

Value", as used in this report, is defined as follows:

The most probable price in cash, or in other precisely revealed terms for which the appraised property will sell in a competitive market under all conditions requisite to fair sale, with the buyer and seller each acting prudently, knowledgeably and for self interest, and assuming that neither is under undue duress.

Neighborhood

The property being appraised is located about 20 miles west of Vail, in Eagle County, Colorado in the development or neighborhood known as Cordillera. From Vail, Cordillera is accessible by way of U.S. Interstate Highway 70 west to Edwards, then west on U.S. Highway 6 to Squaw Creek Road, then south on Squaw Creek Road to the control/entrance gate of the Ranch at Cordillera (about 4.1 miles). Cordillera is a high quality resort/residential development that encompasses approximately 6,500 acres in total. The subject property is located in the area referred to as the Ranch (or Ranch at Cordillera). According to management it has been decided that a total of only about 1,055 residential units will be developed in Cordillera thus resulting in an extremely low density of 0.162 units per acre. It can be seen from the attached map illustration that Cordillera is divided into three main portions referred to as the Divide, Ranch and Summit areas. The Divide is the original Cordillera development and is the site of the existing Lodge at Cordillera (56 rooms), the six Les Pyrenees Townhomes, and the first single-family residences built in the resort. The Lodge at Cordillera complex also includes the luxurious spa facility, heated outdoor pool, amphitheater and the Mirador restaurant. Also within the Divide are cross-country ski trails, outdoor tennis courts, and the "Short Course" par three golf course with its own casual dining restaurant (Grouse on the Green). Note that filings (filing numbers) within the Cordillera subdivision are not repetitive. For example the subject property is in Filing 9 that is within the Ranch at Cordillera, and there are no other Filing 9's in the Divide or Summit areas of Cordillera.

The Ranch consists of approximately 474 residential sites including "cluster homes" such as Bearcat, Bentgrass, Cimarron, Club Cottages and Greyhawk. Facilities in the

Ranch area of Cordillera include the championship eighteen-hole "Mountain Course" plus clubhouse with the Hearthstone restaurant, and the "Trailhead" clubhouse facility with heated outdoor swimming pool. Most of the development that has occurred in Cordillera to date is located in the popular Ranch portion of the resort, but most of the new development (homes recently built or under construction) is occurring in the "Summit". The newest area is the Summit, which consists of more luxury homesites surrounding the Jack Nicklaus signature designed "Summit Course". The Summit Course and new clubhouse facility were completed in 2001. It can be seen from the attached map that The Territories 35 acre homesites are adjacent to the west of the Summit (and are considered to be within the Summit). Cordillera started slowly in the late 1980's, but as more facilities were completed such as the lodge, restaurant and the golf course it became apparent that the developers were committed to making Cordillera a permanent and high quality resort neighborhood. There are manned control gates at both the Divide and Ranch entrances. Cordillera is a private development with paved roads that are privately maintained. All of Cordillera is mountain terrain with attractively varying slopes and native vegetation. In general Cordillera properties benefit from great sun exposure, privacy, and appealing mountain views.

Market Status

Market response to Cordillera has been good over the years, but recent lack of activity indicates weakened demand. Property inventories have increased significantly, and sales (and resales) of residences have slowed and the inventory appears to have increased to the extent that supply exceeds demand significantly. The current inventory of residences in all of Cordillera is 96 listings priced from \$795,000 up to \$7,995,000 according to the Multiple Listing Service (MLS). The MLS also indicates that 19 Cordillera residences sold (or resold) within the past 12 months at prices ranging from \$1,100,000 up to \$4,500,000. An approximate five-year inventory of residences is indicated unless the volume of sales/resales increases significantly compared to the pace of listings.

