

GRAND COUNTY ECONOMIC AND DEMOGRAPHIC OVERVIEW

In the appraisal of real estate, relevant economic and demographic forces with the potential to affect property values must be explored. For this basic reason, we have provided a brief synopsis of Grand County. Factors influencing real estate values generally may be categorized as environmental, social, governmental and economic. The following overview of Grand County presents many of the factors considered in our analysis.

Preface

Just over one year after the flash point for credit market constriction, the problem has worsened. In 2007, initial credit liquidity problems largely affected banks and investors. Now, a tighter credit market is beginning to limit broad supply and demand forces in the U.S. economy. Credit is increasingly hard to obtain by otherwise well-qualified businesses and individual consumers.

The commercial real estate market is now part of the national economic downturn, with softening property values, and some owners struggling with highly leveraged assets. Commercial mortgage-backed securities have remained more stable than their residential equivalents, but underlying asset values and investment demand have dropped.

Some major financial institutions have failed due to subprime mortgage and related derivative losses, while others have merged with stronger banks. Government intervention is occurring at historic levels. At this time, the U.S. economy is faced with the uncertainties of inflationary price movement and a potential recession with the requisite, negative GDP growth.

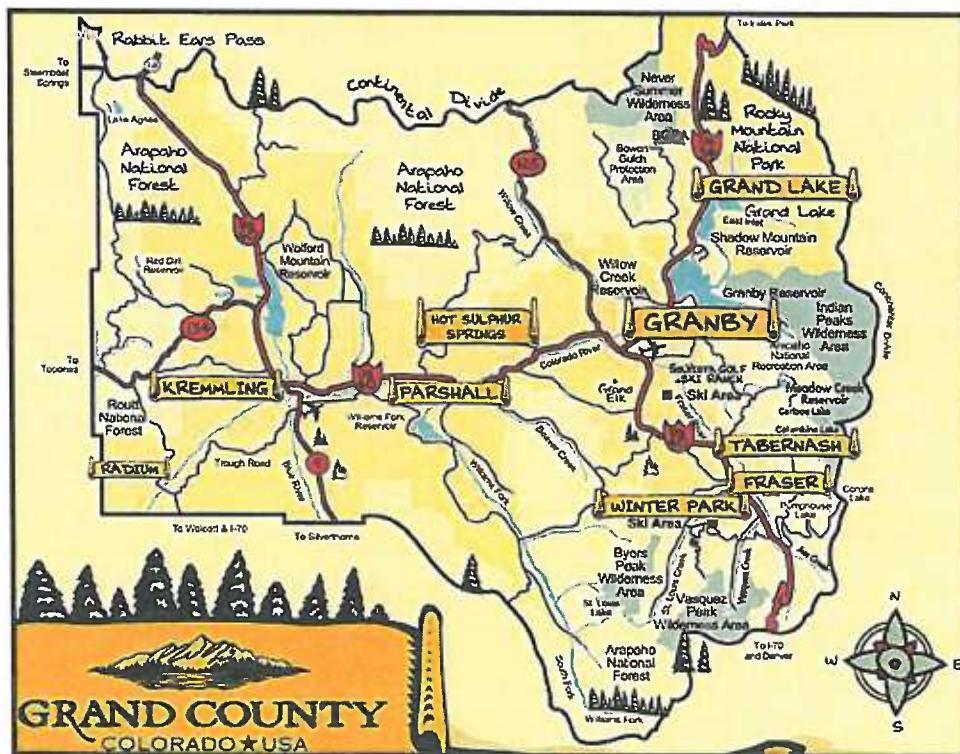
Many analysts refer to credit issues as moving from Wall Street to Main Street. The consumer-driven U.S. economy is confronted with millions of citizens who can't finance a home or car. Many consumers are having their credit card limits reduced, and some jobs are at risk. Both businesses and consumers had become accustomed to leveraging their finances.

For years, debt has helped to fuel growth, and offset sometimes limited corporate and personal assets. Recent credit market problems have renewed an understanding that debt is a liability. U.S. corporations and families will need to modify the way they do business, and slower economic growth is a likely result. The periods for change and recovery are unknown, and a cautionary environment is firmly entrenched.

