TRADEMARK PROPERTIES
RESIDENTIAL AND COMMERCIAL

Market Report 2013 (Mid-Year)

Overview of the Mammoth Lakes Real Estate Market

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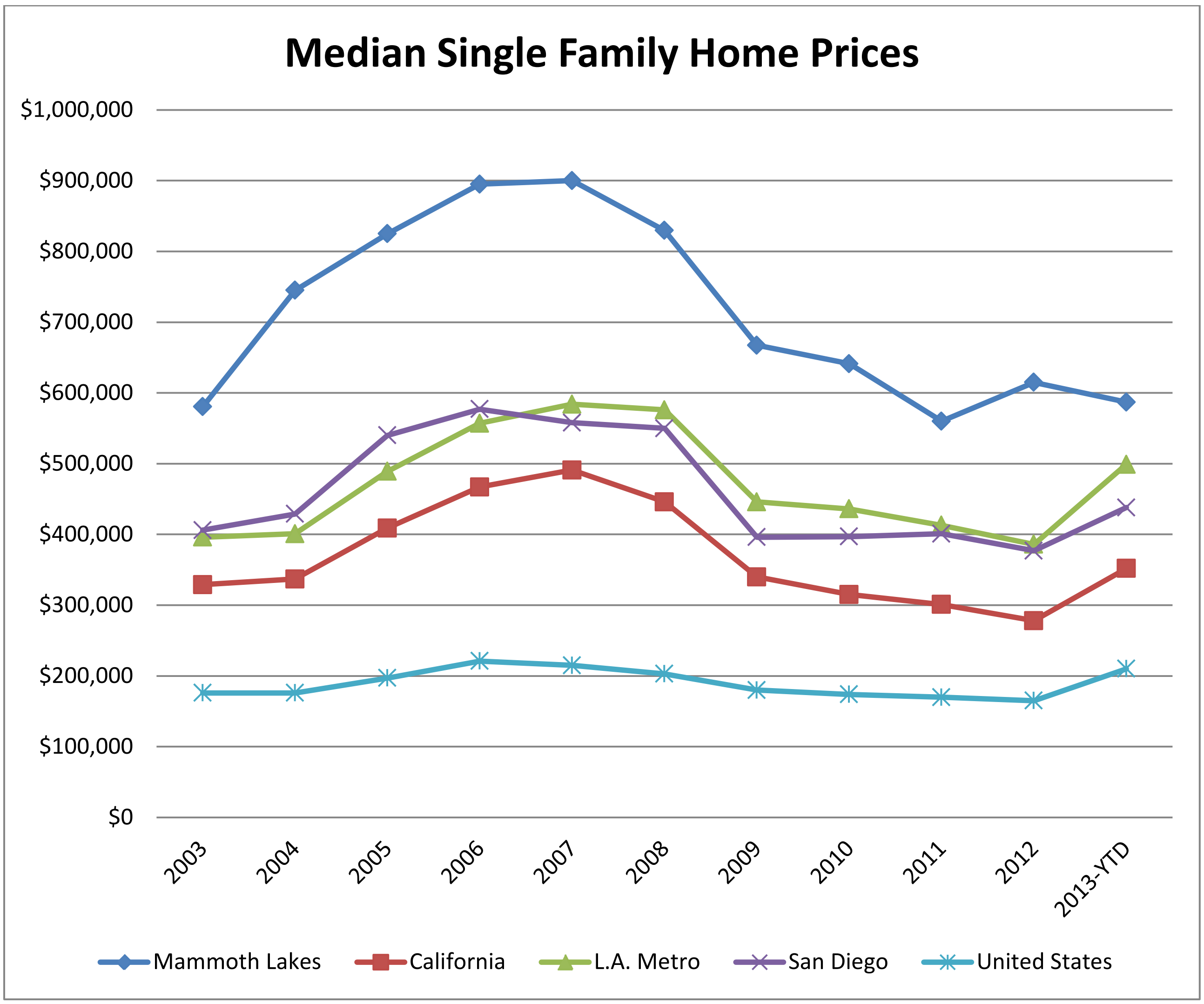
Overview

This report offers a general overview of the real estate market in Mammoth Lakes for the Mid-Year of 2013. It breaks the market down into various sub-markets and offers a description of trends over the prior 10 years. We have started with a macro view, narrowing the focus to the local sectors of Mammoth Lakes.

Regional Trends

At the request of some clients, we have added a regional trending, comparing Mammoth Lakes to a few other cities and California as a whole. Below is a chart representing Median Single Family Home Prices in Los Angeles, San Diego, California and the United States:

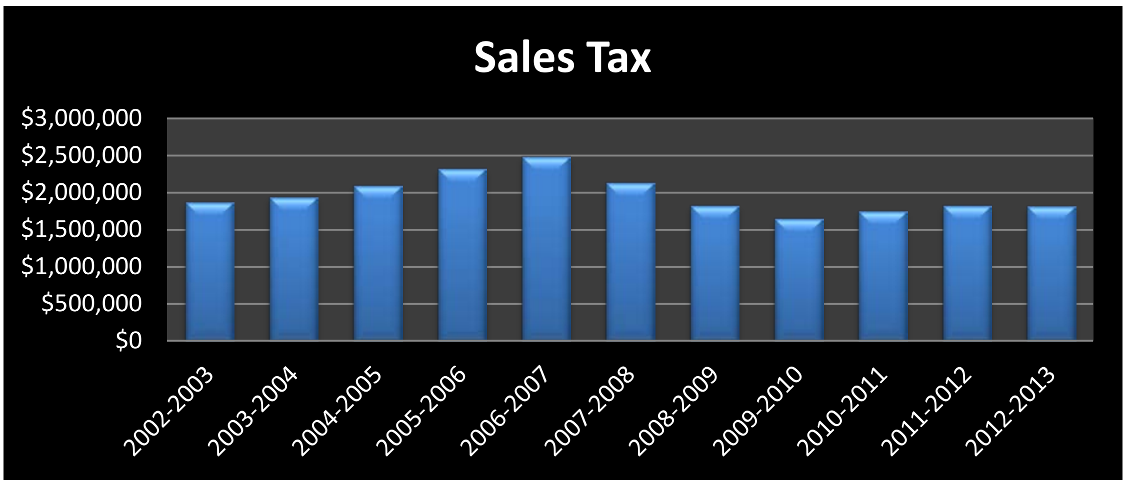


Mammoth Economy

Tourism is essential to the Mammoth Lakes economy with Transient Occupancy Tax (TOT) making up more than 60% of the municipality's revenue. In this resort area, it is understood a good snow year can determine the health of the Mammoth Lakes economy.

Retail sales taxes have averaged approximately 12% of the Town's tax revenue. The retail trade is sensitive to the same external variables as the other tourist-related business: snowfall and the state of the general economy.

Town of Mammoth Lakes



The figures used to make this graphical compilation were acquired from the Town of Mammoth Lakes. The numerical figures are summarized below and include total General Fund Revenues. 2012-2013 sales are based current figures YTD.

