PREPARED FOR

Ms. Alma [redacted]
Trust Real Estate Specialist
[redacted]
2321 [redacted] Avenue, 5th Floor
El Segundo, California 90245

APPRAISAL OF AN EXISTING

Carl's Jr. Fast Food Restaurant

LOCATED AT

1759 S. Pueblo Boulevard, Pueblo, Pueblo County, Colorado 81005

APPRAISAL DATE

October 3, 2018

PREPARED BY

NET LEASE APPRAISALS

8230 Santa Clara Drive
Dallas, Texas 75218

Phone – 214-793-0143

Email - Ron@NetLeaseAppraisals.com
Web Site – NetLeaseAppraisals.com

NET LEASE APPRAISALS

October 12, 2018

Ms. Alma [redacted]
Trust Real Estate Specialist
[redacted]
2321 [redacted] Avenue, 5th Floor
El Segundo, California 90245

RE: Appraisal of a 2,500 square foot Carl's Jr. Fast food restaurant located at 1759 S. Pueblo Boulevard, Pueblo, Pueblo County, Colorado 81005.

Dear Ms. [redacted]:

At your request, we have estimated the "as is" market value of the Leased Fee Estate of the above referenced property.

The Subject is located at 1759 S. Pueblo Boulevard in Pueblo, Pueblo County, Colorado 81005. The property was built in 2007 and is of average quality "Class C" construction. According to the lease the Subject consists of a 2,500 square foot fast food restaurant and a 0.505 acre site. The Pueblo County Assessor states the Subject is a 2,782 SF fast food restaurant located on 0.48 acres (20,909 SF) of land. Our own measurements indicate the property to be about 2,650 square feet. For this appraisal we will utilize information found on the lease provided. Based on 2,500 square feet of building area and 21,998 square feet of land the floor area ratio is 0.114 to 1. The site is zoned "B-3" Highway & Arterial Business District by the City of Pueblo and is in FEMA flood Zone C, an area of minimal flood hazard.

Your attention is directed to the assumptions and limiting conditions contained within the body of this report for a more thorough understanding of the conditions upon which the value indications and conclusions herein were based.

AS IS" MARKET VALUE

Based upon our analysis of the Subject and the NNN market, the "as is" market value of the Leased Fee Estate, as of October 3, 2018, , inclusive of F, F & E, is considered to be:

[redacted]

Sincerely,

NET LEASE APPRAISALS

Ronald E. Dunham, MAI

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

Property Type:	Single Tenant Fast food restaurant
City/County/State/Zip:	Pueblo, Pueblo County, Colorado 81005
Address:	1759 S. Pueblo Boulevard
Legal Description:	Lot 10 Blk 1 Regency Square Sub Filing No 3 Formerly #15-091-20-005
Date of Value Estimate:	October 3, 2018
Date of Property Inspection:	October 3, 2018
Date of Report:	October 12, 2018
Property Rights Appraised:	Leased Fee Estate

<u>PHYSICAL DATA</u>

Description:	The Subject consists of a 2,500 SF fast food restaurant located on 0.505 acres (21,998 SF) of land located at 1759 S. Pueblo Boulevard, Pueblo, Pueblo County, Colorado 81005. The property was built in 2007 and is of average quality "Class C" construction. The floor area ratio is 0.114 to 1. The site is zoned "B-3" Highway & Arterial Business District by the City of Pueblo and is in FEMA flood Zone C, an area of minimal flood hazard.
Zoning:	"B-3" Highway & Arterial Business District

<u>VALUE INDICATIONS</u>

"As Is" Market Value	[redacted]

TABLE OF CONTENTS

History of Carl’s Jr. Restaurant

History
Founded by industry pioneer Carl N. Karcher, Carl's Jr.® restaurants have been a West Coast favorite for more than 70 years. Using $15 in savings and borrowing $311 on their Plymouth automobile, Carl and his wife, Margaret, purchased a single hot dog cart in 1941 in Los Angeles. The Karchers soon grew their small business — eventually focusing their efforts on the Carl’s Jr. brand, one of the first in a new breed of restaurants that today make up the quick-service restaurant industry. With more than 1,300 restaurants, Carl’s Jr. is regarded as the place to go for premium-quality burgers.

Carl’s Jr. Menu
Signature menu items include The Six Dollar Burger™ line, the Western Bacon Cheeseburger® and the Super Star® hamburger. Other favorites include Hand-Breaded Chicken Tenders, Made From Scratch™ Biscuits, charbroiled chicken sandwiches, low-carb selections and Hand-Scooped Ice Cream Shakes & Malts™.

Operating Areas
14 Western states, International HEADQUARTERS | 6307 Carpinteria Avenue, Suite A, Carpinteria, CA 93013

Carl's JR Property Profile as of March 2017:

Price Range:	$2 mm - $4 mm
Cap Rate:	5.75%
Net Income:	$120,000
Price Per foot:	$600 PSF
Building Size:	3,000 SF
Lot Size:	1 Acre
Escalations:	10% every 5 year
Lease Term:	20 Years
Lease Type:	NNN
Credit Rating:	Franchisee

Tenant Company Information:

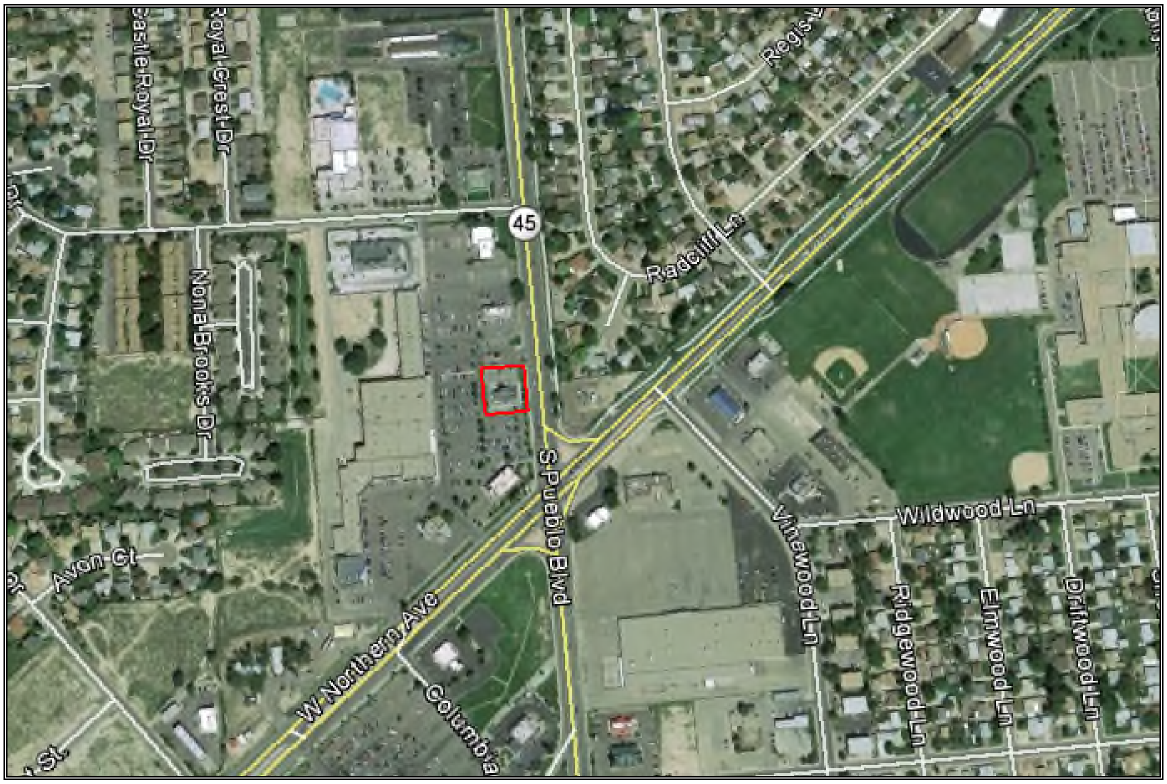
Carl's Jr. is a fast food restaurant chain operated by CKE Restaurants Holdings, Inc., with locations primarily in the Western and Southwestern United States.

Carl Karcher (1917–2008) and his wife Margaret founded the predecessor of Carl's Jr. in 1941, starting as a hot dog cart in Los Angeles. In 1945, the Karchers moved the short distance to Anaheim, California, and opened their first full-service restaurant, Carl's Drive-In Barbeque. As the restaurant became successful, Carl expanded his business by opening the first two Carl's Jr. restaurants in Anaheim and nearby Brea in 1956. They were so named because they were smaller versions of Carl's original drive-in restaurant. That same year, the chain was officially renamed Carl's Jr. and the fast-food chain took off.

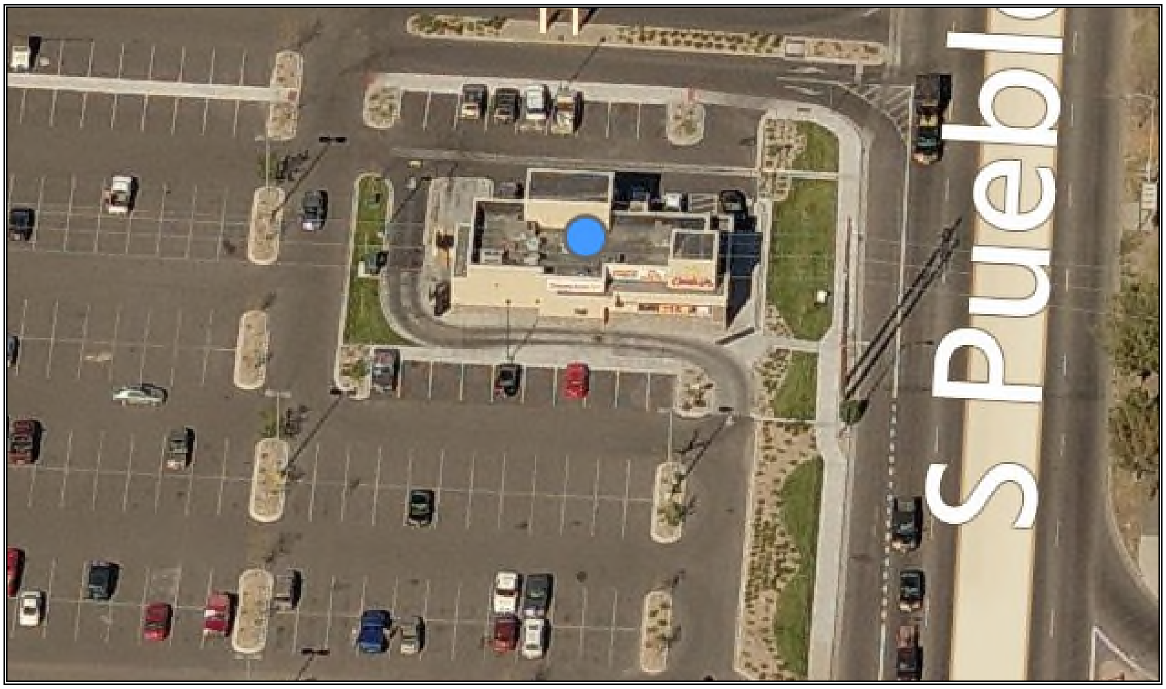
In 2016, Entrepreneur listed Carl's Jr. as #54 on their Top Franchise 500 list, which ranks the overall financial strength, stability, and growth rate for the top 500 franchisees in any field across the United States

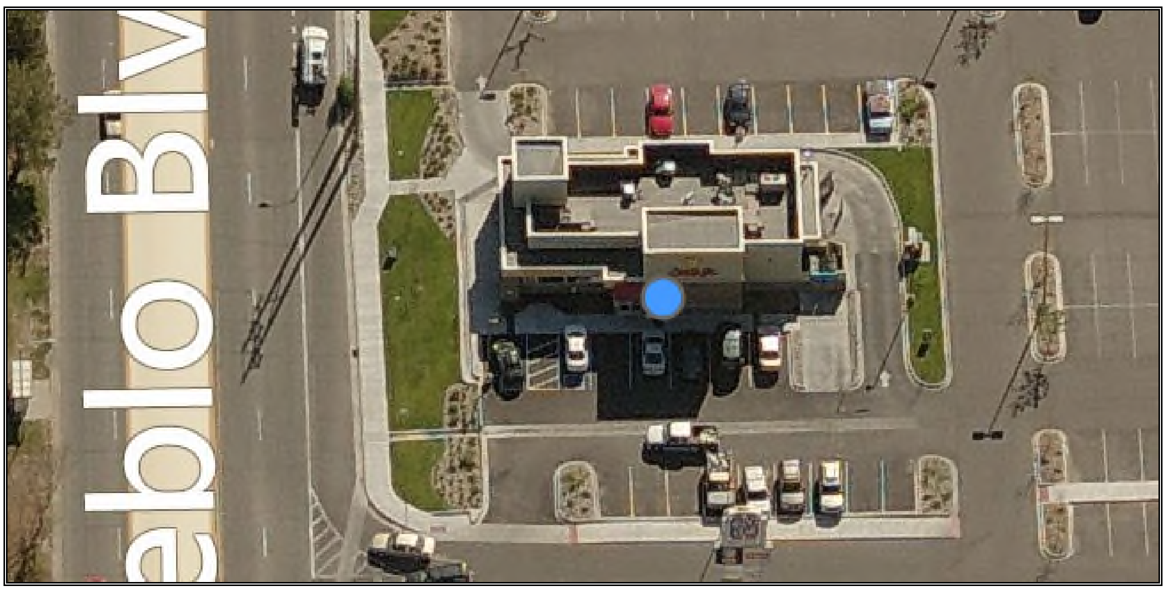
As of March 2016, CKE (the parent company of Carl's Jr. and Hardee's) has a total of 3,664 franchised or company-operated restaurants in 44 states and 38 foreign countries and U.S. territories.

PHOTOGRAPHS OF SUBJECT



Aerial views





Closer in aerial views

Front view of Subject

Rear View of Subject

Side View of Subject

Interior view

Interior view of Subject

Interior view of Subject

ASSUMPTIONS AND LIMITING CONDITIONS

The Certification of Value appearing in the appraisal report is subject to the following conditions and to such other specific and limiting conditions as are set forth by the Appraisers in the report.

