

**Carson City Redevelopment Agency Board  
Agenda Report**

**Date Submitted:** June 25, 2013

**Agenda Date Requested:** July 3, 2013

**Time Requested:** 15 minutes

**To:** Redevelopment Agency Chair and Board Members

**From:** City Manager

**Subject Title:** For Possible Action: Discussion and possible action to recommend to the Board of Supervisors, and approve and authorize the Chair of the Redevelopment Agency Board to execute the Third Amended and Restated Commitment Agreement For Continuing Business Operations with Richard Campagni, which provides that upon the Board of Supervisor's approval of a resolution pursuant to NRS 244.2815(2), the Mayor will execute a grant bargain sale deed to Richard Campagni and thereby transfer 2443 South Curry Street (APN 009-051-19) for the purposes of economic development and resolving a continuing business obligation incentive inequity by the transfer of this land in lieu of reducing Campagni's existing redevelopment loan rate from 5% to 3% to match the rate recently provided to Michael Hohl.

**Staff Summary:** Richard Campagni was the first auto dealer to make a long-term continuing business commitment to Carson City. The City Manager believes there was a moral commitment made by the City that no other auto dealer would obtain a more competitive redevelopment incentive. Of necessity, the economic recession caused a recent reformation of Michael Hohl's continuing business obligation incentive loans, which resulted in Campagni's appeal for a parity concession. Because a reduction of Campagni's existing redevelopment loan rate from 5% to 3% would create an unreasonable cash windfall to Campagni at the expense of the City's general fund, staff believes the transfer of this unproductive improved land that is contiguous to Carson City Toyota to further economic development in the area would be in the best interests of the public, the Redevelopment Agency and the City.

**Type of Action Requested:** (check one)

Resolution

Ordinance

Formal Action/Motion

Other (Specify)

**Does This Action Require A Business Impact Statement:**  Yes  No

**Recommended Board Action:** I move to recommend to the Board of Supervisors, and approve and authorize the Chair of the Redevelopment Agency Board to execute the Third Amended and Restated Commitment Agreement For Continuing Business Operations with Richard Campagni, which provides that upon the Board of Supervisor's approval of a resolution pursuant to NRS 244.2815(2), the Mayor will execute a grant bargain sale deed to Richard Campagni and thereby transfer 2443 South Curry Street (APN 009-051-19) for the purposes of economic development and resolving a continuing business obligation incentive inequity by the transfer of this land in

lieu of reducing Campagni's existing redevelopment loan rate from 5% to 3% to match the rate recently provided to Michael Hohl.

**Explanation for Recommended Board Action:** The Redevelopment Authority's Incentive Program for Redevelopment Project Area No. 2, South Carson Street-Carson Auto Row provides for the use of redevelopment incentives to retain and expand Carson City's auto sales sector. On March 17, 2005, the Board of Supervisors adopted Resolution No. RAR-2, a resolution to allow the Redevelopment Authority/Board of Supervisors to consider, on an individual basis, projects/incentive packages that are clearly designed to secure and stimulate auto sales investment along South Carson Street.

The original auto dealer commitment agreements were negotiated and entered into under market assumptions which have not fully materialized. The recession had unanticipated consequences regarding Michael Hohl's auto dealer businesses and on July 5, 2012 the Redevelopment Authority and the Board of Supervisors approved a consolidation of prior incentive loans with new financing, reducing the loan rate from 5% to 3% on \$4.5 million. This had the unintended consequence of a redevelopment incentive competitive disadvantage, which Richard Campagni and staff seek to rectify.

The proposed transfer of land in lieu of an interest rate reduction to Richard Campagni's redevelopment loan is in the best interests of the public, the Redevelopment Agency and the City because:

- The City's fulfillment of its moral commitment to Richard Campagni, who has committed to maintaining his auto dealerships in Redevelopment Area No. 2 until at least May 14, 2029, will ensure a healthy and productive long-term working relationship with a major business necessary to the fiscal health of Carson City. Auto dealers' sales taxes account for 24% of the City's total General Fund sales tax revenue, with 9% attributed to Richard Campagni's businesses (36% of all auto sales in Carson City during FY 2012 were from Campagni's businesses).
- The reduction of Richard Campagni's Second Amended and Restated Promissory Note of \$3,057,000 (maturing December 31, 2025) from 5% interest to 3% would cause the accelerated principal repayment of the Note from his incentive share of taxes. The Agreement provides "If the [Note] is satisfied before the end of the twenty (20) year period, the Business will receive an incentive of 10 (ten) percent of the City's portion of the sales tax for the twenty (20) year period." Staff estimates this would create a cash windfall to Campagni at the expense of the General Fund in the approximate amount of \$306,000 (for the balance of the note's term) or \$608,000 (retroactive to the note's beginning in 2005).
- The subject transfer property was acquired under threat of condemnation for street right-of-way needs for \$875,000 (above the October 2, 2008 appraised value \$820,000,

including just compensation for the right-of-way). Due to the recession, and the remainder of the property after deductions for right-of-way, the property is now appraised effective January 3, 2013 at \$415,000. The property has physical limitations (parking) and code compliance deficiencies (restrooms) that have prevented serious purchase inquiries during the past 4+ years since the City acquired it.