Fiscal Year	Sales Tax	% Chg. from Prior Year	Total Revenue
2002-2003	$1,878,808		$12,785,455
2003-2004	$1,944,986	3.52%	$16,841,278
2004-2005	$2,105,148	8.23%	$15,582,688
2005-2006	$2,326,410	10.51%	$17,805,012
2006-2007	$2,492,706	7.15%	$21,169,261
2007-2008	$2,141,846	-14.08%	$19,049,406
2008-2009	$1,830,635	-14.53%	$17,703,857
2009-2010	$1,653,588	-9.67%	$17,972,813
2010-2011	$1,754,736	6.12%	$19,012,905
2011-2012	$1,832,000	4.40%	$16,472,274
2012-2013	$1,825,520	-0.35%	$19,215,929

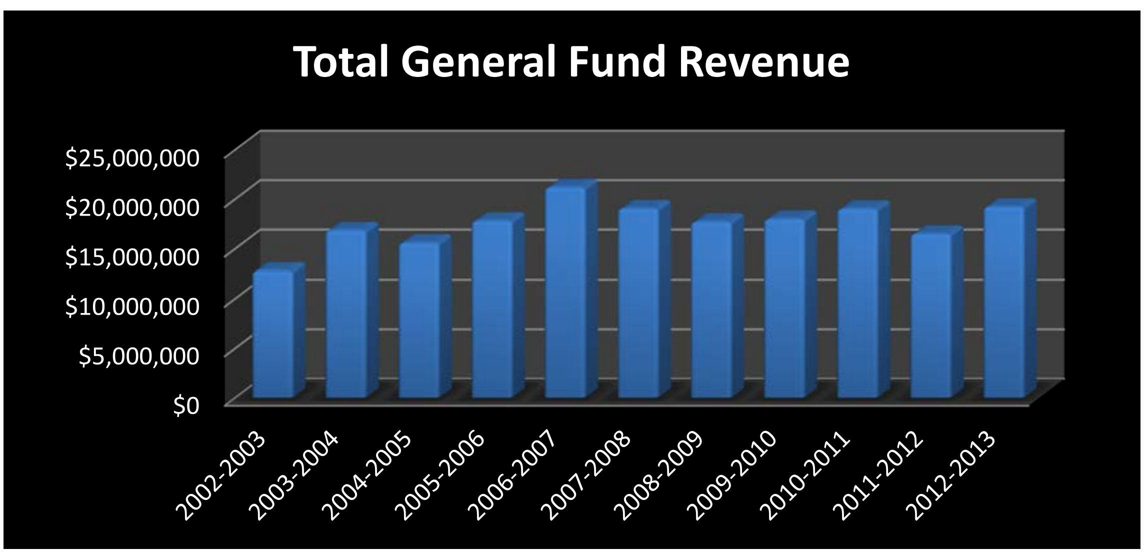
As with much of the market, tax revenues peaked in fiscal year 2006-2007. Since then the tax collected from retail sales in Mammoth Lakes have declined by 33% (through 2010), with slight increases in the 2012 fiscal year.

The 2012 winter season started off strong due to early snowfalls in Mammoth Lakes. To compliment Mammoth's early onset of storms, competing resorts had weaker snowfalls during the early part of 2012 winter season. The precipitation levels did drop considerably from January 2013 through the first quarter of 2013. As a result, what may have been a very prosperous winter turned out to be rather mediocre.

This said, summer projections for 2013 are looking very strong due to the early snowmelt and the addition of two new special events in the summer lineup. Further, Mammoth Lakes Tourism (MLT), Mammoth's marketing arm, has been initiating strong marketing efforts to drive visitors to the Mammoth Lakes community.

Lodging projections are already showing increases over last year's "Best Summer Ever".

<u>Town of Mammoth Total Revenue</u>



The General Fund revenues above show a 10 year history of revenue for Mammoth Lakes. 2012-2013 revenues are complete for the year and resulted in a $360,000 shortfall.

2012 was a historic year for Mammoth Lakes as Mammoth Lakes was forced into a Chapter 9 Bankruptcy filing due to a 15-year long dispute involving a breach of contract judgment against the Town of Mammoth Lakes. Only three months from the filing of Bankruptcy, the Town of Mammoth Lakes was able to settle with its creditor and reduce what was a $43 million judgment to a $29.5; payable over 23 years.

As a result of the settlement with the creditor, the Town of Mammoth Lakes restructured its budget and developed a 5-year balanced budget to address its new $2,000,000 per year payment.

Single Family Homes

Like other resort communities Mammoth Lakes tends to parallel regional trends, with slight lag times. Often, recovery from the price/sale volume declinations in this type community usually takes longer than urban areas.

More specifically, we studied the various segments of real estate sales activity in Mammoth Lakes from 2002 through the first half of 2013; Single Family Residential, Condominium, Vacant Land and Commercial. Properties are discussed in this order with mobile homes excluded from the single-family study.

Single-Family Residential History

Year	#Sales	Average Price	Median Price	Avg. DOM	% change Median Price
2002	59	$541,329	$542,500	137	N/A
2003	117	$688,858	$580,500	146	7.00%
2004	107	$923,040	$745,000	140	28.34%
2005	129	$1,055,961	$825,000	127	10.74%
2006	55	$1,091,874	$895,000	165	8.48%
2007	41	$1,078,709	$900,000	159	0.56%
2008	44	$1,093,502	$829,500	167	-7.83%
2009	60	$827,788	$667,250	180	-19.56%
2010	70	$885,442	$641,190	164	-3.91%
2011	72	$671,627	$560,000	169	-12.66%
2012	87	$705,445	$615,000	215	9.82%
Mid-2013	40	$714,050	$572,000	172	-6.99%

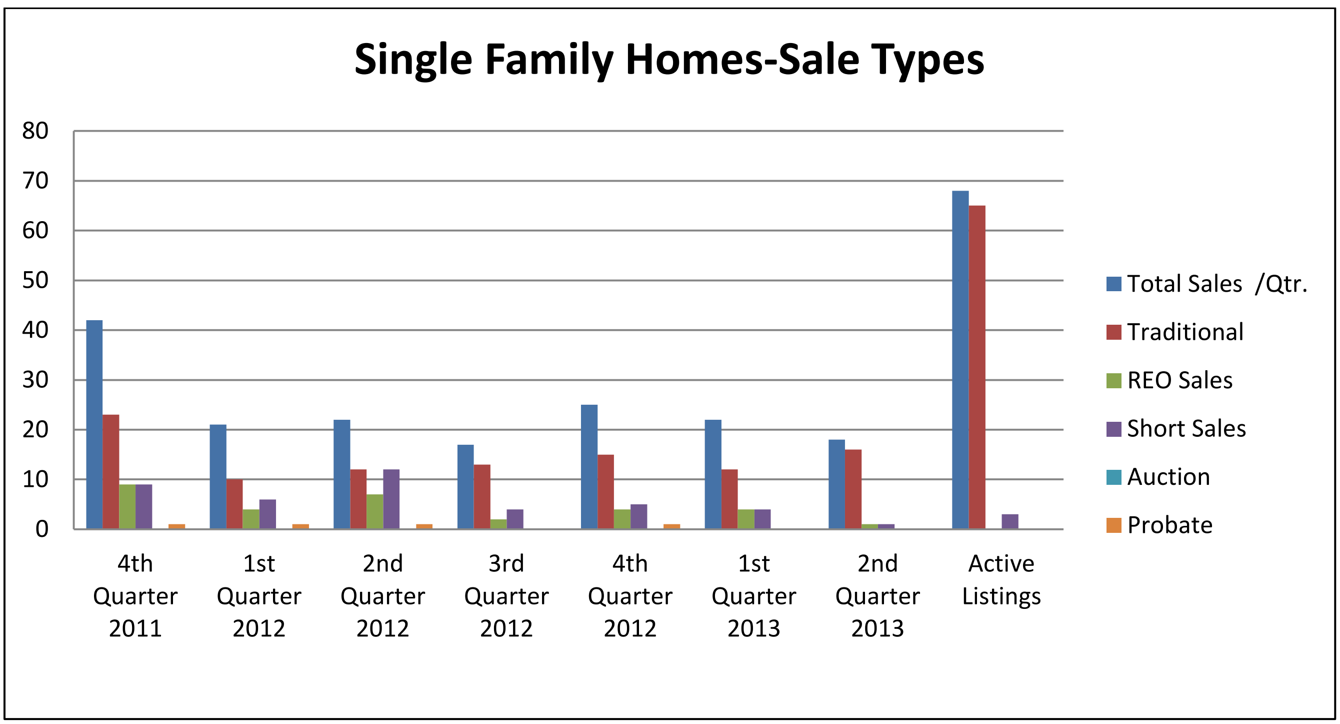
Overall, the median selling price of a free standing single-family dwelling declined approximately 38% since the peak of the market. The following bar chart is displayed to assist the reader in conceptualizing the market changes over time. Trends through 2012 are suggesting the first increase in sales prices since median price declines started in 2007. 2012 indicated a 9.82% increase over 2011 with -6.82% declines currently shown for 2013YTD vs. 2012. Keep in mind the first half of 2013 is only a portion of the year and does not reflect cumulative or seasonal impacts on the market.

