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REAL PROPERTY CONSULTANTS

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12-02-2010

Juan F. Guzman
Open Space Manager
Parks & Recreation Department
3303 Butti Way, Bldg. #9
Carson City, NV 89701

RE: An appraisal of APNs 08-531-05, 08-531-39, 08-531-40, 08-541-73, 08-541-92, 10-011-26, 10-011-27, and 10-021-55

Dear Mr. Guzman:

This letter is considered an extension of my appraisal dated November 22, 2010. The purpose is to address client questions and value corrections based on surveys provided after the appraisal was finalized. This letter can only be used in connection with the completed report dated November 22, 2010, with a date of value of November 17, 2010 and is not a standalone document.

As indicted on page 42 of my report I had not been provided with preliminary title reports on all the properties involved. This is typical in this type of assignment. The property is vacant land with no improvements. I was aware from my inspection that several different easements existed, such as power lines, sewage lines, the Brunswick Canyon Road and several other unnamed dirt roads. All of these are typical for this type and size of property and there is felt to be no adverse affect on the value. The comparables utilized in my appraisal had similar types of easements. I was further aware that there is the possibility that the V&T Railroad will be acquiring a permanent easement for the extension of the rail line where the original rail line was located, an area that is already used for ingress and egress from the property. The potential future easement does not have a negative impact on my analysis nor does it change the acreage that I have valued.

On December 2, 2010 I was provided a letter from Manhard Consulting that indicated different acreage from what I had utilized using county records on two parcels. Assessor's Parcel Number 10-011-26 contains ~~94~~ acres not ~~80~~ acres and Assessor's Parcel Number 08-531-40 contains ~~19.10~~ acres not ~~19.90~~ acres. These difference make the total property appraised ~~418.77~~ acres not ~~405.57~~ acres as reported. This difference changes nothing in my analysis except that the value conclusion is now corrected to \$3,140,775.

Again, I remind the reader that this letter is an extension of my appraisal report dated November 22, 2010 and is not a standalone document.

If I can be of any other service to you please feel free to contact me.

A handwritten signature in cursive script that reads "Anthony J. Wren".

Anthony J. Wren MAI, SRA
Certified General Appraiser #A.0000090-CG

APPRAISER'S CERTIFICATION

I certify that, unless otherwise noted in this appraisal report:

- 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 my personal, impartial, and unbiased professional analyses, opinions, conclusions, and recommendations.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
- I have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My 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.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report.
- The appraisal was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
- 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 Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of The Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I have completed the requirements of the continuing education program of the Appraisal Institute.

Respectfully submitted,



Anthony J. Wren, MAI, SRA
Nevada Certified General Appraiser # A.0000090-CG

____12-2-2010_____
Date

An Appraisal of

APN 08-531-05,39,40,
08-541-73,92, 10-011-26,27,
and 10-021-55

Comprising a Total of 405.57±Acres

Owned By
John C. Serpa

Located East/West of Deer Run Road
and North/South of the Carson River
on the Eastern Edge of the City of Carson City
Carson City County, Nevada

Prepared For

Juan F. Guzman
Open Space Manager
Parks & Recreation Department
3303 Butti Way, Bldg. #9
Carson City, NV 89701

Date of Inspection
November 17, 2010

Date of Report
November 22, 2010

An Appraisal of

APN 08-531-05,39,40,
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3303 Butti Way, Bldg. #9
Carson City, NV 89701

Date of Inspection
November 17, 2010

Date of Report
November 22, 2010

Submitted By
Anthony J. Wren, MAI, SRA
#A.0000090-CG

ANTHONY J. WREN AND ASSOCIATES

P.O. BOX 20867
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TONY WREN, MAI, SRA
CERTIFIED GENERAL APPRAISER

SUSAN WREN
CERTIFIED RESIDENTIAL APPRAISER

November 22, 2010

Juan F. Guzman
Open Space Manager
Parks & Recreation Department
3303 Butti Way, Bldg. #9
Carson City, NV 89701

RE: An appraisal of APNs 08-531-05, 08-531-39, 08-531-40, 08-541-73, 08-541-92, 10-011-26, 10-011-27, and 10-021-55

Dear Mr. Guzman:

At your request, I have completed an appraisal of and prepared the following appraisal report for the property referenced above. The purpose of my appraisal is to estimate the market value of the property as of the date of valuation for the purpose of assisting the Carson City Parks and Recreation Department in the acquisition of the above-referred properties. The subject property is owned by John C. Serpa. The property is vacant.

The accompanying appraisal report is being prepared in conformance with this appraiser's understanding of the Q1-AS Appraisal Guidelines and is intended to fully comply with the current Uniform Standards of Professional Appraisal Practice as adopted by the Appraisal Standards Board and the Appraisal Foundation as well as the supplemental requirements of the Appraisal Institute.

This appraiser attests that he has the knowledge and experience to complete this appraisal assignment and has appraised this type of property before.

Based on my inspection of the subject and a thorough research of the market, my conclusion and recommendation of the "as is" market value as of the date of valuation is as follows:

MARKET VALUE

**THREE MILLION FORTY-ONE THOUSAND SEVEN HUNDRED SEVENTY-FIVE
DOLLARS**

(\$3,041,775)

The following is an appraisal report in a summary format. It has been prepared in conformance with the reporting requirements of the Appraisal Foundation as set forth in the Uniform Standards of Professional Appraisal Practice (USPAP). My conclusions and the data and analysis upon which they are based are summarized in the attached appraisal report.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Anthony J. Wren".

Anthony J. Wren, MAI, SRA
Certified General Appraiser #A.0000090-CG

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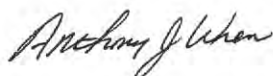
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APPRAISER'S CERTIFICATION

I certify that, unless otherwise noted in this appraisal report:

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- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
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- The use of this report is subject to the requirements of The Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I have completed the requirements of the continuing education program of the Appraisal Institute.