- Pursuant to NRS 244.290 the property was first offered for re-conveyance back to the prior owner(s), who have rejected the \$811,000 offer, making the property available for this proposed sale or transfer.
- For the foreseeable future this property would remain a non-productive asset of the City. However, the transfer to Richard Campagni: will, pursuant to NRS 244.2815, further economic development by supporting, retaining and expanding an existing commercial enterprise or its facilities; will return it to the tax rolls; and, will contribute to the profitability and resulting sales taxes of his businesses.

**Applicable Statute, Code, Policy, Rule or Regulation: NRS Chapter 279;**

**NRS 244.2815 Sale, lease or disposal of real property of county for redevelopment or economic development; requirements.**

1. A board of county commissioners may sell, lease or otherwise dispose of real property for the purposes of redevelopment or economic development:

- (a) Without first offering the real property to the public; and
- (b) For less than fair market value of the real property.

2. Before a board of county commissioners may sell, lease or otherwise dispose of real property pursuant to this section, the board must:

(a) Except as otherwise provided in subsection 3, obtain an appraisal of the real property pursuant to NRS 244.2795; and

(b) Adopt a resolution finding that it is in the best interest of the public to sell, lease or otherwise dispose of the real property:

- (1) Without offering the real property to the public; and
- (2) For less than fair market value of the real property.

3. The board of county commissioners of a county whose population is less than 45,000 may lease real property pursuant to this section without obtaining the appraisal otherwise required pursuant to subsection 2 if:

- (a) The real property was acquired by the county directly from the Federal Government; and
- (b) The terms and conditions under which the real property was acquired prohibit the sale of the real property and provide for the reversion of the title to the real property to the Federal Government upon demand by the Federal Government.

4. As used in this section:

(a) "Economic development" means:

- (1) The establishment of new commercial enterprises or facilities within the county;
- (2) The support, retention or expansion of existing commercial enterprises or facilities within the county;
- (3) The establishment, retention or expansion of public, quasi-public or other facilities or operations within the county;

(4) The establishment of residential housing needed to support the establishment of new commercial enterprises or facilities or the expansion of existing commercial enterprises or facilities; or

(5) Any combination of the activities described in subparagraphs (1) to (4), inclusive,

to create and retain opportunities of employment for the residents of the county.

(b) "Redevelopment" has the meaning ascribed to it in NRS 279.408.

**Fiscal Impact:** No new funding is required by this amendment. The incentive program is designed and intended to benefit the city through sales tax revenue arising out of continuing auto sales businesses. Transfer below market value is a capital asset loss.

**Explanation of Impact:** This financial incentive will be offset by anticipated long-term sales tax revenue over the 20-year covenant for continuing auto dealership business in Carson City. The real property asset value of the City would decline, but would be offset over time by returning a non-productive asset to the tax rolls of thriving auto sales business.

**Funding Source:** N/A

**Alternatives:** The Board may have material modifications to the Amendment #3 agreement, which may be referred back to staff for additional negotiations.

**Supporting Material:**

- Copy of Third Amended and Restated Commitment Agreement for Continuing Business Operations
- Copy of Amendment #2 (to be replaced by this Amendment #3)
- Copy of Appraisal and letter update

**Prepared By:** Randal R. Munn, Chief Deputy District Attorney

**Reviewed By:** \_\_\_\_\_ Date: \_\_\_\_\_  
 (Department Head)  
*Maryann Woks* \_\_\_\_\_ Date: 6/25/13  
 (City Manager)  
*[Signature]* \_\_\_\_\_ Date: 6/25/13  
 (District Attorney)  
*Wendy A. [Signature]* \_\_\_\_\_ Date: 6/25/13  
 (Finance Director)

**Board Action Taken:**

Motion: \_\_\_\_\_ 1) \_\_\_\_\_ Aye/Nay  
 2) \_\_\_\_\_ \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

\_\_\_\_\_  
(Vote Recorded By)

**THIRD AMENDED AND RESTATED COMMITMENT  
AGREEMENT FOR  
CONTINUING BUSINESS OPERATION**

This THIRD AMENDED AND RESTATED COMMITMENT AGREEMENT FOR CONTINUING BUSINESS OPERATION (the "Agreement") is entered into on this \_\_\_ day of \_\_\_\_\_, 2013, between the CITY OF CARSON CITY, NEVADA (the "City") and the CARSON CITY REDEVELOPMENT AUTHORITY, (the "Authority"), and RICHARD CAMPAGNI, acting in his individual capacity and as President of Carson City Toyota-Scion and Capital Ford and Carson City Hyundai (hereinafter referred to as the "Business").