Traditional vs. Non-Traditional Sales (REO, Short Sales, Auction, Probate)

It is helpful to comprehend the health of the market by understanding the product being sold. Until recent years, REO (Bank Owned) Sales, Short Sales (Sales where the lender may be willing to discount the existing loan) and other Non-Traditional type sales were relatively unheard of. However, in today's market, these types of sales are more prevalent and have reflected duress over the years. Below is a table outlining the various types of sales:

	Total Sales /Qtr.	Traditional	REO Sales	Short Sales	Auction	Probate	% Non-Traditional Sales
4th Quarter 2011	42	23	9	9	0	1	45.2%
1st Quarter 2012	21	10	4	6	0	1	52.4%
2nd Quarter 2012	22	12	7	12	0	1	45.5%
3rd Quarter 2012	17	13	2	4	0	0	23.5%
4th Quarter 2012	25	15	4	5	0	1	40.0%
1st Quarter 2013	22	12	4	4	0	0	45.5%
2nd Quarter 2013	18	16	1	1	0	0	11.1%
Active Listings	68	65	0	3	0	0	4.4%

The Chart below offers a visual interpretation of the previous table:



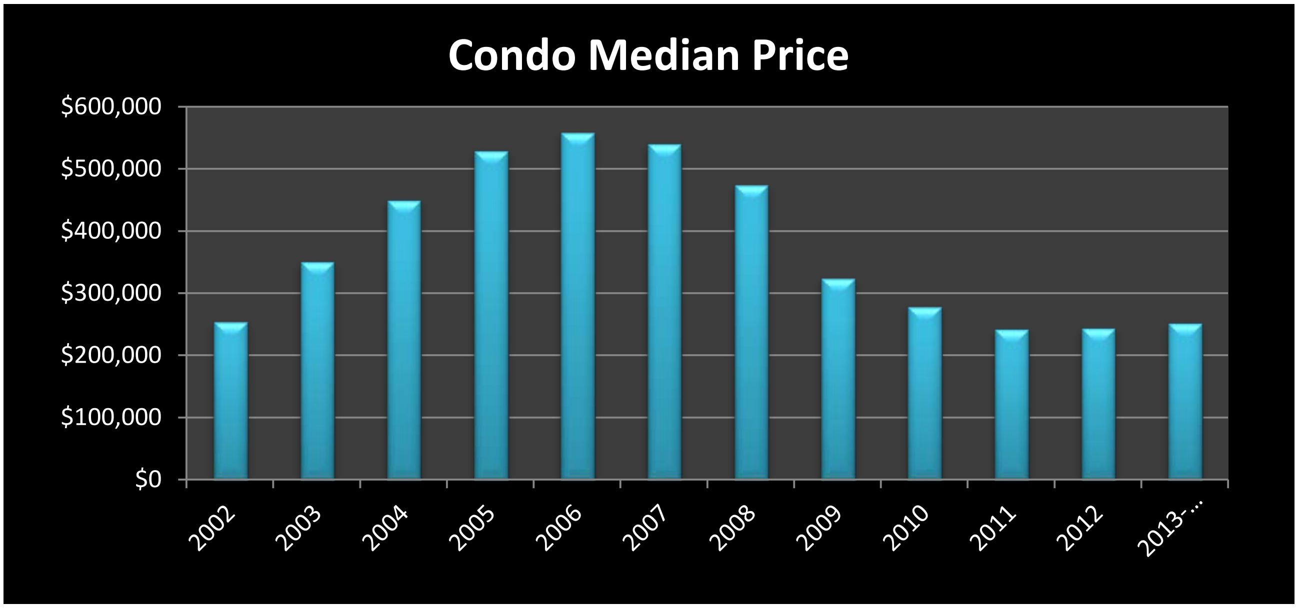
What is apparent in the active listing market is the significantly diminished number of REO and Short Sales in comparison to traditional sales; this submits stability in the most current market. Granted these sales may still turn into short sales or REO sales, however, this has not historically been the trend. It would appear that in recent months, many of the duress properties were absorbed by the market, leaving more traditional listings as the reflection of the current market.

Condominium Market

Next, we compiled condominium sales as shown in the summary below. The condominium market is the most active market in Mammoth in terms of sheer sales volume. In analyzing the data we found there have been more than 4,200 sales over a ten year study period.

Condominium Sales History

Year	# Sales	Avg. Price	Median Price	Avg. DOM	% Chg. in Median Price
2002	290	$297,452	$255,000	149	
2003	609	$406,058	$351,000	127	37.65%
2004	491	$514,427	$449,900	96	28.18%
2005	619	$600,693	$530,000	166	17.80%
2006	374	$661,703	$560,000	97	5.66%
2007	278	$651,157	$540,700	100	-3.45%
2008	206	$555,530	$475,000	148	-12.15%
2009	295	$387,292	$325,000	162	-31.58%
2010	375	$350,657	$280,000	155	-13.85%
2011	306	$300,799	$242,000	98	-13.57%
2012	298	$294,415	$244,500	180	1.03%
2013-Mid Yr.	164	$322,839	$251,750	157	2.97%



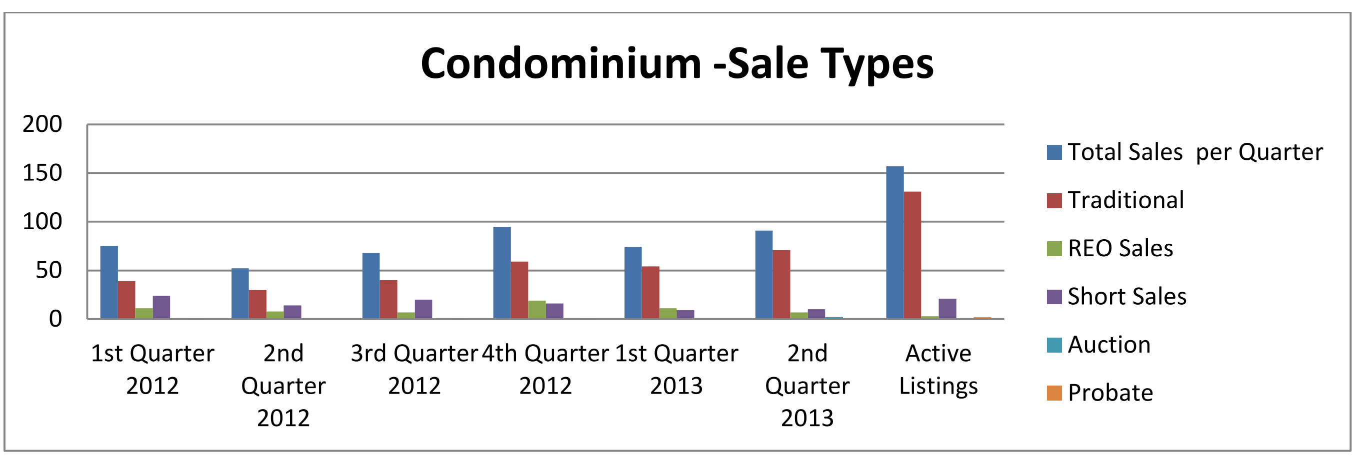
What is interesting about this data is the indication of stabilization and an apparent bottoming, or flattening, of a traditional bell curve. The first half of 2013 is suggesting an upward trend in median prices; future quarters will reveal if this is a temporary or an emerging change in the market.

