EXHIBIT

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ERS outlines best case, worst case scenarios

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Tuesday night, a central question surrounding the Eagle River Station proposal was poised: If the development proceeds, what is the minimum commercial square footage the project would build and what public improvements would be required?

According to financial consultant Arne Ray of Ray Real Estate Services Inc., the financial consultant who has been hired by the town to examine the numbers and help craft an agreement with the developers, detailing out the minimum public improvements list provides the answer.

"Two hundred and ten thousand square feet is the minimum. That would be the smallest level of development if the project were to proceed," said Ray.

Eagle River Station is a commercial/residential project proposed by Trinity RED Development of Kansas City Mo. The project is planned on an 88-acre property located on the eastern end of town, south of Interstate 70 and north of U.S. Highway 6. ERS would include 582,000 square feet of commercial space and 250 rental units in the first phase. The second phase calls for up to 150,000 square feet of commercial space and another 300 rental units.

Back in 2009, the town board approved a plan for the development but in a municipal election in January 2010, voters rejected the proposal. RED Development has since retooled the proposal and resubmitted it to the town last May. This fall, members of the Eagle Planning and Zoning Commission unanimously recommended approval of the revised ERS plan.

In formulating his numbers, Ray noted that the town will require many public improvements — such as roads, water and wastewater lines, trail connections, a water storage tank — as part of the development deal. Many of those improvements must happen before any commercial space can be built including a new Interstate 70 interchange and connector road, improvements along U.S. Highway 6, extension of Chambers Avenue through the property and water and sewer system improvements. Ray said the cost of these public improvements would tally approximately $21.4 million and RED would need to build at least 210,000 square feet of commercial space to make the finances work.

However, Ray noted a middle-of-the-road development scenario is more likely — 561,000 square feet of commercial space and public improvements totally $54 million.

Ray's figures are based on a model of $240 per square foot in annual sales. Town board member Scott Turnipseed asked how that figure, which Ray characterized as "reasonable or even conservative" was derived. Ray cited his 35-plus years of experience in his field.

"I am comfortable with those projections," Ray said.

Mayor Ed Woodland asked what kind of retailers would be represented in a $240 per square foot sales scenario. He noted that Target, for example, typically sees annual per-square-foot sales of $300 to $500. In contrast, Woodland said Eagle's current annual square foot sales are around $150. Ray noted that some stores will have lower figures and some will have higher, but retailers will need to see at least $200 per square foot annually if they open outlets at ERS.

"They couldn't justify the investment at $125 per square foot," Ray said. "These stores will do their own market analysis."

PUBLIC COMMENT

During a lengthy session of public comment, some area residents honed in on the financial details while others offered more general reaction to the ERS plan.

Robin Smith said today's economic reality required more diligence than ever to make sure Eagle is getting a good deal from the ERS developers. "I'm happy to support this project, if it was done the right way," said Smith. "If that project is a flop, it will be our billboard on the highway."

ERS finances at a glance

- ERS development budget is $270.8 million and includes public improvements and commercial and residential construction.
- $203.8 million will come from private financing obtained by RED Development.
- $67 million will come from public funds — bonds issued by a newly created Eagle River Station Metropolitan District. The town of Eagle will not issue any bonds and is not legally, ethically or morally responsible to pay off any ERS debt.
- The public funds (bonds) used to pay for public improvements and will be repaid by three sources:

— **Public Improvement Fee:** A 4 percent PIF would be assessed on all ERS sales. To the consumer, the PIF will be called out on a sales receipt similar to current municipal sales tax. The PIF will only be collected at ERS stores, not at other stores in Eagle.

— **Revenue sharing:** The town of Eagle will share some of the sales tax revenue collected by stores at ERS. Eagle currently has a 4 percent sales tax. Additionally, the town received .15 percent of the 1 percent Eagle County sales tax. Under the terms of the proposed ERS agreement, the town will retain 1.45 percent of its 4 percent sales tax in addition to the .15 county sales tax for a total of 1.6 percent sales tax from ERS retailers. The remaining 2.55 percent of the town's sales tax will be shared with RED to pay for public improvements.

— **Tax increment financing:** Under this financing deal, the ERS developers will receive a property tax break for approximately 20 years. The TIF deal means that various property taxing entities such as Eagle County, the town of Eagle and other special districts will continue to receive only the property taxes that they currently see from the ERS land, classified as agricultural property. If the land is developed as commercial property, its property value will substantially increase. Three districts — Western Eagle County Metropolitan Recreation District, Greater Eagle Fire Protection District and Western Eagle County Ambulance District — have been exempted and will receive taxes from the property as commercial land. Eagle County School District will receive extra revenue from the state, as required by law, because schools are funded on a per pupil basis.

"The town has done everything it can possibly think of to best protect ourselves," said Woodland. He pointed to two aspects of the financial deal as "put up or shut up" issues. The first is the three-year vested rights to the development. The vested rights provision means that the developer has to begin construction within three years or their approved plan expires and they have to go back through the town's review process. "RED hasn't asked for a single day more than the minimum," said Woodland.

Additionally, he noted the tax increment financing deal (see accompanying box) cannot be assigned to another entity. As a result, if RED sells the property, the town does not have to honor the TIF deal. Woodland said RED would not sign off on such a deal if it didn't plan to stay involved with ERS over the long haul.

Steve Visosky noted that as a resident of Eby Creek Mesa, he does not live within the town boundaries and cannot vote if the ERS issue goes to the polls. However, he said the development would have a negative impact on his family, friends and existing Eagle businesses. "How does a shopping mall fit Classic Colorado (the town's slogan)?" he asked. "I wish you guys could make a decision that will make me proud to live in Eagle."

Lori Martin noted two years ago,

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Eagle voters turned down the ERS plan. "I just feel like its you guys against the people who said no, we don't want this," she said.

Chip Bair voiced support for the plan, saying ERS would provide jobs and increase tax revenue for the town.

"I truly believe we have an opportunity for success here," said Chip Bair. "It is inevitable that something will be built on this land that so many people seem to view as their own."

"Basically, I think Eagle needs something to revitalize our economy," said Jim Kunkel. "I think we can do this development and still have an outstanding place to live."

The Eagle River Station public hearing will continue Wednesday, Feb. 22 at 6 p.m. at Eagle Town Hall.

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