Special Assets Group-Appraiser #443
743 Horizon Court, Suite 100
Grand Junction, Co. 81506
May 1979 to March 1986

EXPERTISE

Appraisal of existing and proposed residential, commercial and farm/ranch properties in El Paso, Teller, Douglas, Elbert, Jefferson, Custer, Fremont, Gunnison, Summit, Chaffee, Pueblo, Arapahoe, Archeluta, La Plata, Denver, Ouray, Montrose, Prowers, Pitkin, Moffat, Grand, Las Animas, Yuma, Broomfield, Washington, Adams, Larimer, Boulder, Park, Weld, Delta, Lake, Routt, Alamosa, Costilla, Rio Grande, Saguache, Mesa, Eagle, Garfield, and Clear Creek counties in Colorado. Appraisal of farm/ranch, commercial, eminent domain cases, business valuations, and complex residential properties.

Qualified as expert witness in El Paso and Teller County District Courts, Fremont County District Court, Douglas County District Court, Denver County District Court, Archuleta County District Court, Chaffee County District Court, and Hillsborough County, Florida District Court. Previously qualified in US Bankruptcy Court in the District of Kansas.

PROFESSIONAL LICENSE

Colorado Certified General Appraiser #CGO1315404
Certified through December 31, 2014
Colorado R. E. Employing Broker License #IB01217665
Licensed through June 29, 2015
Arizona Certified General Appraiser #31839
Certified through April 30, 2013 (Inactive)

PROFESSIONAL EDUCATION

Kansas State University
B.S. Economics, May 1979

Real Estate Training Center
Broker Licensing Classes-1986-1992

University of Colorado
NCRE 200 & 208-55 class hours-July, 1991
Licensed Non-Federal Class combined with Standards and Ethics

University of Colorado
NCRE 210-40 class hours-September, 1991
Licensed Federal Appraiser

University of Colorado
NCRE 215 Certified Appraiser I
September 1992

University of Colorado
NCRE 222 Certified Appraiser II
October 1992

University of Colorado
NCRE 230-Certified Appraiser III
December 1992

American Society of Farm Managers and Rural Appraisers
A-29 Highest and Best Use
February 1994

University of Colorado
Subdivision Development
August, 1994

American Society of Farm Managers and Rural Appraisers
Purdue University
A-20-Principles of Rural Appraisal
August 13-19, 1995

American Society of Farm Managers and Rural Appraisers
Denver, Colorado
A-30-Principles of Rural Appraisal-Audit
June 17-22, 1996

University of Colorado
NCRE 208
Uniform Standards of Professional Appraisal Practice
October 10-11, 1997

American Society of Farm Managers and Rural Appraisers
Denver, Colorado
A-15-Appraisal Report Writing
January 26-28, 1998

American Society of Farm Managers and Rural Appraisers
Denver, Colorado
A-25-Eminent Domain
January 29-31, 1998

American Society of Farm Managers and Rural Appraisers/Appraisal Foundation
Omaha, Nebraska

National Uniform Standards of Professional Practice A-12. Part II
April 28-29, 1999

Appraisal Institute
Salt Lake City, Utah
Uniform Standards of Professional Practice/Ethics
April 19-20, 2001

International Right of Way Association
Easement Valuation
Durango, Colorado
September 26, 2002

McKissock Data Systems
Denver, Colorado
Uniform Standards of Professional Practice/Ethics
December 10, 2002

Appraisal Institute
Denver, Colorado
National USPAP Update Class
Fall, 2004

VANED Van Education Center
Denver, Colorado
National USPAP Update Class
May 20, 2007

Appraisal Institute/ASA
Sacramento, Colorado
Valuation of Conservation Easements
February 25-29, 2008

Appraisal Institute/IRS
Denver, CO
Federal Tax Valuations
July 23, 2009

VANED Van Education Center
Denver, Colorado
2008-2009 National USPAP Update Class
December 23, 2009