1. The Appraisers assume no responsibility for matters of a legal nature affecting the property appraised or the title thereto, nor do the Appraisers render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership, competent management, and is appraised as if free and clear of any or all liens or encumbrances.
2. Any sketch in the report may show approximate dimensions and is included to assist the reader in visualizing the property. The Appraisers have made no survey of the property.
3. The Appraisers are not required to give testimony or appear in court because of having made the appraisal in reference to the property in question, unless arrangements have been previously made.
4. Any distribution of the valuation in the report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.
5. The Appraisers assume that there are no hidden or unapparent conditions of the property, subsoil, or structure, which would render it more or less valuable. The Appraisers assume no responsibility for such conditions, or for engineering, which might be required to discover such factors.
6. Information, estimates and opinions furnished to the Appraisers, and contained in the report, were obtained from sources considered reliable and are believed to be true and correct. However, no responsibility for the accuracy of such items furnished the Appraisers can be assumed by the Appraisers.
7. Disclosure of the contents of this appraisal is governed by the Bylaws and Regulations of the Appraisal Institute.
8. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected) shall be disseminated to the public through advertising media, public relations media, news media or any other public means of communication without the prior written consent and approval of the appraisers.
9. According to the lease the Subject consists of a 2,500 square foot fast food restaurant and a 0.505 acre site. The Pueblo County Assessor states the Subject is a 2,782 SF fast food restaurant located on 0.48 acres (20,909 SF) of land. Our own measurements indicate the property to be about 2,650 square feet. For this appraisal we will utilize information found on the lease provided. The Subject is composed of a full service restaurant which features seating, cooking equipment, walk-in cooler/freezer as a well as bar area and drink dispensers. Although requested, the Subject's ownership did not provide information regarding the F, F, & E. Should additional information be provided we reserve the right to amend our conclusions.

HYPOTHETICAL CONDITIONS/EXTRAORDINARY ASSUMPTIONS

In our previous report of February 2015 it was reported that the Subject contract rental rate was being abated in the amount of $2,000 per month up until June of 2015. Though requested no further details regarding the abatement period were provided and thus we make the extraordinary assumption that the rent abatement has been discontinued. Should this be incorrect it could cause our value opinion to be misleading.

APPRAISER'S LIABILITY LIMITATIONS, AND SPECIAL REPORT CONDITIONS AND CLIENT AGREEMENTS

The acceptance of this report and its use by the client in any manner whatsoever or for any purpose is acknowledgment by the client that his report is a satisfactory professional product, and <u>that the client has personally read the report</u>, and specifically agrees that the data herein is accurate to the best of the Appraiser's ability.

The report remains the personal property of the signer and may not be transmitted to the third party without the signer's written permission. (Permission is granted to transmit to third party mortgagor.)

Dunham Commercial Appraisers, Inc. or the Appraiser's personal responsibilities do not extend to a third party under any circumstances whatsoever.

As a part of the Appraiser-Client employment agreement, the Client agrees to notify the Appraiser of any error, omission, or invalid data herein within 15 days of receipt and to return the report along with all copies to the Appraiser for correction prior to any use whatsoever. Corrections will be made at the Appraiser's discretion.

Thus, by acceptance of this report, the client acknowledges that a value opinion is the product of a trained professional, but nevertheless is an opinion only and not a provable fact. As a personal opinion, valuation may vary between Appraisers based on the same facts.

Thus, Dunham Commercial Appraisers warrants only that the value conclusion is the Appraiser's best opinion estimate as of the exact day of valuation.

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to provide a supportable estimate of the "as is" market value of the Subject property.

USER AND USE OF THE APPRAISAL

The use of this appraisal is for collateral valuation purposes by [redacted], our client.

DATE OF VALUE ESTIMATE

The effective date of the market value estimate is October 3, 2018. The appraisers conducted a physical inspection of the property on October 3, 2018.

DATE OF REPORT

The date of this report is October 12, 2018.

COMPETENCY OF APPRAISERS

The appraisal firm of Dunham Commercial Appraisers, Inc., is competent to appraise the subject property by having requisite abilities, qualities, knowledge, and insight to the surrounding subject area. Dunham Commercial Appraisers Inc., combines a vast amount of appraisal experience along with continuous academics in order to remain abreast of current and future trends in the real estate market and the appraisal profession. Qualifications of the appraiser are included in the Addenda. The appraiser has valued numerous similar properties in the region.

PROPERTY RIGHTS APPRAISED

The property rights appraised in this report are Leased Fee Estate, which is defined as follows:

> "*An ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others: the rights of the lessor (the leased fee owner) and leased fee are specified by contract terms contained within the lease.*"
>
> Source: The Appraisal of Real Estate, published by The Appraisal Institute,

SCOPE OF THE APPRAISAL

Scope of Work

The scope of work is defined as the type of research and analysis performed in the appraisal assignment. The Subject Property is an existing franchised Carl's Jr. Restaurant in Pueblo, Colorado Texas under a long term lease to a marginal credit tenant. He reported to us that he has seven franchised Carl's restaurants in the region in our 2015 report, In compliance with the Uniform Standards of Professional Appraisal Practice (USPAP) and upon the request of the client, an appraisal has been prepared utilizing the Scope of Work Rule.

The Scope of Work Rule was added to USPAP to emphasize the requirements for problem identification, determining the appropriate scope of work and disclosure of the scope of work that was performed in the appraisal.

The following is the appraiser's scope of work used to produce the appraisal.

- inspected all the interior and exterior of the Subject Property to note the characteristics of the property that are relevant to its valuation;

- investigated available market data for use in the Sales Comparison Approach and Income Capitalization Approach. Due to the age of the property and difficulty estimating depreciation we have omitted the Cost Approach. The omission of the Cost Approach does not lessen the credibility of this appraisal report.

- The appraiser's investigations included research of public records through the use of commercial sources of data such as printed comparable data services and computerized databases. Search parameters such as dates of sales, leases, locations, sizes, types of properties, and distances from the subject started with relatively narrow constraints and, if necessary, expanded until the appraiser had either retrieved data sufficient (in the appraiser's opinion) to estimate market value, or until the appraiser believed that he or she had reasonably exhausted the available pool of data. Researched sales and lease data was reviewed and, if found to be appropriate, efforts were made to verify the data with persons directly involved in the transactions such as buyers, seller, brokers, or agents.

- At the appraiser's discretion, some data was used without personal verification if, in the appraiser's opinion, the data appeared to be correct. In addition, the appraiser considered any appropriate listings or properties found through observation during appraiser's data collection process. The appraiser reported only the data deemed to be pertinent to the valuation problem;

- investigated an analyzed any pertinent easements or restrictions, on the ownership of the subject property. It is the client's responsibility to supply the appraiser with a title report. If a title report is not available, the appraiser will rely on a visual inspection and identify any readily apparent easements or restrictions;

- analyzed the data found and reached conclusions regarding the market value, as defined in the report, of the Subject Property as of the date of value using appropriate valuation approaches identified above;

- prepared the appraisal in compliance with the Uniform Standards of Professional Appraisal Practice as promulgated by The Appraisal Foundation and the Code of Professional Ethics and Certification Standard of the Appraisal Institute.

- the appraiser is not responsible for ascertaining the existence of any toxic waste or other contamination present on or off the site. The appraiser will, however, report any indications of toxic waste or contaminants that may affect value if they are readily apparent during appraiser's investigations. Appraiser cautions the user of the report that appraiser is not expert in such matters and that appraiser may overlook contamination that might be readily apparent to parties who are experts in such matters.

- prepared an Appraisal Report, as defined in USPAP, which included photographs of the Subject Property, descriptions of the subject neighborhood, the site, any improvements on the site, a description of the zoning, a highest and best use analysis, a summary of the most important sales used in the appraiser's valuation, a reconciliation and conclusion, a map illustrating the sales in relationship to the subject property, and other data deemed by the appraiser to be relevant to the assignment. Pertinent data and analyses not included in the report may be retained in appraiser's files.

- A summary of regional area and neighborhood characteristics.

- A physical inspection of the Subject Property as to its condition and characteristics.

- A search of public records pertaining to the Subject - i.e., zoning regulations, real estate tax and assessment information, sales history, easements, public and/or private deed restrictions, etc.

- Analysis of physically possible uses, legally permissible uses, financially practical uses and maximally productive uses of the Subject Property to estimate the Highest and Best Use.

- Research of improved sales through sources such as county deed records, conversations with local real estate brokers and appraisers in addition to the buyers and sellers of real property.

- Analysis of the Subject Property's market segment with the underlying supply and demand factors for comparable properties.

- An inspection of most of sale comparables and rent comparables was made. Some were located to far the Subject and were not inspected but we viewed the area via Google aerial photographs We also examined the surrounding neighborhood.

- Produce a narrative appraisal report as described in the Appraisal Procedure.

Competency Statement

The appraiser has valued numerous similar NNN restaurants in the region over the past twenty years. In order to become more competent in the immediate area, the Subject Property and commercial market conditions were discussed with local appraisers, brokers, managers, and investors. For these reasons, the appraiser has the professional competency required to appraise the Subject Property.

Ron Dunham is a designated a Member of the Appraisal Institute (MAI) and is State Certified in the State of Colorado. As a result of the experience and expertise, Mr. Dunham possess' the professional competency required to conclude a reliable opinion of value.

MARKET VALUE DEFINITION

Market value means 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 is 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 own 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 sale.[1]

[1] Federal Reserve System, 12CFR, *Subpart G Section 225.62f

Exposure Time

The Market Value estimate is based on the assumption that a reasonable time is allowed for exposure in the open market. A reasonable exposure time was estimated based upon market evidence including actual exposure times for fast food restaurants and the projected marketing time required to sell a property similar to the Subject.

Exposure time is defined as:

> *" The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a scale at market value on the effective date of the appraisal"* <u>(TO, Statement 6)</u>.

Due to the lack of similar comparables in the immediate area, the market value estimated in this appraisal specifically relates to the sale of similar Carl's Jr. sales in the region. The preferred method for estimating exposure time is considered the actual exposure time required to market and sell similar properties. Conversations with local brokers have indicated that if properly priced and aggressively marketed vacant land will typically require a 6 to 12 month marketing period. Obviously, properties in locations where growth has occurred and where demand for property exists will command the shortest marketing periods. Other factors include the size and price of the property. There are typically fewer buyers for larger properties and thus the marketing period would need to be extended. On the other hand, a larger property in an area with proven need could have in excess of its cost, and thus a short marketing period, as it typically requires several years to plan and develop such a property. As mentioned in the area analysis, the area has experienced considerable growth during the last ten years. As more people move into the area, demand for property similar to the subject will increase. Therefore, it would appear as if a 6-12 month exposure period would be reasonable for the Subject facility.

Marketing Time

The projected marketing time required to market and sell a property(s) similar to the Subject was estimated by interviews with brokers active in the market. Marketing Time is defined as:

> *An estimate of the amount of time it might take to sell a property interest in real estate at the estimated market value level during the period immediately after the effective date of an appraisal"* (TO, Advisory Opinion G-7).

Our research indicates the typical scenario for the sale of improved properties similar to the Subject via open market (real estate broker) or direct (per principal) transactions between organizations. Therefore, we interviewed several brokers involved in the sales of NNN properties to determine the marketing time required to sell a property similar to the subject. The brokers interviewed indicated the marketing time would primarily depend on the asking price and the price a seller would be willing to accept. Other factors obviously include demand for similar type properties, the areas future growth pattern, the marketing plan and even the planned uses possible for the facility.

For the same reasons we discussed in the previous paragraph under Exposure Time, the typical marketing time is also estimated at 6-12 months from the date of appraisal.

PART TWO
FACTUAL DESCRIPTIONS

HISTORY OF THE SUBJECT PROPERTY

In accordance with standard rule 1-5 (b), of the "Standards of Professional Practice" of the Appraisal Institute, a three-year sales history for the Subject property shall be included for all non-residential properties.

Comerica Bank + Trust NA TR and *Ralph D Dion Qtip Trust owns the Subject. Other sales history is listed below. The Subject is not known to be listed for sale or under contract.

*Ralph D Dion Qtip Trust is listed as one of three owners on parts of the assessor's website. We spoke to an employee of the Pueblo Assessor's office to clarify the situation and she reported that Ralph D Dion Qtip Trust was one of three owners. No additional information was provided.

Deed information:

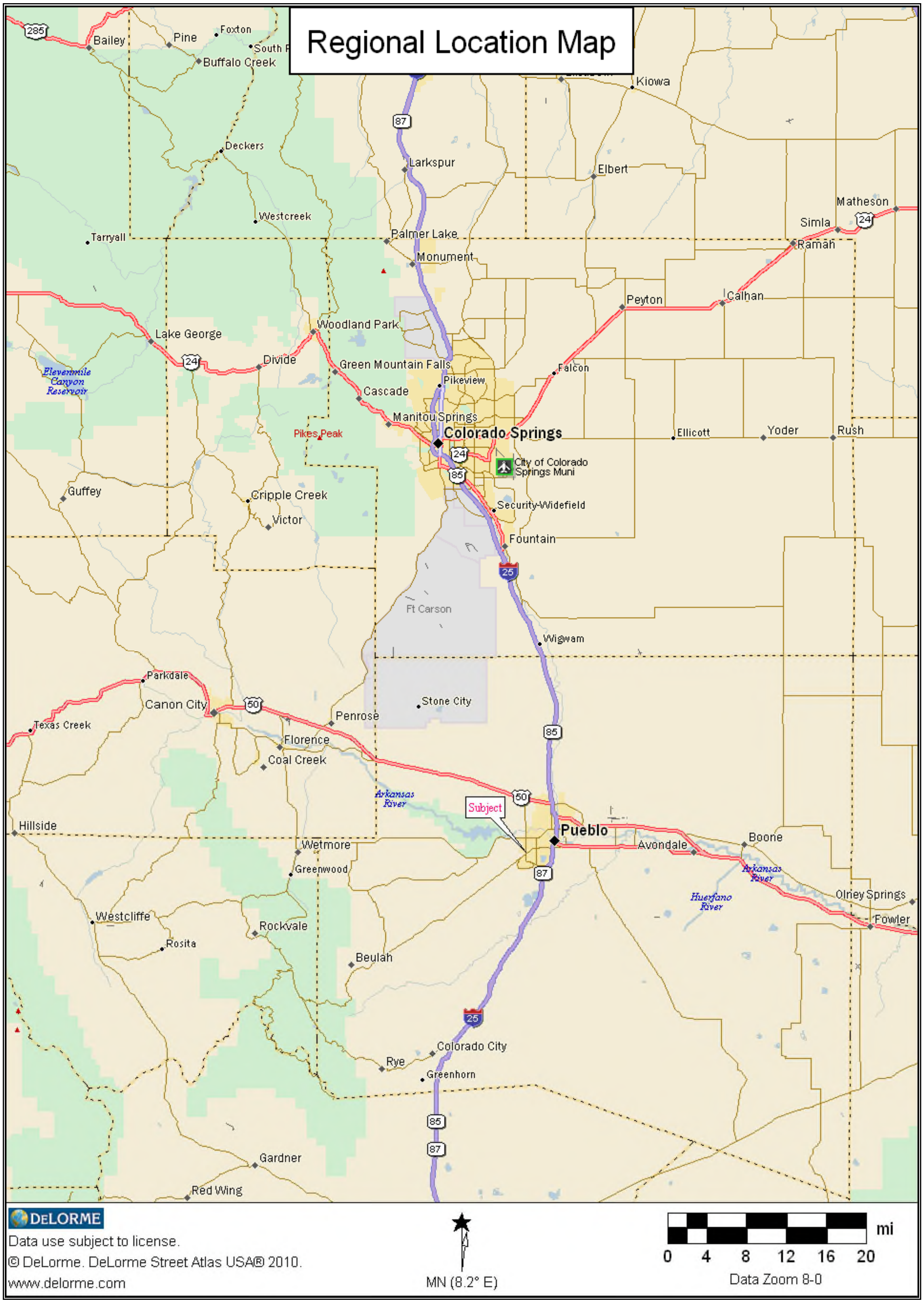
Grantor:	Wells Fargo Bank
Grantee:	Comerica Bank + Trust NA TR
Date:	4/6/12
Type:	TRST
Reception:	1904805