Land Features and Climate

Grand County is located at a high elevation, characterized by multiple mountain ranges, heavily forested slopes and open valleys. It has multiple drainages, including Adams Creek, Williams Fork, Lady Creek, Albert Creek, Alkali Slough, Ammons Creek, Antelope Creek, Arapaho Creek, Rabbit Ears Creek, the Fraser River and the Colorado River. Snowfall varies widely within the county depending on elevation and the particular location.

Most of the developed portions of Grand County are in the eastern third of the county in the corridor that runs from Winter Park on the south to Grand Lake on the north. The Continental Divide forms the eastern boundary of the county.



ENVIRONMENTAL FORCES

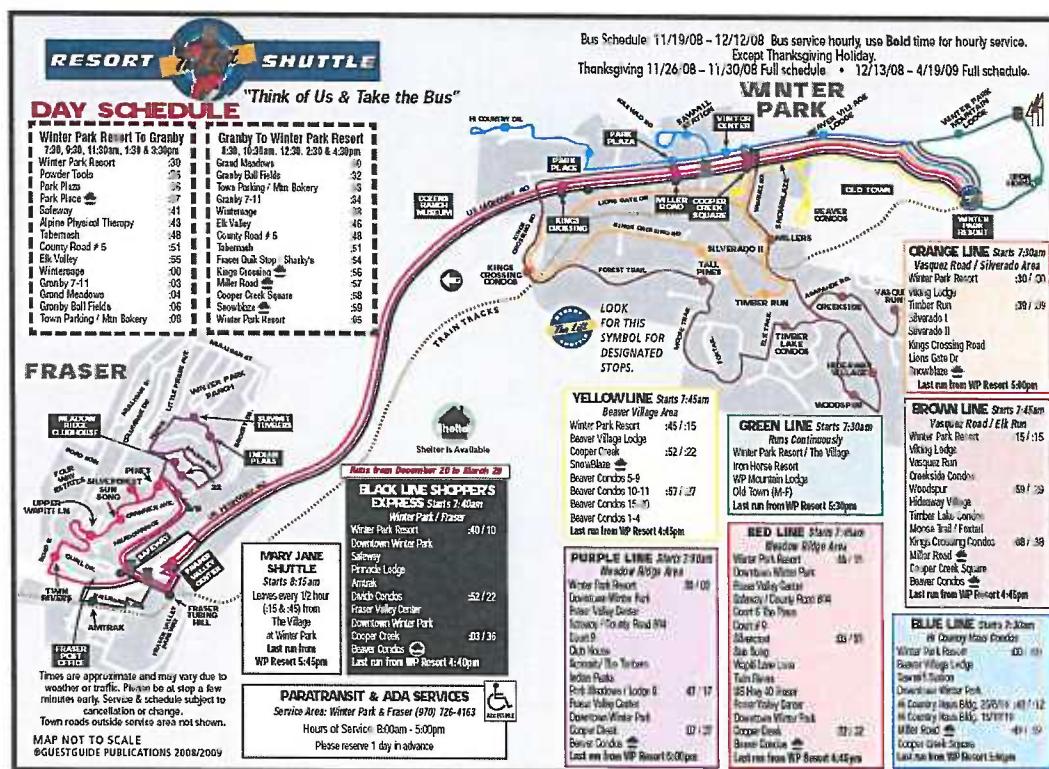
Winter Park is located 67 miles northwest of Denver (one and a half hour drive) via all-weather I-70 and US-40. The main route through Grand County is US 40, connecting the main communities within it: Winter Park, Fraser, Tabernash, Granby (85 miles from Denver), Hot Sulphur Springs and Kremmling. The other major highway is US-34, which connects with US-40 at Granby and continues north to Grand Lake and the western entrance to Rocky Mountain National Park.

Air Transportation

The nearest major airport to Grand County is Denver International Airport (DIA), a distance of 109 miles by car from Granby in the east central part of the county. There are also two general aviation airports in Grand County that service smaller aircraft –Granby-Grand County Airport and McElroy Field (located near Kremmling).

Mass Transit / Rail Service

Because communities in Grand County are widely dispersed and fairly small, there is no county-wide bus service. "The Lift" is a free shuttle service that runs regularly during the ski season between the core portions of Winter Park and Fraser, as outlined in the following map.



Amtrak service to Winter Park and Granby is offered between Chicago, Denver, Salt Lake City, Sacramento, and San Francisco. The Winter Park Ski Train provides an option for travelers coming to the Winter Park resort from Denver in the Summer and the Winter ski season.