7 Hour USPAP 2010-2011 Update
Stephen Snyder AQB Instructor
363 S. Harlan Street
April 9, 2010

7 Hour USPAP 2010-2011 Update
Stephen Snyder AQB Instructor
Daniels Gate Recreation Center
April 22, 2011

Supervising Beginning Appraisers
Arizona School of Real Estate and Business
Certified by Arizona Board of Appraisal
August 26, 2011

7 Hour USPAP 2012-2013 Update
Stephen Snyder AQB Instructor
Daniels Gate Recreation Center
April 21, 2012

7 Hour USPAP 2012-2013 Update
Stephen Snyder AQB Instructor
Daniels Gate Recreation Center
April 21, 2013

Conservation Easement Appraiser Update Course
DORA-State of Colorado
November 8, 2012

7 Hour USPAP 2014-2015 Update
Stephen Snyder AQB Instructor
Daniels Gate Recreation Center
January 18, 2014

DORA Conservation Easement Update Course
Lee Ormiston Instructor
Center for Professional Education
June 12, 2014

Appraisal of Land Subject to Ground Leases
McKissock
December 6, 2014

Appraisal of Fast Food Facilities
McKissock
December 14, 2014

PROFESSIONAL SEMINARS:

University of Colorado
NCRE 232-Electronic Appraising
June 1994

Teller Title Company-Jim Felt Water Attorney
Water Rights and Real Estate Transactions
July, 1994

American Society of Farm Managers and Rural Appraisers
Oil & Gas Royalty Income Valuation
September 21, 1995

American Society of Farm Managers and Rural Appraisers
Rotational Grazing Techniques
September 21, 1995

American Society of Farm Managers and Rural Appraisers
Geographic Information Systems
September 21, 1995

Colorado Real Estate Commission
Mandatory 8 Hour Update Class
November 21, 1996, November, 1998

Appraisal Institute
FHA Residential Appraisal Seminar
August 10, 1999

Realtors Land Institute
Revised Colorado Sales Contracts
August 12, 1999

CLE International
Eminent Domain
August 19-20, 1999

Realtors Land Institute
1031 Tax Deferred Exchange
January 13, 2000

American Society of Farm Managers and Rural Appraisers
Water Rights Seminar
February 17, 2000

Realtors Land Institute
Real Estate Counseling
May 4, 2000

Colorado Water Well Contractors Association
Wells-Are They a Dependable Source of Water
October 19, 2000

National Business Institute
Getting Successful Results in Colorado Eminent Domain Actions
May 29, 2002

CLE International
Eminent Domain Conference
August 12-13, 2002

Colorado Real Estate Commission
Real Estate Update Class
November 13, 2003

J. Albert Bauer, Esq.
Homeowners Associations
November 13, 2003

Appraisal Institute
Right of Way Acquisition Process for Federally Funded Projects
FHA and the Real Estate Market

Appraisers in the Ring
August 6, 2004

Colorado Real Estate Commission
Real Estate Update Class
October 27, 2004

J. Albert Bauer, Esq.
Top Ten Challenges of the New Sales Contract
October 27, 2004

Colorado Bar Association Continuing Legal Education
23rd Annual Real Estate Symposium
July 28-30, 2005

Law of Easements: Legal Issues and Practical Considerations
Lorman Education Services
November 16, 2005

Colorado Real Estate Commission
Real Estate Update Class
November 17, 2005

VANED Van Education Center
National Association of Realtors Ethics Update
December 30, 2005
Attorneys Title Guaranty Fund, Inc
Principles of Title Insurance
March 29, 2007

VANED Van Education Center
CREC Real Estate Update Class
May 19, 2007

Colorado Bar Association Continuing Legal
Education
25th Annual Real Estate Symposium
July 19-21, 2007

Colorado Bar Association Continuing Legal Education
27th Annual Real Estate Symposium
July 16-18, 2009