As with single-family homes, it is important to look not just at the volume of sales, but also the type of sales in order to determine the health of the market. Below is a table breaking down the total sales volume into traditional sales and non-traditional sales:

Traditional vs. Non-Traditional Sales (REO, Short Sales, Auction, Probate)

	Total Sales per Quarter	Traditional	REO Sales	Short Sales	Auction	Probate	% Non-Traditional Sales
1st Quarter 2012	75	39	11	24	0	1	48.0%
2nd Quarter 2012	52	30	8	14	0	0	42.3%
3rd Quarter 2012	68	40	7	20	0	1	41.2%
4th Quarter 2012	95	59	19	16	0	1	37.9%
1st Quarter 2013	74	54	11	9	0	0	27.0%
2nd Quarter 2013	91	71	7	10	2	0	22.0%
Active Listings	157	131	3	21	0	2	16.6%

The Graph below converts the table above into a visual representation



Similar to what was seen in the single-family market, the percentage of REO and Short Sales appears to be decreasing. The declines in REO and Short Sales for condominiums is not as significant as was seen for single family homes, but still a noticeable change from prior quarters.

Vacant Land Sales (All use types)

Sales activity involving vacant land had significant volume from 2002 through 2006; however volume decreased dramatically from 2007 to present.

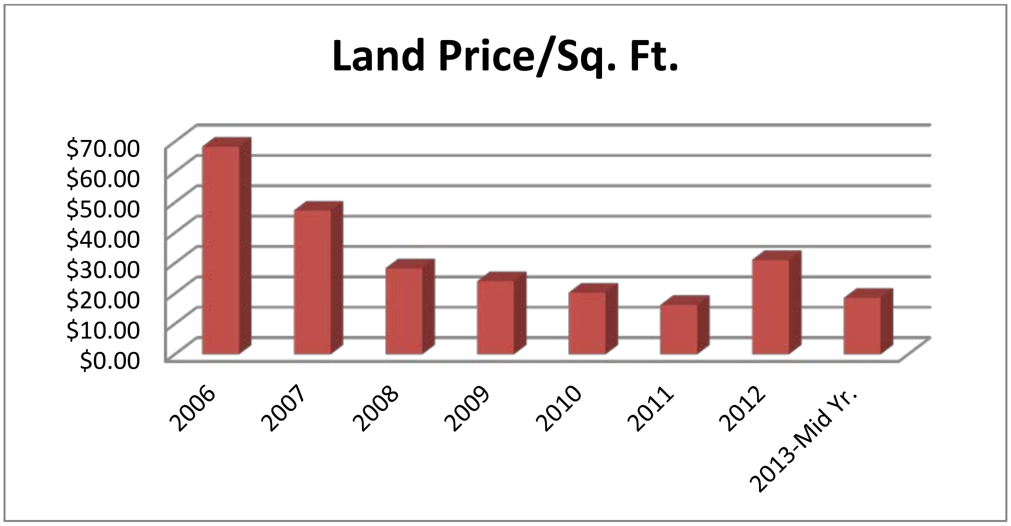
Land Sales History

				Med.	% Change in	
Year	# Sales	Avg. Price	Median Price	DOM	Median Price	Avg. $/Sq. Ft.
2002	36	$362,297	$339,950	198		N/A
2003	63	$453,327	$412,500	196	21.34%	N/A
2004	69	$1,006,919	$560,000	228	35.76%	N/A
2005	62	$649,338	$480,500	202	-14.20%	N/A
2006	34	$978,977	$737,500	251	53.49%	$68.37
2007	21	$643,250	$513,000	260	-30.44%	$47.32
2008	6	$396,417	$423,750	403	-17.40%	$28.31
2009	11	$370,864	$355,000	439	-16.22%	$24.06
2010	4	$349,625	$352,500	257	-0.70%	$20.31
2011	9	$202,277	$170,000	399	-51.77%	$16.24
2012	23	$381,718	$250,000	168	47.06%	$31.06
2013-Mid Yr.	6	$435,916	$322,500	258	29.00%	$18.54

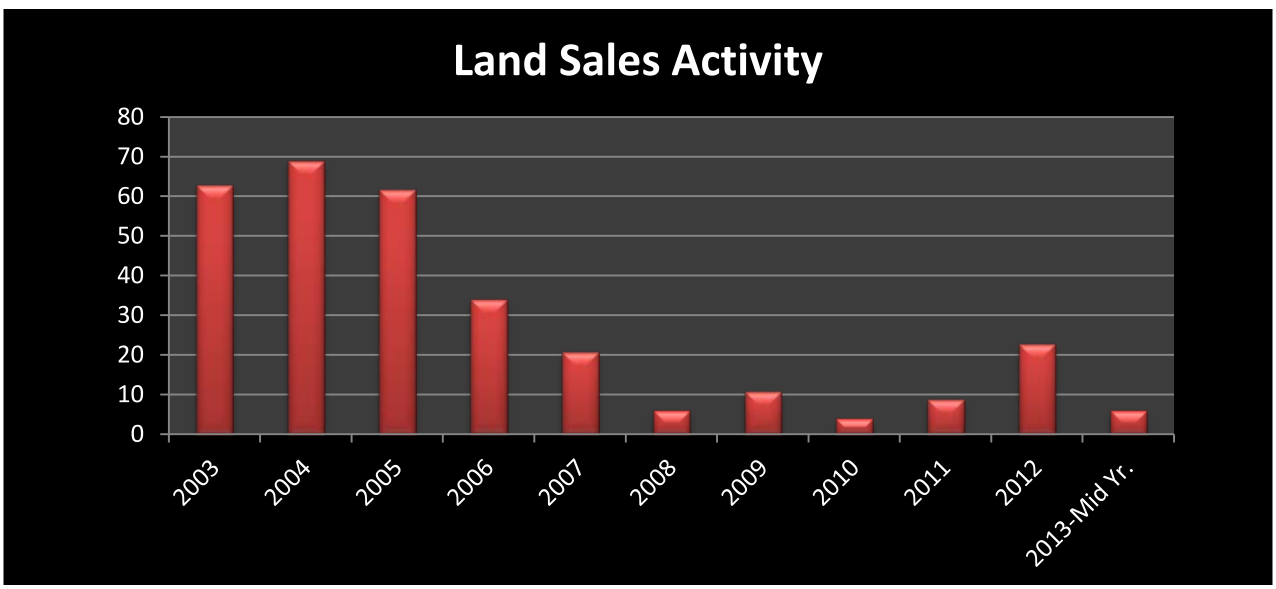
As was demonstrated by the other market types, there was a significant drop not only in sales volume but in vacant land selling prices. We found market prices for vacant land of all types had declined by about 76% from the peak of the market in 2006 through 2011. This figure can be skewed somewhat due to the very limited volume of sales.

Land trends in 2012 are following suite with other sectors of the real estate market; land volume and prices are showing signs of stabilization and recovery.

Below is a chart reflecting the changes in average price per square foot for all land sales in Mammoth Lakes from 2006 through 2012. Site size data prior to 2006 was sparse and unreliable and therefore not provided.



Below is bar chart showing volume of sales for vacant land in the Mammoth Lakes market:



From 2002 through 2006 annual vacant land sales activity averaged about 52.5 sales per year. From 2006 to present, the overall activity is substantially lower but increasing. This can be attributed to shrinking land inventory and limited desire to build, as current costs to build are significantly greater than market value.

Land sale activity for the first half of 2013 is on track to trend closer to 2010 levels, but little credence is given to this line item as it only uses six sales to establish the data provided.

Other Recent, Important and Emerging Factors

Air Service

Mammoth received its first commercial flight from Los Angeles in December of 2007. This new flight service is operated by Alaska Airlines and opened Mammoth up to a new type of visitor as well as a new demographic from which to draw visitors. Since this inaugural flight, the number of total enplanements increased steadily.

As of January 2013, Mammoth Lakes has a total of five commercial flights operated by Alaska Airlines and United Airlines. These flights are arriving from Los Angeles, Orange County, San Diego and San Francisco. Orange County and San Diego are the two newest flights with San Diego showing strong load factors. Orange County will likely be removed from service to Mammoth and replace with flights to Denver or Las Vegas.

Air Service to Mammoth is proving to be so successful that plans to expand the air terminal are already in place with a new 40,000 square foot terminal scheduled for development in the near future.