SOCIAL FACTORS

Population Trends

Although sparsely populated, overall permanent resident population trends in Grand County are increasing. During peak summer and winter seasons, the number of visitors in the county exceeds the number of residents.

| Population Trends – Grand County | | | |
|--|------------|---------|-----------|
| Month/ Year | Population | Ann Chg | % Ann Chg |
| 04/1950 | 3,963 | -- | -- |
| 04/1960 | 3,557 | -41 | -1.1% |
| 04/1970 | 4,107 | 55 | 1.4% |
| 04/1980 | 7,475 | 337 | 6.2% |
| 04/1990 | 7,966 | 49 | 0.6% |
| 04/2000 | 12,442 | 448 | 4.6% |
| 07/2000 | 12,481 | -- | -- |
| 07/2001 | 12,612 | 131 | 1.1% |
| 07/2002 | 12,894 | 282 | 2.2% |
| 07/2003 | 13,003 | 109 | 0.8% |
| 07/2004 | 13,205 | 202 | 1.6% |
| 07/2005 | 13,140 | -65 | -0.5% |
| 07/2006 | 13,406 | 266 | 2.0% |
| 07/2007 | 13,612 | 206 | 1.5% |
| Annual 2000-07 | | 162 | 1.2% |
| Sources: U.S. Bureau of the Census, 11/2008. | | | |

Claritas estimates for Grand County, as shown in the following table, differ significantly from the U.S. as a whole in a number of respects. Grand County has a higher concentration of males than females. This could be generally speculated to be directly related to the fact that ski resorts and contractors, which make up much of the employment base, have a higher percentage of males as employees.

The county's median age is slightly above the national average. While there is a youthful population that revolves around the Winter Park ski resort, the permanent population in Grand County has long been supported by the ranching and natural resources sectors. There are fewer family households in the county, along with a sub-average household size.

| Selected 2008 Demographic Characteristics | | | | | |
|---|--------|----------|------------|---------------------|---------------|
| Area | % Male | % Female | Median Age | % Family Households | Avg Household |
| Grand County | 52.3% | 47.7% | 39.1 | 63.4% | 2.31 |
| United States | 49.3% | 50.7% | 36.7 | 68.3% | 2.58 |
| Source: Claritas SiteReports, 2008. | | | | | |

For the coming five years, Claritas projects that permanent population will advance at a moderate rate in the county, slightly greater than the rate established in the past few years.

| Claritas Population and Households Projections – Grand County | | | | | | |
|---|------------|-----------|-----------|------------|-----------|-----------|
| | Population | | | Households | | |
| | Number | Ann % Chg | Ann # Chg | Number | Ann % Chg | Ann # Chg |
| 2008 | 14,017 | -- | -- | 5,884 | -- | -- |
| 2013 | 14,999 | 1.4% | 196 | 6,397 | 1.7% | 103 |

Source: Claritas SiteReports, 2008.

Long-term population forecasts are also available at the county level from the Colorado Department of Local Affairs.

| CDLA Forecasted Population – Grand County | | | |
|---|------------|-----------|-----------|
| Year | Population | % Ann Chg | # Ann Chg |
| 2005 | 13,902 | -- | -- |
| 2010 | 15,336 | 2.0% | 1,434 |
| 2015 | 17,539 | 2.7% | 2,203 |
| 2020 | 20,322 | 3.0% | 2,783 |
| 2025 | 23,014 | 2.5% | 2,692 |
| 2030 | 25,533 | 2.1% | 2,519 |
| 2035 | 27,896 | 1.8% | 2,363 |

Source: Colorado Department of Local Affairs, 11/2008.

Ski Areas / Recreation

The Fraser Valley is home to two ski areas. Winter Park Resort is the largest ski area in Grand County in terms of employees, acreage and skier visits. SolVista Basin at Granby Ranch in Granby. Snowmobiling, snowshoeing and cross country skiing are also a strong source of income for the county in the winter. There are two commercial Nordic ski areas in the Fraser Valley. Snow Mountain Ranch/YMCA of the Rockies, has 100km of groomed trails, allows dogs on some of the trails, and has lights for night skiing. Devil's Thumb Ranch, has 85km of groomed trails, and allows dogs on some trails.