RECITALS

WHEREAS, the Business operates three auto sales businesses in Carson City, Nevada, including Carson City Toyota-Scion (2590 S. Carson Street) and Capital Ford (3660 S. Carson Street) and Carson City Hyundai (3550 S. Carson Street),

WHEREAS, on March 17, 2005, the Board of Supervisors and the Authority adopted Resolution No.2005-R-12 to implement an Incentive Program for franchised auto dealers as part of the Redevelopment Plan for South Carson Street which authorizes the Authority to provide incentives to businesses in the South Carson Street Redevelopment Project Area No. 2 in order to retain those businesses in Carson City, and to increase new car sales for dealers that are operating in the South Carson Street Redevelopment Area,

WHEREAS, the City and Authority has authorized the execution of commitment agreements with dealers in exchange for long-term commitments from such businesses to continue operation in the South Carson Street Redevelopment Project Area No. 2,

WHEREAS, on or about July 21, 2005, the parties entered into a Commitment Agreement for Continuing Business Operation with regard to the acquisition and development by Business of certain real property located in Carson City that is identified as Assessor's Parcel Number 009-051-10, (the "Property") for the purpose of conducting the new car sales activities of Business,

WHEREAS, the Property is located in the South Carson Street Redevelopment Project Area No. 2, the Business qualifies for the Incentive Program, and the City, Authority and Business entered into the July 21, 2005 Commitment Agreement to implement the Incentive Program,

WHEREAS, pursuant to the July 21, 2005 Commitment Agreement, Business acquired the Property on or about August 12, 2005 and on or about August 14, 2008, a

building permit was issued for the construction of Business' Toyota dealership on the Property,

WHEREAS, on or about November 20, 2008, the parties entered into an Amended and Restated Commitment Agreement for Continuing Business Operation, restating, clarifying and modifying the time periods provided for in the Agreement,

WHEREAS, on or about May 15, 2009, the parties entered into a Second Amended and Restated Commitment Agreement for Continuing Business Operation, restating, clarifying and modifying the terms provided for in the Agreement,

WHEREAS, following approval of the Second Amended and Restated Commitment Agreement, Carson City entered into an Incentive Program commitment agreement with another local automobile dealership providing for an interest rate (3%) that was less than previously provided to Business (5%) and resulted in an appeal for parity;

WHEREAS, the Parties desire to provide Business with parity consideration to account for the interest rate disparity provided by Carson City to the similarly situated Carson City dealership;

WHEREAS, the Parties acknowledge without alteration herein the obsolescence of prior existing agreement language that Carson City would issue Bonds regarding the agreement's financing. Bonds were not issued and all financing to date has been accomplished by other funding sources, and

WHEREAS, the Parties desire to restate and clarify their agreement a third time in order to provide additional parity consideration to Business in lieu of a modification of the applicable interest rate.

NOW, THEREFORE, in consideration of the mutual commitments by the City, Authority and Business, as contained in this Agreement, the Parties agree as follows:

I. INCENTIVE PROVIDED BY CITY AND AUTHORITY

- A. Financial Assistance by City and Authority. The City and Authority will provide financial assistance to the Business in an amount that is not in excess of twenty (20) percent of the Basic City-County Relief Tax and the Supplemental City-County Relief Tax revenue generated by the Business each year for a twenty-year period that starts on January 1, 2006.
  - 1. The City and Authority's financial assistance to the Business shall be used, as described in this Agreement, for the acquisition of the Property on which the Business will conduct its auto sales activity.
  - 2. The City and Authority have reviewed the Business' past records of tax payment, and has determined that the financial assistance

that will be available to the Business under the Incentive Program will be at least the amount that is being pledged in this Agreement, assuming the Business continues to sell new cars at or above the average sales figure for the calendar years 2002, 2003 and 2004. The taxes generated by this average sales volume will be defined as the Base Year Tax Contribution.