Respectfully submitted,



Anthony J. Wren, MAI, SRA

Nevada Certified General Appraiser # A.0000090-CG

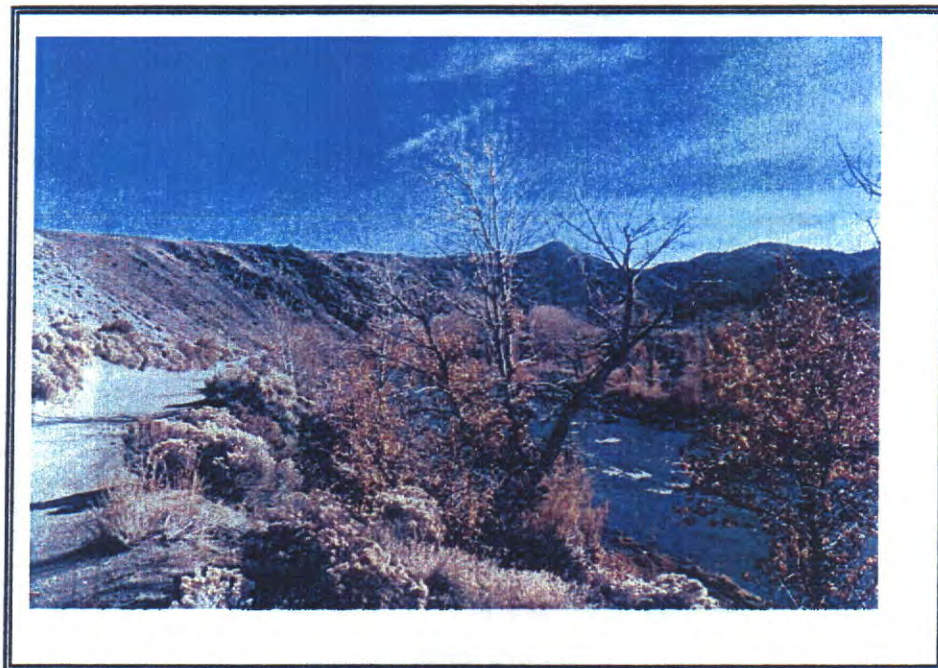
11-22-2010

Date

SUBJECT PROPERTY PHOTOGRAPHS



View of the subject property



View of the subject property

SUBJECT PROPERTY PHOTOGRAPHS



View of the subject property



View of the subject property

SUBJECT PROPERTY PHOTOGRAPHS



View of the subject property



View of the subject property

SUBJECT PROPERTY PHOTOGRAPHS



View of the subject property



View of the subject property

SUBJECT PROPERTY PHOTOGRAPHS



View of the subject property



View of the subject property

SUBJECT PROPERTY PHOTOGRAPHS



View of the subject property



View of the subject property

SUBJECT PROPERTY PHOTOGRAPHS



View of the subject property

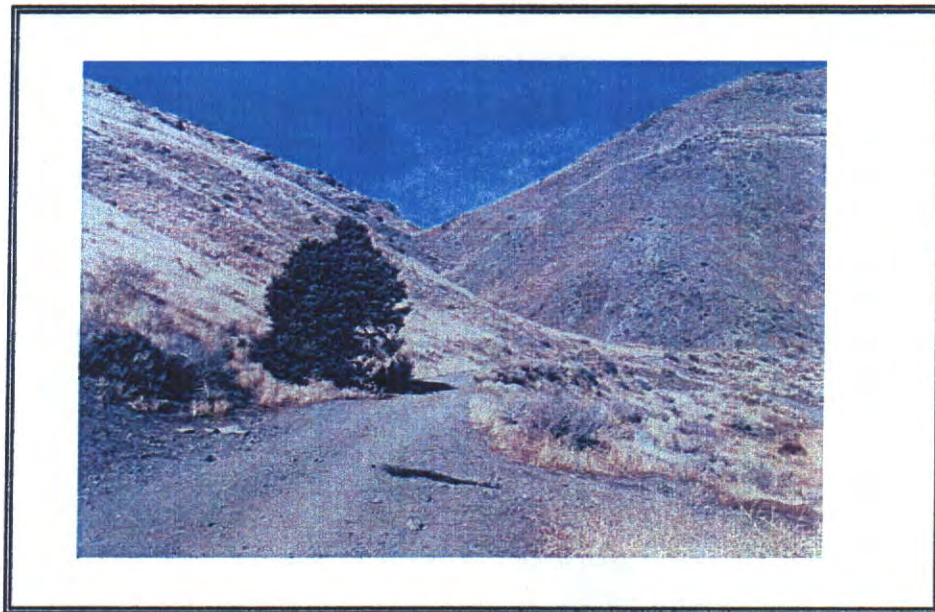


View of the subject property

SUBJECT PROPERTY PHOTOGRAPHS



View of the subject property

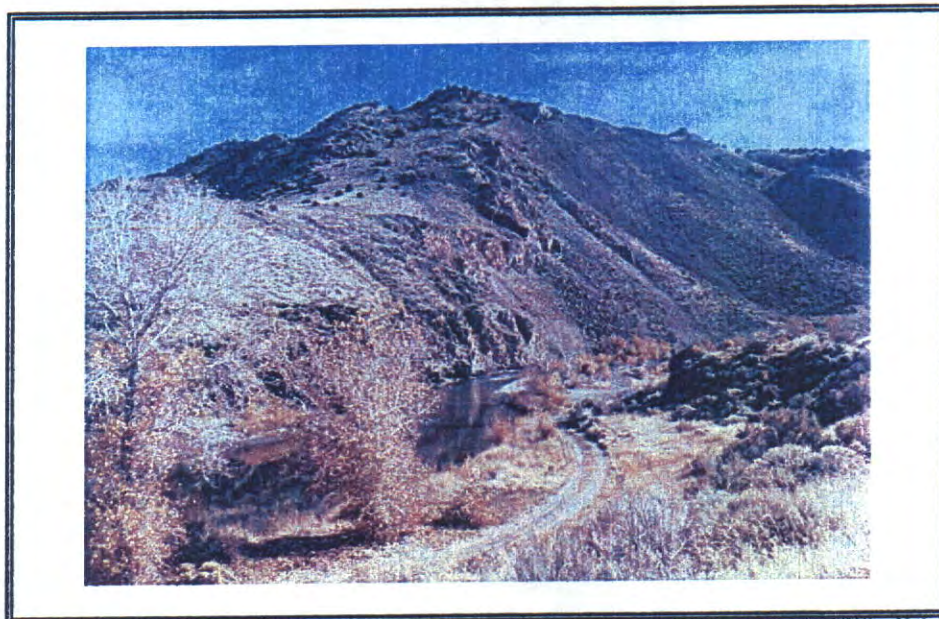


View of the subject property

SUBJECT PROPERTY PHOTOGRAPHS



View of the subject property



View of the subject property

SUBJECT PROPERTY PHOTOGRAPHS



View of the subject property



View of the subject property

SUBJECT AERIAL PHOTOGRAPH



INTRODUCTION

Client	Juan F. Guzman Open Space Manager Parks & Recreation Department 3303 Butti Way, Bldg. #9 Carson City, NV 89701
Appraiser	Anthony J. Wren, MAI, SRA Nevada Certified General License # A.0000090-CG Anthony J. Wren & Associates 85 Keystone Avenue, Suite C Reno, Nevada 89503
Subject	APNs 08-531-05, 08-531-39, 08-531-40, 08-541-73, 08-541-92, 10-011-26, 10-011-27, and 10-021-55

Intended Use/Users of the Report

For use by the client in negotiating an equitable price for the purchase of the above-referred parcel numbers. The intended users of this report will be Carson City, the Nevada Land Conservancy, the V&T Reconstruction Commission, and the State of Nevada Question 1 Program.

Identification of the Appraisal Problem

The appraisal must address the market value for negotiations with the owner for the acquisition of the above-referred parcels containing a total of 405.57±acres.

Owner of Record/Sale History

The subject property is vested in the name of John C. Serpa. The property was purchased by Mr. Serpa several decades ago. There have been no transactions or transfers of the property within the last five years. There is currently ongoing negotiations for the sale of the subject property with the City of Carson City. As of the date of appraisal, a set sales price has not been negotiated.

Purpose of the Appraisal

The purpose of this appraisal is to provide an opinion of the current market value of the property appraised as of the date of valuation.

“Value” means the highest price, on the date of valuation, that would be agreed to by a seller, who is willing to sell on the open market and has reasonable time to find a purchaser, and a buyer, who is ready, willing and able to buy, if both the seller and the buyer had full knowledge of all the uses and purposes for which the property is reasonably adaptable and available. In determining value, except as otherwise provided in this subsection, the property sought to be condemned must be

valued at its highest and best use without considering any future dedication requirements imposed by the entity that is taking the property. If the property is condemned primarily for a profit-making purpose, the property sought to be condemned must be valued at the use to which the entity that is condemning the property intends to put the property, if such use results in a higher value for the property."¹

Intended Use of the Report

For use by the client in assisting in negotiating the purchase of the properties from John C. Serpa.

Interest Appraised	Fee Simple
Effective Date of Value	November 17, 2010
Date of Report	November 22, 2010

Appraisal Development and Reporting Process (Scope)

This is a complete appraisal, communicated in a summary format. The report is intended to conform with Section 2-2(b) of the Uniform Standards of Professional Appraisal Practice.

In the course of conducting this appraisal, I undertook the following activities.

- a) Performed an inspection of the subject and its neighborhood;
- b) Researched the subject's current physical and legal condition, as well as its background and history;
- c) Examined the market area to determine the existing and proposed inventory, demand, and marketability of properties similar to the subject;
- d) Researched and investigated relative market data including recent sales, leases, and other transactions.
- e) Investigated and analyzed the impact of the proposed easement on the value and utility of the affected parcel.
- f) Prepared the following summary appraisal report.

¹ Added to NRS by 1959, 596; A 1989, 548; 1993, 525; 1995, 501; 2007

Standard Assumptions and Limiting Conditions

This appraisal was prepared subject to a standard set of assumptions and limiting conditions which are typical for the appraisal industry. These assumptions and limiting conditions are provided in detail at the end of this report.

Special Limiting Condition None

Extraordinary Assumptions None

Hypothetical Conditions None

DEFINITIONS

“Value” means the highest price, on the date of valuation, that would be agreed to by a seller, who is willing to sell on the open market and has reasonable time to find a purchaser, and a buyer, who is ready, willing and able to buy, if both the seller and the buyer had full knowledge of all the uses and purposes for which the property is reasonably adaptable and available. In determining value, except as otherwise provided in this subsection, the property sought to be condemned must be valued at its highest and best use without considering any future dedication requirements imposed by the entity that is taking the property. If the property is condemned primarily for a profit-making purpose, the property sought to be condemned must be valued at the use to which the entity that is condemning the property intends to put the property, if such use results in a higher value for the property.¹²

Larger Parcel³

In condemnation, that portion of a property which has *unity of ownership*, *contiguity*, and *unity of use*. These are the three conditions that must be present to establish the larger parcel for the purpose of considering the extent of severance damage in most states.

Exposure time

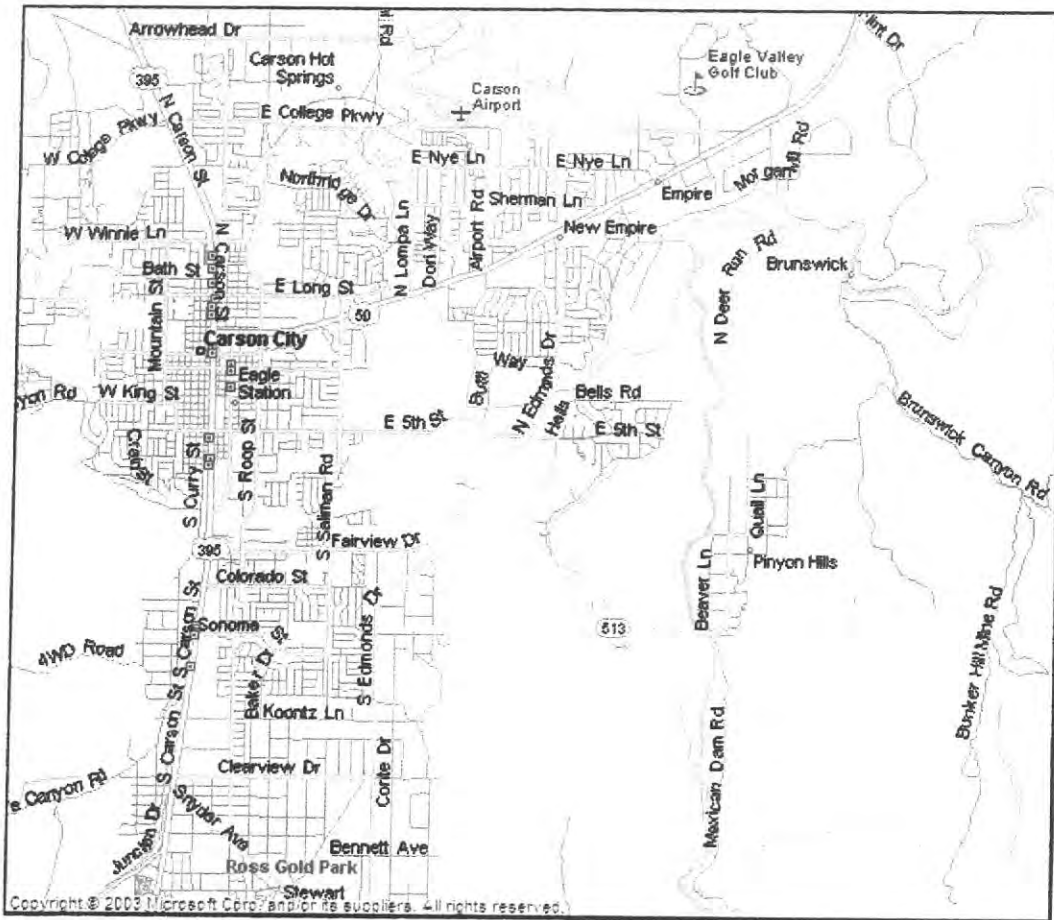
This is the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at

² Added to NRS by 1959, 596; A 1989, 548; 1993, 525; 1995, 501; 2007

³ *Real Estate Valuation in Litigation*, 2nd ed. (Chicago: Appraisal Institute, 1993), p. 351

market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market.

CARSON CITY AREA MAP



CARSON CITY AREA ANALYSIS

Location:

The subject is located in Carson City, the capital of Nevada, which is situated on the eastern slope of the Sierra Nevada Mountains in northwestern Nevada. It is 30 miles south of Reno, the largest northwestern Nevada community, and 14 miles east of Lake Tahoe. Sacramento, California, is located 134 miles west of Carson City and is the closest regional urban center.

History:

Carson City was founded in 1858 by Abraham Curry, a pioneer. It was named Carson City for the nearby Carson River, which was named after Kit Carson, an early frontiersman. The Nevada Territory was organized in 1861 and Carson City was designated as the territorial capital.

In 1864 President Lincoln granted statehood to Nevada and Carson City became the capital. As well as being the seat of government, it grew into a center for commerce and industry after the silver discovery in Virginia City. In 1879 a branch of the mint was established in Carson City to strike coins from the Comstock Lode silver.

Climate:

Carson City's elevation is 4,700± feet above sea level. It is located in Eagle Valley on the eastern side of the Carson Range in western Nevada. Carson City has a semi-arid climate with sunny, dry summers and cold winters. The average annual rainfall is 11 inches and snowfall averages 32 inches. Winter snow seldom accumulates since the sunshine and moderate temperatures promote rapid thawing. Summers consist of warm days, low humidity, and cool nights, with a hot spell or two in July and August. The coldest month is January with average temperatures ranging from lows of 21° to highs of 45°. The hottest month is July with a mean maximum temperature range of 50° to 89°. The annual average temperature is 50°. Annual precipitation averages 11.8 inches, in portions of the county with lower elevations, to 31.6 inches at the higher elevations. Sunshine days average 266 days per year.