Grantor:	Timberline Regency, LLC
Grantee:	Wells Fargo Bank NA TR
Date:	6/27/07
Sale Amount:	$1,850,000 (foreclosure?)
Type:	WD
Reception:	1749301

IDENTIFICATION OF PROPERTY

According to the Pueblo County Assessor, the legal description is as follows:

Lot 10 Blk 1 Regency Square Sub Filing No 3 Formerly #15-091-20-005


Regional Location Map
Bailey
Pine
Foxton
Buffalo Creek
Kiowa
Larkspur
Deckers
Elbert
Westcreek
Matheson
Simla
Ramah
Tarryall
Palmer Lake
Monument
Peyton
Calhan
Woodland Park
Lake George
Divide
Green Mountain Falls
Falcon
Pikeview
Eleven mile Canyon Reservoir
Cascade
Manitou Springs
Colorado Springs
Pikes Peak
Ellicott
Yoder
Rush
City of Colorado Springs Muni
Guffey
Cripple Creek
Security-Widefield
Victor
Fountain
Ft Carson
Wigwam
Parkdale
Canon City
Stone City
Penrose
Texas Creek
Florence
Coal Creek
Arkansas River
Subject
Pueblo
Hillside
Avondale
Boone
Wetmore
Greenwood
Huerfano River
Olney Springs
Fowler
Westcliffe
Rockvale
Rosita
Beulah
Colorado City
Rye
Greenhorn
Gardner
Red Wing
DeLORME
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www.delorme.com
MN (8.2° E)
mi
0 4 8 12 16 20
Data Zoom 8-0

PUEBLO ANALYSIS

The following is from Moody's Analytics as of July 2018:

Recent Performance. Even with hiring ramping up, Pueblo remains Colorado's weakest link. In 2017, the economy lost 600 jobs, and though these were recouped in the first seven months of 2018, job growth is running at about half of that seen during the best years of this decade. Year-ago job growth of 0.6% is not only the lowest in the state but among the lowest in the West, the top U.S. region. The situation looks more promising looking at net job gains this year versus last. Almost half of the net new jobs in 2018 come from a renewal in public sector hiring, while increasing manufacturing payrolls account for roughly the other half so far this year. If not for their support, PUE would be in worse shape. The colossal healthcare industry is at a standstill, leaving newly growing leisure/hospitality to fend off layoffs in professional services and trade.

Though the labor force is inching closer to its 2011 peak, average hourly earnings are unchanged from a year ago. Meanwhile, the unemployment rate has dipped back down to 4%, which leaves it about the same as a year ago.

Metals. After a sharp two-year climb, factory payrolls in PUE will hold steady late this year and in 2019, as tariffs and trade-related concerns create uncertainty. Producers of primary and fabricated metals make up almost 40% of factory jobs, as opposed to just 15% nationwide. Fabricated metals manufacturers are among the biggest losers of the 25% tariffs on steel imports and can expect a rise in costs of inputs as domestic producers gear up for larger demand. Meanwhile, the higher cost of imported steel will work to primary metal producers' advantage, potentially helping EVRAZ Rocky Mountain Steel, a local producer of rail, seamless pipe and rods, out of its rut as a result of higher demand and prices for domestically produced steel. Even so, production efficiencies will limit the need for labor, and trade policy uncertainty will leave producers hesitant to commit to long-lived capital projects. Due to rising uncertainty, factory payroll growth will slow next year and slip in 2019.

Healthcare. Healthcare's slowdown will persist well into 2019 and deprive the economy of a large source of support. In part because of an absence of other drivers, PUE's reliance on healthcare is the highest in Colorado. The population is also the state's oldest, requiring more health services per capita. Low incomes and a high poverty rate mean that PUE's hospitals rely heavily on funding from Medicaid and Medicare, which limits their budgets and leads to periods of slow growth and layoffs such as those at St. Mary-Corwin Medical Center earlier in the year. Payrolls will inch up for the foreseeable future, but growth will be the slowest this decade.

Demographics. Although PUE's demographic profile is beneficial for healthcare, it will be a significant impediment to growth. Despite the presence of Colorado State University-Pueblo, fewer than one-quarter of adults possess a college degree. Population growth in 2017 was on par with that in the West, and above that in the U.S., but still the lowest in Colorado. The lack of talent will limit the development of high-value-added services needed to supplement flagging drivers of manufacturing and agriculture. High crime rates will further deter prospective migrants. Poor population growth and a soft labor market will delay the long-awaited hous-ing recovery and undermine property tax rev-enue, hurting local government.

Pueblo's slump will prove ephemeral, but the economy will remain an underperformer within Colorado. Prospects for manufacturing are mixed, and PUE largely lacks secondary drivers. A poorly educated workforce will hamper development of high-wage industries and keep job and income growth well below the state average over the long run.

ECONOMIC HEALTH CHECK

3-MO MA

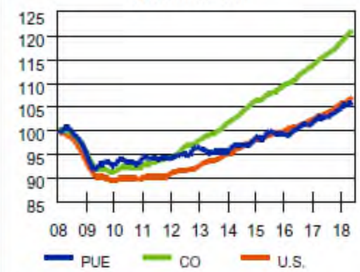
	Jan 18	Feb 18	Mar 18	Apr 18	May 18	Jun 18
Employment, change, ths	-0.1	0.0	0.1	0.1	0.1	0.2
Unemployment rate, %	4.6	4.7	4.6	4.5	4.3	4.1
Labor force participation rate, %	57.3	57.2	57.0	56.9	56.7	56.9
Employment-to-population ratio, %	54.7	54.5	54.4	54.3	54.3	54.5
Average weekly hours, #	33.4	33.4	33.4	33.3	33.0	32.7
Industrial production, 2012=100	100.2	100.3	100.4	101.2	101.7	102.2
Residential permits, single-family, #	479	524	614	540	519	406
Residential permits, multifamily, #	0	0	0	0	0	0

Better than prior 3-mo MA | Unchanged from prior 3-mo MA | Worse than prior 3-mo MA

Sources: BLS, Census Bureau, Moody's Analytics

BUSINESS CYCLE INDEX

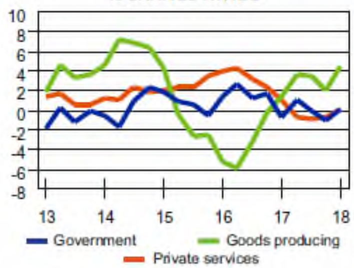
JAN 2008=100



Source: Moody's Analytics

CURRENT EMPLOYMENT TRENDS

% CHANGE YR AGO



Sources: BLS, Moody's Analytics

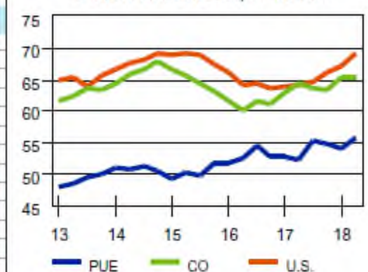
% CHANGE YR AGO, 3-MO MA

	Jun 17	Dec 17	Jun 18
Total	0.7	-0.2	0.6
Mining	63.2	18.1	11.3
Construction	2.6	1.7	3.1
Manufacturing	0.0	5.0	4.3
Trade	0.4	1.7	1.4
Trans/Utilities	1.7	-1.7	1.9
Information	0.0	-5.3	0.3
Financial Activities	-5.2	-1.9	2.1
Prof & Business Svcs.	-2.5	-7.8	-6.9
Edu & Health Svcs.	5.8	2.6	1.8
Leisure & Hospitality	-1.8	-1.5	0.7
Other Services	1.5	-4.7	-1.3
Government	-0.7	-0.0	0.8

Sources: BLS, Moody's Analytics

DIFFUSION INDEX

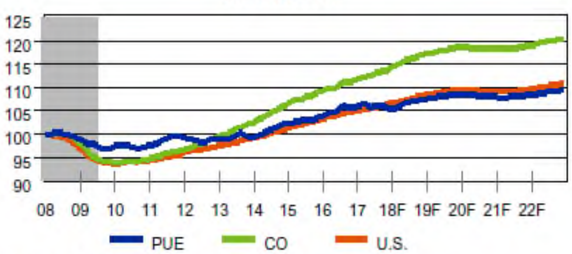
3-DIGIT NAICS LEVEL, 6-MO MA



Sources: BLS, Moody's Analytics

RELATIVE EMPLOYMENT PERFORMANCE

JAN 2008=100



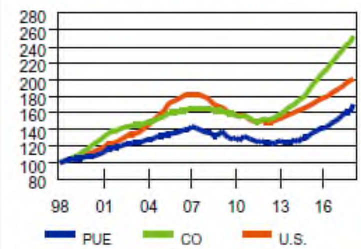
FORECAST VS. 6 MO PRIOR

2-Yr	5-Yr
↑	↔
↑	↔
↑	↑

Sources: BLS, Moody's Analytics

HOUSE PRICE

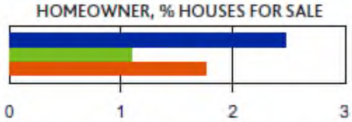
1998Q1=100, NSA



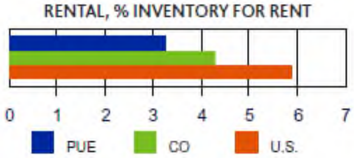
Sources: FHFA, Moody's Analytics

VACANCY RATES

HOMEOWNER, % HOUSES FOR SALE



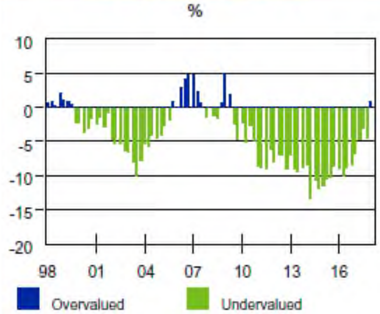
RENTAL, % INVENTORY FOR RENT



Sources: Census Bureau, ACS, Moody's Analytics, 2016

HOUSE PRICE TRENDS

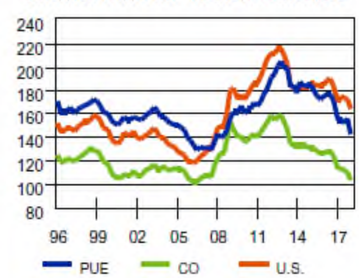
%



Sources: FHFA, Moody's Analytics

HOUSING AFFORDABILITY

GREATER THAN 100=MORE AFFORDABLE



Sources: NAR, Moody's Analytics

EMPLOYMENT AND INDUSTRY

TOP EMPLOYERS

Parkview Medical Center	2,744
St. Mary-Corwin Medical Center	1,400
Evraz Inc.	1,153
Loaf & Jug	1,100
Convergys Corp.	1,000
Wal-Mart Stores Inc.	1,000
Trane Co.	965
Colorado Mental Health Institute	953
Express Scripts	600
Colorado State University-Pueblo	523
RMS	520
Vestas	480
Target Corp.	450
AT&T	379
Pueblo Diversified Industries Inc.	350
Pueblo Community College	344
Mission Foods	320
Pueblo Army Depot	280
Innotrac Corp.	270
Safeway Inc.	262

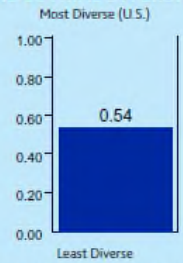
Source: Pueblo Library, 2016

PUBLIC

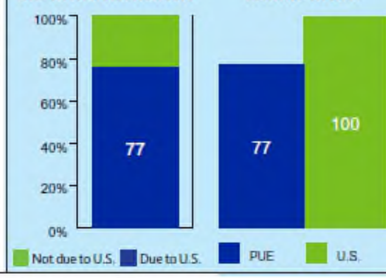
Federal	1,100
State	5,003
Local	6,584

2017

INDUSTRIAL DIVERSITY



EMPLOYMENT VOLATILITY



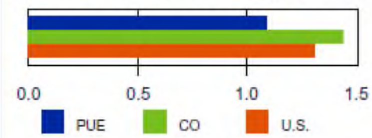
COMPARATIVE EMPLOYMENT AND INCOME

Sector	% OF TOTAL EMPLOYMENT PUE	CO	U.S.	AVERAGE ANNUAL EARNINGS PUE	CO	U.S.
Mining	0.1	1.0	0.4	nd	$165,897	$90,606
Construction	5.4	6.1	4.7	$59,633	$67,807	$67,379
Manufacturing	6.7	5.4	8.5	$66,657	$76,687	$80,835
Durable	*86.8*	*62.6*	*62.2*	*nd*	*$82,823*	*$83,048*
Nondurable	*13.2*	*37.4*	*37.8*	*nd*	*$66,116*	*$77,168*
Transportation/Utilities	3.4	3.1	3.9	$79,012	$84,720	$64,189
Wholesale Trade	2.1	4.0	4.0	$52,327	$84,192	$80,930
Retail Trade	12.9	10.2	10.8	$32,631	$33,734	$34,829
Information	1.0	2.7	1.9	$36,702	$76,438	$114,771
Financial Activities	2.9	6.3	5.8	$22,635	$43,634	$53,946
Prof. and Bus. Services	10.4	15.5	14.0	$42,233	$69,608	$68,173
Educ. and Health Services	20.6	12.5	15.8	$55,908	$53,244	$54,662
Leisure and Hosp. Services	10.7	12.5	11.0	$18,594	$28,547	$27,790
Other Services	3.4	4.1	3.9	$34,358	$39,672	$36,665
Government	20.4	16.4	15.2	$58,690	$69,720	$77,509

Sources: Percent of total employment — BLS, Moody's Analytics, 2017, Average annual earnings — BEA, Moody's Analytics, 2016