- B. Purchase Price for Property. The Business has acquired the Property for a total of Three Million and Six Hundred Thousand Dollars (\$3,600,000.00).
- C. Bonds to be Issued. The City and Authority intend to issue bonds to obtain the funds needed to provide the financial assistance to the Business that is described herein. The City and Authority will diligently pursue the issuance of these bonds upon the execution of this Agreement.
- D. Interim Financing. Until bonds are issued to provide the funds for the Authority and City's financial assistance that is outlined in this Agreement, the City and Authority has provided one half (1/2) of the purchase price for the Property. The Business has completed construction of the new Toyota dealership on the Property and the new location has been operating since March, 2010.
- E. Prevailing Wage. The Business agrees that all work associated with construction of the new Toyota dealership on the Property and for any other project for which funds provided by this incentive are used shall be subject to the provisions of NRS 338.010 to 338.090, inclusive, as required pursuant to NRS 279.500.
- F. Promissory Note. The City and Authority has provided total financial assistance in the amount of Three Million and Six Hundred Thousand Dollars (\$3,600,000.00). In exchange, the Business will execute a Second Amended and Restated Promissory Note for Three Million Fifty Seven Thousand Dollars (\$3,057,000.00), in favor of the City and Authority, and said Note shall be secured by that certain Deed of Trust that was recorded in Carson City on August 12, 2005, as Document Number 341075 against the Property for the total amount of the financial assistance from the City and Authority. The principal amount of the Second Amended and Restated Promissory Note is less than the total financial assistance described above, to compensate Business, in part, for the additional costs associated with having to comply the provisions of the NRS 338.010 to 338.090, inclusive, involving the payment of prevailing wages. The Second Amended and Restated Promissory Note will be repaid as follows:
  - 1. The Second Amended and Restated Promissory Note will include a five percent (5%) interest charge and will be paid in full no later

than December 31, 2025. The annual obligation of the Business to satisfy the Amended and Restated Promissory Note will be calculated based on the new principal amount of the loan amortized over the balance of twenty (20) year term, expiring December 31, 2025.

2. No later than thirty (30) days after the end of each calendar year, a determination will be made by the City and Authority of the actual amount of incentive available in that year. Such determination will be made based on not more than 20% of the Basic City-County Relief Tax and the Supplemental City-County Relief Tax that is paid by the Business in that calendar year.
3. The obligation under the Second Amended and Restated Promissory Note will be reduced each year by the amount that the City and Authority has determined is the amount of incentive that was available in that calendar year.
4. If the Basic City-County Relief Tax and the Supplemental City-County Relief Tax revenue paid by the Business in a calendar year falls below the annual obligation of the Business to satisfy the Second Amended and Restated Promissory Note including accrued interest, as that annual obligation is determined in this Section I.F., the Business must, within thirty (30) days of such a determination, pay the difference in cash, or City and Authority may foreclose on the Deed of Trust to enforce the Second Amended and Restated Promissory Note.
5. When the obligation under the Second Amended and Restated Promissory Note is satisfied by the Business, the City and Authority will execute an Acknowledgment that the Second Amended and Restated Promissory Note has been satisfied, and will release the Deed of Trust that has been recorded against the Business Property. However, such action by the City and Authority will not relieve Business of its Commitment in this Agreement to Continue Business Operations in Carson City for at least twenty (20) years from May 15, 2009, the date of the Second Amended and Restated Agreement. If the Second Amended and Restated Promissory Note is satisfied before the note due date of December 31, 2025, the Business will receive an incentive of 10 (ten) percent of the City's portion of the Basic City-County Relief Tax and Supplemental City-County Relief Tax that is generated by the business each year through the May 14, 2029 completion of the continuing business operations covenant. The base year will be established when the Second Amended and Restated Promissory Note is fully satisfied.