TBID (Tourism Improvement Business District)

Mammoth Lakes Tourism (MLT), the privatized marketing arm of the Town of Mammoth Lakes, has been working with the local business community on a proposed Tourism Improvement Business District (TBID), a self-assessment on all restaurants, lodging businesses, retail stores and ski lift tickets. If approved, this self-assessment will provide a consistent and predicable revenue stream to Mammoth Lakes Tourism and more than triple its current marketing revenue. An outline of the proposed Assessment structure is as follows:

Lodging	**1% of annual gross room revenue**
Retail	**1.5% of gross sales, including equipment rentals**
Restaurant Type	**1.5% of gross food sales Restaurants**
Ski Resorts	**2% of lift ticket sales, 1.5% of equipment rentals**
Retail Type 2	**$500**
Restaurant	**$500**

The increased revenue will be used to subsidize new air service to Mammoth Lakes and drive additional visitors from existing and unique locations. Part of the focus of the TBID funding will be to increase midweek tourism and visitations during the shoulder seasons (fall and spring). Vote for the TBID goes before the Mammoth Lakes Town Council on July 24th, 2013.

High Altitude Training

Although Mammoth Lakes has long been known for its winter activities, one of the new bright spots is the high altitude training facility, completed in 2012. The high altitude training facility is located outside of town, adjacent to the Mammoth Yosemite Airport. Success with high altitude training in Mammoth Lakes is proven through some of the best runners in the world, including Olympians Deena Kastor, Meb Keflezighi, Ryan Hall, Josh Cox and many more. Running events are on the rise in Mammoth Lakes, with the Mammoth Half Marathon and 5K first introduced in the spring of 2013. This event sold out in its inaugural year.

Mammoth Mountain Ski Area

Mammoth Mountain Ski Area (MMSA) is frequently making upgrades and changes to their ski resort. MMSA has recently made aggressive commitments to new improvements and changes. Some of the changes have included $5,000,000 for a new high-speed quad chair (Chair 5) and automated gates for ski line control. Other changes are the purchase/lease of a family sledding area and improved accommodations for families.

Mammoth Mountain Ski Area recently closed one of its non-profitable centers, June Mountain, in order to bring expenses in-line with reliable revenue sources; however, June Mountain is expected to open in the winter of 2013.

Mountain biking and the incorporation of scalable special events into Mammoth Mountain's Canyon Ski Area are just a few of the changes taking place for the summer and shoulder seasons.

Town of Mammoth Lakes Settles Chapter 9 Bankruptcy

At a special meeting on July 2, 2012, the Mammoth Lakes Town Council voted unanimously to authorize the filing of a petition order relief under Chapter 9 of the Bankruptcy Code in the U.S. federal court. Bankruptcy, unfortunately, was the only option the Town was left with, after its largest creditor, Mammoth Lakes Land Acquisition (MLLA) repeatedly refused to mediate its $43 million judgment against the Town. Bankruptcy was filed on July 3, 2012.

In September 2012, the Town of Mammoth Lakes announced it had reached a $29.5 million settlement with the creditor MLLA and a $3.5 million settlement with a second creditor Terrance Ballas. This settlement alleviated the burden of bankruptcy and placed the Town of Mammoth Lakes in predictable payment plan of $2,000,000 per year for 23 years. The settlement plan and removal from municipal bankruptcy was complete in December of 2012.

Residential Woodstove Insert Compliance

In 2013 a new ordinance (15.04.140) was passed by the Town of Mammoth Lakes requiring all woodstove inserts have a metal firebox installed within the chase area of the stove. This new requirement is to prevent fire from excessively hot woodstoves. The proposed cost of this conversion is $6,000-$10,000. Compliance with this ordinance must take place within the next 10 years.

Single Family Home Rentals

In addition to woodstove compliance, another hot topic is the discussion of whether single family homes should be allowed to rent on a nightly basis. This is an ongoing discussion that is not likely to see a resolution in the immediate future, but a controversial conversation none the less.

Primary argument for single family home rentals: Additional revenue to homeowners and the Town of Mammoth Lakes, more rental opportunities for visitors.

Primary arguments against single family home rentals: Noisier neighborhoods, difficulty enforcing laws and competition with existing rental properties.

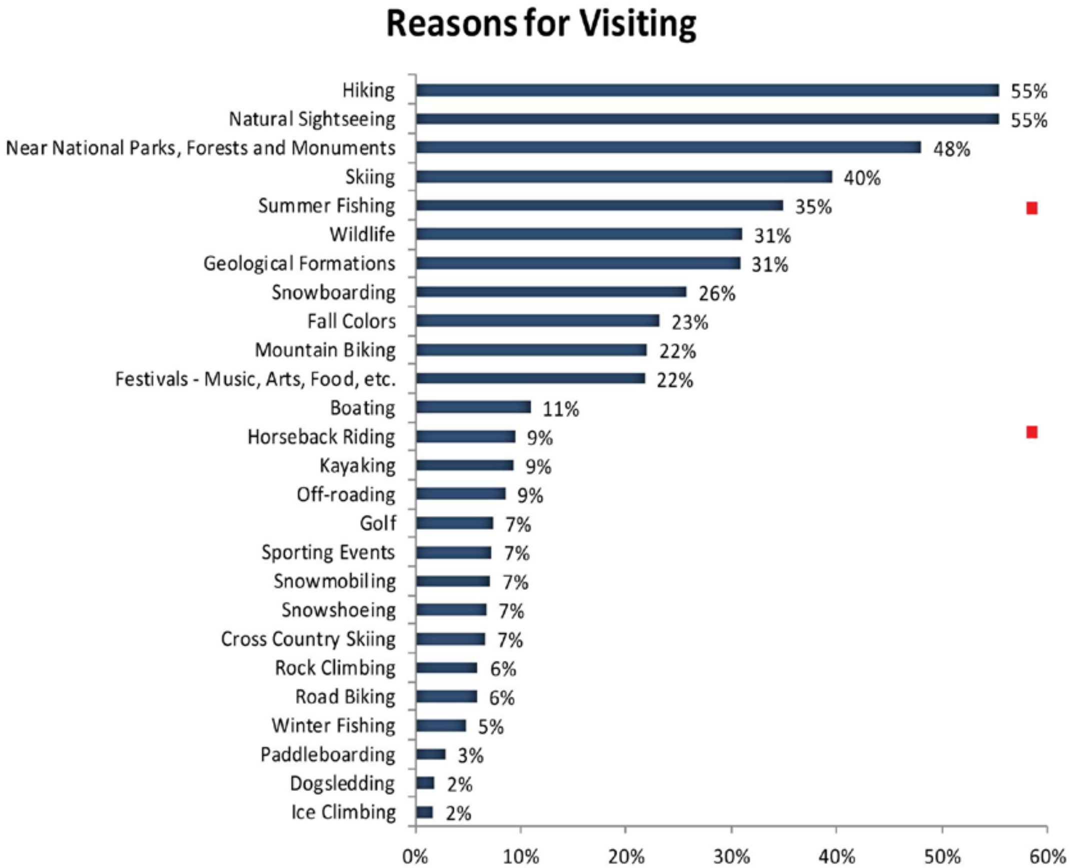
Upside Potential

If there is one thing Mammoth Lakes has to offer over all other major mountain resorts in North America, it is its potential for positive growth and re-development in an area that is un-rivaled with regard to natural beauty, ski terrain and proximity to the wilderness.