The summer brings thousands of mountain bikers, hikers, anglers, campers, river rafters and backpackers. Rocky Mountain National Park is located less than an hour from the Fraser Valley. Area golf courses include Grand Elk, Pole Creek, Grand Lake, and Headwaters Golf Course.

Colorado Ski Country USA www.coloradoski.com data as of November 25, 2008:

Winter Park Resort posted just over one million skier visits, while SolVista recorded nearly 75,000 skier visits during the 2007-08 ski season.

Millions of dollars have been invested in capital improvements:

"The Atria Group has invested \$28 million in new development at Granby Ranch this year. Granby Ranch, home of the SolVista Basin, boasts a new Base Camp Lodge, a \$6.5 million renovation. Winter Park Resort is going through a major expansion with The Village of Winter Park Resort coming on board for the New Year. Estimated at \$30 million dollars for construction, 30 thousand square feet of new retail, rental, restaurant and living space will encompass the Village area. Winter Park Resort is building a new \$5.8 million dollar Village Cabriolet to transport people from their free parking lot near the Vintage Hotel to the heart of the Village. The Village Cabriolet is an open air gondola and has a capacity of 2,800 people per hour via 39 cabins. The Lofts at Winter Park are 14 new high-end condominiums being built above The Village at Winter Park Resort. Additionally, 200 new units were completed in the late spring of 2008 with the completion of Fraser Crossing and Founders Pointe."

November 23, 2008. The Denver Post - *"Downturn clears slopes for locals"*

The national economy is in the tank. Ski-area reservations are below average pretty much everywhere. There's next to no snow on the ground. This could be the best season ever for Colorado skiers and snowboarders. How's that? Essentially, it's a matter of probability. Will it snow in the Rocky Mountains this winter? Given an annual average of more than 300 inches at most Colorado resorts over the past 30 years, probably so.

Did local snow-lovers take advantage of this year's screaming season-pass deals, many of which were extended the past few weeks? No one is offering hard sales figures, but given the cheapest lift tickets since the demise of the \$209 Buddy Pass, the odds are pretty good. Are you going to let that \$579 Epic Pass investment sit around depreciating like your 401(k)? Fat chance. "I think resorts are going to lose some families, but passionate skiers, they'll make it somehow," said Vsolt Moses.

Some analysts are predicting a 10 percent drop in skier visits this winter. One report has the destination resorts taking the brunt of the drop. Last season, according to Colorado Ski Country USA statistics, there were 12,540,603 skier visits in the state. Training as a ski instructor, Moses already may have more ski days under his 'boards than many tourists from outside of Colorado can expect this season. Those skiers generally tally fewer than 10 days of turns on the mountain in a good season, according to the National Ski Areas Association (NSAA).

Breckenridge Resort Chamber executive director John Mc-Mahon last week placed his organization's bookings down about 12 percent. And while those numbers may not bode well for the business side of Colorado's ski industry, pulling 10 percent of the people off of Colorado's busy slopes actually sounds pretty good to some.

More day trips forecast. According to NSAA statistics, the Rocky Mountain region (Colorado, Utah, Wyoming, New Mexico, Idaho and Montana) has seen an increase in skiers every season since the dip attributed to Sept. 11, 2001, growing from 18.1 million in the 2001-02 season to 21.3 million last winter.

November 23, 2008. The Denver Post - "**Downturn clears slopes for locals**" continued...

A recent report by Boulder-based RRC Associates forecasts that skiers and snowboarders will stay closer to home this winter, opting to take more day trips to regional resorts than book extended destination visits. The report goes on to suggest that destination resorts such as Aspen and Telluride - far from population centers - will experience the most dramatic impact of the economic climate.

With the introduction of the Epic Pass in March, the local alarm sounded almost immediately over concerns of increased congestion on the slopes. That alarm has been silenced by the prevailing economic forecast. Day skiers from throughout Colorado figure to fill the gaps left by the potential loss of skiers from other destinations.

Let it snow, let it snow. Ah, the snow factor. Perhaps the only area of consensus among Colorado skiers and the ski industry when it comes to a bottom-line prognosis for the season is that snow, and little else, serves as the ultimate measure. RRC Associates has compared past recessions with nationwide snowfall, consumer confidence and skier visits for nearly 20 years. Its statistics show that snow quality and timing of the storms are bigger factors in attracting skiers and snowboarders than the economy.