Initial offerings of residential lots in all three areas of Cordillera sold very well, and recent resales of these lots demonstrate appreciation in some instances and

value depreciation in other instances. The prior sale information (if available) is provided for each of the sales comparisons. Presently there are 79 Cordillera lots offered for resale, and list prices range from \$149,000 up to \$1,500,000. Four Cordillera lots were resold within the past 12 months (MLS) at prices ranging from \$260,000 up to \$1,125,000. The terms "resale" and "resold" are sometimes used in the appraisal report to emphasize that a property is not new and/or has previously sold.

Subject Property

The property being appraised is described as Lot 18, Cordillera, Filing 9, and the street address is 124 Forest Trail. The subject property is very well located in the "Ranch at Cordillera" which was the second Cordillera development. The Lodge at Cordillera, the six Les Pyrenees townhomes and the first few residences built in Cordillera were all of "European" design and these structures established the architectural style of the Divide area. By contrast, residences in the Ranch at Cordillera appear "less formal". Ranch at Cordillera architecture can be described as "Mountain" style featuring natural building materials such as wood siding, wood timbers, and stone. Many of the Ranch lots have been improved with luxury quality residences, and the fact that only 0000 of 79 Cordillera lot "resale" listings are within the Ranch is also indicative of the neighborhood's continuing popularity and declining lot availability. The mountain terrain and trees (vegetation) of the Ranch provides an appealing setting, and the sun exposure is excellent.

Lot 18, Cordillera, Filing 9 is located about two miles north and west from the security gate/entrance to the Ranch at Cordillera, and is positioned on the south side of Forest Trail. Lot 18's large size of 2.14 acres serves to separate/buffer it from other properties (residences), and as the attached map shows the subject property has a common boundary with only one other site (Lot 17 to the east). The existing residence to the east (on the adjoining Lot 17) will be adequately buffered from Lot 18's prime building area/envelope separated by trees and the large size/area of the site. One or two residences uphill and to the south can be seen from the subject site, but they are distant and accessible by Black Bear Trail. Lot 18 has irregular dimensions but good overall shape, and the

existing asphalt driveway (see map illustrations) provides good access to the east side of the site. As the attached photos show the subject site definitely benefits from good sun exposure and very attractive mountain vistas. From the central area of Lot 18 the best mountain view orientations are to the northwest, north, and northeast. Through the trees that have been thinned to mitigate pine beetles there are excellent "Gore Range" and "Castle Peak" mountain vistas. Lot 18 appears to slope primarily from the south down toward the south. The slope near the road (Forest Trail) is somewhat steep, but the grade becomes more moderate for most of the prime building area/envelope of the site. In fact there is an excellent building platform near the center of Lot 18 (that is well within the defined building envelope). A residence sited within this described building envelope would have great sun exposure and views. Privacy would also be enhanced, as a residence (in this position on Lot 18) would be well separated from the existing residence on Lot 17 to the east. The mountain terrain of the subject site is covered with a variety of native vegetation consisting of evergreen and aspen trees along with numerous shrubs and grasses, and the site has not yet been improved with landscaping.

All utilities including water/sewer, electric, natural gas, and cable TV are public, are installed underground and are in service. Lot 18 soils were tested, and the tests indicate that no (soils) conditions exist that cannot be routinely/properly engineered. It is assumed that no potentially hazardous elements are present in the surface soils of the subject property/site; tests for radon gas are recommended.

According to Eagle County records Lot 18, Cordillera, Filing 9 last sold on January 8, 2009 for \$600,000 (Rec. 200900610). Lot 18 was assigned a value of \$600,000 in this recent trade transaction. Previously Lot 18 sold for \$600,000 on August 21, 2008 (Rec. 200818874), for \$645,000 on October 4, 2007 (Rec. 200727188), and for \$375,000 on May 23, 1997 (Book 727, Page 899). At the present time the subject property is listed for sale at a price of \$325,000 according to the Vail Multiple Listing Service (MLS).