ENTREPRENEURSHIP

EMPLOYMENT IN NEW COMPANIES, % OF TOTAL



Sources: Census Bureau, Moody's Analytics, avg 2010-2014

EXPORTS

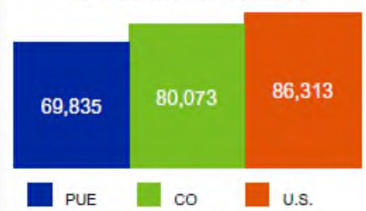
Product	$ mil
Food and kindred products	ND
Chemicals	ND
Primary metal manufacturing	ND
Fabricated metal products	3.8
Machinery, except electrical	40.7
Computer and electronic products	ND
Transportation equipment	ND
Miscellaneous manufacturing	ND
Other products	11.9
Total	208.2

Destination	$ mil
Africa	3.4
Asia	60.9
European Union	64.4
Canada & Mexico	46.2
South America	26.4
Rest of world	6.9
Total	208.2
% of GDP	*4.3*
Rank among all metro areas	*225*

Sources: BEA, International Trade Administration, Moody's Analytics, 2016

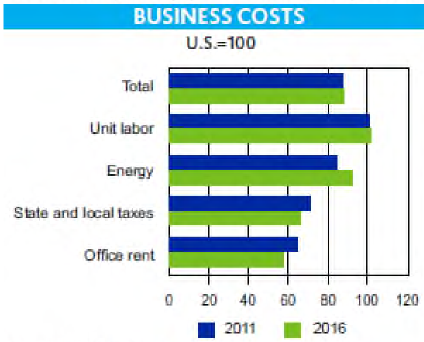
PRODUCTIVITY

REAL OUTPUT PER WORKER, $



Sources: BEA, Moody's Analytics, 2016

BUSINESS COSTS



Source: Moody's Analytics

HIGH-TECH EMPLOYMENT

	Ths	% of total
PUE	1.1	1.8
U.S.	7,046.4	4.8

HOUSING-RELATED EMPLOYMENT

	Ths	% of total
PUE	5.3	8.5
U.S.	13,892.2	9.5

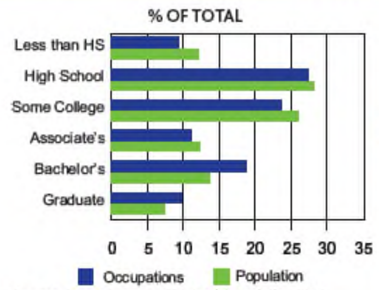
Source: Moody's Analytics, 2017

LEADING INDUSTRIES BY WAGE TIER

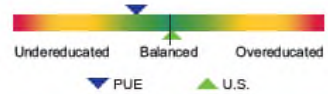
	NAICS	Industry	Location Quotient	Employees (ths)
HIGH	6211	Offices of physicians	1.2	1.3
HIGH	GVF	Federal Government	0.9	1.1
HIGH	2362	Nonresidential building construction	2.2	0.7
HIGH	3311	Iron & steel mills & ferroalloy manuf.	18.5	0.7
MID	GVL	Local Government	1.1	6.4
MID	GVS	State Government	2.3	5.0
MID	6221	General medical and surgical hospitals	1.6	3.1
MID	5413	Architectural, engineering & rel. srvcs.	1.6	1.0
LOW	7225	Restaurants and other eating places	1.1	4.9
LOW	5614	Business support services	7.4	2.8
LOW	6216	Home health care services	2.6	1.5
LOW	4529	Other general merchandise stores	1.9	1.4

Source: Moody's Analytics, 2017

SKILLS MISMATCH



Sources: Census Bureau, ACS, Moody's Analytics, 2016

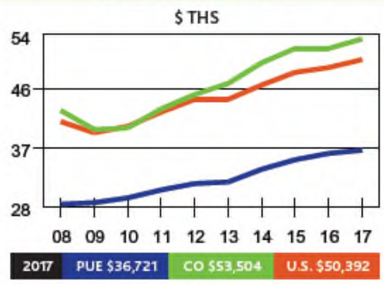


ECONOMIC DISENFRANCHISEMENT

Index	2016	Rank*
Gini coefficient	0.45	264
Palma ratio	3.4	95
Poverty rate	20.3%	37

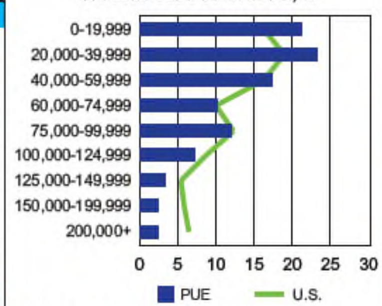
*Most unequal=1, Most equal=401

PER CAPITA INCOME



Sources: BEA, Moody's Analytics

HOUSEHOLDS BY INCOME, %



Sources: Census Bureau, ACS, Moody's Analytics, 2016

MIGRATION FLOWS

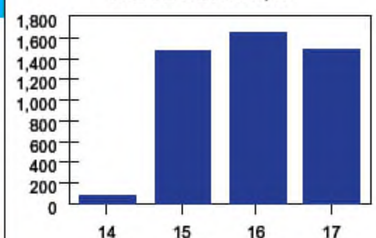
INTO PUEBLO CO

	Number of Migrants
Denver CO	982
Colorado Springs CO	937
Phoenix AZ	85
Fort Collins CO	79
Greeley CO	70
San Diego CA	61
Los Angeles CA	60
Albuquerque NM	59
Boulder CO	52
Las Vegas NV	47
Total in-migration	*6,775*

FROM PUEBLO CO

Colorado Springs CO	941
Denver CO	852
Fort Collins CO	86
Phoenix AZ	78
Greeley CO	73
Las Vegas NV	65
Grand Junction CO	48
Boulder CO	46
Albuquerque NM	41
San Diego CA	41
Total out-migration	*5,977*
Net migration	**798**

NET MIGRATION,

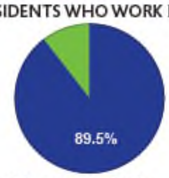


	2014	2015	2016	2017
Domestic	41	1,425	1,600	1,445
Foreign	46	61	55	53
Total	87	1,486	1,655	1,498

Sources: IRS (top), 2016, Census Bureau, Moody's Analytics

COMMUTER FLOWS

RESIDENTS WHO WORK IN PUE



WORKERS WHO LIVE IN PUE

Top Five Outside Sources of Jobs

Pueblo CO	Share
Colorado Springs CO	5.1
Denver CO	0.8
Fort Collins CO	0.1
Kansas City MO	0.1
Los Angeles CA	0.1

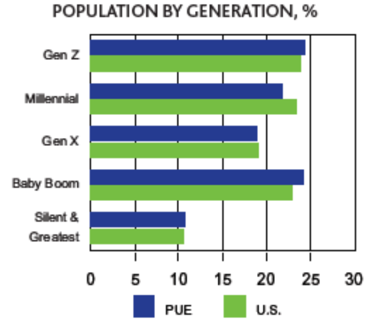
Top Five Outside Sources of Workers

Pueblo CO	Share
Colorado Springs CO	4.1
Denver CO	0.9
Fort Collins CO	0.1
Milwaukee WI	0.1
Flagstaff AZ	0.0

Sources: Census Bureau, Moody's Analytics, avg 2009-2013

GENERATIONAL BREAKDOWN

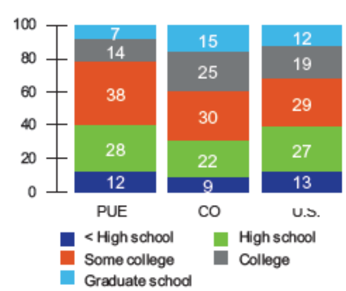
POPULATION BY GENERATION, %



Sources: Census Bureau, Moody's Analytics, 2016

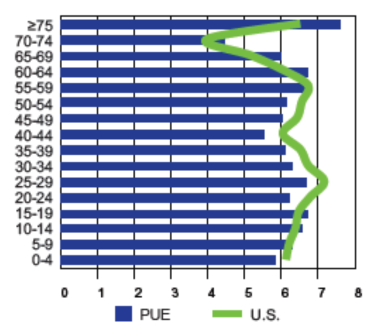
EDUCATIONAL ATTAINMENT

% OF ADULTS 25 AND OLDER



Sources: Census Bureau, ACS, Moody's Analytics, 2016

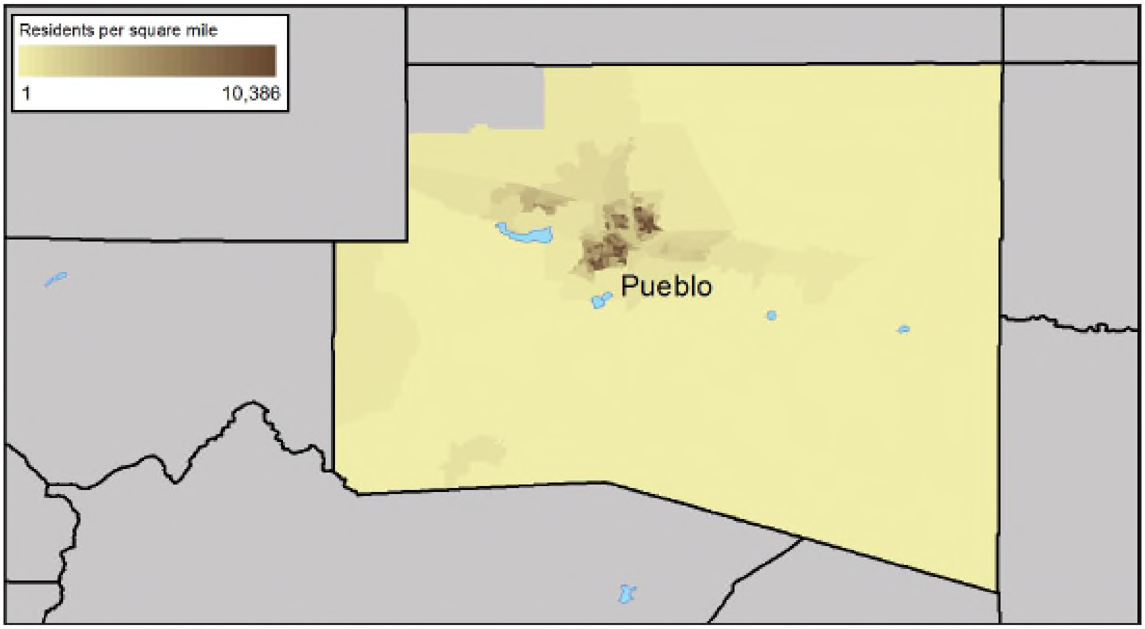
POPULATION BY AGE, %



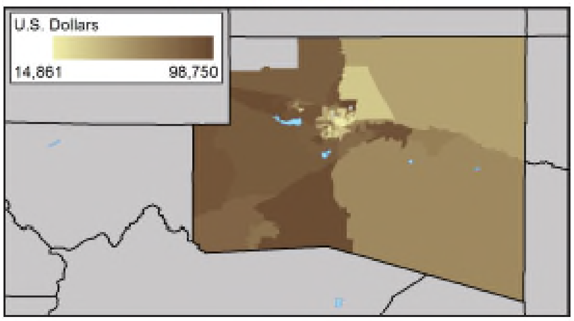
Sources: Census Bureau, Moody's Analytics, 2017

GEOGRAPHIC PROFILE

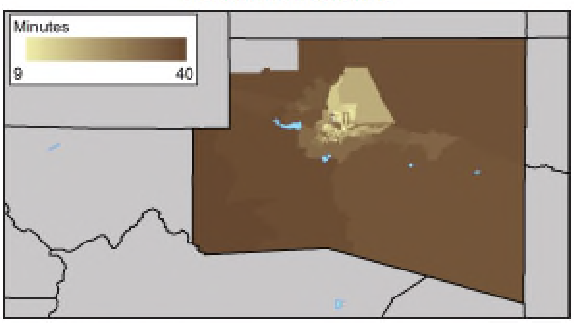
POPULATION DENSITY



MEDIAN HOUSEHOLD INCOME



MEDIAN COMMUTE TIME



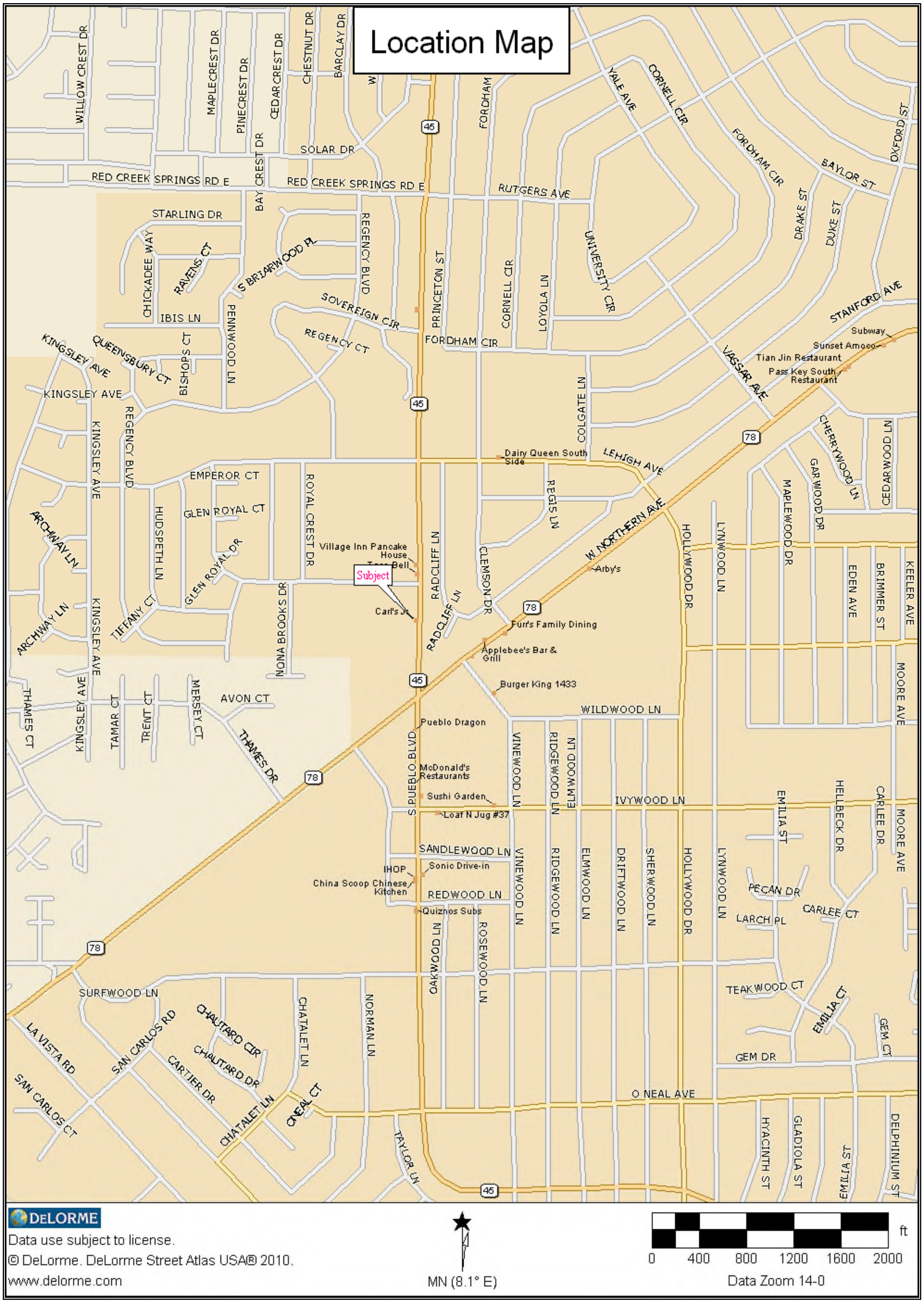
Sources: ACS, Moody's Analytics

POPULATION & HOUSING CHARACTERISTICS

	Units	Value	Rank*
Total land area	sq mi	2,386.1	131
Population density	ratio population to land area	69.8	358
Total population	ths	166.5	273
White	% of population	52.2	335
Hispanic	% of population	43.0	28
Black	% of population	1.8	335
Asian	% of population	0.8	369
U.S. citizen at birth	% of population	96.6	58
Naturalized U.S. citizen	% of population	1.2	347
Not a U.S. citizen	% of population	1.1	358
Median age		39.1	163
Total housing units	ths	70.3	276
Owner occupied	% of total	57.4	198
Renter occupied	% of total	31.2	185
Vacant	% of total	11.4	178
1-unit, detached	% of total	77.4	15
1-unit, attached	% of total	3.0	260
Multifamily	% of total	13.7	361
Median year built		1974	