Topography:

Carson City's physical boundaries extend from the shores of Lake Tahoe, easterly to low foothills of the Pine Nut Range. The topography in Carson City is

representative of both the Great Basin and Alpine Sierra systems. The western boundary of Carson City is located on the west side of the Sierra Nevada Mountain range and Snow Valley Peak at 9,214 feet. In the eastern-most reaches, Carson City is bordered by the western side of the Pine Nut Range. The majority of the developed urban area lies within Eagle Valley, which is bisected by the Carson River.

Water Resources:

With limited precipitation, a critical concern for continued development in Carson City is adequate water supplies. The shortage of water resources in this area has been well publicized since the mid-1970's. The Nevada Division of Water Resources has delegated the responsibility of administering water law within the state. The Division of Water Resources did not approve a single subdivision in the Eagle Valley Basin (Carson City) between 1978 and 1989. Subdivisions created during this period used parcel map procedures (where only four new parcels are created with a single map, a procedure exempt from Division of Water Resources review).

Carson City recently resolved most of its immediate water problems through a number of large water rights acquisitions. Water for new services and subdivisions should not be an issue for at least the next five to ten years, dependent on population and developmental pressure.

Transportation, Utilities, and Services:

Carson City is Nevada's state capital and is served by two major highways that intersect near the city center. U.S. 395 (also known as Carson Street) runs north to south and provides ready access to Reno, the largest city in northwestern Nevada some 30 miles north. U.S. 50, which begins in the San Francisco Bay area, runs through Carson City via Lake Tahoe and extends easterly to Utah. Carson City has a municipal airport, an intercity bus service, and several truck lines. In October 2005 a fixed route bus service called JAC (Jump Around Carson) began.

The Nevada Department of Transportation is currently engaged in right-of-way acquisition for a proposed loop road which will provide for a limited access thoroughfare that will bypass the current north-south Carson Street corridor. The routing is shown on the preceding area map. Completion of this bypass route is subject to the availability of federal funds. It was expected to begin construction in the year 2001; however, that schedule was modified and construction has just begun. The bypass, when completed, should significantly alleviate traffic congestion on the

current north-south U.S. 395 route which is not a controlled access arterial through the downtown Carson City core.

Utilities are generally available throughout the core area of Carson City. The outlying areas may require extensions. Sewer and water in the most outlying areas are often limited to on-site wells and septic systems.

The city provides water and sanitary sewer service to the area. NV Energy Power Company provides electrical service to the community. Nevada Bell provides telephone service. Natural gas is distributed by Southwest Gas Company. Capital Sanitation provides garbage pick-up within Carson City and the surrounding areas.

Health Care:

Carson City has been served by the Carson-Tahoe Hospital since 1949. It currently has 124 beds and medical staff numbering 107. The facility provides medical, surgical, and intensive care services. The Carson-Tahoe Hospital has transformed into the Carson-Tahoe Regional Medical Center on a new site in the northwest part of town. This was a \$150 million project which opened in December 2005. It offers expanded services, particularly in cancer and cardiac areas. The new Cancer Center is the only freestanding cancer center in Nevada. It offers state-of-the-art treatment, equipment, and technology in a comfortable setting.

There are three private convalescent homes located within Carson City with a combined capacity of over 300 beds, including a nursing and retirement center, Carson Healthcare, that opened in February of 1999. Renown Medical Center and St. Mary's Hospital are two regional hospitals located just 30 miles to the north in Reno.

Education:

The Carson City School District has six elementary schools, two junior high schools, and one high school. There are also four private schools plus a number of charter schools and seven vocational schools. The public school system currently serves an estimated 8,644 students.

Carson City is also the location of the Western Nevada Community College campus, established in July 1971. The community college is located in the northwest corner of the city south of West Nye Lane. The college has an enrollment of approximately 6,000 students and 109 full-time staff. There are plans for substantial expansion of Western Nevada Community College in the future.

The University of Nevada's Reno Campus, which has graduate studies at the master and doctoral level, is located 30 miles north of Carson City in Reno. Many of

Western Nevada Community College's students continue with upper division studies at the University of Nevada, Reno. The following is an education profile for Carson City taken from the 2000 census. It shows that Carson City is relatively well educated, indicating support for a potentially higher income work force.

	<u>Carson City</u>	<u>Nevada</u>	<u>U.S.</u>
High School Graduates	78.5%	75.4%	66.5%
Four or More Years of College	15.8	14.4	19.3
Median Years of School Completed	12.7	12.6	12.5

Recreation:

The local quality of life is enhanced by the semi-arid climate and the city's proximity to a number of outdoor recreational opportunities. Carson City is located within 30 minutes of Lake Tahoe and numerous Sierra Nevada ski resorts. Carson City is also located adjacent to 40,331± acres of public land which surrounds the city. Mills Park, which is one of Carson City's primary city park facilities, has extensive rest and picnic areas as well as the new Pony Express Pavilion which is used for outdoor concerts and events. Carson City, as the capital city, hosts a number of local and regional events throughout the year such as the Nevada Day Parade. Carson is also the home of The Brewery Arts Center--the destination for all cultural events in the area. It contains an Artisan's store, a pottery studio and various art galleries and exhibits. Musical and Theatrical performances are also held there.

Carson City has a public indoor swimming pool and two outdoor pools. The city also has six lighted tennis courts and a number of unlighted tennis courts, a number of baseball fields, and softball facilities. There are currently two championship 18-hole municipal golf courses which are located near Centennial Park approximately three miles east of downtown. Within 20 miles there are approximately 20 golf courses. There is also an outdoor handball court.

Local Government:

In 1969, Carson City and the former Ormsby County merged to consolidate government efficiencies. The merged government is now known as Carson City and administers all the affairs of the city and county with a city/county manager system. Carson City is governed by a mayor and a four-member Board of Supervisors who are elected to overlapping four-year terms. Carson City also has an appointed city manager who performs the administrative functions for the Board of Supervisors.

Zoning ordinances cover municipal, suburban, and rural locations. Development plans must be approved by the Planning Commission, City Council, Chief Engineer, and Building Department.

Taxes:

Nevada has a tax structure which generally favors businesses. Nevada's Freeport Law exempts personal property of interstate origin and destination from taxes while located within the state. This tax policy was expanded to include all types of business inventories; and in 1982, the state expanded the exemption to include all inventories in the state regardless of origin. In addition, Nevada presently has no personal income tax, bank excise tax, corporate income tax, inheritance tax, or franchise tax.

Real and personal property are currently taxed at 35% of the assessed valuation. Carson City's current property tax rate is \$2.63 per \$100 of assessed valuation, capped at 35%.

A sales and use tax of 7% is imposed on retail sales of personal property. Many services, utilities, food for home consumption, and prescription drugs and medical supplies are exempt from this sales tax.

Population and Area Growth:

Prior to 1960, Carson City (then Ormsby County) was a small county with an economy dominated by its main industry, state government. The statewide population boom that began in the early 1960s and continued until the mid 2000's had yielded significant regional population increase.

Carson City's growth has been driven by a number of factors over the years. However, that growth has stagnated and actually declined. The population of Nevada increased from roughly 500,000 in 1960 to over 2.6 million in 2010. The corresponding decline in growth and in government has decreased Carson City's employment base. State of Nevada Demographer has indicated that Nevada's population declined approximately 2.6% during the prior fiscal year.

According to the State Demographer, the Carson City population is approximately 55,188, which is approximately 1.318% decline from the previous year. This is compared to the .08% decrease in 2008 as compared to increases of 3.6% in years 2006 through 2007 and a 4.1% increase in 2005 and 2006. Nevada had been one of the fastest-growing states in the union over the last 20 years. However, as

indicated by the current statistics, Nevada's growth has not only slowed by started to decline.

New and expanding businesses in the Carson Valley were a factor in the steady growth in the past. However, as of the current date, that growth patterns has subsided and actually declined.

Employment:

Unlike Nevada in general, Carson City's employment is not dominated by tourism, or more precisely, hotel-casinos. There are about 1,748 businesses in Carson City employing almost 30,000 persons. Thirty percent are employed in the service industry and 25% by the government. Manufacturing and retail employ the remainder. As is evident, Carson City's employment is more diversified than the state as a whole, and more diverse than the state's two largest urban areas, Las Vegas (Clark) and Reno/Sparks (Washoe). Currently, the unemployment rate in the Carson MSA is estimated at 13.2% as compared to the overall unemployment rate of the state at 14.3%. The national rate is estimated at 9.6%. Nevada as whole is considered to have one of the largest unemployment rates in the nation.

ECONOMIC BASE:

The economic base for the area includes both Carson City and Reno, and many residents commute between the two areas. The major employers in Carson City are government employment, tourist and general services, wholesale/retail sales, and industrial/manufacturing. Government employment at the state, federal, and county levels provide a stable economic base. Tourist commercial enterprises, although viable and relatively stable, have always been overshadowed by the larger nearby casinos and hotels of Reno and Lake Tahoe. However, the proximity of these more well known tourist areas make Carson City a desirable bedroom community, particularly for mid-level executives who want to raise a family in a slower-paced community and who do not mind a 30±-mile commute.

Tourism/Gaming:

Carson City hosts a small but stable tourism industry, centered around the city's gambling halls (casinos). There are also some historical points of interest such as the State Museum and the Railway Museum along with its proximity to Virginia City and Lake Tahoe.

The five primary casinos in Carson City are the Carson Nugget, the Carson Station, the Pinion Plaza The Casino Fandango and Bodines Casino. The economic condition of the gambling industry is usually best measured by changes in gross gaming revenues. However, beginning in 1993, the Gaming Control Board has began reporting gambling revenue for Carson City combined with Douglas County, excluding the South Shore (Lake Tahoe) casino district which makes year-to-year comparisons for Carson City itself impossible. But, the entire area has experienced a slow downward trend in gaming revenue.

Carson City has never been a destination resort, and the hotel room business is considered primarily an adjunct to the casino business. Thus, its fluctuations are not considered significant. A more consistent and generally reliable indicator is the retail sales tax. This indicator is used to measure tourism growth and local growth. The growth in local trade (retail) is a good indicator for Carson City, which is becoming the established trade center for other growing bedroom communities such as Dayton and Gardnerville/Minden in the Carson Valley. On the horizon, the national proliferation of gaming will undoubtedly eventually impact state and local gaming. To date, western Nevada's principal markets of California, Oregon, Washington, and British Columbia remain relatively casino-free. However, even states with limited gambling have seen a proliferation of Indian enterprises on reservation lands. This trend is likely to continue. Another competitive market is Las Vegas. Several mega-resorts have opened recently. However the northern Nevada area may be more competitive in the near future due to downtown expansion in the Reno area and new development in Carson City.

Wholesale/Retail Sales:

Carson City is a regional shopping center for an area containing in excess of 100,000 people. This regional shopping area includes the Eagle Valley, Carson Valley, Dayton, and portions of Washoe Valley. Additional use of the Carson City retail shopping facilities is made by those from the Bishop area, which is south of Carson City, as well as from people in the Fallon area, and a sizable portion of the people living on the southern and eastern shores of Lake Tahoe. Several shopping centers serve the area, in addition to the downtown business core.