Education

East Grand School District No.2 serves Winter Park, Fraser, Granby, Grand Lake, Hot Sulphur Springs and unincorporated areas of eastern Grand County.

Health Care

- Granby Medical Center/Centura Health
- 7-Mile Medical Clinic/Centura Health (base of Winter Park Resort)
- Timberline Family Practice, Granby
- Kremmling Memorial Hospital

GOVERNMENTAL FACTORS

The incorporated communities within Grand County include Fraser, Granby, Grand Lake, Hot Sulphur Springs, Kremmling and Winter Park. Planning and zoning within each of these communities is controlled by local government. Frazier valley is surrounded by the Arapaho National Forest and three Wilderness areas: Indian Peaks, Byers Peak and Vasquez. Approximately 75% of the land in Grand County is publicly owned. Approximately 17,000 acres of public land is owned by the City of Denver Water Board. **Utilities:** Electricity is provided by Mountain Parks Electric, while gas is supplied by Xcel Energy.

According to the Grand County Division of Natural Resources, "Mountain Pine Beetle (MPB) is an insect native to the forests of western North America. MPB develop in pines, particularly ponderosa, lodgepole, scotch and limber pine. Presently, as the beetle population has increased, any tree larger than 4" in diameter is vulnerable to attack." The Forest Service and local governments are implementing fire mitigation, tree removal (result of Mountain Pine Beetle epidemic) and tree replanting programs, but the forests are so vast in the region that most of the trees will have to remain untouched, taking decades to ultimately fall and rot.

ECONOMIC FACTORS

Employment by Industry Statistics

According to the Colorado Department of Labor and Employment, the largest major industry sector was Accommodation and Food Services, followed by Arts, Entertainment, and Recreation, and Retail Trade. The largest major occupational group was Office and Administrative Support Occupations, followed by Sales and Related Occupations, and Food Preparation and Serving Related Occupations. The average weekly wage for Grand County in 1st Quarter 2008 was \$541.

| Grand County Employment By Industry | | | |
|--------------------------------------|---------|---------|----------|
| Industry | 1Q 2007 | 1Q 2008 | % Change |
| Natural Resources and Mining | 83 | 75 | - |
| Construction | 917 | 910 | (0.8)% |
| Manufacturing | 78 | 105 | 34.6% |
| Trade, Transportation, and Utilities | 1,264 | 1,263 | (0.1)% |
| Information | 87 | 90 | 3.4% |
| Financial Activities | 592 | 638 | 7.8% |
| Professional and Business Services | 288 | 328 | 13.9% |
| Education and Health Services | 622 | 658 | 5.8% |
| Leisure and Hospitality | 3,135 | 3,268 | 4.2% |
| Other Services | 90 | 112 | 24.4% |
| Public Administration | 474 | 486 | 2.5% |
| Total | 7,629 | 7,934 | 4.0% |

Source: Colorado Dept. of Labor and Employment (most recent data available as of Nov. 2008).

Major Employers

The Winter Park ski resort is the largest employer by a large margin and the area around Winter Park and Fraser is heavily oriented to tourism associated with the ski area. Granby serves more as a down-valley business center, and the Grand Lake/Shadow Lake/Lake Granby area is heavily oriented toward summer tourism and winter snowmobiling. Towns further west, such as Hot Sulphur Springs and Kremmling, subsist mainly on hunting, fishing, timber and outdoor recreation.

Major employers in Grand County:

- Allegiant Management, LLC – Winter Park
- Alpine Peaks, Inc. Property Management – Winter Park
- Fraser Valley Metropolitan District – Fraser
- Grand Lake Metropolitan Recreation – Grand Lake
- Inn @ Silver Creek – Granby
- Resort Management Group – Granby
- Sol Vista Basin @ Granby Ranch – Granby
- Winter Park Resort – Winter Park
- YMCA – Winter Park