6. As of December 31, 2025, the City and Authority shall determine whether Business has satisfied the obligations under the Second Amended and Restated Promissory Note. If the Second Amended and Restated Promissory Note has not been satisfied, the Business shall pay the full amount of the outstanding obligation under the Second Amended and Restated Promissory Note, or the City and Authority can foreclose on the Business Property as authorized by the Deed of Trust.
- H. Deed of Trust. The City and Authority shall provide financial assistance as provided herein, and Business has executed a Deed of Trust in favor of the City and Authority in order to secure the obligations under this Agreement. Said Deed of Trust has been recorded in the Official Records of Carson City on August 12, 2005, as Document Number 341077.
1. Business agrees that the Deed of Trust executed pursuant to this Agreement will subordinate to another deed of trust and hold second position for security purposes. However, the Deed of Trust recorded pursuant to this Agreement shall only be subordinated to a deed of trust that is executed to secure construction related financing.
  2. Business agrees that the obligations and burdens stated in the Deed of Trust shall include the covenants made in this Agreement, and that those covenants run with the subject land binding future owners of the land to fullest extent permitted by law and equity for the benefit and favor of, and enforceable by, the City and Authority and their successors and assigns for the term of this Third Amended and Restated Agreement.
  3. Reasons for the foreclosure by the City and Authority on the Deed of Trust shall include failure of Business to operate in Carson City until May 14, 2029.
- I. Renegotiation of Commitment Agreements for Non-appropriation: The City and Authority's obligations under this Agreement to provide incentive funds for financial assistance is conditioned upon sufficient funds being collected, distributed and otherwise being made available by state law. As a condition of participation in the program, Business agrees that if for any reason the state law governing Carson City's ability to receive sales tax from new car and vehicle-related sales is amended to withdraw, limit, or impair Carson City's ability to collect those funds, this Commitment Agreement may be renegotiated, in good faith, and Business waives any and all claim(s) for damages that may arise against the City and/or Authority.

- J. 2443 South Curry Street Property: In lieu of reducing the interest rate on the Second Amended and Restated Promissory Note to be consistent with similar incentives recently provided by Carson City and the Authority to companies similar to Business or its designee, pursuant to the conditions required under NRS 244.2815 Carson City has agreed to convey and Business has agreed to accept certain real property located at 2443 South Curry Street in Carson City, Nevada (A.P.N. 009-051-19) (“Property”). Within thirty (30) days of approval of this Third Amended and Restated Commitment Agreement, Carson City shall convey by grant, bargain and sale deed the Property to Business free of liens and encumbrances except those evidenced by a preliminary title report and accepted by Business. Business or its designee, at its discretion and cost, may obtain policy of title insurance in the full amount of the appraised values of the Property from a title insurance selected by Business, subject only to those exceptions disclosed on the preliminary title report and accepted by Business.

II. COMMITMENT PROVIDED BY BUSINESS OF CONTINUING BUSINESS OPERATION

- A. In exchange for financial assistance by the City and Authority for the acquisition of the Property, the Business agrees to make a Commitment for Continuing Business Operations in the South Carson Street Redevelopment Project Area No. 2 until at least May 14, 2029.
- B. As part of this Commitment for Continuing Business Operation, the Business agrees to continue to operate Carson City Toyota-Scion (2590 S. Carson Street), Carson City Hyundai (3550 S. Carson Street), and Capital Ford (3660 S. Carson Street).
- C. Business shall use its best efforts to assure and maintain its existing business activity in Carson City at a greater level of sales until at least May 14, 2029, but may terminate a certain franchise if the Business deems necessary. However, such termination shall not relieve the Business of the other obligations contained in this Third Amended and Restated Agreement.
- D. This Commitment by the Business shall be binding upon any successors in interest to the current Business owners, and shall be disclosed to any potential purchaser of the subject businesses. If the business is sold and the subsequent use remains the same and within the boundaries of South Carson Street Redevelopment Project Area No. 2, this Commitment Agreement shall transfer to the new owner and continue uninterrupted.
- E. Liquidated Damages. In the event Business breaches this Commitment Agreement by relocating any of its business operations outside Carson City, Nevada, the City and Authority shall be entitled to money damages,

to be paid by Business within thirty (30) days of the demand by the City and Authority, as follows:

1. An amount equal to the value of the Basic City-County Relief Tax and the Supplemental City-County Relief Tax revenue that would have been generated by the Business for the twenty-year period that starts on January 1, 2006, minus the Basic City-County Relief Tax and the Supplemental City-County Relief Tax revenue that was generated by the Business and received by the City between January 1, 2006, and the time of the breach.
2. The Basic City-County Relief Tax and the Supplemental City-County Relief Tax revenue that would have been generated by the Business after the breach will be determined by calculating the amount of such tax generated in the last year of performance, and multiplying that tax generation amount by the remaining number of years, or partial years, in the commitment obligation.

### III. GENERAL CONDITIONS

- A. Successors and Assigns. This Agreement shall be binding upon the heirs, successors, and assigns of the parties.
- B. Time is of the Essence. In the event that any date specified in this Agreement falls on Saturday, Sunday or a public holiday, such date shall be deemed to be the succeeding day on which the public agencies and major banks are open for business.
- C. Execution of Additional Documents. In addition to documents and other matters specifically referenced in this Agreement, the Business, City and Authority agree to execute and/or deliver, or cause to be executed and/or delivered such other documents and/or materials, including additional escrow instructions carrying out the terms and conditions of this Agreement, as may be reasonably necessary to effect the transaction contemplated by this Agreement.
- D. Notices and Other Communications. Every notice or other communication required or contemplated by this Agreement by any party shall be in writing delivered either by (a) personal delivery, (b) prepaid overnight delivery service or (c) facsimile addressed to the party for whom intended at the address specified in this Section.