Zoning

Lot 18, Cordillera Sub., Filing 9 is zoned single-family for the development of one detached residential structure. Building envelopes (shown on the attached site illustrations) define the area that a structure can be built within for all of the Cordillera lots, and a residence on Lot 18 can be quite large in size (up to 10,000+ square feet). Building height restrictions are standard for the Ranch at Cordillera area (maximum 35 feet), and all other construction requirements are set forth in Cordillera residential guidelines. Cordillera Design Review must approve each design for new residences, and the structure must meet all code requirements.

Highest and Best Use

Cordillera residences are not typical subdivision homes. Cordillera is a prestigious/gated resort community well located in the heart of the Colorado Rocky Mountains, and most of the single-family structures within the subdivision are vacation homes. However, some "locals" have chosen to reside in Cordillera because of the attractive mountain setting's views and seclusion. The trend of land use in Cordillera has been firmly established. Many of the Ranch at Cordillera lots are improved with large resort/vacation residences of high quality, and it is anticipated that the remaining (vacant) sites will be developed similarly. Lot 18, Cordillera, Filing 9 is zoned for residential development and a single-family residence of high quality will be the highest and best use of the site/land.

Sales Comparison Analysis

The appraisal problem is to form an opinion of the current market value of an unimproved residential lot. The Cost and Income Approaches to value have no application in this instance as there are no structural improvements and the land by itself would have little or no rental value. Therefore a number of Cordillera subdivision lot sales (or resales) were researched in order to establish a basis for arriving at a reliable current value opinion for Lot 18, Cordillera Sub., Filing 9. The following examples or "comparables" represent all of the vacant lot sales (or

resales) that occurred in Cordillera (Divide, Ranch and Summit) within the past 12 months. Lot sales that occurred prior to that date were not considered because of the previously discussed current market conditions. All sales information including approximate lot sizes was acquired from MLS records, from Eagle County records, and from real estate brokers. It can be seen that relatively few lot sales have occurred in recent months and that four of the five sales comparisons are located in the Summit area of Cordillera.

Sale 1: Lot 17, Filing 34 (The Summit)
355 Granite Springs Road (Sched. 049685)
Size: 6.45 Acres+-
Date: April 13, 2009 (Rec. 200907272)
Price: \$260,000
Prior: Sold for \$315,000 on July 21, 1999 (Rec. 703601)
Percent: 74.49 percent of list price - \$349,000
DOM: 957

Sale 2: Lot 19, Filing 18 (The Ranch)
1029 Forest Trail (Sched. 042255)
Size: 1.61 Acres+-
Date: July 28, 2008 (Rec. 200816460)
Price: \$550,000
Prior: Sold for \$345,000 on June 9, 1997 (Book 729, Page 200)
Percent: 94.0 percent of list price - \$585,000
DOM: 203

Sale 3: Lot 14, Filing 34 (The Summit)
663 Granite Springs Road
Size: 6.61 Acres+-
Date: July 15, 2009 (Slifer, Smith & Frampton/MLS)
Price: \$600,000
Prior: Sold for \$550,000 on May 10, 1999 (Rec. 695920)
Percent: 86.33 percent of list price - \$695,000
DOM: 12

Sale 4: Lot 12, Filing 35 (The Summit)
994 Webb Peak
Size: 6.32 Acres+-
Date: August 5, 2008 (Rec. 200817515)

Price: \$1,125,000
Prior: Sold for \$575,000 on August 17, 2004 (Rec. 888214)
Percent: 94.14 percent of list price - \$1,195,000
DOM: 315

Sale 5: Lot 2, Filing 34 (The Summit)
82 Jackson's Path
Size: 5.299 Acres+-
Date: Closing - August 14, 2009 (Under Contract)
Price: \$525,000 (List Price)
Prior: Sold for \$500,00 on May 12, 2005 (Rec. 916118)
Percent: Prudential Colorado Properties broker could not
divulge the actual selling price.
DOM: 982