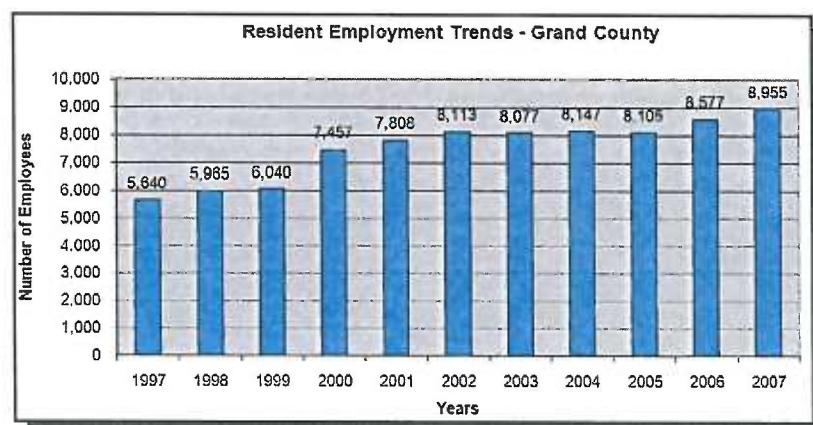
Source: Colorado Department of Labor & Employment, 11/2008.

Resident Employment Trends

Grand County's local resident employment growth progressed at a strong annual rate of 4.7% during the period 1997-2007. Additionally, nearly 500 new jobs were added in the county from September 2007 through September 2008. The County's unemployment rate increased to 3.5% in September 2008, up from 2.8% in the same month last year.

| Resident Employment Trends – Grand County | | | | |
|---|-------------|------------|--------------|-------------------|
| Year | Labor Force | Employment | Unemployment | Unemployment Rate |
| 1997 | 5,808 | 5,640 | 168 | 2.9% |
| 1998 | 6,128 | 5,965 | 163 | 2.7% |
| 1999 | 6,187 | 6,040 | 147 | 2.4% |
| 2000 | 7,645 | 7,457 | 188 | 2.5% |
| 2001 | 8,047 | 7,808 | 239 | 3.0% |
| 2002 | 8,427 | 8,113 | 314 | 3.7% |
| 2003 | 8,434 | 8,077 | 357 | 4.2% |
| 2004 | 8,504 | 8,147 | 357 | 4.2% |
| 2005 | 8,456 | 8,105 | 351 | 4.2% |
| 2006 | 8,868 | 8,577 | 291 | 3.3% |
| 2007 | 9,205 | 8,955 | 250 | 2.7% |
| % Ann Chg '97 - | 4.7% | 4.7% | 4.1% | |
| September 2007 | 9,066 | 8,816 | 250 | 2.8% |
| September 2008 | 9,649 | 9,314 | 335 | 3.5% |
| Absolute Change | 583 | 498 | 85 | |
| % Change | 6.4% | 5.6% | 34.0% | |

Source: U.S. Bureau of Labor Statistics, 11/2008. *Preliminary September 2008 data.



Retail Sales

Retail sales are a good leading indicator of overall economic health in a resort market such as Grand County, since sales are a function of spending by seasonal residents and tourists, as well permanent residents. Retail sales, as provided in the following table, include all types of businesses, including service and industrial businesses. Following a slight decline for retail sales in 2001, positive growth was posted for the period 2002 through 2007.

| Annual Retail Sales in Grand County | | |
|-------------------------------------|-------------|----------|
| Year | Sales (000) | % Change |
| 1997 | \$251,865 | - |
| 1998 | \$264,885 | 5.2% |
| 1999 | \$272,965 | 3.1% |
| 2000 | \$304,325 | 11.5% |
| 2001 | \$304,017 | -0.1% |
| 2002 | \$304,854 | 0.3% |
| 2003 | \$316,668 | 3.9% |
| 2004 | \$349,081 | 10.2% |
| 2005 | \$406,231 | 16.4% |
| 2006 | \$494,104 | 21.6% |
| 2007 | \$519,003 | 5.0% |
| % Ann Chg '97-'07 | 7.5% | - |
| 1Q 2007 | \$154,785 | -- |
| 1Q 2008 | \$163,952 | 5.9% |

Source: Colorado Department of Revenue, 11/2008.