** Out of 402 metro areas and metro divisions*

Sources: Census Bureau, Moody's Analytics, 2016 except land area 2010


Location Map
Subject
Village Inn Pancake House
Taco Bell
Carl's Jr
Dairy Queen South Side
Arby's
Furr's Family Dining
Applebee's Bar & Grill
Burger King 1433
Pueblo Dragon
McDonald's Restaurants
Sushi Garden
Loaf N Jug #37
Sonic Drive-in
IHOP
China Scoop Chinese Kitchen
Quiznos Subs
Subway
Sunset Amoco
Tian Jin Restaurant
Pass Key South Restaurant
RED CREEK SPRINGS RD E
SOLAR DR
RUTGERS AVE
STARLING DR
S BRIARWOOD PL
SOVEREIGN CIR
REGENCY CT
FORDHAM CIR
KINGSLEY AVE
QUEENSBURY CT
EMPEROR CT
GLEN ROYAL CT
GLEN ROYAL DR
TIFFANY CT
ARCHWAY LN
AVON CT
THAMES DR
LEHIGH AVE
W NORTHERN AVE
VASSAR AVE
STANFORD AVE
WILDWOOD LN
IVYWOOD LN
SANDLEWOOD LN
REDWOOD LN
PECAN DR
CARLEE CT
LARCH PL
TEAKWOOD CT
GEM DR
O NEAL AVE
SURFWOOD LN
LA VISTA RD
SAN CARLOS RD
SAN CARLOS CT
CHAUTARD CIR
CHAUTARD DR
CARTIER DR
CHATALET LN
ONEAL CT
TAYLOR LN
S PUEBLO BLVD
45
78
DELORME
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www.delorme.com
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NEIGHBORHOOD ANALYSIS

A property is an integral part of its surroundings and must not be treated as an entity separate and apart from its surroundings. The value of a property is not found exclusively in its physical characteristics. Physical, economic, political and sociological forces in the area interact to give value to a property. In order to determine the degree of influence extended by these forces on a property, their past and probable future trends must be analyzed in depth. Therefore, in order to determine the value of a property, a careful analysis must be made of the area which the property under study is found. This area is referred to as a neighborhood.

A neighborhood can be a portion of a city, a community or an entire town. It is usually considered to be an area which exhibits a fairly high degree of homogeneity as to use, tenancy and certain other characteristics. Homogeneity is a state of uniform structure or composition throughout. Therefore, in real estate terminology, a homogeneous neighborhood is one in which the property types and uses are similar. A neighborhood is more or less a unified area with somewhat definite boundaries. As a neighborhood's boundaries serve to limit the physical area that exerts germane influences on a property's value, the boundaries may indeed run concurrent with variations in prevailing land uses or physical characteristics.

The neighborhood is considered to be bounded by Clemson Drive to the north, Surfwood Drive to the south, the city limits to the west, and Hollywood Drive to the east. The Subject is located in the central portion of the Neighborhood and approximately four miles southwest of the Pueblo CBD.

GENERAL NEIGHBORHOOD CHARACTERISTICS

LOCATION	X	URBAN		SUBURBAN		RURAL
% DEVELOPED	X	OVER 75%		25%-75%		UNDER 25%
GROWTH RATE		RAPID		STABLE	X	MODERATE
SUPPLY		SHORTAGE	**X**	IN BALANCE		OVERSUPPLY
MARKETING TIME		< 6 MONTHS	X	6-12 MONTHS		OVER 1 YEAR
% MULTIFAMILY		OVER 75%		25%-50%	X	UNDER 25%
VALUES		INCREASING	X	STABLE		DECLINING

SUBJECT NEIGHBORHOOD COMPARED TO OTHER NEIGHBORHOODS

	GOOD	AVG	FAIR	POOR
ACCESS TO:				
NEIGHBORHOOD:		X		
EMPLOYMENT:		X		
RETAIL CENTERS:		X		
STREET PATTERNS AND UPKEEP:		X		
PROPERTY COMPATIBILITY:		X		
POPULATION DENSITY:		X		
EXTENT OF OCCUPANT OWNERSHIP:		X		
SCHOOLS:		X		
INCOME LEVELS:		X		
RENT LEVELS:		X		
VALUE LEVELS:		X		
VACANCY LEVELS:		X		
TAX BURDEN:		X		
FLOOD HAZARDS:		X		
WATER AND SEWER AVAILABILITY:		X		

STAGE OF LIFE CYCLE

GROWTH	
STABILITY	X
DECLINE	
REVITALIZATION	

The Subject is located just north of the intersection of S. Pueblo Boulevard and W. Northern Avenue. The intersection and the northwest side of S. Pueblo Boulevard is a heavily concentrated retail/commercial area. There are several other fast food restaurants along the west side of S. Pueblo Boulevard. There are also other retail businesses fronting S. Pueblo Boulevard and several shopping centers with Office Depot, Starbuck's and Papa John's as some of their tenants. To the south of W. Northern Avenue there is a Wal Mart and K Mart. There are also more fast food restaurants in this area.

Directly east of the Subject are residential uses. Beyond the commercial uses are more residential uses. Homes in the area were built from the 1950s to recent construction. The homes range in value from below $100,000 to the mid $200,000s.

Transportation

Primary access to the neighborhood is provided by S. Pueblo Boulevard (SR 45), which is a north/south primary thoroughfare that provides access to I 25 to the south and US 50 to the north. W. Northern Avenue (SR 78) is an east/west primary thoroughfare that provides access from Rye, Colorado to the west and I 25 to the east.

Demographics

The following chart shows the demographics for the Subject within a five mile radius:

Population	**1-mi.**	**3-mi.**	**5-mi.**
2013 Male Population	7,612	26,660	39,905
2013 Female Population	8,499	28,434	41,333
% 2013 Male Population	47.25%	48.39%	49.12%
% 2013 Female Population	52.75%	51.61%	50.88%
2013 Total Population: Adult	12,552	41,892	62,060
2013 Total Daytime Population	13,307	51,395	95,646
2013 Total Employees	3,669	18,049	45,032
2013 Total Population: Median Age	45	40	39
2013 Total Population: Adult Median Age	54	51	49
Population Change	**1-mi.**	**3-mi.**	**5-mi.**
2013 Total Population	16,111	55,094	81,238
2013 Households	6,539	22,458	32,578
Population Change 2010-2013	565	1,511	2,200
Household Change 2010-2013	80	117	145
% Population Change 2010-2013	3.63%	2.82%	2.78%
% Household Change 2010-2013	1.24%	0.52%	0.45%
Income	**1-mi.**	**3-mi.**	**5-mi.**
2013 Household Income: Median	$42,054	$38,007	$34,524
2013 Household Income: Average	$52,197	$50,091	$46,442
2013 Per Capita Income	$21,593	$20,699	$19,348

Conclusion

Access to the neighborhood is considered good via thoroughfares such as S. Pueblo Boulevard (SR 45) and W. Northern Avenue (SR 78). All necessary neighborhood services and conveniences are available to provide an adequate high standard of living and good quality of life for the area residents. The neighborhood is considered to be in a stable life stage. Most of the improvements are in the middle to later stages of their life cycle.

REAL ESTATE TAXES

The Subject is located within the taxing jurisdictions listed below. The 2017 mill levy was 89.668. The 2018 rates per $1,000 of assessed valuation for the respective tax districts are listed in the following table.

Taxing Authority
Pueblo County
School District 60 General
School District 60 Bond Red
Regional Library
City of Pueblo
S E Colorado Water Conserv
Lower Ark Valley Water Cons
SA Pueblo Consv Dist Maint Fund
Total

Year	Tax ID	Land	Improvements	Total Value
2018	15-091-35-001	$167,960	$406,167	$574,127

Tax Summary of Subject	
Ownership Name	Comerica Bank + Trust NA TR
	Ralph D Dion Qtip Trust
Parcel Account Number	15-091-35-001
2018 Assessed Value	$166,496
Total Estimated Taxes for 2018	$166,496 x 89.668 per 1,000 = $14,929.36

Total taxes due include $76.54 for FF&E for a total of $15,005.90.

Taxes are current.

ZONING ANALYSIS

The Subject is zoned "B-3" Highway & Arterial Business District by the City of Pueblo. The standards of this district are intended to provide areas along highways and arterial streets for location of business and services.

Setbacks:

Front:	25'*
Side:	5'**
Rear:	15'**

*That portion of the parcel adjacent to an "expressway" shall provide 75' of front setback. **Does not apply on the portion of the parcel adjacent to another parcel also in a business or Industrial zone. It does apply when the portion of the parcel is adjacent to a residential or special zone (streets and alleys not considered).

Coverage:	50%
Floor Area Ratio:	1.5
Maximum Height:	50'
Minimum Lot Width:	50'
Minimum Lot Size:	5,000 SF

Based on the previous the Subject represents a legal conforming use.

SITE ANALYSIS

The Subject consists of 0.505 acres or 21,998 SF of land located at 1759 S. Pueblo Boulevard in Pueblo, Pueblo County, Colorado 81005.

Access

Access into the site is good from S. Pueblo Boulevard. Currently, there is one curb cut near the Subject. There are various access places in the shopping center.

Abutting and Vicinity Uses

The Subject is surrounded by retail uses to the north, south and west. Residential uses are to the east.

Topography/Flood Zone

The topography of the site is basically level. The Subject is in FEMA flood plain map 0850770012C, dated 9/26/86 and located in Zone C, an area of minimal flood hazard.

Utilities/City Services

The Subject has all available utilities and services.

Sewer and Water:	Board of Water Works
Electricity:	Black Hills Energy
Gas:	Xcel Energy
Telephone:	CenturyLink

Zoning

The site is zoned "B-3" Highway & Arterial Business District. The Subject is a legal conforming use.

Easements/Deed Restrictions

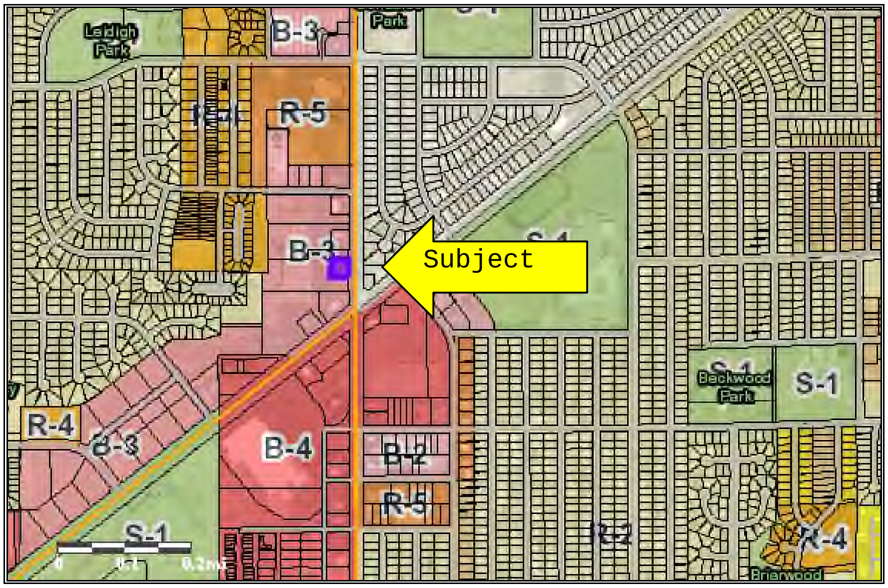
A title policy is not available to us in order to determine the existence of all easements affecting the property. Easements for access, utilities and drainage are assumed to be on and about the subject site. To our knowledge, no deed restrictions affect or limit the use of the property. However, this should not be considered as a guaranty or warranty that no such restrictions exist. Deed restrictions are a legal matter, and normally only a title search by a title attorney discovers any restrictions. Thus, it is recommended that a title search and survey be made if any questions regarding deed restrictions/easements arise.

Environmental Hazards

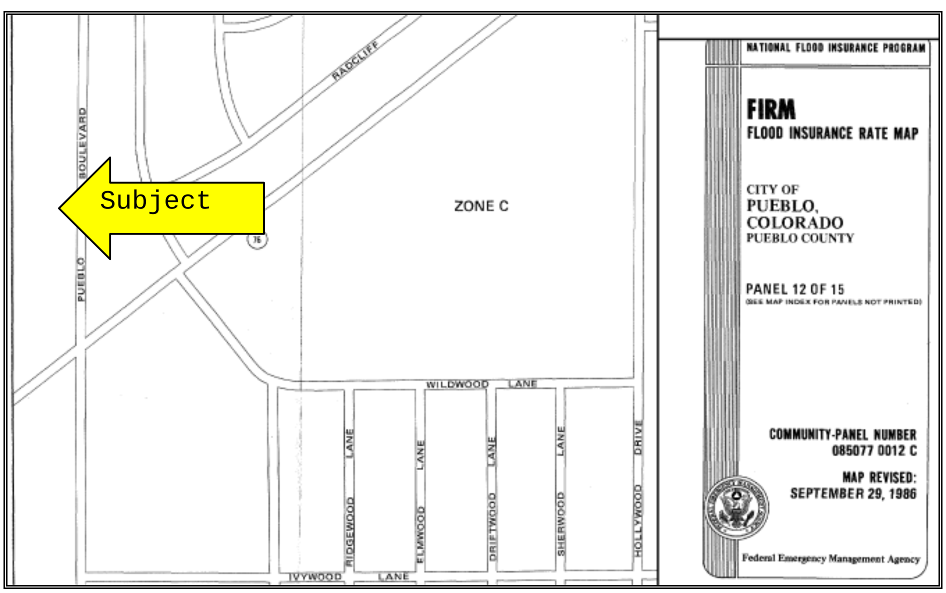
An environmental study of the Subject is not available. Based on our inspection no environmental hazards appeared to be present (but we are not environmental experts). Therefore, we recommend an environmental survey.