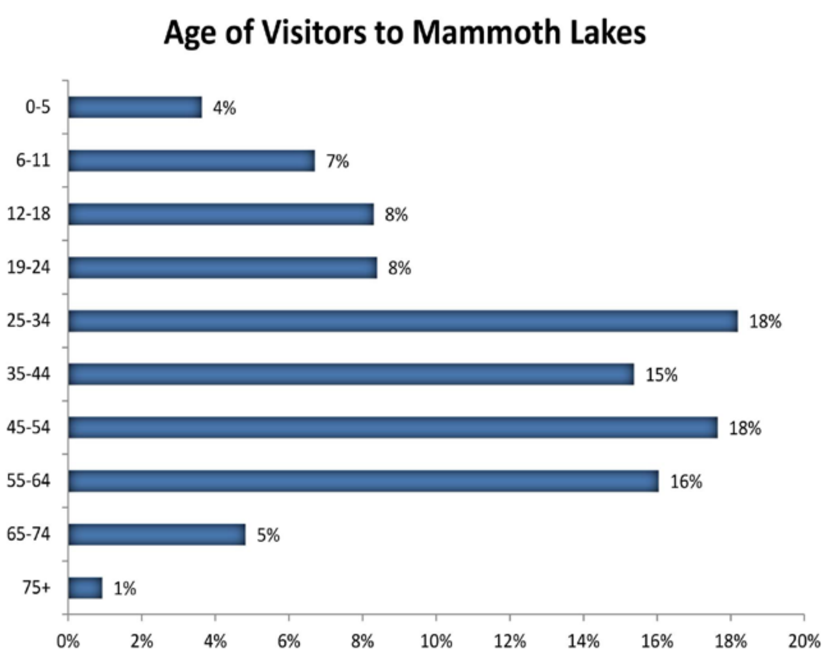
General Demographics

- Population: 8234
- Major Grocery Stores: 1 (Von's)
- Total Area: 24 (square miles)
- Number of swimming pools: 1
- Number of parks – owned or operated by the Town: 5
  - Shady Rest – 13 acres
  - Mammoth Creek – 20 acres
  - Whitmore – 32 acres
  - Trails End (skate park and playground) – 5 acres
  - Tennis Courts & Community Center – 2 acres
- Number of playgrounds in Town: 3
- Bike trails – 20 miles (more being added in 2013)
- Sidewalk mileage: 6
- Linear sidewalk miles (Provide the number of miles for which the Town is responsible for maintenance): 6
- City street or road maintenance lane mileage: 54
- Number of lane miles for which the Town is responsible for maintenance: 54 – Paved
- Police or Fire passenger vehicles licensed for use on public streets: 19 passenger vehicles
- Fire Pumper Vehicles: 1
- Schools:
  - Elementary
  - Middle School
  - High School
  - Cerro Coso Jr. College
- Libraries: 1
- Ice Skating Rinks: 1
- Average days of sunshine: 306
- High Altitude Running Track: 1

The following is visitor data acquired from the *2012 Mammoth Lakes Tourism ROI study conducted by Leisure Trends LLC*:

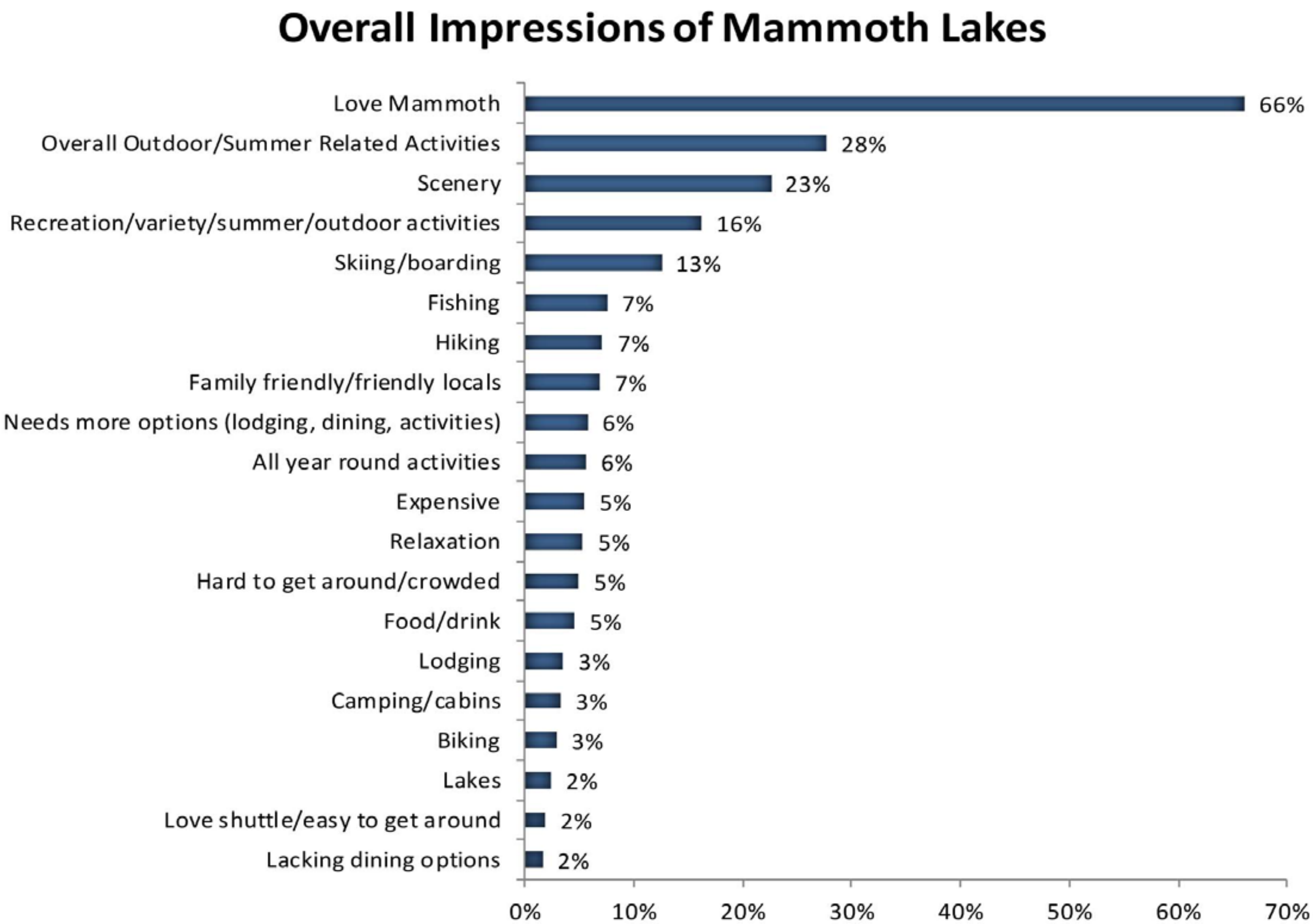


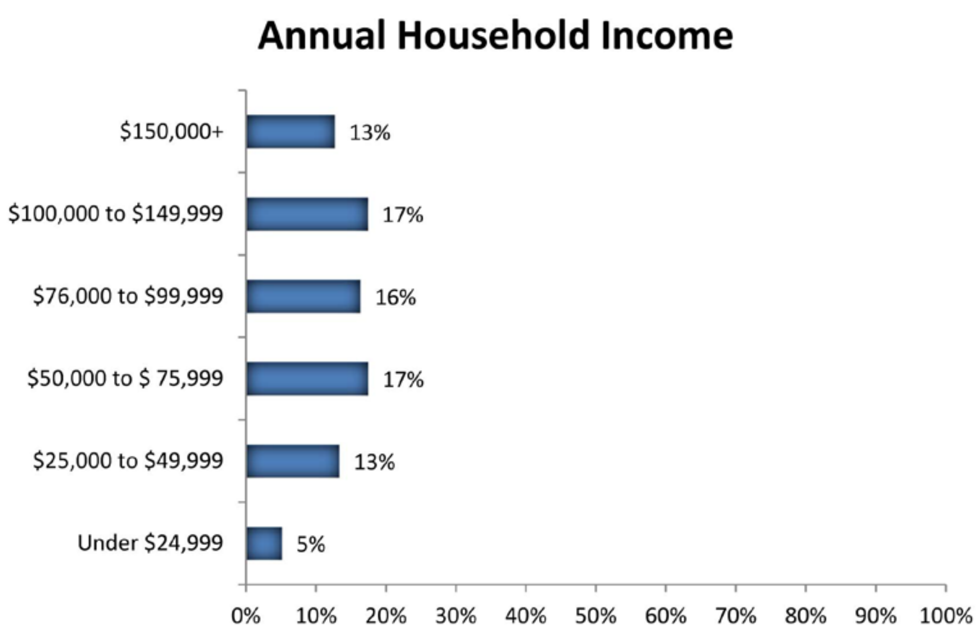
- Top reasons for visiting Mammoth Lakes selected by respondents are hiking, natural sightseeing and near national parks, national forests and national monuments.
- Skiing, summer fishing, wildlife and geological formations are also ranked high.