The primary retail shopping center is located in the southern portion of Carson City. The major retailers include JC Penney, Osco Drug Sav-On, and Wal-Mart. Mervyn's and Gottschalks have both closed in the last two years. South of the shopping center, Target and Home Depot opened in the 4th quarter of 1999. Also, in

the same area a Costco was opened in the 4th quarter of 2000. The downtown business district has experienced a high vacancy rate and depressed rents for older businesses having limited parking. Many of the older buildings are in only fair condition. This is in large part due to the substantial traffic volume on U.S. Highway 395. Carson City has taken steps to improve the parking situation by purchasing additional property and creating off-street parking in the downtown area. This congestion may be alleviated by the proposed freeway bypass. The first leg of this bypass was completed and opened February 16, 2006. The second leg is scheduled for completion in 2010 and the third and final leg around the east side of Carson City is expected to be completed in 2011.

With the completion of the I-580 segment from the Mt. Rose Highway to Washoe Valley, scheduled for 2010, Carson City will be linked for the first time to the nation's interstate system. The bypass, when completed, should significantly alleviate traffic congestion on the current north-south U.S. 395 route which is not a controlled access through the downtown Carson City core.

Industrial/Manufacturing:

According to the Carson City Chamber of Commerce, Carson City currently has a higher percentage of manufacturing jobs than any other county in the state. Adequate land for industry is currently available in Carson City, but it must compete with the Reno/Sparks industrial areas. Carson City is at a somewhat competitive disadvantage since there is no rail service and only minimal air transportation.

With vacant industrial land remaining in Reno/Sparks, the transportation disadvantage of Carson will continue to impact industrial absorption for years to come, at least relative to large storage and distribution firms. To offset Reno's transportation advantage, Carson City has been focusing its promotional programs towards research and development firms, light manufacturing, and fabricating, which are less dependent on transportation.

Carson City also receives some benefit from nearby industrial centers in Lyon County, notably Moundhouse and Dayton. The former houses small start-up facilities in lowcost buildings; its main appeal is low cost. Dayton houses larger facilities from national or large regional industries.

Incubator office-warehouse units are concentrated both in the airport industrial area and in New Empire, a mixed industrial area at the east edge of Carson on Highway 50. The Shaheen Company of Carson City is the more prominent developer in this area, with the Shaheen North and Shaheen South Business Parks of East College Parkway south of the airport. These projects are typically tilt-up office-

warehouses with suites in increments of 2,500 feet. They have above average architectural amenities, good landscaping, and are well maintained.

Other incubator centers are scattered through the industrial district north of the airport as well. These include the Conestoga and Convair Commerce centers, which are metal frame buildings with storefronts and roll-up doors.

The New Empire incubator district includes both til-up and metal buildings. Quality and rent levels are typical for the area, depending on building quality and condition.

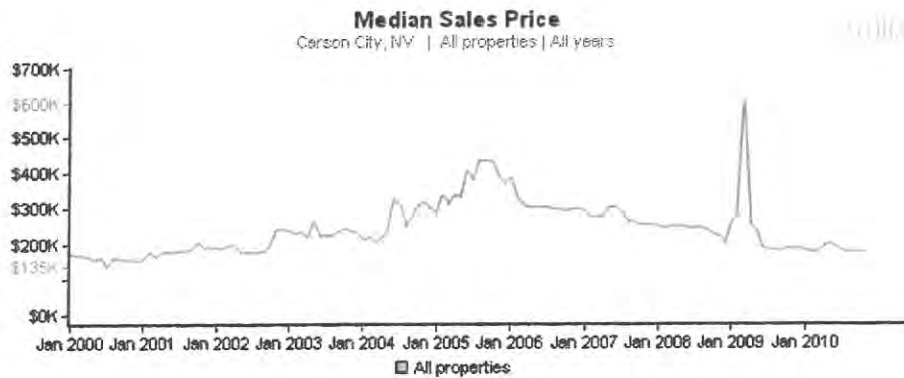
Occupancy is generally fairly weak, but leasing agents report a large drop-off in interest for incubator units in town. Market-wide vacancy is approximately 25%.

Historically, most of the tenants or owners were smaller firms with local origins and clients. These firms usually occupied buildings of 20,000 square feet or less. Recent, relocating firms (mostly from California) are substantially larger, and a moderate level of new construction in the 40,000+ square foot size range is becoming more common-place. These new companies show a definite preference for build-to-suit, owner-occupied facilities. Leases are less common in Carson than they are in Reno. Whereas Reno's industrial neighborhoods are largely occupied by storage and distribution firms, Carson tends to cater more to small manufacturers. Small firms with less than 100 employees tend to be attracted to the quality of life factors and the lower tax climate.

The economic balance in the market sector is fairly diverse considering the city's size. New construction is almost non-existent due to the current poor economy.

HOUSING

The median sales price for homes in Carson City NV for Aug 10, 2010 to Oct 10, 2010 was \$173,250. This represents a decline of 1%, or \$1,750, compared to the prior quarter and a decrease of 5.3% compared to the prior year. Sales prices have depreciated 55.7% over the last 5 years in Carson City. The average listing price for Carson City homes for sale was \$272,958 for the week ending Nov 10, 2010 which represents an increase of 0.3%, or \$911, compared to the prior week and a decline of 2.6%, or \$7,358, compared to the week ending Oct 20, 2010. Average price per square foot for Carson City NV was \$133, an increase of 3.9% compared to the same period last year.



No. Bedrooms	Aug - Oct '10	y-o-y	3 months prior	1 year prior	5 years prior
2 bedrooms	\$171,566	+16.2%	\$67,000	\$147,000	\$310,000
3 bedrooms	\$172,000	+3.0%	\$163,000	\$167,000	\$430,000
4 bedrooms	\$197,300	+1.2%	\$252,500	\$195,000	\$560,000
All properties	\$173,250	-5.3%	\$175,000	\$182,898	\$391,000

CONCLUSION:

Carson City has a number of positive environmental and social factors that contribute to a good quality of life. It is perceived as a desirable bedroom community for Reno and Lake Tahoe workers and executives.

It has in the past attracted a diverse economic mix of light manufacturing and retail concerns. JC Penney has moved adjacent to Wal-Mart. Target and Home Depot opened south of Wal-Mart in the 4th quarter of 1999. Costco opened in the same area in the 4th quarter of 2000. The downtown is anticipated to be revitalized following the construction of a bypass for U.S. Highway 395 out of the downtown area over the next few years. The immigration of relocating manufacturers is likely to continue as long as Nevada maintains an edge in its tax structure and continues to offer affordable housing.

Based on the recent economic troubles of Nevada as well as the Nation, the economic outlook for Carson City is bleak. The unemployment is high, there is no new building of either commercial or residential properties. The saving grace for Carson City as the State pulls out of these poor economic times is the fact that it is the state capital with somewhat of a high demand for government employment. But while the state is also in an economic turndown this employment demand is also at an all time low.

NEIGHBORHOOD DESCRIPTION

The subject is located in far east Carson City, specifically within a steep-walled canyon that extends along the Carson River from Deer Run Road on past the Lyon County border. In modern times, improved properties within this canyon have become rare and are currently limited to an aggregate pit/equipment storage yard operated by the Bertagnolli family and a few public recreation facilities operated by the City (e.g., Carson's shooting ranges). In the distant past, the canyon supported quite a number of gold and silver mills which were operated in conjunction with mines located further to the north. Something in the vicinity of five major mills were located in the canyon, but none have been in operation for well over a century. These mills were most active during the Comstock era (1860s on through the 1880s) and remnants of this era are still common in the canyon. It is also fairly well known that there are various environmental issues associated with this area due to past mineral activities. More specifically, the use of mercury for gold extraction was common during the Comstock era, and mercury contamination is found in the Carson River from Carson City all the way downstream to past Lahontan Reservoir. Portions, if not all, of the river and canyon downstream from Empire have been designated a federal superfund site. The appraiser is not schooled in the field of environmental science, and this report has been prepared under the assumption that there are no environmental cleanup costs associated with the subject. The readers has been urged to research the validity of this assumption to their own satisfaction.

As has been referenced, most of the canyon is undeveloped at present. The river and this region are used primarily by the general public for outdoor recreation. By the time the Carson River reaches this stretch, its waters have warmed and in turn this section of the river does not support much in the way of a trout fishery. The most common recreational pursuits are therefore camping, rock hounding, exploring, off-road vehicle driving, shooting, etc. It is likely that most visitors are unaware that they are actually using private lands as opposed to federal lands. The six major private landowners im the canyon, referenced from the Deer Run bridge downstream, are:

<u>Owner</u>	<u>Acres</u>
Bertagnolli	94± acres
Serpa	405± acres
Carson City	40± acres
V&T Railroad	40± acres
Bently	470± acres
Erickson	626± acres

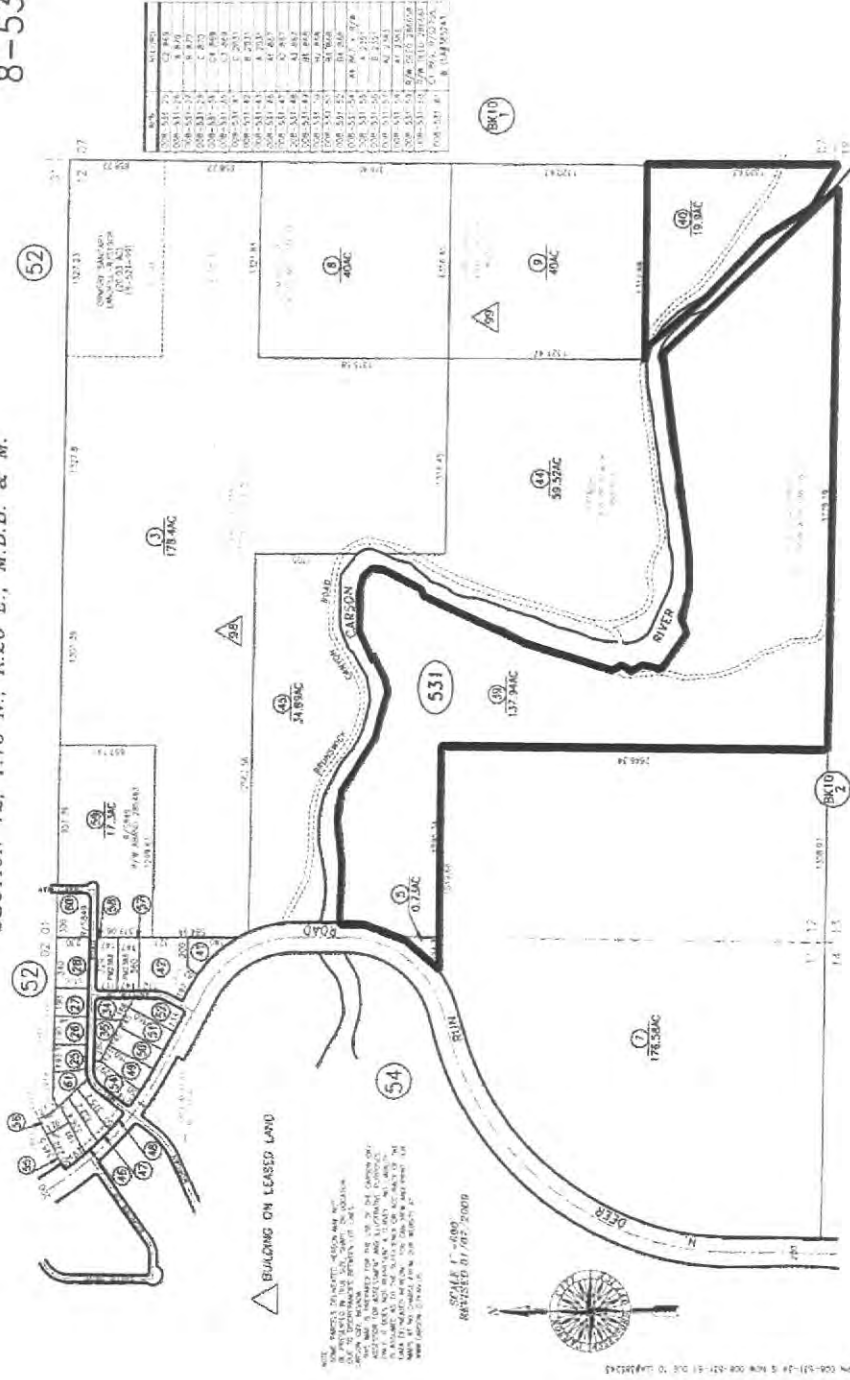
Bertagnollis have owned their tract for over a decade, as have Serpa, Bently, and Carson City. The 40 acres owned by the V&T Railroad Association was purchased in 2003. Most of the lands associated with the Erickson holding were purchased in 1997, and these lands are currently back on the market at an asking price of \$3,594 per acre. To the south of the canyon one encounters a large tract of federal land that extends for miles. Federal lands are also common to the north, at least within ½ to 1 mile of the US Highway 50 corridor.