Conclusion

The site is well located and well suited for its current use. No environmental hazards were noted.



Zoning Map



FEMA Map

IMPROVEMENTS DESCRIPTION

The Subject consists of a 2,500 SF fast food restaurant located on 0.505 acres (21,998 SF) of land located at 1759 S. Pueblo Boulevard, Pueblo, Pueblo County, Colorado 81005. The property was built in 2007 and is of average quality "Class C" construction. The floor area ratio is 0.114 to 1.

The 2,500 square foot fast food restaurant has one level. The building consists of a kitchen, restaurant, bathrooms, and drive through window. The interior finish is average.

The floors are tile and the walls are painted gypsum board. The ceilings are lowered acoustic tile with fluorescent lighting. Air conditioning and heating are via a central unit

FURNITURE, FIXTURES, AND EQUIPMENT

The Subject is composed of a fast food restaurant which features seating, cooking equipment, walk-in cooler/freezer as a well as condiment area and drink dispensers. Although requested, the Subject's management did not provide information regarding the F, F, & E. Should additional information be provided we reserve the right to amend our conclusions.

SITE IMPROVEMENTS

Additional site improvements include approximately 26± paved parking spaces and landscaping. Landscaping is minimal.

CONCLUSION

The improvements are of average quality construction and are designed for retail use. The improvements have an effective age of 15 years and a remaining economic life of 30 years. Thus, depreciation is estimated to be 33%.

PART THREE
ANALYSIS AND CONCLUSIONS

HIGHEST AND BEST USE

One of the basic elements of real estate valuation is the theory of highest, best and most profitable use.

As quoted from The Dictionary of Real Estate Appraisal, highest and best use is defined as that reasonable and probable use that supports the highest present value of vacant land or improved property, as defined, as of the effective date of the appraisal.

Or, as defined in the Appraisal of Real Estate, the reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and which results in highest land value.

These definitions recognize that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use.

Because the use of land can be limited by the presence of improvements, highest and best use is determined separately for the land or site as though vacant and available to be put to its highest and best use, and for the property as improved.

In appraisal practice, highest and best use analysis not only identifies the use of the property expected to produce the maximum net present value, but also helps the appraiser select comparable properties.

Four basic criteria are examined in estimating the Highest and Best Use of a property both as vacant and as improved. These stages of analysis are as follows:

a) Possible Use - the uses to which it is physically possible to put on the site in question.
b) Permissible Use (Legal) - the uses that are permitted by zoning and deed restrictions on the site in question.
c) Feasible Use - the possible and permissible uses that will produce any net return to the owner of the site.
d) Highest and Best Use - among the feasible uses, the use that will produce the highest net return on the highest present worth.

The highest and best use of a specific parcel of land is not determined through subjective analysis by the property owner, the developer, or the appraiser; rather, highest and best use is shaped by the competitive forces within the market where the property is located. Therefore, the analysis and interpretation of highest and best use is an economic study of market forces focused on the subject property.

Market forces also shape market value, so the general data that are collected and analyzed to derive an opinion of market value are also used to formulate an opinion of the property's highest and best use as of the appraisal date.

SITE AS VACANT

The Subject consists of 0.505 acres or 21,998 SF of land located at 1759 S. Pueblo Boulevard in Pueblo, Pueblo County, Colorado 81005, and it does not appear to be located in a floodplain.

Physically Possible

In arriving at our opinion of highest and best use for the improved subject site, it was first necessary to determine if the physical characteristics of the site - such as soil conditions, topography, shape, and frontage were favorable for development. No differential settlement was observed which would indicate unusually unstable soil-bearing capacities in the surrounding area. The tract is of sufficient size to be economically adaptable for development and benefits from adequate frontage and accessibility. The topography imposes no discernible problem for development. Thus, the physical characteristics impose no insurmountable limitations to permissible development.

Legally Permissible

This parcel is zoned "B-3" Highway & Arterial Business District by the City of Pueblo. The standards of this district are intended to provide areas along highways and arterial streets for location of business and services.

Financially Feasible

The surrounding properties and land uses are considered for compatibility in determination of feasible use. The immediate area is mostly developed with commercial/retail uses and surrounded by single family residential uses.

Fast food establishments generally rent for somewhere between 6% and 12% of Gross Revenue. Though requested (from both the operator of the property and from our client) we were not provided with gross revenue at the Subject. It was reported in our previous appraisal report (February 2015) that inside store sales were roughly $850,000. Based on our inspection of the property and the neighborhood it is safe to assume that gross sales have remained relatively stable over the past three years, though accurate details would have been ideal. The chart below depicts suggested rental rates for the Subject assuming gross revenue and the varying percentage rent variables.

Gross Revenue	$850,000	$850,000	$850,000	$850,000	$850,000	$850,000	$850,000
Percentage Rent	6.00%	7.00%	8.00%	9.00%	10.00%	11.00%	12.00%
Total Rent	$51,000	$59,500	$68,000	$76,500	$85,000	$93,500	$102,000
Building Size (SF)	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500
Rent/SF	$20.40	$23.80	$27.20	$30.60	$34.00	$37.40	$40.80

The above suggested rental rates are from $20.40 to $40.80/SF. The Subject being built in 2007 with a good location on a pad site in front of a neighborhood shopping center on a heavy utilized commercial corridor a rate 10% to 12% seems reasonable.

Based on the previous a rental rate of between $34.00 and $40.80/SF (NNN), Say $37.50/SF would be typical for a new fast food restaurant with reasonable finish. On this basis, expenses (un-reimbursed) are projected at $0.50 per square foot. It is also anticipated that a new building on the site could maintain an occupancy rate of 95%.

A feasibility analysis for retail construction is illustrated by the following calculations:

Average Rent /SF/Year	$37.50
Less: Vacancy and Collection Loss @5.0%	$ 1.88
Effective Gross Income per SF	$35.62
Less: Expenses/SF	$ 1.00
Net Operating Income	$34.62
Capitalized at 8.00%	$432.75

Marshall & Swift, a construction cost estimator service, reports construction costs of an average to good quality, Class “C” fast food restaurant to be between $150.00 and $300.00 per square foot, including profit and exclusive of land costs.

Therefore, upon inclusion of the land cost, it appears that a fair to average quality fast food restaurant is feasible.

Maximally Productive

The financially feasible use of the Subject site would be for development of a retail use similar to the current use. Therefore, it is our opinion that the maximally productive use of the Subject site as vacant is for *retail (most likely fast food) development as the market dictates.*

HIGHEST AND BEST USE AS IMPROVED

Physically Possible

As indicated by their existence, the subject improvements are the most appropriate physical use of the site.

Legally Permissible

As discussed above, the legally permissible uses for the site includes the current use.

Economically Feasible

The value of the existing improvements would exceed the value of the land, demolition costs and construction costs of any alternate use. The value of the Subject improvements as concluded herein exceeds the value of the land.

Maximally Productive

The current use would be the maximally feasible use of the Subject.

DISCUSSION OF THE APPRAISAL PROCESS

For the purpose of estimating the market value of the property, the appraisers will employ three traditional approaches in the valuation process: the Cost Approach, the Income Capitalization Approach, and the Sales Comparison Approach.

In the Cost Approach, the cost to replace the improvements is estimated. A deduction is made for any depreciation, and the result is combined with the estimated value of the underlying land. The approach is applicable when each component is independently measurable, and then the sum of all components is believed to reflect market value.

The Sales Comparison Approach will be the second approach employed in the valuation process. A search of the local market will be conducted by the appraisers for recent sales of comparable commercial condominiums. Upon gathering such information, an analysis of the data will be made to relate the subject's unique characteristics to those of the comparable sales. A reconciliation of the data will direct the appraisers to an estimate of value via the Sales Comparison Approach.

In the Income Capitalization Approach, the appraisers will ascertain the property's capability of producing income and analyze fixed and variable operating expenses to estimate the net operating income. The potential income and expenses will be projected.

The appraisers will then consider the importance and influence of each approach in relation to the reactions of typical users and investors in the NNN market. The approaches will then be reconciled into a final value conclusion.

THE COST APPROACH

The cost approach is primarily based on the principle of substitution. The principle of substitution states that a person is not justified in paying more for a property than that amount by which an investor can obtain, by purchase of a site and construction of a structure, without undue delay, a property of equal desirability and utility.

When the property represents a proper improvement, meeting the definition of Highest and Best Use, then this approach is based upon the assumption that the replacement cost is the upper limit of value.

The cost approach consists of four distinct steps:

1. Valuation of the site as if vacant.
2. Estimation of replacement cost new of the existing structures and/or improvements.
3. An estimate of accrued depreciation found in the improvements. The various types of depreciation and how each relates to the subject will be accounted for in this section. The total depreciation present in the improvements is deducted from its replacement cost new to indicate a depreciated value of the improvements.
4. The addition of the site value and the depreciated cost of the structures and improvements to a value estimate.

The technique involved in estimating the value of the site utilizes the principle of substitution as the basis for analysis, and the methodology includes an analysis of properties in the area that have sold. The value of the site, therefore, is derived from sales of comparable properties in the area. It is necessary to evaluate such factors as conditions of sale, financing, market conditions (time), location, physical characteristics, and other items when making adjustments.

Since the property was built for and leased to a Carl’s Jr. franchisee. in the “Leased Fee Estate” the value of the property is mainly determined by the income generated by the lease and the strength of the tenant’s credit. Thus, we have omitted the Cost Approach. The omission of the Cost Approach does not lessen the credibility of this report.

SALES COMPARISON APPROACH

The sales comparison approach involves a direct comparison of the Property being appraised to similar properties for which value indications are available in similar markets in order to derive a value indication for the Property. Carefully verified and analyzed market data is considered to be a good reflection of value when it represents typical actions and reactions of buyers, sellers, users, and investors. While all approaches are market oriented with respect to the information utilized in each, this approach involves the comparison of the Property with other similar properties. As a result, this approach is considered to be an interpretation of what is taking place within the market.

This approach, like the cost approach, is based on the principle of substitution, which implies that a prudent person will not pay more to buy a property than it would cost to buy a comparable substitute property. One method of valuation by this approach is a comparison based on the sales price per square foot of building area. This is a simplistic comparison, and it can be affected by numerous characteristics of each property, such as age, condition, construction quality, and deferred maintenance, as well as the basic dissimilarities between the properties. Another method of valuation is the Potential Gross Income Multiplier (PGIM) technique. A PGIM is a number that expresses the ratio between the sales price of a property and its potential gross income. We will use sales price per square foot of building area method.

The improved comparables are presented on the following pages.

IMPROVED SALE 1

Name:	Taco Bell
Address:	1709 East 2nd Street, Edmond
Grantor:	Taco Bell of America, LLC
Grantee:	O & M Property TB, LLC
Date of Sale:	March 15, 2016
Consideration:	$1,950,000
Financing:	Cash to Seller
Cash Equivalent Price:	$1,950,000
Property Description:	
Land Area:	0.460 Acres (20,038 SF)
YOC:	2000
Construction:	Class D
Net Rentable Area:	2,646 SF
Occupancy at Sale:	100.0%
Land to Building Ratio:	12.35
Condition:	Good

Sale 1 continued

Income Data	Total	Per SF	% of EGI
Potential Gross Income	$121,875	$46.06	
Less: Vacancy & Collection @ 0.0%	$0	$0.00	
Effective Gross Income	$121,875	$46.06	100.0%
Less: Expenses	$2,437	$0.92	2.0%
Net Operating Income	$124,312	$46.98	102.0%

Units of Comparison	Actual
Price/SF:	$736.96
EGIM:	16.00x
OER:	2.0%
Overall Rate (Ro):	6.37%

IMPROVED SALE 2

Name:	DQ Grill & Chill
Address:	14430 N. Pennsylvania Avenue, Oklahoma City
Grantor:	DIJ Holdings Company, LLC
Grantee:	Timothy Indart Services
Date of Sale:	October 3, 2017
Consideration:	$2,112,000
Financing:	Cash to Seller
Cash Equivalent Price:	$2,112,000

Property Description:

Land Area:	0.960 Acres (41,818 SF)
YOC:	2015
Construction:	Class D
Net Rentable Area:	2,642 SF
Occupancy at Sale:	100.0%
Land to Building Ratio:	9.50
Number of Stories:	1 Stories
Condition:	Good

Sale 2 continued

Income Data	**Total**	**Per SF**	**% of EGI**
Potential Gross Income	$130,119	$49.25	
Less: Vacancy & Collection @ 0.0%	$0	$0.00	
Effective Gross Income	$130,119	$49.25	100.0%
Less: Expenses	-$2,602	-$0.99	2.0%
Net Operating Income	$127,516	$48.27	98.0%

Units of Comparison	**Estimated**
Price/SF:	$799.39
EGIM:	16.23x
OER:	2.0%
Overall Rate (Ro):	6.04%

Comments: The lease reportedly commenced in September 2015.

IMPROVED SALE 3

Name:	Jack In The Box
Address:	4840 South Yale Avenue, Tulsa
Grantor:	Joseph Anthony Francia
Grantee:	Imogene J. Gullatt Revocable
Date of Sale:	November 15, 2017
Consideration:	$2,475,000
Financing:	Cash to Seller
Cash Equivalent Price:	$2,475,000

Property Description:

Land Area:	0.740 Acres (32,234 SF)
YOC:	2011
Construction:	Class D
Net Rentable Area:	2,857 SF
Occupancy at Sale:	100.0%
Land to Building Ratio:	11.44
Number of Stories:	1 Stories
Condition:	Good

Sale 3 continued

Income Data	**Total**	**Per SF**	**% of EGI**
Potential Gross Income	$127,137	$44.50	
Less: Vacancy & Collection @ 0.0%	$0	$0.00	
Effective Gross Income	$127,137	$44.50	100.0%
Less: Expenses	-$2,543	-$0.89	2.0%
Net Operating Income	$124,594	$43.61	98.0%

Units of Comparison	**Estimated**
Price/SF:	$866.29
EGIM:	19.47x
OER:	2.0%
Overall Rate (Ro):	5.03%

IMPROVED SALE 4

Name:	Arby's
Address:	3800 W. Northern Avenue, Pueblo, Co.
Grantor:	Ann F. Haley
Grantee:	PCCG Investors, LLC
Date of Sale:	June 5, 2018
Consideration:	$1,920,000
Financing:	Cash to Seller
Cash Equivalent Price:	$1,920,000

Property Description:

Land Area:	0.530 Acres (23,087 SF)
YOC:	1977
Construction:	Class C
Net Rentable Area:	2,881 SF
Occupancy at Sale:	100.0%
Land to Building Ratio:	13.91
Number of Stories:	1 Stories
Condition:	Good

Sale 4 continued

Income Data	**Total**	**Per SF**	**% of EGI**
Potential Gross Income	$124,805	$43.32	
Less: Vacancy & Collection @ 0.0%	$0	$0.00	
Effective Gross Income	$124,805	$43.32	100.0%
Less: Expenses	-$2,496	-$0.87	2.0%
Net Operating Income	$122,309	$42.45	98.0%

Units of Comparison	**Actual**
Price/SF:	$666.44
EGIM:	15.38x
OER:	2.0%
Overall Rate (Ro):	6.37%

Comments: Eight years remaining on lease.