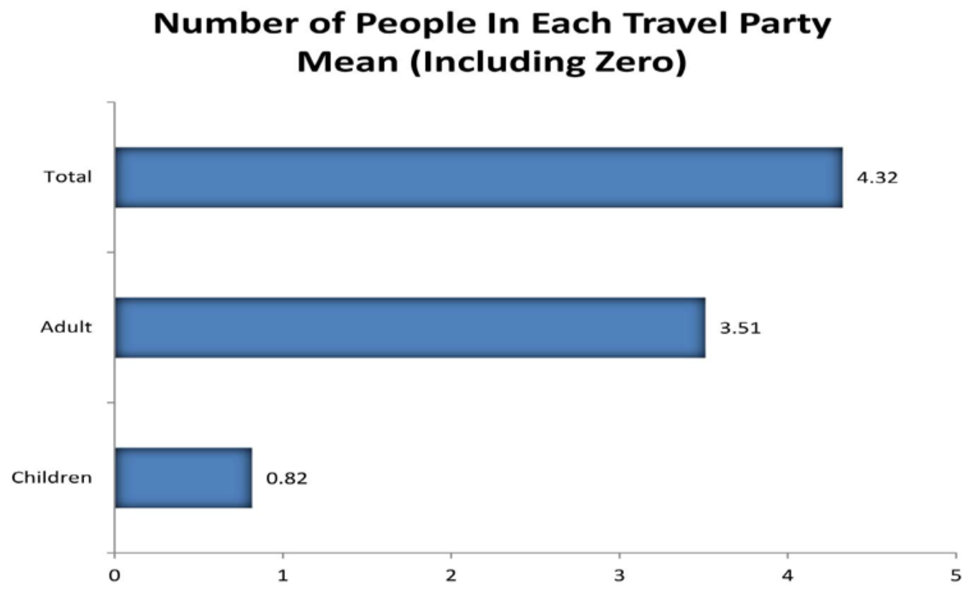


- Eighteen percent of visitors to Mammoth Lakes are age 25-34 or 45-54.
- Just 4% are five years old or younger, and 15% are age 6-18.
- Six percent are 65 years old or older.

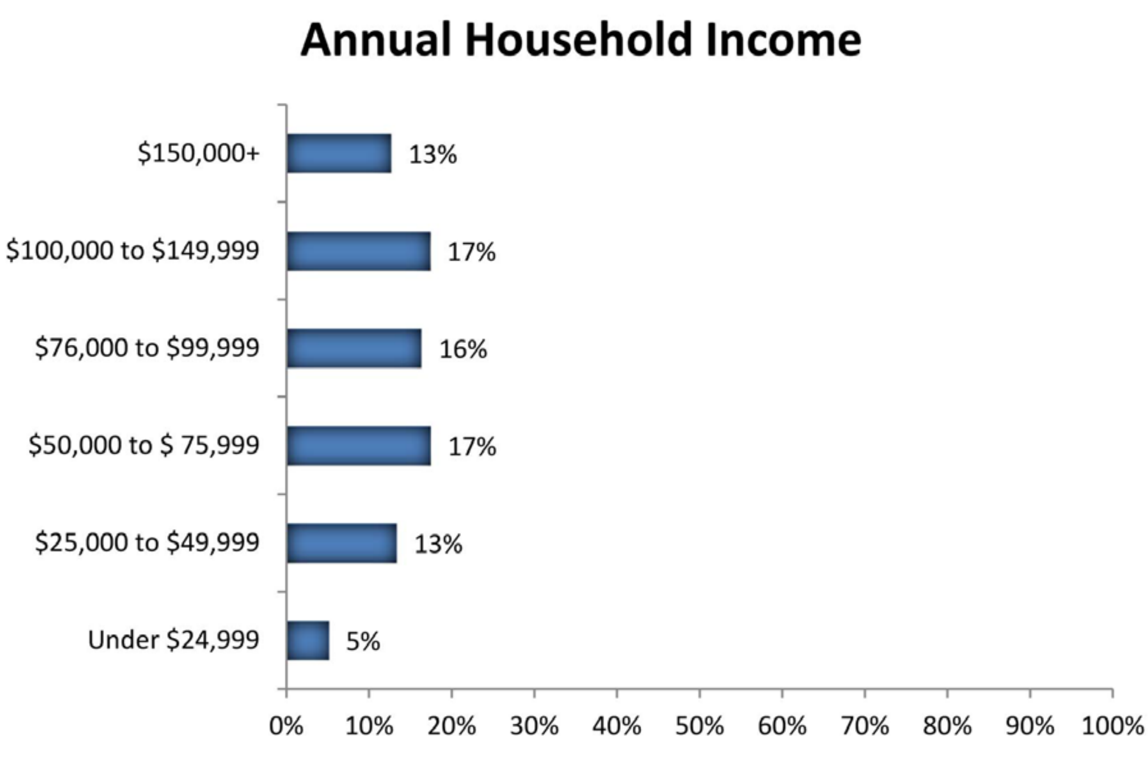
Gender among survey respondents is evenly split


Overall Impressions of Mammoth Lakes
Love Mammoth
66%
Overall Outdoor/Summer Related Activities
28%
Scenery
23%
Recreation/variety/summer/outdoor activities
16%
Skiing/boarding
13%
Fishing
7%
Hiking
7%
Family friendly/friendly locals
7%
Needs more options (lodging, dining, activities)
6%
All year round activities
6%
Expensive
5%
Relaxation
5%
Hard to get around/crowded
5%
Food/drink
5%
Lodging
3%
Camping/cabins
3%
Biking
3%
Lakes
2%
Love shuttle/easy to get around
2%
Lacking dining options
2%
0% 10% 20% 30% 40% 50% 60% 70%


Annual Household Income
$150,000+
13%
$100,000 to $149,999
17%
$76,000 to $99,999
16%
$50,000 to $ 75,999
17%
$25,000 to $49,999
13%
Under $24,999
5%
0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%



Number of People In Each Travel Party
Mean (Including Zero)
Total
4.32
Adult
3.51
Children
0.82
0
1
2
3
4
5