On the relatively mild bench just to the north of the canyon one encounters a number of public land uses such as Carson City's landfill, in addition to the city's rifle and pistol ranges, etc. More recently, a model airplane park was developed on federal lands via some form of a license or permit. On the south side of the river to the east one encounters Carson City's effluent reservoir. A pipeline off this reservoir extends back into the heart of the city where the treated waters are now used to irrigate golf courses. Along US Highway 50 one encounters a mixed industrial-commercial neighborhood known as Moundhouse. To the east, southeast, and south the rugged and mountainous land remains undeveloped for miles. In this direction, one is extending into the Pine Nuts, a mountain range that has not seen much in the way of urban and/or rural residential development due to the unforgiving nature of the terrain and a preponderance of federal land. What private land is found in the Pine Nuts is now controlled primarily by the Bently Family Limited Partnership, an entity that has exhibited little to no interest in developing its holdings to date. As with the canyon itself, the Pine Nut Mountains are used primarily for outdoor recreation. Resource utilizations of these lands are generally limited to livestock grazing, collecting firewood, and fall pine nut harvests, none of which are capable of generating much in the way of income. Resource issues are no longer a force in the market.

ASSESSOR'S PARCEL MAPS

SECTION 12, T.15 N., R.20 E., M.D.B. & M.

8-53

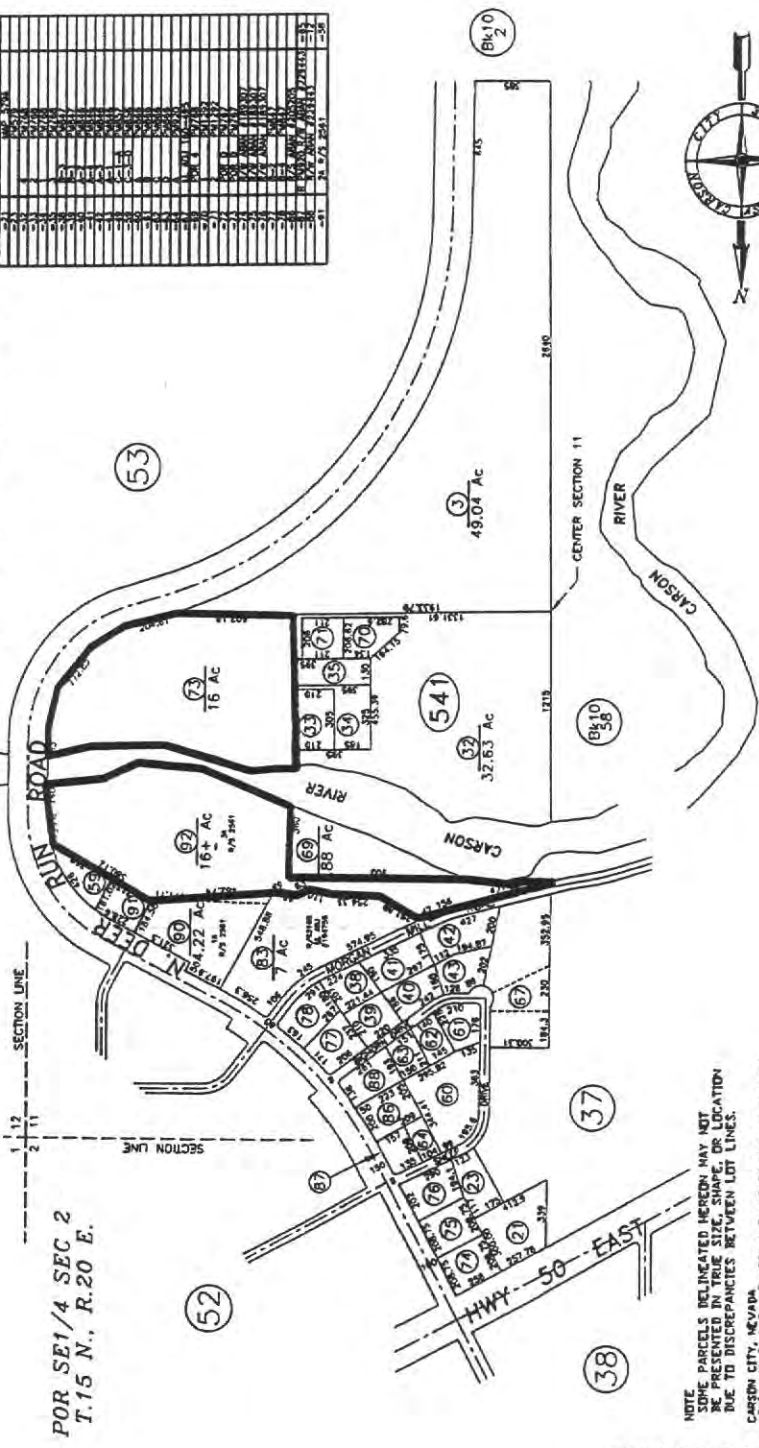


ASSESSOR'S PARCEL MAPS

8-54

PORTION E1/2 SECTION 11
T.15 N., R.20 E., M.D.B. & M.

BLK	ACRES	OWNER	APPROXIMATE VALUE
1	0.10
2	0.10
3	0.10
4	0.10
5	0.10
6	0.10
7	0.10
8	0.10
9	0.10
10	0.10
11	0.10
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94	0.10
95	0.10
96	0.10
97	0.10
98	0.10
99	0.10
100	0.10



NOTE: SOME PARCELS DELINEATED HEREON MAY NOT BE PRESENTED IN TRUE SIZE, SHAPE, OR LOCATION DUE TO DISCREPANCIES BETWEEN LOT LINES.

CARSON CITY, NEVADA

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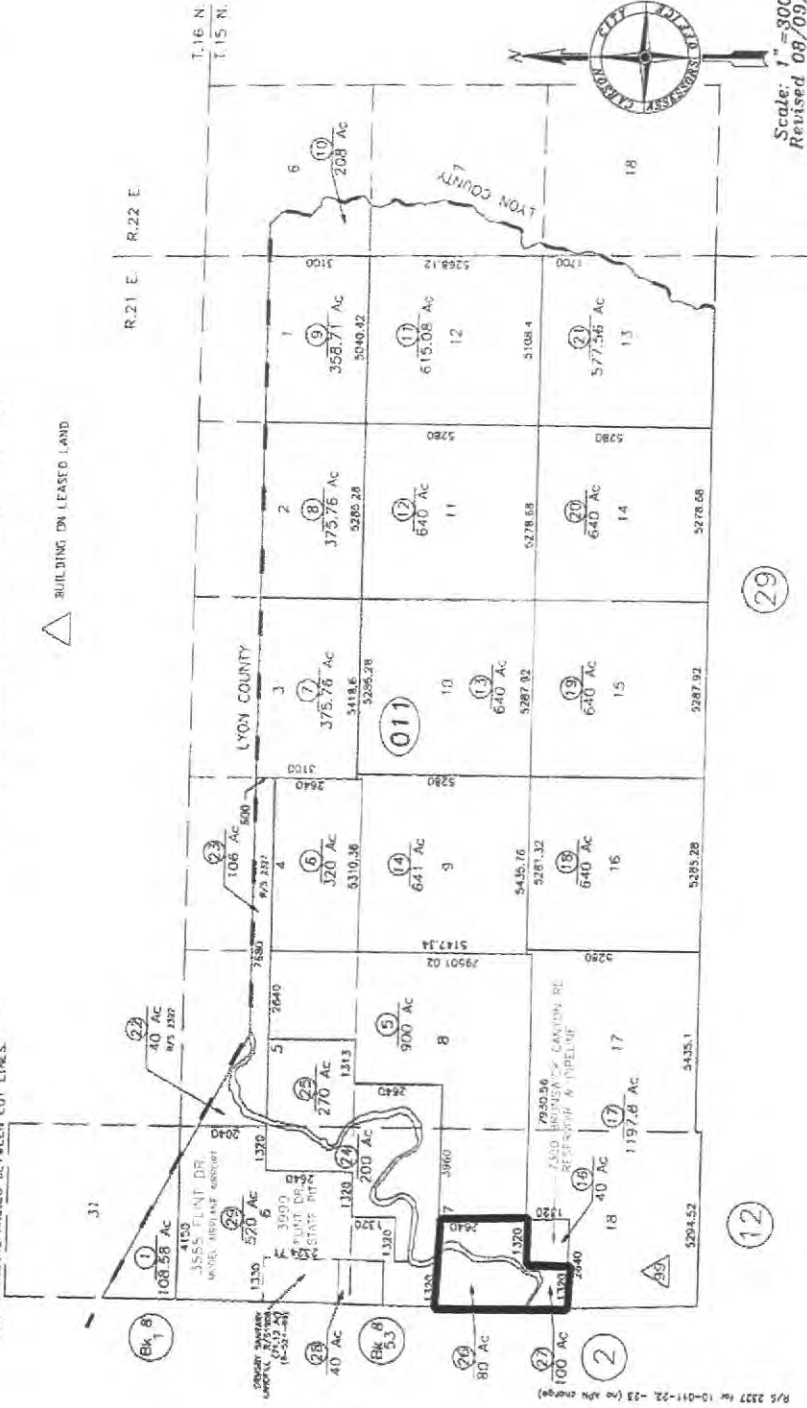
ASSESSOR'S PARCEL MAPS

10-01

PORTIONS T.15 N., R. 21 E.,
T.16 N., R. 21 E. AND
T.15 N., R.22 E., M.D.B. & M.