To City and Authority: Carson City Redevelopment Authority  
201 North Carson Street  
Carson City, NV 89703  
Telephone: (775) 887-2100

Facsimile: (775) 887-2286

To Business: Richard Campagni, President  
3660 S. Carson St.  
Carson City, NV 89703  
Telephone: (775) 882-8211  
Facsimile: (775) 882-7819

Notice by overnight delivery service shall be effective on the date it is officially recorded as delivered to the intended recipient. All notices delivered in person or sent by facsimile shall be deemed to have been delivered to and received by the addressees and shall be effective on the date of personal delivery or on the date sent, respectively. Notice not given in writing shall be effective only if acknowledged in writing by a duly authorized representative of the party to whom it was given. Either City and Authority or Business may, by notice to the other given as herein stated, change its address for future notices hereunder.

- E. Assignments. The parties shall have the right to assign this Agreement. Such assignment shall require the prior written approval of each of the Parties. Said approval shall not be unreasonably withheld, conditioned, or delayed.
- F. Governing Law. The validity, construction and enforceability of this Agreement shall be governed in all respects by the law of Nevada applicable to agreements negotiated, executed and performed in Nevada by Nevada residents, whether one or more of the parties shall now be or hereafter become a resident of another state.
- G. Ambiguities in Agreement. Both parties have participated in the drafting of this Agreement and any ambiguities in the language of the Agreement shall not be construed against either party.
- H. Facsimile Transmission of Signatures. All parties to this transaction instruct the agents and the escrow company to accept signatures forwarded herein via fax machine ("Faxed Signatures") to complete this Agreement. The signatures are to be accepted by all as though they were the original signatures. City and Authority and Business agree to forward the original signatures via regular U.S. Mail.
- I. Counterparts. This Agreement may be executed in one or more counterparts, and each counterpart shall constitute an original instrument, but all such counterparts shall only constitute one and the same instrument.

- J. Entire Agreement; Modification; Waiver. This Agreement constitutes the entire agreement between City and Authority and Business pertaining to the subject matter contained in it and supersedes all prior and contemporaneous agreements, representations, and understandings. This Agreement shall survive any close of escrow and/or sale of the subject property and be binding upon the parties, their successors, heirs and/or assigns. No supplement, modification, or amendment of this Agreement shall be binding unless executed in writing by all the parties. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.
- K. Captions. The captions of this Agreement do not in any way limit or amplify the terms and provisions of this Agreement.
- L. Attorney's Fees. In the event of any litigation between the parties hereto arising out of this Agreement, or if one party seeks to judicially enforce the terms of this Agreement, the prevailing party shall be reimbursed for all reasonable costs, including, but not limited to, reasonable attorney's fees.
- M. Severability. Each provision of this Agreement is severable from any and all other provisions of this Agreement. Should any provision(s) of this Agreement be for any reason unenforceable, the balance shall nonetheless be of full force and effect.
- N. Effect of Termination. No termination of this Agreement shall be construed as relieving a party from liability to any other party for breach of this Agreement.
- O. Discrimination. Business agrees not to discriminate on the basis of race, color, creed, national origin, sex, age, disability, or any other legally protected class in the sale, lease, rental, use or occupancy of the subject property or any improvements made to the subject property.
- P. Authority.
1. If either Party hereto is a governmental entity, corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Agreement on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Agreement on its behalf. Each party shall, within thirty (30) days after request, deliver to the other party satisfactory evidence of such authority.

2. If this Agreement is executed by more than one person or entity as a party to this Agreement, each such person or entity shall be jointly and severally liable hereunder. It is agreed that any one of the named Parties shall be empowered to execute any amendment to this Agreement, or other document ancillary thereto and bind all of the named Parties.

Q. Indemnification. Business agrees to indemnify and hold harmless the City and Authority, its successors, assigns, agents, contractors, employees, and attorneys from any and all liability, loss or damage City and Authority may suffer as a result of claims, demands, costs or judgments as a result of the Business' ownership of the Property that is secured by the Deed of Trust.

R. Replacement of May 15, 2009 Second Amended and Restated Commitment Agreement. This Third Amended and Restated Commitment Agreement is meant to and hereby does amend and fully replace the May 15, 2009 Second Amended and Restated Commitment Agreement, described above.