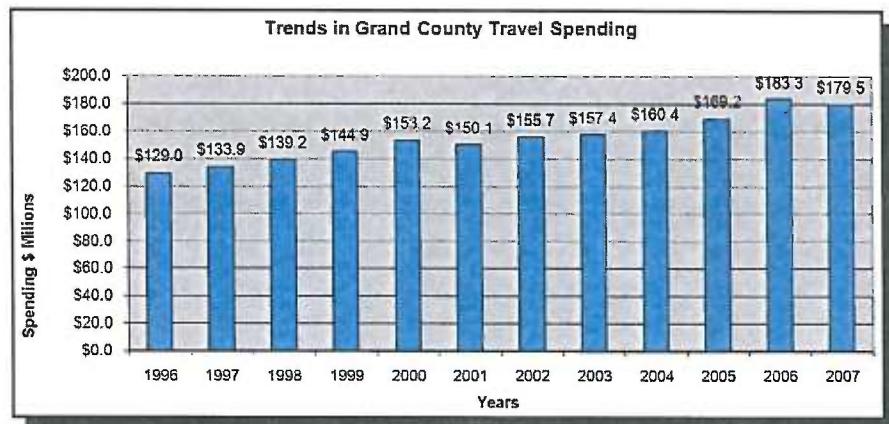
Economic Impact of Travelers

The economics of resort communities are heavily dependent on visitors from other parts of the state, nation or world, so it is important to analyze the economic impact from visitor travel. Information is provided by Dean Runyan Associates in *The Economic Impact of Travel on Colorado 1996-2007* published in June 2008.

The report indicated that total spending from overnight visitors totaled nearly \$180 million in Grand County for 2007, generating \$56.0 million in local earnings and supporting more than 2,300 jobs. For 2007, the report showed declines in spending, earnings, and visitor-related employment as compared to the prior year.

| Travel Spending Trends – Grand County | | | | | | |
|---------------------------------------|---------------------|-------|---------------------|-------|------------|-------|
| Year | Spending (millions) | % Chg | Earnings (millions) | % Chg | Employment | % Chg |
| 1996 | \$129.0 | – | \$41.3 | -- | 2,750 | – |
| 1997 | \$133.9 | 3.8% | \$43.0 | 4.1% | 2,710 | -1.5% |
| 1998 | \$139.2 | 4.0% | \$45.3 | 5.3% | 2,820 | 4.1% |
| 1999 | \$144.9 | 4.1% | \$46.9 | 3.5% | 2,790 | -1.1% |
| 2000 | \$153.2 | 5.7% | \$49.4 | 5.3% | 2,770 | -0.7% |
| 2001 | \$150.1 | -2.0% | \$48.5 | -1.8% | 2,590 | -6.5% |
| 2002 | \$155.7 | 3.7% | \$50.7 | 4.5% | 2,580 | -0.4% |
| 2003 | \$157.4 | 1.1% | \$51.0 | 0.6% | 2,520 | -2.3% |
| 2004 | \$160.4 | 1.9% | \$51.3 | 0.6% | 2,340 | -7.1% |
| 2005 | \$169.2 | 5.5% | \$53.8 | 4.9% | 2,370 | 1.3% |
| 2006 | \$183.3 | 8.3% | \$57.2 | 6.3% | 2,420 | 2.1% |
| 2007* | \$179.5 | -2.1% | \$56.0 | -2.1% | 2,320 | -4.1% |
| Annual Change | 3.0% | – | 2.8% | – | -1.5% | |

Source: Dean Runyan Associates, 11/2008. *2007 data is preliminary.

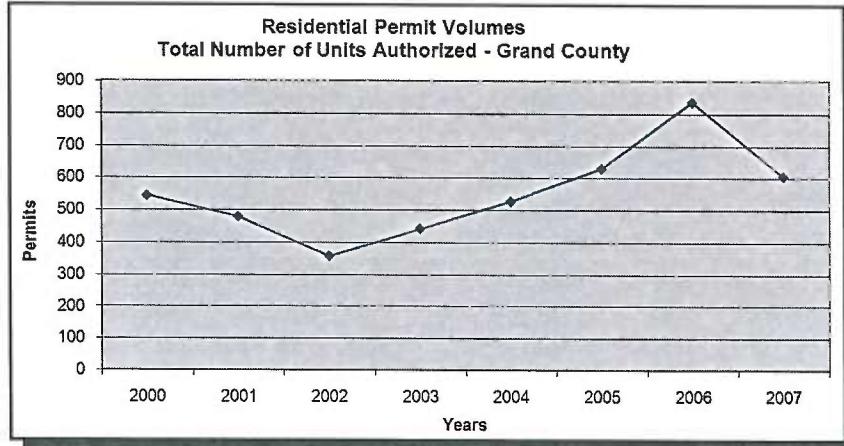


Residential Construction

Following trends in the national housing slump, residential permitting activity in Grand County declined sharply in 2007 (-27.5%) as compared to the prior year. As shown, the number of residential units authorized in the County for YTD September 2008 is well behind (-38.3%) last year's pace for the same period.