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NOTE
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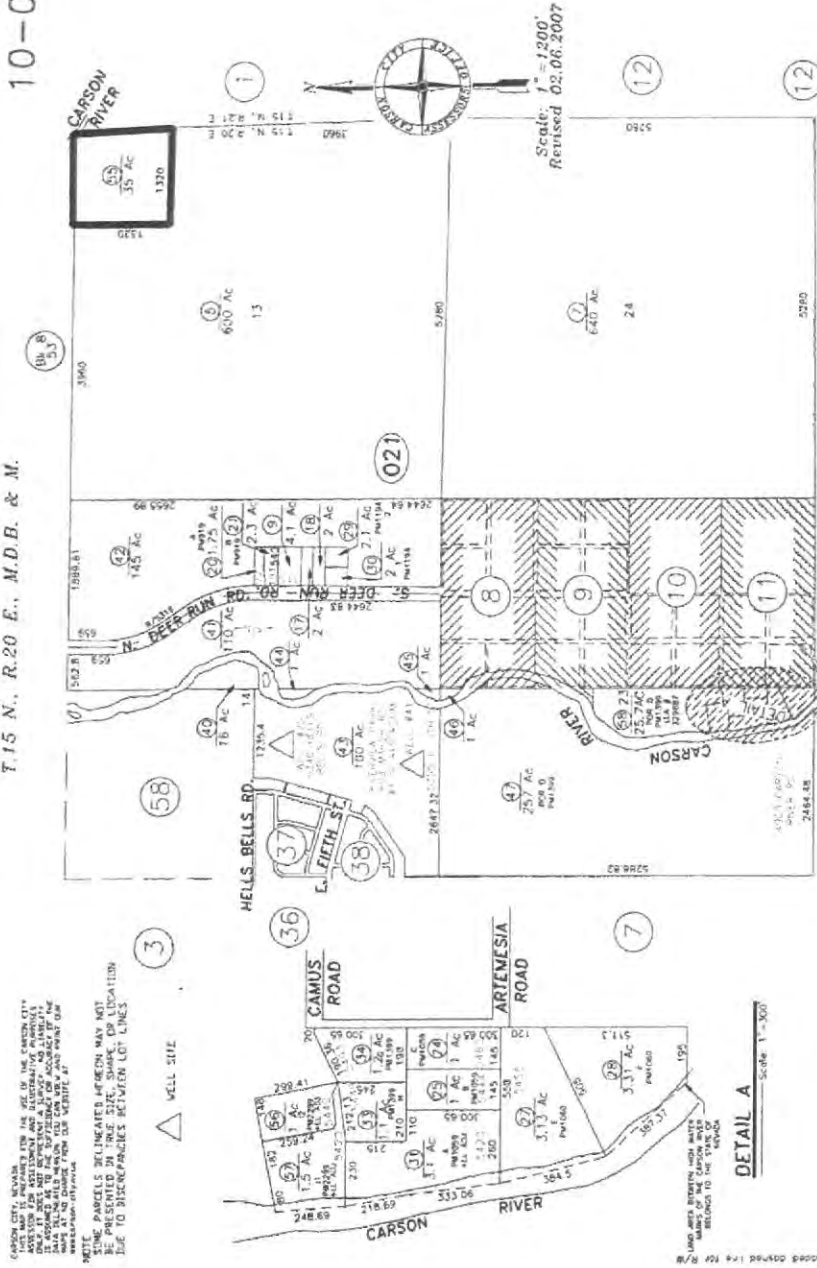


Anthony J. Wren, MAI, SRA
#7421

ASSESSOR'S PARCEL MAPS

10-02

T. 15 N., R. 20 E., M.D.B. & M.

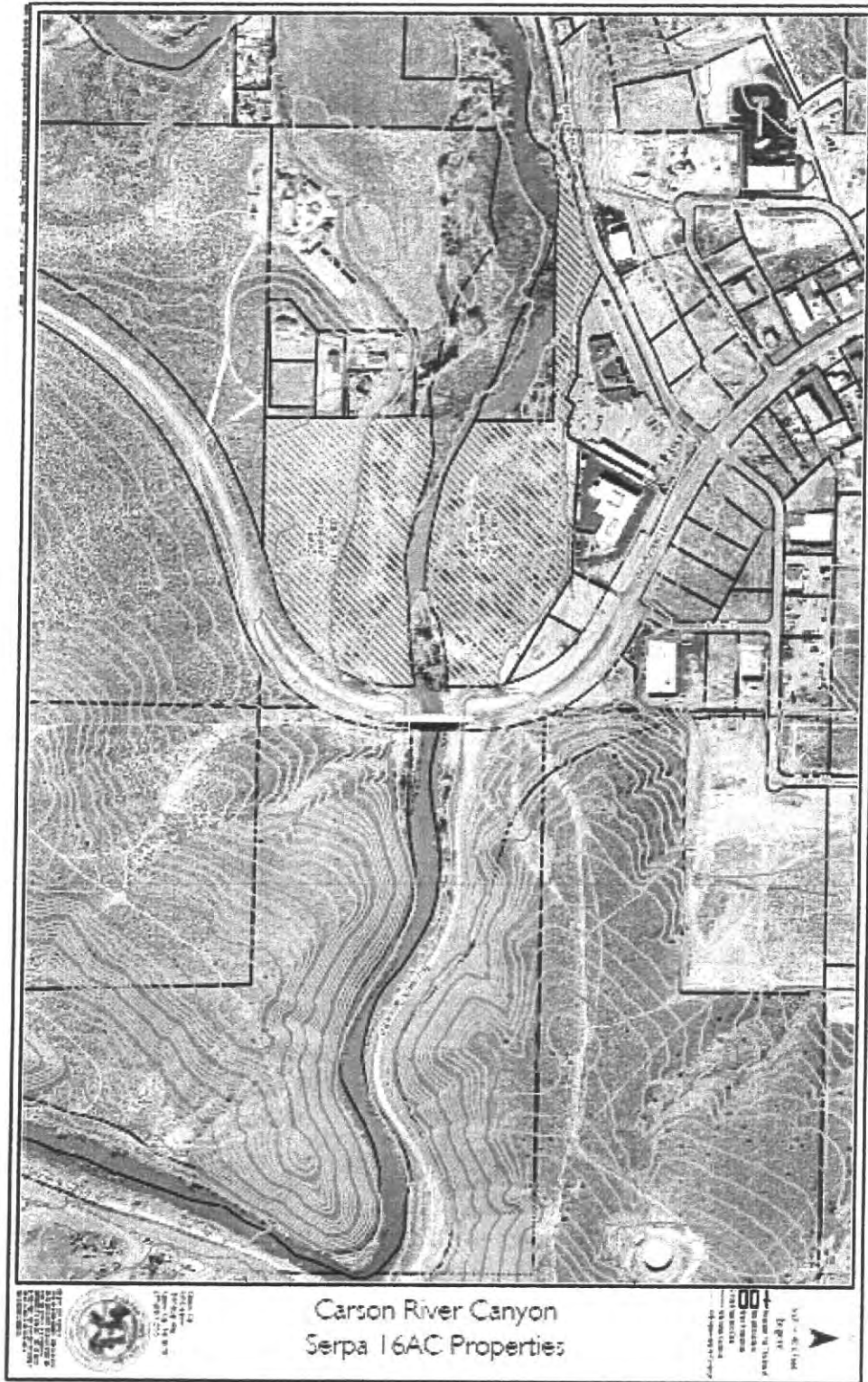


CARSON CITY, NEVADA
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MAP. THE CITY OF THE CARSON CITY IS NOT RESPONSIBLE
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NOTE:
PARCELS BELONGING TO THE CITY OF THE CARSON CITY
ARE PRESENTED IN THIS MAP. SHADING INDICATES
THE CITY OF THE CARSON CITY PARCELS.
DUE TO DISCREPANCIES BETWEEN LOT LINES,
THE CITY OF THE CARSON CITY PARCELS MAY NOT
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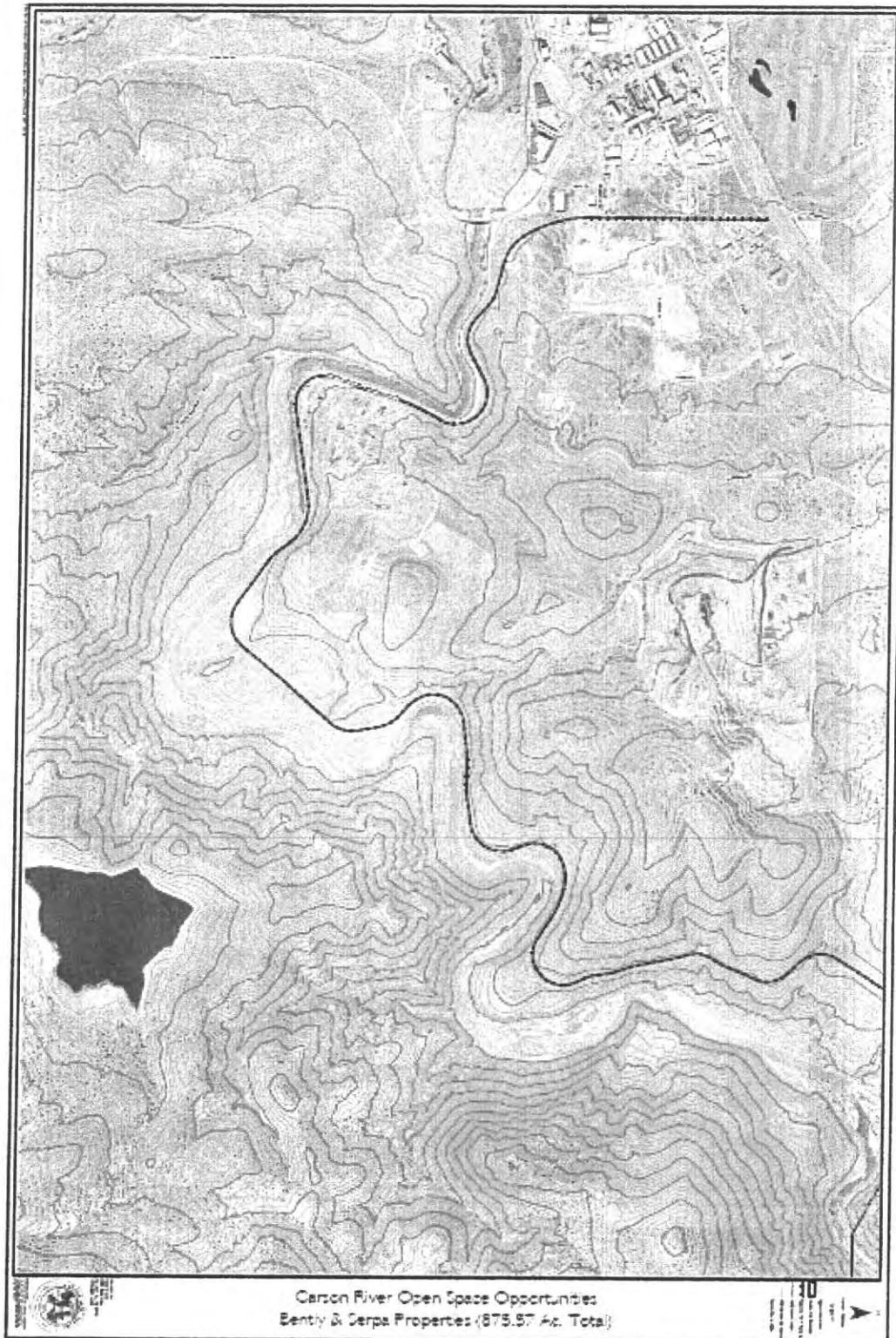
SUBJECT MAP