IN WITNESS WHEREOF, the Authority, City and Business have executed this Agreement on the date first above written.

**CITY OF CARSON CITY, NEVADA:**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**Individually and on behalf of Carson City Toyota, Carson City Hyundai and Capital Ford**

**CARSON CITY REDEVELOPMENT AUTHORITY:**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**BUSINESS:**

By: \_\_\_\_\_  
**Richard Campagni**

**SECOND AMENDED AND RESTATED COMMITMENT  
AGREEMENT FOR  
CONTINUING BUSINESS OPERATION**

This SECOND AMENDED AND RESTATED COMMITMENT AGREEMENT FOR CONTINUING BUSINESS OPERATION (the "Agreement") is entered into on this day, \_\_\_ of \_\_\_\_\_, 2009, between the CITY OF CARSON CITY, NEVADA (the "City") and the CARSON CITY REDEVELOPMENT AUTHORITY, (the "Authority"), and RICHARD CAMPAGNI, acting in his individual capacity and as President of Carson City Toyota-Scion and Capital Ford-Mazda-Hyundai (hereinafter referred to as the "Business").

RECITALS

WHEREAS, the Business operates three auto sales businesses in Carson City, Nevada, including Carson City Toyota-Scion (3659 S. Carson Street) and Capital Ford-Mazda-Hyundai (3550 & 3660 S. Carson Street),

WHEREAS, on March 17, 2005, the Board of Supervisors and the Authority adopted Resolution No.2005-R-12 to implement an Incentive Program for franchised auto dealers as part of the Redevelopment Plan for South Carson Street which authorizes the Authority to provide incentives to businesses in the South Carson Street Redevelopment Project Area No. 2 in order to retain those businesses in Carson City, and to increase new car sales for dealers that are operating in the South Carson Street Redevelopment Area,

WHEREAS, the City and Authority has authorized the execution of commitment agreements with dealers in exchange for long-term commitments from such businesses to continue operation in the South Carson Street Redevelopment Project Area No. 2,

WHEREAS, on or about July 21, 2005, the parties entered into a Commitment Agreement for Continuing Business Operation with regard to the acquisition and development by Business of certain real property located in Carson City that is identified as Assessor's Parcel Number 009-051-10, (the "Property") for the purpose of conducting the new car sales activities of Business,

WHEREAS, the Property is located in the South Carson Street Redevelopment Project Area No. 2, the Business qualifies for the Incentive Program, and the City, Authority and Business entered into the July 21, 2005 Commitment Agreement to implement the Incentive Program,

WHEREAS, pursuant to the July 21, 2005 Commitment Agreement, Business acquired the Property on or about August 12, 2005 and on or about August 14, 2008, a

building permit was issued for the construction of Business' Toyota dealership on the Property,

WHEREAS, on or about November 20, 2008, the parties entered into an Amended and Restated Commitment Agreement for Continuing Business Operation, restating, clarifying and modifying the time periods provided for in the Agreement, and

WHEREAS, the Parties desire to restate and clarify their agreement a second time in order to specifically provided for compliance with certain statutory provisions and for modification of Business' financial obligations to the City and the Authority.

NOW, THEREFORE, in consideration of the mutual commitments by the City, Authority and Business, as contained in this Agreement, the Parties agree as follows:

I. INCENTIVE PROVIDED BY CITY AND AUTHORITY

A. Financial Assistance by City and Authority. The City and Authority will provide financial assistance to the Business in an amount that is not in excess of twenty (20) percent of the Basic City-County Relief Tax and the Supplemental City-County Relief Tax revenue generated by the Business each year for a twenty-year period that starts on January 1, 2006.

1. The City and Authority's financial assistance to the Business shall be used, as described in this Agreement, for the acquisition of the Property on which the Business will conduct its auto sales activity.

2. The City and Authority has reviewed the Business' past records of tax payment, and has determined that the financial assistance that will be available to the Business under the Incentive Program will be at least the amount that is being pledged in this Agreement, assuming the Business continues to sell new cars at or above the average sales figure for the calendar years 2002, 2003 and 2004. The taxes generated by this average sales volume will be defined as the Base Year Tax Contribution.

B. Purchase Price for Property. The Business has acquired the Property for a total of Three Million and Six Hundred Thousand Dollars (\$3,600,000.00).

C. Bonds to be Issued. The City and Authority intend to issue bonds to obtain the funds needed to provide the financial assistance to the Business that is described herein. The City and Authority will diligently pursue the issuance of these bonds upon the execution of this Agreement.