VANED Van Education Center
CREC Real Estate Update Class
July 29, 2009

CLE International
Eminent Domain Conference
August 27-28, 2009

The Real Estate School, LLC-Oliver Frascona
2009 CREC Real Estate Update Class
November 17, 2009

CLE International
Eminent Domain Conference
August 26-27, 2010

VANED Van Education Center
CREC Real Estate Update Class
December 29, 2010

VANED Van Education Center
CREC Real Estate Update Class
December 26, 2011

VANED Van Education Center
National Association of Realtors Ethics Update
December 30, 2011

CLE International
Eminent Domain Conference
August 2-3, 2012

VANED Van Education Center
CREC Real Estate Update Class
July 13, 2013

CLE International
Eminent Domain Conference, Denver, CO
August 5-6, 2013

Frascona, Joiner, Goodman, Greensteiin, P.C.
CREC Real Estate Update Class
February 4, 2014

Frascona, Joiner, Goodman, Greensteiin, P.C.
2014 Colorado Real Estate Commission Contracts Class
February 4, 2014

PROFESSIONAL AFFILIATIONS:

Multiple Board of Realtors Memberships-Colorado
Member-International Right of Way Association

PARTIAL CLIENT LIST

Cushman Wakefield
First State Bank of Colorado
1st Bank of Colorado
Community Banks of Colorado
Gunnison Bank & Trust
Academy Banks
Duncan, Ostrander & Dingess, P.C.
Greg Powell, PC.
Colorado Department of Transportation Regions 2, 5, & 6
Pitkin County Rural Transportation Authority
City of Woodland Park, CO
City of Cripple Creek, CO
City of Canon City, CO
City of Colorado Springs, CO
Town of Buena Vista, CO
Town of Mt. Crested Butte, CO
Bank Midwest
The Crested Butte Bank
Colorado Mountain Bank
Colorado Natural Gas
Chaffee County, Colorado
Lake County, Colorado
Pueblo Bank & Trust
Colorado East Bank
Bank of the West
PGP acting for the FDIC
Alpine Bank
Solera Bank
Collegiate Peaks Bank
Crested Butte Bank
Yampa Valley Bank
Universal Field Services

Specific References Available Upon Request.

SUMMARY OF EXPERT TESTIMONY

1) Woods v. Sturman Case No. 96-CV-47 Teller County District Court. Heard before District Court Judge Mary Jane Looney, Teller and El Paso County Combined Courts, 1997, Eminent Domain

2) Joseph Lionelle, et al v. Melvin Vorwald Case No 94-CV-90 Chaffee County District Court. Heard before Hon. William D. Neighbors, Judicial Arbiter Group, July, 1997, Eminent Domain

3) In re the Marriage of Anderson, Douglas County District Court, Case No. 95-DR-507, 1996, Marriage Dissolution

4) Berger v. Hammer, Denver District Court, Case #97-CV-1204, August, 1997, Partnership Dissolution

5) Miller V. Wilson, Teller and El Paso County District Court, Case # 96-CV-109, October, 1999, Eminent Domain

6) In re the Marriage of Parsons, Fremont County District Court, Case #94-DR-497, July, 1999, Marriage Dissolution

7) Department of Transportation v. Love in Action, El Paso County District Court, June 2004, Case #03-CV-862, Eminent Domain

8) In re: the Marriage of Shurbet, El Paso County District Court, Judicial Arbitration Group, June 2009, Case #06-DR-110, Marriage Dissolution

9) Fosset Gulch Pipeline Company, LLC, v. Candlearia, Archuleta County District Court, June 29, 2009, Eminent Domain Immediate Possession Hearing

10) Harmon v. Harmon, Hillsborough County, Florida District Court, November 10, 2009, Case #DR08-00113, Marriage Dissolution

11) Woody Creek Ventures, LLC v. Chaparral Aspen Homeowners Association, Inc., Pitkin County District Court, January 26, 2010, Case #08-CV-117, Eminent Domain Deposition