Final Conclusion

Four Cordillera lot sales plus one contract sale (pending closing on August 14, 2009) were selected and analyzed for the purpose of arriving at a current value opinion for Lot 18, Cordillera, Filing 9. The example sales occurred from July 28, 2008 to the present (Sale 5 - Contract Sale), and demonstrate Cordillera lot sales prices from \$260,000 up to \$1,125,000. Market research provided very limited recent lot sales information. One Ranch at Cordillera lot sale reflected a price/value of \$550,000. This sale (Sale 2) demonstrated reasonably strong market demand since it is located on the same street (Forest Trail) and on the same (south) side of the street as the subject site. Sale 4 is a comparable that contracted early (February) in 2008 and the broker expressed that Lot 12 at the end of Webb Peak, even though it is one of the exceptional view lots in Cordillera, could not likely attain that price (\$1,125,000) at this time. Sale 4 was therefore weighted less or discounted in the analysis. Lot 2 at 82 Jackson's Path in the Summit at Cordillera is another exceptionally good view site, and its list price of \$525,000 is just slightly above its 2005 sale price of \$500,000. This information suggests that the actual sale price for Lot 2 (Sale 5) is probably below \$500,000.

Sales 1, 2 and 3 provide some of the most important information for the analysis. Sale 1 is recent (April, 2009) and illustrates a seller's willingness to convey a good residence site for a price (\$260,000) well below its

prior sale price of \$315,000 after an extended period on the market (957 days on market - MLS). Conversely the most recent comparison (Sale 3 on July 15, 2009) demonstrates that a good view site (Lot 14 at 663 Granite Springs Trail) can sell for a premium price of \$600,000 after only 12 days on the market (MLS). Note that this July 15, 2009 sale price is even slightly above the prior sale price of \$550,000 for Lot 14 in May of 1999. Sale 2 of Lot 19 at 1029 Forest Trail illustrates the prestige and demand for residence sites along Forest Trail. Even though Lot 19 (Filing 18) did occur in July of 2008 the price of \$550,000 is well above its prior sale price of \$345,000 on June 9, 1997. There is no question that the assigned trade price of \$600,000 was excessive for Lot 18, Filing 9 on January 8, 2009, but the current list price of \$325,000 appears quite reasonable for current market conditions and Sale 2 (a somewhat similar view site) suggests strong market appeal for Forest Trail sites with good views. Indeed the subject site (Lot 18) on Forest Trail is a generous sized lot (2.14 acres+-) with very appealing Gore Range mountain peaks views, and it has better/more convenient access than any of the comparable sales lots. The subject property is the first lot accessible from Forest Trail on the right hand or upper (south) side of the road, thus making its access easier and driving time (to and from) considerably shorter than any of the comparisons (especially Sales 1,3,4, and 5 that are all located farther west in the Summit at Cordillera). For these valid reasons a current market value of \$315,000 is well justified for the subject property located at 124 Forest Trail. It is an appraised value that is supported by and well within the range of prices paid in the most recent Cordillera comparable lot transactions.

The market value opinion for Lot 18, Cordillera Sub., Filing 9 (located at 124 Forest Trail) is \$315,000 as of July 25, 2009, based upon a market exposure time of one year or less. The days on market statistic (DOM) was provided for all five comparable sales. The average number of days on market (DOM) for the five comparable sales was 493 (days), and the average percent of sale price was 87.24 (percent). The average number of days on market is highly influenced by two of the comparable sales (Sale 1 and Sale 5), and the average percent of sale price is calculated with only four sales since the actual price of Sale 5 is not yet known. As previously stated the subject property

has just been listed for \$325,000 (in July of 2009).

If additional information is needed please contact Appraisal Services of Vail. I am an independent fee appraiser and a copy of my Colorado certification is enclosed.

Respectfully yours,

A handwritten signature in blue ink that reads "R.H. Reeves". The signature is written in a cursive style with a horizontal line at the end.

R. H. Reeves