IMPROVED SALE 5

Name:	Arby's
Address:	1701 E. Main Street, Montrose, CO
Date of Sale:	Listing
Consideration:	$2,050,000
Financing:	Cash to Seller
Cash Equivalent Price:	$2,050,000

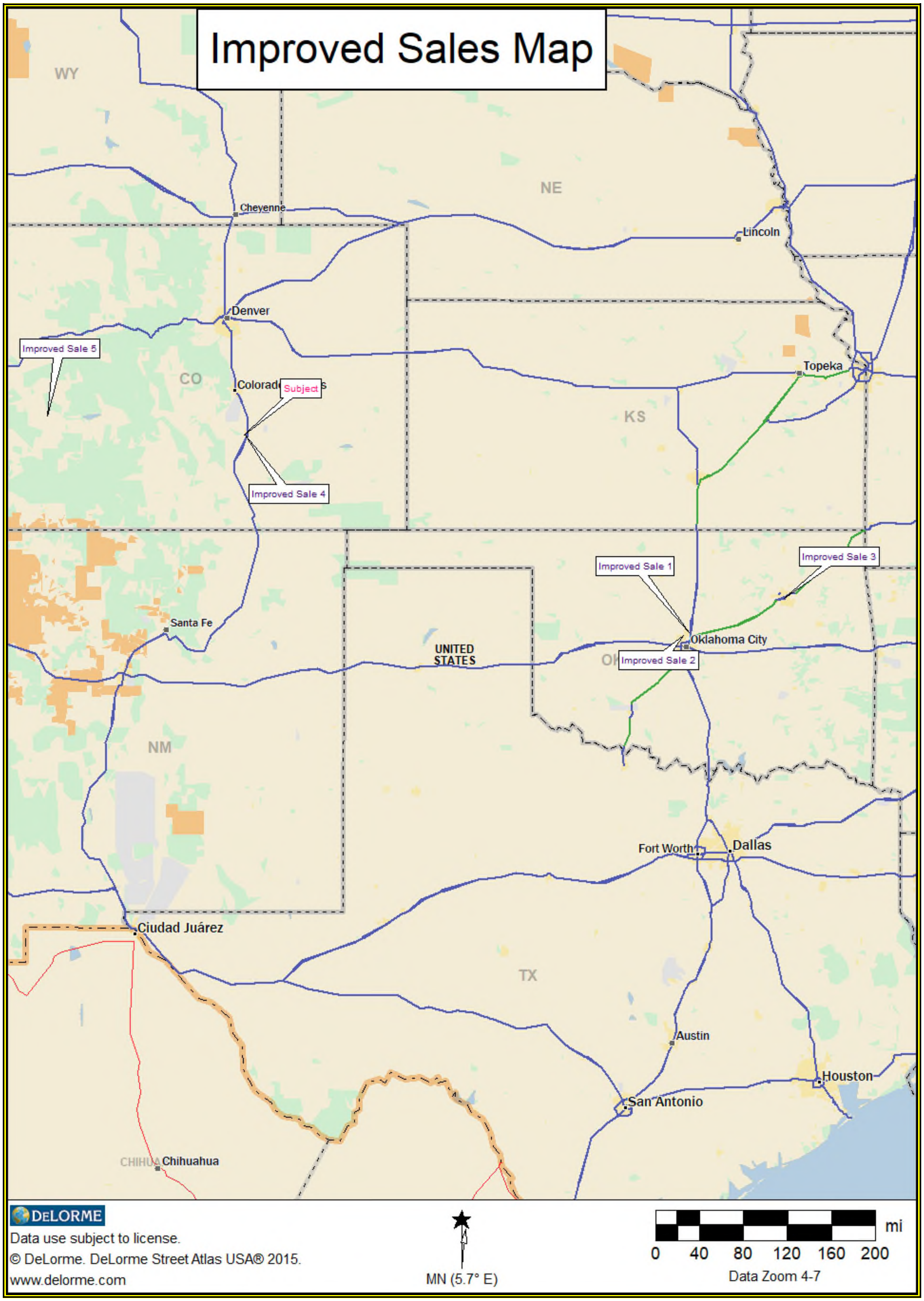
Property Description:

Land Area:	1.110 Acres (48,352 SF)
YOC:	1995
Construction:	Class C
Net Rentable Area:	2,987 SF
Occupancy at Sale:	100.0%
Land to Building Ratio:	17.21
Number of Stories:	1 Stories
Condition:	Good

Sale 5 (continued)

Income Data	**Total**	**Per SF**	**% of EGI**
Potential Gross Income	$134,415	$45.00	
Less: Vacancy & Collection @ 0.0%	$0	$0.00	
Effective Gross Income	$134,415	$45.00	100.0%
Less: Expenses	-$2,688	-$0.90	2.0%
Net Operating Income	$131,727	$44.10	98.0%

Units of Comparison	**Actual**
Price/SF:	$686.31
EGIM:	15.25x
OER:	2.0%
Overall Rate (Ro):	6.43%


Improved Sales Map
WY
NE
Cheyenne
Lincoln
Denver
Improved Sale 5
CO
Colorado Springs
Subject
KS
Topeka
Improved Sale 4
Improved Sale 1
Improved Sale 3
Santa Fe
Oklahoma City
UNITED STATES
OK
Improved Sale 2
NM
Fort Worth
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The following chart summarizes the comparable sales utilized, regarding the physical characteristics of each. The price per square foot is based upon the cash equivalent sales price of each sale, adjusted for favorable financing or other miscellaneous items, where applicable.

Sale	Property	YOC	Date	Size SF	LTB	Price/SF
1	1709 East 2nd Street	2000	3/15/2017	2,646	12.35	$736.96
2	14430 N. Pennsylvania Avenue	2015	10/3/2017	2,642	9.50	$799.39
3	4840 South Yale Avenue	2011	11/15/2017	2,857	11.44	$866.29
4	3800 W. Northern Avenue	1977	6/5/2018	2,881	13.91	$666.44
5	1701 E. Main Street	1995	Listing	2,987	17.21	$686.31
Subject	1759 S. Pueblo Boulevard	2007		2,500	8.80	

The Subject consists of a 2,500 SF retail building located on 0.505 acres (21,998 SF) of land located at 1759 S. Pueblo Boulevard, Pueblo, Pueblo County, Colorado 81005. The property was built in 2007 and is of average quality “Class C” construction. The floor area ratio is 0.114 to 1 and the land to building ratio is 8.80 to 1.

Physical Comparisons - Price Per Unit

From the previous discussions, it is evident that the variance in sale prices warrant some considerations in order to better reflect the attributes of the subject property. These adjustments are derived from paired comparisons wherever possible in order to get market derived indications of adjustment. Ideally, a pure pairing of sales that are similar in all but one respect can be compared to isolate how that one difference affects price. In actual practice however, secondary pairing where several differences are adjusted to isolate the effect of a single characteristic are often necessary. In cases where this technique was not viable, we must rely on historical data and judgment from past experience.

Terms: All of the sales indicated a cash equivalent sales price. Thus, no adjustments were required for terms of sale.

Conditions of Sale: This adjustment category represents the circumstances surrounding the purchase of the comparable sales. If the comparable sales utilized did not meet the requirements of an arm's length transaction, adjustments would be appropriate in this category. All of the sales were considered to be arm’s length transactions, thus no adjustments were required for conditions of sale. Where applicable, the sales have been adjusted for any deferred maintenance items.

Market Conditions: All of the comparable sales occurred between March 2017 and a current listing. No adjustments for market conditions were required. Sale 5 received a downward adjustment to allow for sales negotiations.

Location: The Subject is located at 1759 S. Pueblo Boulevard in Pueblo, Colorado. The immediate area surrounding the subject is primarily dominated with commercial/retail and residential land uses.

Since we did not inspect the comparables locational adjustments are difficult. However, all of the sales seem to fit the demographic profile for Carl's Jr., subjective adjustments were applied. See chart for adjustments.

Age: The age adjustment is intended to adjust the age of the comparable to the age of the subject to the comparables. The estimated chronological life of a retail building similar to the subject and the comparables is 50 years. The Subject was built in 2007 and all the comparables were built from 1977 through 2015. Sales 1, 4, & 5 are older than the Subject requiring varying upward adjustments. Sales 2 and 3 are newer than the Subject requiring minor downward adjustments. See chart for adjustments.

Condition: The Subject is in good condition with no deferred maintenance. All of the comparables are in good/new condition and do not require an adjustment.

Size: The size adjustments are based on the premise that, in general, the larger the tract, the less its selling price on a per unit basis. Typically, through experience with similar properties, a 5%-15% adjustment for each doubling/halving (100%) in size is considered adequate. The Comparables are similar in size. No adjustments were required.

Quality: The subject and the comparables are all of similar quality. No adjustments are required.

Land to Building Ratio: The Subject and the Comparables all have adequate parking. No land to building ratio adjustments were applied.

The following chart outlines the adjustments.

Sales Price Per Square Foot					
Sale	**1**	**2**	**3**	**4**	5
Price/SF	$736.96	$799.39	$866.29	$666.44	$686.31
Sale Conditions	0.00%	0.00%	0.00%	0.00%	0.00%
Market Conditions	0.00%	0.00%	0.00%	0.00%	-10.00%
Adj. Price/SF	$736.96	$799.39	$866.29	$666.44	$617.68
Location	-10%	-10%	-10%	0%	0%
Age	5%	-10%	-5%	5%	10%
Condition	0%	0%	0%	0%	0%
Size	0%	0%	0%	0%	0%
Quality	0%	0%	0%	0%	0%
LTB:R	0%	0%	0%	0%	0%
Net Adj.	-5%	-20%	-15%	5%	10%
Adj. Price/SF	**$700.11**	**$639.52**	**$736.35**	**$699.76**	**$679.44**

The adjusted sales prices range from $639.52 to $736.35/SF. As a result of our research, we will utilize [redacted] per square foot in valuing the retail building. Based on 2,500 square feet this equates to [redacted], rounded.

Economic Units of Comparison

The Effective Gross Income Multiplier (EGIM) is defined as: *"the ratio between sale price or value and effective gross income; a single year's EGI expectancy or an annual average of several years' EGI expectancies (EGIM = V/EGI).*[1]

The principal advantage of the technique is that the reflection of rental income is direct. Therefore, differences between properties which could involve adjustments, based on judgment estimates, have been resolved by the free action of the rental market. If the comparable properties have some advantage over the subject in age, condition, accessibility, location or physical characteristics, the difference in actual rental presumable reflects the extent of this advantage.

Implicit in the above explanation is the utilization of market transactions of comparable properties similar in terms of physical, economical and investment characteristics.

Typically, a direct relationship should exist between the expense ratio and the EGIM. This implies that the more cost efficient or profitable a property is, the higher the EGIM. This relation was indicated by the sales. The subject's expense ratio, as shown in the Income Capitalization Approach, equates to **2.00%.**

Sale #	**-** **EGIM (x)**	**Operating Expenses / Effective Gross Income**
1	16.00x	2.0%
2	16.23x	2.0%
3	19.47x	2.0%
4	15.38x	2.0%
5	15.25x	2.0%
Subject		2.00%

The comparables exhibit expense ratios of 2.0% and an EGIM range from 15.25x to 19.47x. We estimate an EGIM of 16.0x for the Subject.

1 Appraisal Institute, The Dictionary of Real Estate Appraisal, Third ed. (Chicago: Appraisal Institute, 1993), p. 113

Based on the EGIMs indicated by the comparable sales along with the estimate derived from the above model, we are of the opinion that an appropriate EGIM for the subject is 16.00.

Effective Gross Income[10]		[redacted]
Multiplier	x	16.00
Indicated Value Estimate		[redacted]
Rounded		[redacted]

Value Conclusion

Based on the preceding analyses, the indicated values of the subject by the applied techniques are summarized in the following chart.

Price Per Square Foot	[redacted]
EGIM	[redacted]

Based on the previous information and giving equal emphasis to EGIM technique, we have concluded the value for the subject, by the Sales Comparison Approach is as follows:

"As Is" Sales Comparison Approach Value Estimate	
Estimated Value	[redacted]

INCOME CAPITALIZATION APPROACH

The valuation technique utilized in this portion of the Appraisal is referred to as direct capitalization. Direct capitalization is a technique whereby the stabilized net annual income estimate is divided by an overall rate. When occupancies are at or near stabilization, and a project has normal wear and tear, this technique can be very useful. This capitalization method will be utilized in the valuation of the Property and will be presented following the estimation of market rent and expenses.

Income-producing property is typically purchased for investment purposes. Estimating and valuing the projected income stream is the critical factor affecting a property's market value. An investor purchasing income-producing real estate is, in effect, spending a sum of present dollars for the right to a stream of future dollars. There is a relationship between the two, and the connecting link is a rate (overall), which reflects the necessary return to attract investment capital. This process is called direct capitalization.

On the following page are the regional credit tenant market comparable rentals.

RENT COMPARABLE NO. 1

Name	Taco Bell
Location	1709 East 2nd Street, Edmond
Building Description	
Number of Buildings	One
Number of Stories	One
Gross Building Area	2,646 SF
Net Rentable Area	2,646 SF
Year of Construction	2000
Exterior	Class C
Parking	Open, concrete
Lease Data	
Rental Rates	$46.06/SF
Expenses	NNN
Occupancy	100%
Term	This is a 20 year NNN lease. Sixteen years remaining.

RENT COMPARABLE NO. 2

Name	DQ Grill & Chill
Location	14430 N. Pennsylvania Avenue, Oklahoma City
Building Description	
Number of Buildings	One
Number of Stories	One
Gross Building Area	2,642 SF
Net Rentable Area	2,642 SF
Year of Construction	2015
Exterior	Class C
Parking	Open, concrete
Lease Data	
Rental Rates	$49.25/SF
Expenses	NNN
Occupancy	100%
Term	12 years
Comments	Lease commences September 2015.