12) Bank of the West v. Living Waters, Montrose County, CO District Court. January 5th, 2012, Case #20111CV218, Foreclosure Related Deposition

13) Academy Bank, N.A. v. Blue Heron Investment, LLC, et al., El Paso County, CO District Court. June 20th, 2012, Case #2011 CV 4275, Foreclosure Related Deposition

EXPERT WITNESS FEE SCHEDULE

Preparation Time (Pre-Deposition or Pre-Trial)	$150.00 per hour
Deposition Time (including attendance and testimony)	$200.00 per hour
Trial Time (including attendance and testimony)	$200.00 per hour
Travel Time (round trip)	$100.00 per hour

COPY OF LICENSE

STATE OF COLORADO
Department of Regulatory Agencies
Division of Real Estate

Active
Cert Gen Appraiser

PRINTED ON SECURE PAPER

1315404	Jan 1 2015	Dec 31 2017
Number	Issue Date	Expires

JAMES M BITTEL
WOODLAND PARK, CO 80866

Marcia Waters
Program Administrator

Licensee Signature

APPRAISER QUALIFICATIONS

THOMAS O. MEAD

PROFESSIONAL DESIGNATION

Colorado Certified General Appraiser #CG40022647

All continuing education courses have been completed to maintain the Colorado appraisal license. The current Colorado Certified General Appraiser license expires December 2016.

EMPLOYMENT HISTORY

East West Econometrics Appraisal Inc., 2012 to present

Commercial real estate appraiser. Valuation of all types of commercial properties.

EquiReal Appraisal Services, 2004-2011

Commercial appraiser. Valuation of all types of commercial real estate including: office, industrial, multi-family, retail, land, religious facilities, restaurants, mixed-use, and other properties. Appraise existing and proposed construction.

Rocky Mountain Valuation Specialists LLC, 2000-2004

Commercial appraiser. Valuation of all types of commercial properties. Also was the director of marketing for approximately one year for the firm. The marketing position responsibilities encompassed bidding and engaging assignments, allocating and monitoring work with appraisers, developing and maintaining client relationships.

Prior Experience, 1977-2000

Officer in various financial institutions. Progressive management from branch level to executive level. Responsible for real estate loan operations and administration. Member of senior management teams.

EDUCATION

Colorado State University
Bachelor of Science, 1976
Business Administration
Finance and Real Estate

University of Northern Colorado
Master of Business Administration, 1984

Graduate of the School of Mortgage Banking, 1981

Real Estate Training Center, Initial appraisal course for appraisal licensure
Appraisal Institute Course 120
Appraisal Institute Course 310
Appraisal Institute Course 320
Lincoln Graduate Center, Narrative Report Writing
American Real Estate College, Certified Residential Appraiser Course
USPAP updates
Appraisal Institute: Fundamentals of Separating Real Property, Personal Property, and Intangible Business Assets; September 2013
Various other continuing education courses

COPY

STATE OF COLORADO
Department of Regulatory Agencies
Division of Real Estate

Active
Cert Gen Appraiser

PRINTED ON SECURE PAPER

40022647	Jan 1 2014	Dec 31 2016
Number	Issue Date	Expires

THOMAS O MEAD
CASTLE ROCK, CO 80104

Marcia Waters — Program Administrator
Thomas O Mead — Licensee Signature

ENGAGEMENT LETTER

THE Gunnison BANK

"Courteous Service with Integrity"

August 17, 2016

Tom Mead
East West Econometrics
Via email

RE: JR & JL Landowners LLC Appraisal

Dear Tom,

The Gunnison Bank and Trust Company hereby engages your services to prepare a written narrative appraisal report on the following property:

Present owner: JR & JL Landowners LLC
Address: 49 Gillaspey, Crested Butte, CO 81224
Legal: LOT 38 BLK 5 CRESTED BUTTE SOUTH FILING 2 #510385

Contact for inspection of property: Jessica Rutherford 970-349-0996 (business) or 970-209-1795 (cell)

The terms and conditions of this engagement are described below:

Additional Copies of Appraisal: one hard copy. Please also email appraisal to skosin@gunnisonbank.com and kmacallister@gunnisonbank.com

Other Consultants: If you require professional assistance from others, those individuals shall be first approved by us, along with their fees and expenses which shall be included in detail in the fees and expenses paid to you.