| New Privately-Owned Housing Units Authorized – Grand County | | | | | | | |
|---|---------------|---------|-----------|-----------|-------|-----------------|-------------------|
| Year | Single Family | 2 Units | 3-4 Units | 5 + Units | Total | % Annual Change | Construction Cost |
| 2000 | 346 | 4 | 22 | 172 | 544 | – | \$104,131,176 |
| 2001 | 293 | 4 | 16 | 166 | 479 | -11.9% | \$85,138,670 |
| 2002 | 337 | 0 | 21 | 0 | 358 | -25.3% | \$80,384,313 |
| 2003 | 384 | 18 | 13 | 28 | 443 | 23.7% | \$98,210,336 |
| 2004 | 477 | 20 | 10 | 20 | 527 | 19.0% | \$119,381,767 |
| 2005 | 567 | 18 | 9 | 35 | 629 | 19.4% | \$144,601,846 |
| 2006 | 571 | 16 | 9 | 239 | 835 | 32.8% | \$176,428,308 |
| 2007 | 430 | 10 | 9 | 156 | 605 | -27.5% | \$129,801,469 |
| YTD Sept. 2007 | 353 | 8 | 9 | 100 | 470 | – | \$103,106,304 |
| YTD Sept. 2008 | 201 | 6 | 0 | 83 | 290 | -38.3% | \$60,338,320 |

Source: U.S. Census Bureau C-40 Reports, 11/08.
Due to poor local reporting, presented data is estimates with imputation.



Conclusions

Winter Park is located 67 miles northwest of Denver, a one and a half hour drive via all-weather I-70 and US-40. The main route through Grand County is US-40, connecting the main communities within it: Winter Park, Fraser, Tabernash, Granby, Hot Sulphur Springs and Kremmling. As mentioned previously, the Forest Service and local governments are implementing fire mitigation, tree removal (result of Mountain Pine Beetle epidemic) and tree replanting programs, but the forests are so vast in the region that most of the trees will have to remain untouched, taking decades to ultimately fall and rot.

Although sparsely populated, overall permanent resident population trends are increasing in Grand County. During peak summer and winter seasons, the number of visitors in the county exceeds the number of residents.

Winter Park and Fraser are heavily dependent on ski-based winter tourism, with Winter Park Resort being county's largest employer. SolVista Basin at Granby Ranch is in Granby, which has long been a general business center for the county. The area around Grand Lake is heavily oriented toward snowmobiling in the winter and has a very strong summer tourism as well. The northwestern part of Grand County around Kremmling and Hot Sulphur Springs is still founded on ranching and mining.

According to Colorado Ski Country USA, Winter Park Resort posted just over one million skier visits, while SolVista recorded nearly 75,000 skier visits during the 2007-08 ski season and millions of dollars have been invested in capital improvements at Granby Ranch, SolVista Basin and Winter Park Resort.

Data from the U.S. Bureau of Labor Statistics indicate that Grand County's local resident employment growth progressed at a strong annual rate of 4.7% during the period 1997-2007. Additionally, nearly 500 new jobs were added in the county from September 2007 through September 2008. The County's unemployment rate increased to 3.5% in September 2008, up from 2.8% in the same month last year.

At the time of this report, we find mixed economic conditions in Grand County. Area ski resorts are currently being negatively impacted by the economic downturn, housing slump, the "credit crunch", low consumer confidence and weak consumer spending. As mentioned previously, the periods for change and recovery are unknown, and a cautionary environment is firmly entrenched.

RRC Associates ski industry statistics indicate that snow quality and timing of the storms are bigger factors in attracting skiers and snowboarders than the economy. RRC Associates forecasts that "skiers and snowboarders will stay closer to home this winter, opting to take more day trips to regional resorts than book extended destination visits." A recently published article in the Denver Post regarding ski areas further stated that "Day skiers from throughout Colorado figure to fill the gaps left by the potential loss of skiers from other destinations."