SUBJECT MAP



SUBJECT MAP



SUBJECT MAP



PROPERTY IDENTIFICATION AND SITE DESCRIPTION

Address Unknown
Property Owner John C. Serpa
Location The subject property is located east/west of Deer Run Road and north/south of the Carson River on the eastern edge of the city of Carson City, Carson City County, Nevada

APN/Land Area

APN	Size
08-531-05	.73± acres
08-531-39	137.94± acres
08-531-40	19.90± acres
08-541-73	16± acres
08-541-92	16± acres
10-011-26	80± acres
10-011-27	100± acres
10-021-55	35± acres
Total Size	405.57± acres

Access

Access to the subject property along its west boundary is approximately 1/8 mile of frontage on Deer Run Road. Deer Run Road is a minor arterial that provides the connecting link between Pinion Hills residential neighborhood and US Highway 50. The road is also used to travel south to Lloyd's Bridge. After crossing the river, this route is known as Carson River Road, which can be traveled to East 5th Street and thereafter to downtown Carson City. For the most part, traffic on this road is limited to locals traveling to and from their homes in Pinion Hills. Deer Run Road is a paved two-lane street that falls within the boundaries of a 200 foot right-of-way. The improved portion of this road is approximately 32 feet in width along the subject's frontage. There do not appear to be any formal encroachment rights-of-way along the subject's Deer Run frontage. At one or two points, off-road vehicles enthusiasts have established trail access points that lead into the property in the adjacent federal land. Although the terrain in the vicinity of these informal driveways is steep, it is

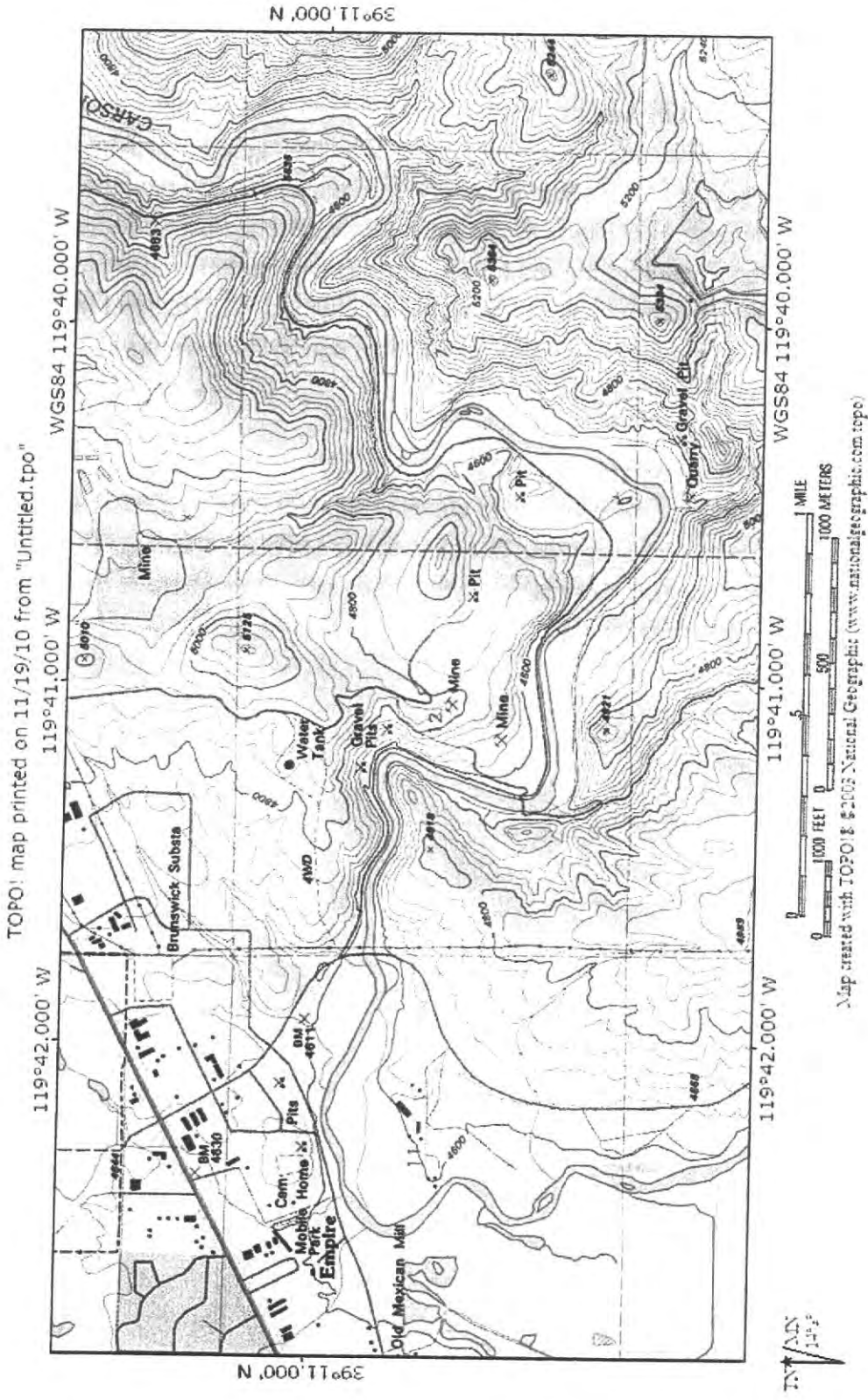
reasonable to assume that one could obtain a formal encroachment to Deer Run Road if or when the need arises. Once leaving Deer Run Road, numerous dirt roads, jeep trails, and all-terrain vehicle routes extend on and through most of the southerly portion of the subject.

The principal means of access to the northern portion of the subject is via the extension of Brunswick Canyon Road that follows along the north side of the river. This route begins at Deer Run Road and extends all the way past the county line to Moundhouse and US Highway 50. After passing Bertagnolli's, the quality of the roadbed deteriorates and the road currently sees no maintenance whatsoever. This unmentioned road is actually following the abandoned V&T Railroad right-of-way, a rail line that was abandoned about 50 years ago but is currently in the process of being revived for tourism purposes.

Site Shape and Dimensions

As discussed, the subject site contains eight identifiable parcel numbers that contain a total of 405.57±acres. The dimensions are quite irregular. The reader is referred to the various parcel maps and other maps found elsewhere in this report to better visualize the subject property

TOPOGRAPHICAL MAP



Topography

According to the preceding Topography Map, approximately 30% of the subject is categorized as mild slopes close to the river along ridgelines, with the balance of the ownership categorized by moderate to steep sloping hillsides. Much of the near level terrain is situated within the boundaries of the 100-year flood plain. The best portion of the property involves the moderate slope area outside the flood plain, the land that is close to Deer Run Road and the Brunswick Canyon Road area.

Easements and Encumbrances

The appraiser has not been supplied with a preliminary title report. The appraiser is unaware of any easements or encumbrances which would have a negative impact on the subject property.

Utilities

As of the date of the appraisal, public water and sewer are not available in the subject neighborhood. Electricity and telephone service is found along the north side of the Brunswick Canyon Road to Bertagnolli's storage. Electricity and telephone service is therefore readily available to the western portion of the property, while municipal water and sewer is not. Another power line extends along the eastern portion of the subject. The line evidently extends to the city's Brunswick Canyon Reservoir.

Environmental Observation

The subject is vacant and located within the ownership of John C. Serpa, encompassing a total area of 405.57±acres. The land is considered to be vacant in nature. There is no indication that the property has been used for industrial uses since the Comstock era. This appraiser has no knowledge of any environmental contamination or hazardous materials of a recent origin. During the Comstock era, the Carson River corridor downstream from Empire was a center of industry. Historical accounts suggest that there were at least five major ore processing mills in the canyon and during this era it was common to use mercury in the gold extraction process. Correspondingly, the Carson River hosts mercury contamination and it appears that at least one gold processing mill, the Merrimac, was located on the subject property itself. Virtually all of the land along the river of this region has been designated a federal superfund site. It has been reported that over the years much of the mercury in the Carson River has become covered with silt and it is questionable

whether it can be removed without enhancing the problem and creating a greater health concern as opposed to simply leaving it in place.

This appraiser is not educated in the field of environmental science and ascertaining the cost of cleanup, remediation, or potential liability on the subject is well beyond the scope of this appraisal assignment. The value being developed in this report assumes the site will not be burdened with any cleanup costs. It is further assumed there would be no market resistance to residential lots due to environmental issues and that the development of the Santa Maria Ranch downstream suggests that this is indeed the case. Other subdivisions in the Dayton area are also fairly clear on this issue., i.e., lack of market resistance. If any of these assumptions are later proven to be correct, however, the right to amend this report accordingly is reserved.

Water Rights

There are no water rights being analyzed or valued within this appraisal assignment.

Flood Zone

The subject property is currently zoned both AE and X as indicated by FEMA Community Panel Number 3200010112E, dated January 16, 2009, and 3200011612E, undated. The area designated AE is within the flood base area with some wetlands close to the Carson River. The area designated X is the steep terrain above the river that is within the area given a 2% chance of annual flooding and is not in a 100-year flood plain (and not within a designated wetland area). The subject property involves steep canyon lands. The flood plain on the property is narrow and well defined. Based on the appraiser's inspection of the property and a review of the FEMA flood insurance rate map, it appears that no more than 10% to 15% of the property falls within the boundary of a 100-year flood plain. Given the subject's low density zoning, the flood zone would not exert material influence on lot yield. However, the flood zone would require consideration relative to placing the streets and homes.