RENT COMPARABLE NO. 3

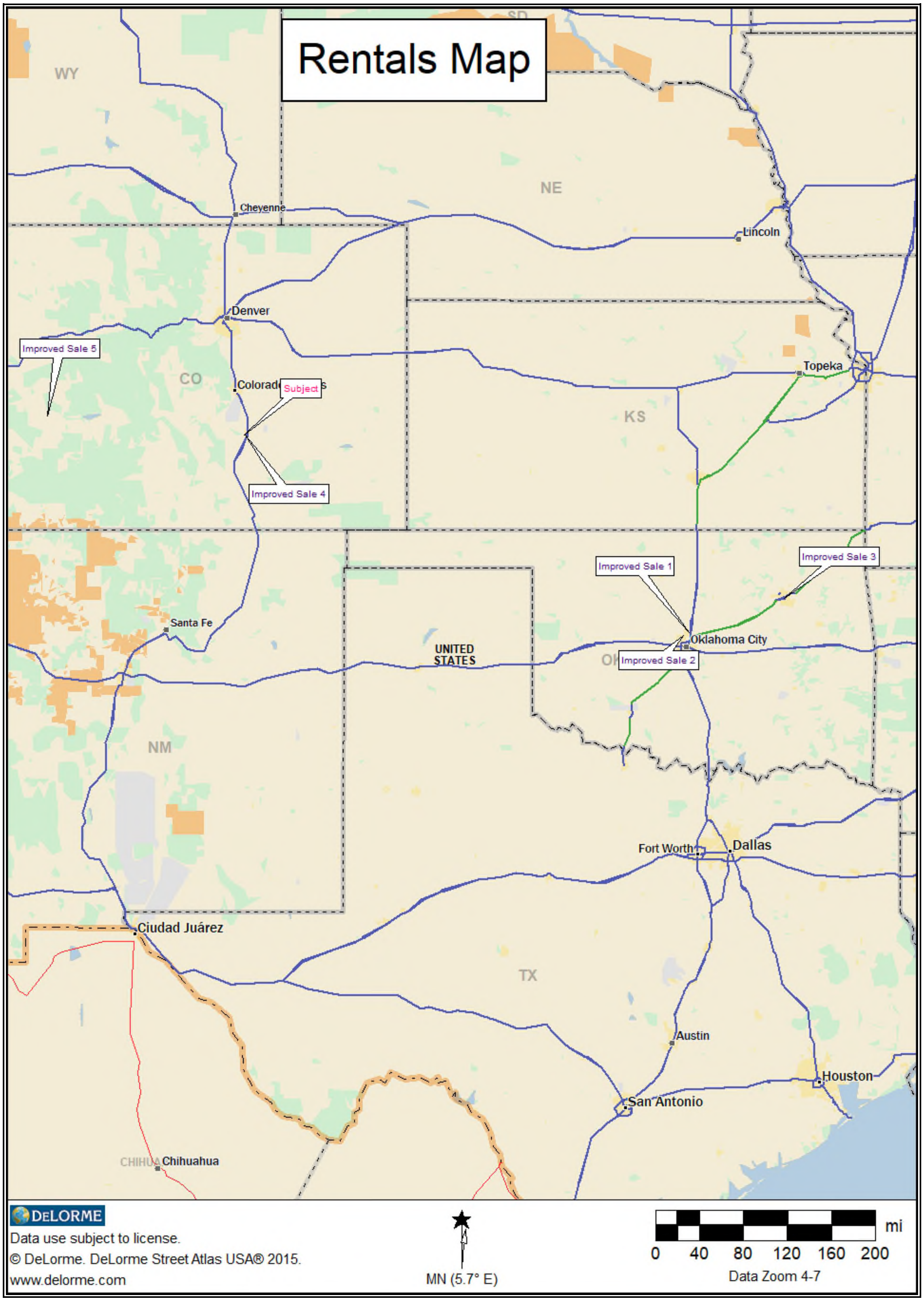
Name	Jack in the Box
Location	4840 South Yale Avenue, Tulsa
Building Description	
Number of Buildings	One
Number of Stories	One
Gross Building Area	2,857 SF
Net Rentable Area	2,857 SF
Year of Construction	2011
Exterior	Class C
Parking	Open, concrete
Lease Data	
Rental Rates	$44.50/SF
Expenses	NNN
Occupancy	100%
Term	20 years
Comments	Fourteen years remaining on lease with 8% increases every five years.

RENT COMPARABLE NO. 4

Name	Arby's
Location	3800 W. Northern Avenue, Pueblo
Building Description	
Number of Buildings	One
Number of Stories	One
Gross Building Area	2,881 SF
Net Rentable Area	2,881 SF
Year of Construction	1977
Exterior	Class C
Parking	Open, concrete
Lease Data	
Rental Rates	$43.32/SF
Expenses	NNN
Occupancy	100%
Term	20 years
Comments	Eight years remaining on lease.

RENT COMPARABLE NO. 5

Name	Arby's
Location	1701 E. Main Street, Montrose, Co.
Building Description	
Number of Buildings	One
Number of Stories	One
Gross Building Area	2,987 SF
Net Rentable Area	2,987 SF
Year of Construction	1995
Exterior	Class C
Parking	Open, concrete
Lease Data	
Rental Rates	$45.00/SF
Expenses	NNN
Occupancy	100%
Term	20 years
Comments	Recently remodeled.


Rentals Map
WY
NE
Cheyenne
Lincoln
Denver
Improved Sale 5
CO
Colorad
Subject
Topeka
KS
Improved Sale 4
Improved Sale 1
Improved Sale 3
Santa Fe
Oklahoma City
UNITED STATES
Improved Sale 2
NM
Fort Worth
Dallas
Ciudad Juárez
TX
Austin
Houston
San Antonio
CHIHUA
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Market Conclusions

The Carl's Jr. fast food restaurants in the survey are of similar quality as compared to the Subject and are in somewhat demographically similar regions offering a competitive product. The surveyed properties are viable alternatives to the Subject to anyone seeking NNN properties as an investment. The following chart summarizes the aforementioned rent comparables.

Summary of Comparable Rentals					
Rental No.	**Location**	**Space Type**	**Year Built**	**Lease Rate/SF**	**Lease Basis**
1	1709 East 2nd Street	Taco Bell	2000	$46.06	NNN
2	14430 N. Pennsylvania Ave.	DQ	2015	$49.25	NNN
3	4840 South Yale Ave	Jack in the Box	2011	$45.50	NNN
4	3800 W. Northern Ave	Arby's	1977	$43.32	NNN
5	1701 E. Main Street	Arby's	1995	$45.00	NNN

Rental rates for the Comparables range from $43.32 to $49.25/SF.

Rental Rate

Below are the terms of the lease for the Subject.

Carl's Jr. Lease

Location	Pueblo, Colorado
Landlord	COMERICA BANK & TRUST, NA
Tenant	BY THE RIO, LLC,
Begin Date	7/31/2006
Rental Rate	7/1/2015-6/30/2020 [redacted]SF, NNN 7/1/2020-6/30/2026 - rent equals previous years rent plus 10% increase or increase based on CPI, whichever is least
Options	Four, five years.

Thus, for this appraisal we will estimate the rental amount of [redacted] discussed in the lease. However, as discussed in the Highest and Best Use section of this report the contract rate seems above market rates.

Vacancy and Credit Loss

Vacancy loss and loss due to lease defaults are typically expressed as a percentage of potential gross income and then converted into a dollar amount. In order to estimate anticipated vacancy and credit loss for the subject, relevant market data sources have been researched and the operating experience of the subject and comparable properties have been analyzed. The specific characteristics of the subject are taken into consideration regarding its competitive position in the marketplace. For purposes of this appraisal, since the lease has a remaining term of seven plus years no vacancy has been utilized. In other words, if the rent continues to be abated it is unlikely that the property will suffer from any vacancy over the remaining term of the lease.

ESTIMATE OF NET OPERATING INCOME

Expense Reimbursement

Recovered expenses are those that a building owner recaptures in whole or in part, typically through a pass-through stipulation in the lease contract. The comparables are leased on a NN or NNN basis with the tenant reimbursing the landlord for all of the expenses. We will estimate the lease structure of the Subject on a NNN basis since that is the way the lease is structured.

Management typically ranges from 1% to 5% depending on the services provided. Considering the subject’s single tenancy and small size, a 2% management fee will be utilized.

The stabilized revenue and expense proforma is presented in the following chart.

Stabilized Proforma			
Carls Jr.	2,500	NRA (SF)	
Pueblo, Colorado			
Gross Potential Rental Income	**Actual**	**Per SF**	
Total Income	[redacted]	[redacted]	
Less: Vacancy & Collection @ 0.0%	**$0**	**$0.00**	
Effective Gross Income	[redacted]	[redacted]	
Operating Expenses			
	Actual	PSF	EGI %
Management Fee	$2,544	$1.02	2.00%
Total Operating Expenses	**$2,544**	**$1.02**	**2.00%**
NOI	[redacted]	[redacted]	**98.00%**

The rates for the four sales utilized ranged from 5.39 to 7.65%.

Sale	Property	YOC	Date	OAR
1	1709 East 2nd Street	2000	3/15/2017	6.37%
2	14430 N. Pennsylvania Avenue	2015	10/3/2017	6.04%
3	4840 South Yale Avenue	2011	11/15/2017	5.03%
4	3800 W. Northern Avenue	1977	6/5/2018	6.37%
5	1701 E. Main Street	1995	Listing	6.43%

We also looked at rates derived from Korpacz 1st Quarter 2018 as displayed in the chart on the following chart.

Table 31
NATIONAL NET LEASE MARKET
First Quarter 2018

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	6.00% – 10.00%	6.00% – 10.00%	6.00% – 10.00%	6.00% – 9.00%	7.00% – 9.00%
Average	8.13%	7.92%	8.00%	7.69%	7.83%
Change (Basis Points)		+ 21	+ 13	+ 44	+ 30
OVERALL CAP RATE (OAR)[a]					
Range	5.00% – 8.50%	5.50% – 8.50%	5.25% – 9.00%	6.00% – 8.50%	6.00% – 8.75%
Average	6.60%	6.80%	6.75%	6.93%	7.15%
Change (Basis Points)		– 20	– 15	– 33	– 55
RESIDUAL CAP RATE					
Range	6.00% – 9.00%	6.00% – 9.00%	6.00% – 9.00%	7.00% – 9.00%	7.00% – 9.00%
Average	7.53%	7.41%	7.63%	7.81%	8.13%
Change (Basis Points)		+ 12	– 10	– 28	– 60
MARKET RENT CHANGE[b]					
Range	0.00% – 4.00%	0.00% – 4.00%	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%
Average	2.00%	1.90%	1.70%	1.85%	1.35%
Change (Basis Points)		+ 10	+ 30	+ 15	+ 65
EXPENSE CHANGE[b]					
Range	0.00% – 4.00%	0.00% – 4.00%	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%
Average	1.90%	1.60%	1.40%	2.15%	1.90%
Change (Basis Points)		+ 30	+ 50	– 25	0
MARKETING TIME[c]					
Range	2 – 12	2 – 12	2 – 12	2 – 12	1 – 12
Average	5.8	5.7	4.9	4.5	4.3
Change (▼, ▲, =)		▲	▲	▲	▲

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

Current Capitalization Rates range from 5.0% to 8.50% and average 6.60% for the national net leased market.

The Sales suggest a rate between 5.03% to 6.43% and Korpacz 6.0% to 8.5%. Since the Subject has 7+ years remaining on the term of the lease and there seems to be some risk with the lease payments be made due to previous years rent abatements and because the current rental rate seems to be slightly above market s noted by the previous rent abatements we will utilize a [redacted]% rate.

Conclusion

The net operating statement and subsequent value conclusion via the Direct Capitalization Technique are following.

AS IS

Net Operating Income: [redacted]

Indicated Cap. Rate: [redacted]

Indicated Value: [redacted]

Rounded: [redacted]

CORRELATION

In the preceding sections of this Appraisal, value estimates have been derived based upon three separate appraisal approaches. As a result of our analysis of the Property, the indications of value for each approach are:

COST APPROACH	**N/A**
SALES COMPARISON APPROACH	[redacted]
INCOME CAPITALIZATION APPROACH	[redacted]

The cost approach is considered a fairly reliable indicator of value for properties upon which the improvements are new. This is especially true when the improvements represent the highest and best use of the site. However, variations in construction techniques, construction specifications, construction management ability, materials prices, and weather conditions play an important role in the costs of improvement construction. Further, estimating depreciation is generally unreliable. It is recognized that cost is not equivalent to market value and that market prices do not follow the costs of reproduction or replacement. In this instance, we have omitted the Cost Approach.

In using the sales comparison approach, care was exercised to locate data on the sales of Carl's Jr. restaurants as comparable as possible to the Property. Of the sales discovered, research was conducted regarding underlying motivations of buyer and seller and details of the property history and physical characteristics in order to obtain a more precise translation of the indication evident for the Property. Market data is the best way to interpret investor behavior, although the complexity of current sales data makes direct sales comparisons more difficult than in the past. However, the comparables are recent sales of similar properties. Because the market is investor oriented relying on the income of the property we have given the sales comparison approach less weight.

Investments such as the subject compete in the market not only among other real estate investments but with alternative investment vehicles. Every effort has been made to provide market support for the income approach assumptions. Our confidence in the income approach is largely an outgrowth of current market conditions, which have seen a steadily improving market with continued increases in occupancies and rental rates. Primary weight has been placed upon the value indication as derived via the income capitalization approach.

"AS IS" MARKET VALUE

Based upon our analysis of the Subject and the NNN market, the "as is" market value of the Leased Fee Estate, as of October 3, 2018, , inclusive of F, F & E, is considered to be:

[redacted]

CERTIFICATION OF VALUE

Per SR 2-3

We 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 analysis, 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 or bias 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.

* Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

* Ronald E. Dunham has made a personal inspection of the property that is the subject of this report. No other person provided significant professional assistance in preparing this report.

* This appraisal report has been made in conformity with, and is subject to, the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the Appraisal Institute.

* No pertinent information has knowingly been withheld. No single item of information was reportedly relied upon to the exclusion of the other information and all data was analyzed within the framework of our judgment, knowledge, and experience.

* This appraisal was not based upon a requested minimum value, a specific valuation, or the approval of a loan.

* This appraisal is subject to peer review by an authorized committee of the Appraisal Institute. The Appraisal Institute conducts a program of continuing education for its designated members. As of the date of this report, Ronald E. Dunham has completed the requirements of the continuing education program of the Appraisal Institute.

* We have previously appraised this property in February of 2015 and other than that appraisal we have not done any other type of work on this property.

Ronald E. Dunham, MAI
Appraisal Institute Membership #12265
Colorado Appraiser License 40014921G