Annual Household Income
$150,000+
13%
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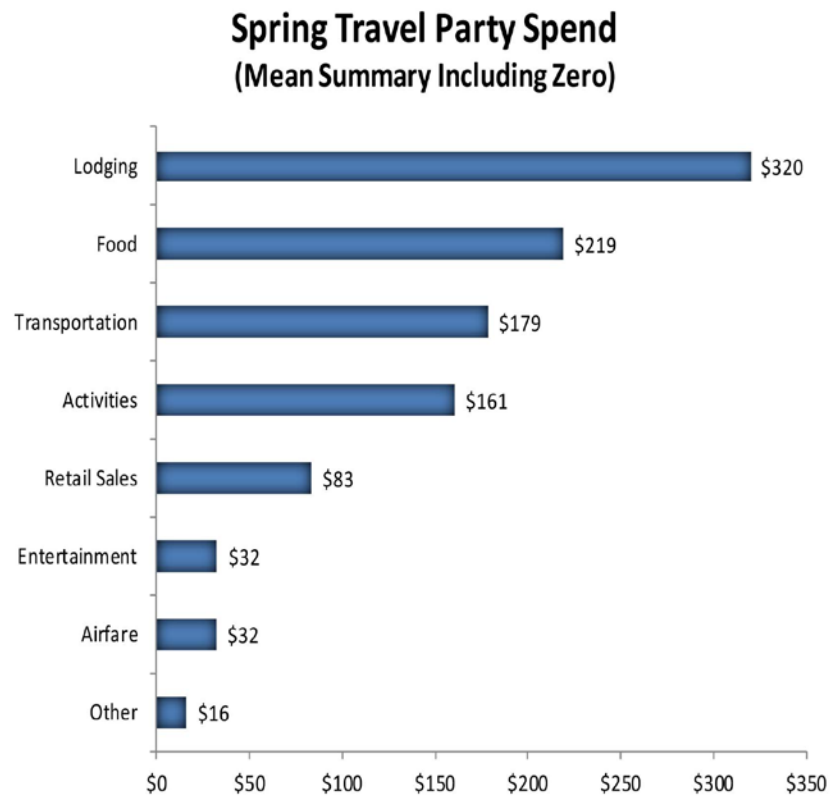
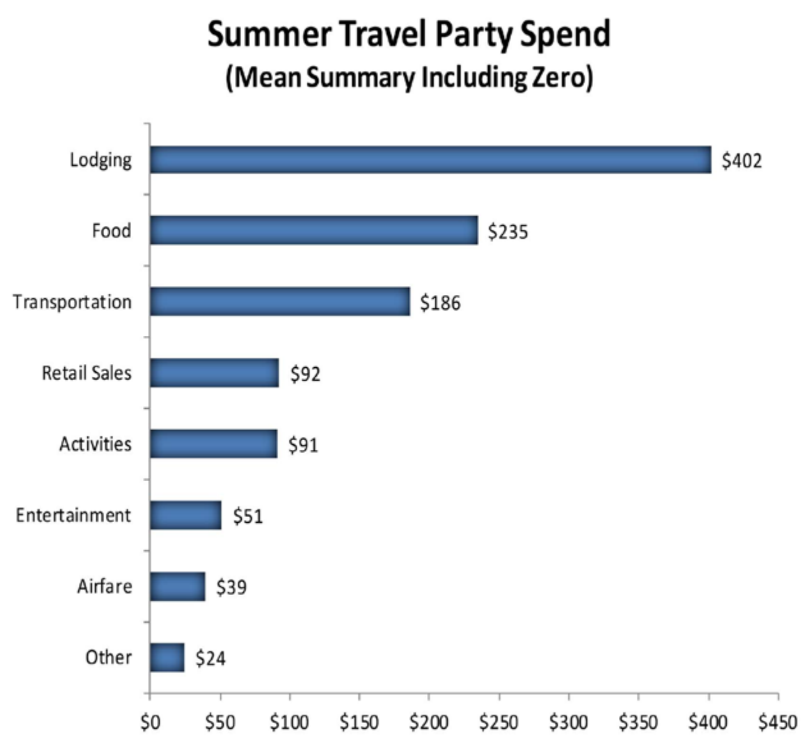
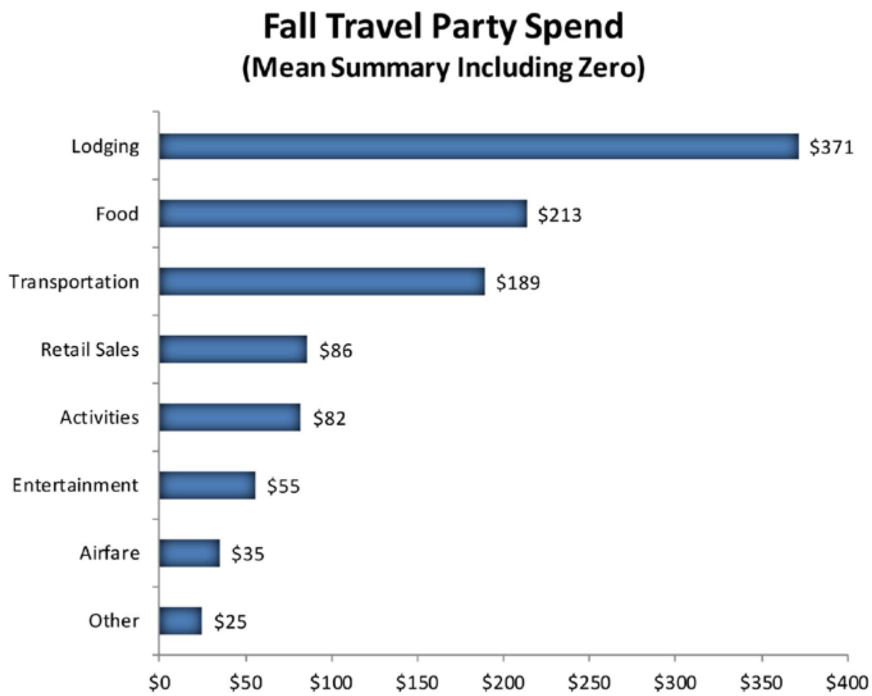
17%
$25,000 to $49,999
13%
Under $24,999
5%
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%



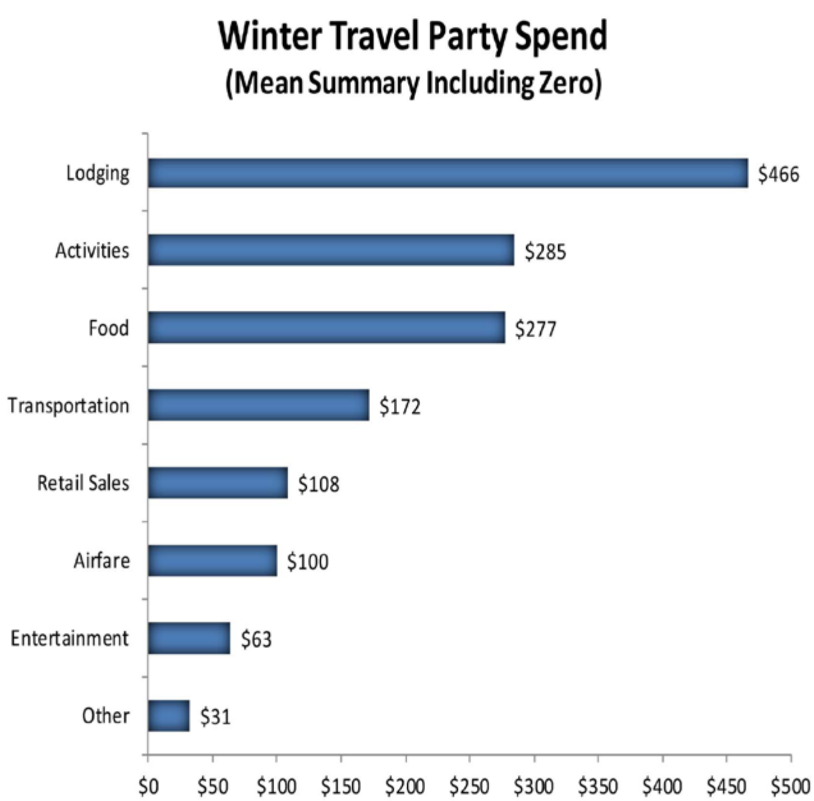
- Among those whose last visit to Mammoth Lakes was during the Spring Season, the average travel party spend was $1,143, the party included 3.8 people and they stayed an average of 2.7 nights.
- With an average stay of 2.7 nights, this translates to $423.33 daily spend.



- Among those whose last visit to Mammoth Lakes was during the Summer Season, the average travel party spend was $1,205, the party included 4.9 people and they stayed an average of 3.5 nights.
- With an average stay of 3.5 nights, this translates to $344.29 daily spend.



- Among those whose last visit to Mammoth Lakes was during the Fall Season, the average travel party spend was $1,187, the party included 3.3 people and they stayed an average of 3.2 nights.
- With an average stay of 3.2 nights, this translates to $370.94 daily spend.



- Among those whose last visit to Mammoth Lakes was during the Winter Season, the average travel party spend was $1,716, the party included 4.4 people and they stayed an average of 3.3 nights.
- With an average stay of 3.3 nights, this translates to $520 daily spend.