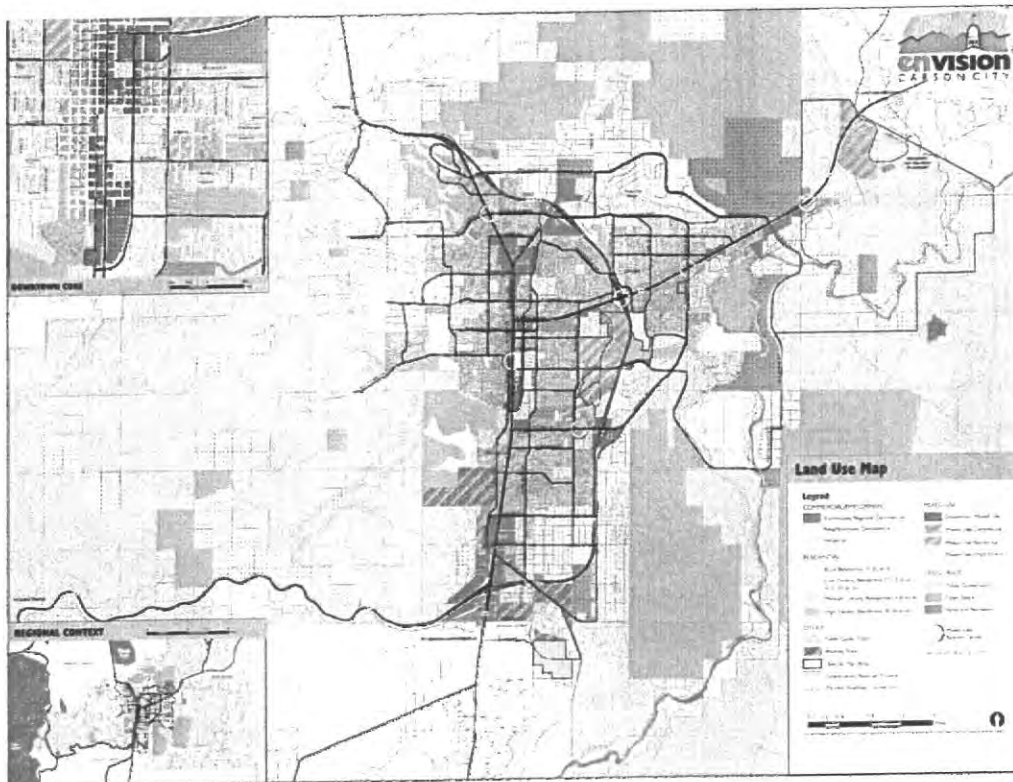
Zoning

The subject property is currently zoned CR, Conservation Reserve, and A, Agricultural Land.

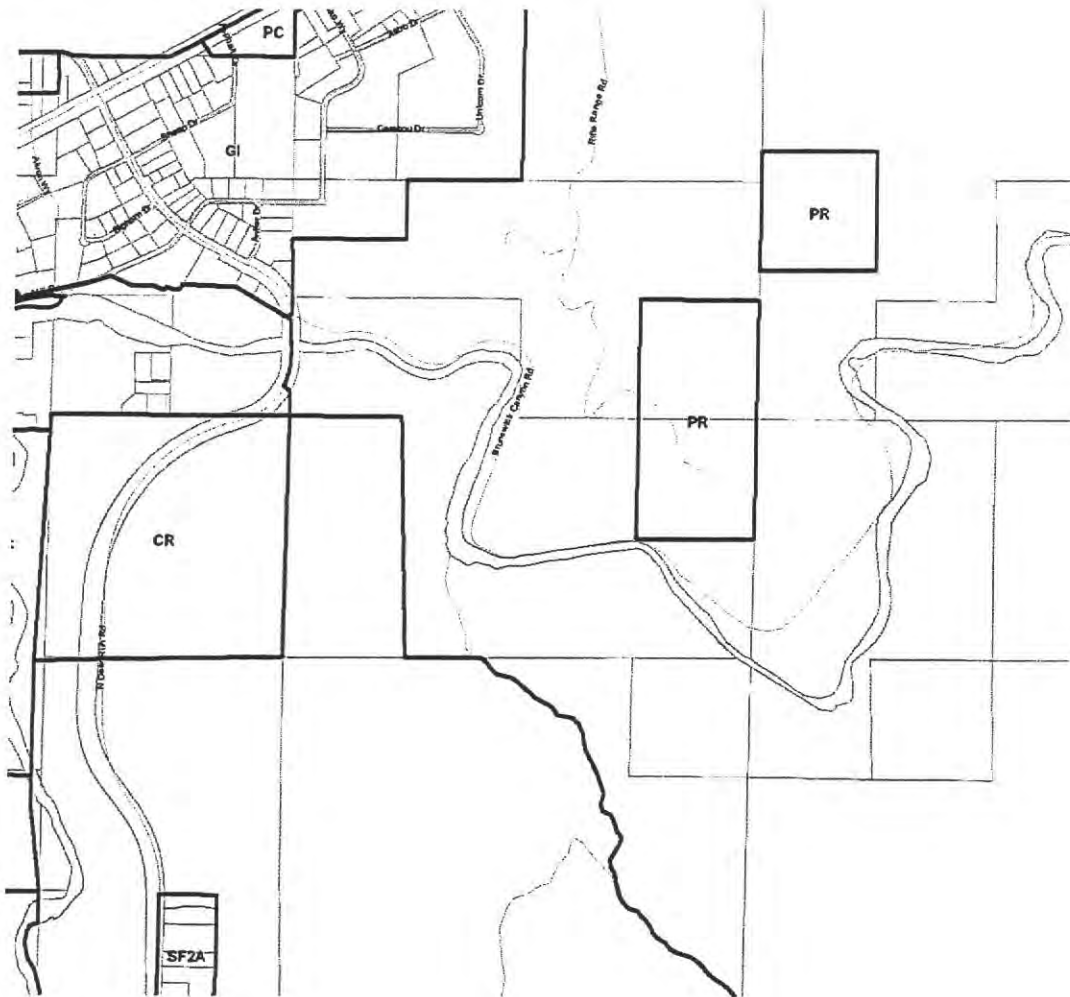
Zoning A, Agricultural Land designation, limits any residential development. With a special use permit, some allowance for 40 acre improvements are allowed.

The CR zoning imposes a minimum site size of 20 acres for the construction of single-family homes. The maximal allowable building height is 40 feet with setbacks being 30 feet to the front, 20 feet to the side, and 30 feet to the rear. The Conservation Reserve zoning is common to most of the rural lands surrounding the development portions of Carson City. The City has applied the zoning to land that suffers from physical constraints and/or that is situated in areas where infrastructure is not readily available. Lands zoned CR are typically used for low density residential uses or as holding acreage investments.

Master Plan Map



Zoning Map



Development Approval/Entitlements None

Current Use Vacant

Assessed Values and Taxes

APN	Total Assessed Value		Improvements	Current Taxes
	2010/2011	2011/2012		
08-531-05	\$639	\$511	0	\$16.66
08-531-39	\$4,813	\$4,138	0	\$129.93
08-531-40	\$3,309	\$2,835	0	\$86.74
08-541-73	\$24,500	\$14,000	0	\$679.49
08-541-92	\$17,500	\$14,000	0	\$679.49
10-011-26	\$7,000	\$7,000	0	\$98.63
10-011-27	\$8,750	\$8,750	0	\$123.27
10-021-55	\$4,165	\$3,063	0	\$45.47

Special Assessments

None

Soil Conditions

The subject property consists of a few different soil types. Along the north side of the subject river, the principal soil is the Nevada-Koontz association, a shallow mixture of loamy sand over bedrock. On the far westerly portion of the subject, which encompasses some of the most developable terrain, there is a mix of Greenbrae gravelly sandy loam, the Devon rock outcrop complex, and the Nevada-Koontz association. The Greenbrae soil is very sandy and is categorized by shallow depth to rock.

Seismic Hazards

According to the current Uniform Building Code, the Carson City area and county falls within a seismic risk zone 3. Zone 3 encompasses areas that have a number of local faults and where there is a relatively strong possibility of moderate seismic activity. Special construction techniques are necessary but these conditions are typical throughout northern Nevada.

Surrounding Uses

The subject property is located in an area that has little or no intensive development in current times. The only improved property in the canyon between

Deer Run Road and the Lyon County border is the Bertagnolli Aggregate Pit Equipment Storage Yard. Slightly to the north of the river corridor on a bluff or plateau one encounters the Carson City landfill, a water tank, and the city's rifle and pistol range. The US Highway 50 corridor further to the north consists of a mix of industrial-commercial uses that are basically concentrated within ½ to 1 mile of the highway. The lands to the south and east of the subject terrain are undeveloped due to the nature of the terrain and the abundance of federal ownership. The federal land in this area is administered by the Carson City District Office of the Bureau of Land Management. To the west of the subject across Deer Run Road are a few single-family homes with the Empire Ranch Golf Course located on the far side of the river. To the northwest there is a small industrial park along Morgan Hill Road that is approximately 50% built out. Approximately a mile to the south of the subject is the heart of the Pinion Hills residential neighborhood. This neighborhood is characterized by a collection of single-family homes on lots that range from 1 to 2 acres in size. Wildlife and waterfowl remain common along the Carson River and in this regard the subject neighborhood continues to exhibit rural atmosphere even though it is located close to the city.

Site Improvements None

Conclusion

The subject site contains 405.57±acres. It is comprised of eight separate identifiable Assessor's Parcel Numbers and is considered to be vacant.

HIGHEST AND BEST USE ANALYSIS

The concept of highest and best use is fundamental to the appraisal process. Generally, land is appraised at its highest and best use as vacant. Highest and best use is a matter of opinion, not a finding of fact. It is based on an analysis of the site's physical attributes, its legal entitlements, and its market environment.

The Appraisal Institute, in its standard text *The Appraisal of Real Estate* defines highest and best use as "the reasonable, probable, and legal use of a vacant land or an improved property which is physically possible, appropriately supported, and results in the highest value.

HIGHEST AND BEST USE AS IF VACANT

Physically Possible

The subject property is an irregular shaped parcel that contains eight identifiable Assessor's Parcel Numbers that total 405.57± acres. Large portions of the property appear to be inaccessible. The subject is situated on both sides of the Carson River which affects development. The topographical map indicates that the more developable portion of the subject involves the mildly sloping lands close to the river in the southwest quarter of Section 7. These lands also involve the portion of the subject that is located the greatest distance from existing infrastructure.

Legally Permissible

The first consideration of the highest and best use of the subject property is the legally permissible uses of a property as if vacant. Primarily, this is directed at the zoning of the property; the covenants, conditions, and restrictions of the property; and the development standards of the subdivision in which the subject property is located.

The subject property is located within the boundaries of Carson City, Carson City County, Nevada, and is subject to their current zoning ordinance. According to representatives of the Zoning Department of Carson City, the subject property is currently zoned both A (Agricultural) and CR (Conservation Reserve). The purpose of the A, Agricultural district is to identify those lands that are used for cattle raising or agricultural purposes. Of the 405.57± acres included in this appraisal, only three parcels, containing 32.73± acres, are zoned A. The purpose of the CR, Conservation Reserve district, is to identify the outlying lands that may be developed in the future with water supplied, roads, schools, sewer, and other public facilities and services