Subject Property: The real and other property described above in the legal descriptions.

Effective Date: The effective date of the appraisal shall be the date on which you personally inspect the subject property.

Purpose of the Appraisal: The purpose of the appraisal is to estimate the market value of the subject property as of the effective date of the appraisal. Estimates of market value must be made of the subject property in an "AS IS" condition as of the effective date of the appraisal.

Function or Use of the Appraisal: The function or use of the appraisal shall be for regulatory requirements or for this bank's internal needs to establish value.

Due date of the Appraisal: The original copy of the appraisal shall be delivered to us on or before September 7, 2016. The due date may be extended by us upon reasonable request by you.

Fees and Expenses: Fees and expenses for the appraisal shall not, unless otherwise agreed to by us in writing, exceed $2,500.00. No other fees or expenses shall be payable unless agreed to by us in writing in advance of incurring those fees or expenses.

THE GUNNISON BANK
232 West Tomichi • P.O. Box 119
Gunnison, Colorado 81230-0119
Phone: (970) 641-0320 • Fax: (970) 641-0054

THE CRESTED BUTTE BANK
116 6th St. (Hwy. 135) • P.O. Box 1010
Crested Butte, Colorado 81224
Phone: (970) 349-0170 • Fax: (970) 349-0175

THE GUNNISON BANK AND TRUST COMPANY
www.gunnisonbank.com

Scope of Work: We are requesting an appraisal compliant with current USPAP requirements. In addition to conforming to USPAP, our State and Federal regulators require that appraisals supporting federally related transactions must:

- Be written and contain sufficient information and analysis to support the regulated institution's decision to engage in the transaction.
- Analyze and report appropriate deductions and discounts for proposed construction or renovation, partially leased buildings, non-market lease terms, and tract developments with unsold units.
- Be based upon the definition of market value in the regulation.
- Be performed by a state licensed or certified appraiser in accordance with the regulatory requirements.

Assuming it is possible to remain in compliance with the above requirements; the analysis should develop the most appropriate approach and explain why the cost approach, sales comparison approach or income approach was not developed. In addition, the report must explain the reasoning for the decision to apply one approach over others. A cost approach alone is unacceptable.

Competency: You must represent and warrant that you are competent to prepare the appraisal and, as required by law, be properly licensed or certified to prepare the appraisal. Also, that you are disinterested and unbiased with respect to that subject property.

Confidentiality: This letter, the appraisal and any information provided by us to you is confidential and may not be disclosed to any other party or referred to in any other assignment given you without our written permission.

IF THE APPRAISAL IS NOT COMPLETED IN COMPLIANCE WITH OUR REQUIREMENTS AS LISTED ABOVE, WE WILL HAVE THE RIGHT TO WITHHOLD PAYMENT OF THE FEES AND EXPENSES UNTIL SUCH DEFICIENCIES ARE CORRECTED WITHIN A REASONABLE TIME PERIOD AS DETERMINED BY US. IF SUCH DEFICIENCIES ARE DUE TO YOUR NEGLIGENCE, THEY SHALL BE CORRECTED WITHOUT FURTHER COST TO THE BANK.

If you accept the above conditions, please sign this letter in the space provided below and return a signed original of this letter to us. A copy of this engagement letter, fully executed, should be included as an exhibit to the appraisal.

Sincerely,

Sarah Kosin
Credit Administrator

ACCEPTED THIS_____DAY OF_____, 2016 By: _____