- D. Interim Financing. Until bonds are issued to provide the funds for the Authority and City's financial assistance that is outlined in this Agreement, the City and Authority has provided one half (½) of the purchase price for the Property. The Business agrees to act diligently in an effort to complete construction of the new Toyota dealership on the Property by December 31, 2009.
- E. Prevailing Wage. The Business agrees that all work associated with construction of the new Toyota dealership on the Property and for any other project for which funds provided by this incentive are used shall be subject to the provisions of NRS 338.010 to 338.090, inclusive, as required pursuant to NRS 279.500.
- F. Promissory Note. The City and Authority has provided total financial assistance in the amount of Three Million and Six Hundred Thousand Dollars (\$3,600,000.00). In exchange, the Business will execute a Second Amended and Restated Promissory Note for Three Million Fifty Seven Thousand Dollars (\$3,057,000.00), in favor of the City and Authority, and said Note shall be secured by that certain Deed of Trust that was recorded in Carson City on August 12, 2005, as Document Number 341075 against the Property for the total amount of the financial assistance from the City and Authority. The principal amount of the Second Amended and Restated Promissory Note is less than the total financial assistance described above, to compensate Business, in part, for the additional costs associated with having to comply the provisions of the NRS 338.010 to 338.090, inclusive, involving the payment of prevailing wages. The Second Amended and Restated Promissory Note will be repaid as follows:
1. The Second Amended and Restated Promissory Note will include a five percent (5%) interest charge and will be paid in full no later than December 31, 2025. The annual obligation of the Business to satisfy the Amended and Restated Promissory Note will be calculated based on a three million fifty seven thousand dollars (\$3,057,000) loan that is amortized over twenty (20) years.
  2. No later than thirty (30) days after the end of each calendar year, a determination will be made by the City and Authority of the actual amount of incentive available in that year. Such determination will be made based on the Basic City-County Relief Tax and the Supplemental City-County Relief Tax that is paid by the Business in that calendar year. The first such determination will be made no later than thirty (30) days after December 31, 2006.

3. The obligation under the Second Amended and Restated Promissory Note will be reduced each year by the amount that the City and Authority has determined is the amount of incentive that was available in that calendar year.
  4. If the Basic City-County Relief Tax and the Supplemental City-County Relief Tax revenue paid by the Business in a calendar year falls below the annual obligation of the Business to satisfy the Second Amended and Restated Promissory Note including accrued interest, as that annual obligation is determined in Section E.1, the Business must, within thirty (30) days of such a determination, pay the difference in cash, or City and Authority may foreclose on the Deed of Trust to enforce the Second Amended and Restated Promissory Note.
  5. When the obligation under the Second Amended and Restated Promissory Note is satisfied by the Business, the City and Authority will execute an Acknowledgment that the Second Amended and Restated Promissory Note has been satisfied, and will release the Deed of Trust that has been recorded against the Business Property. However, such action by the City and Authority will not relieve Business of its Commitment in this Agreement to Continue Business Operations in Carson City for at least twenty (20) years from the date of this Second Amended and Restated Agreement. If the Second Amended and Restated Promissory Note is satisfied before the end of the twenty (20) year period, the Business will receive an incentive of 10 (ten) percent of the City's portion of the sales tax for the twenty (20) year period. The base year will be established when the Second Amended and Restated Promissory Note is fully satisfied.
  6. After twenty years, the City and Authority shall determine whether Business has satisfied the obligations under the Second Amended and Restated Promissory Note. If the Second Amended and Restated Promissory Note has not been satisfied, the Business shall pay the full amount of the outstanding obligation under the Second Amended and Restated Promissory Note, or the City and Authority can foreclose on the Business Property as authorized by the Deed of Trust.
- G. Deed of Trust. The City and Authority shall provide financial assistance as provided herein, and Business has executed a Deed of Trust in favor of the City and Authority in order to secure the obligations under this Agreement.

1. Business agrees that the Deed of Trust executed pursuant to this Agreement will subordinate to another deed of trust and hold second position for security purposes. However, the Deed of Trust recorded pursuant to this Agreement shall only be subordinated to a deed of trust that is executed to secure construction related financing.
2. Business agrees that the obligations and burdens stated in the Deed of Trust shall include the covenants made in this Agreement, and that those covenants run with the subject land binding future owners of the land to fullest extent permitted by law and equity for the benefit and favor of, and enforceable by, the City and Authority and their successors and assigns for the term of this Second Amended and Restated Agreement.
3. Reasons for the foreclosure by the City and Authority on the Deed of Trust shall include failure of Business to operate in Carson City for twenty (20) years from the date of this Second Amended and Restated Agreement.

H. Renegotiation of Commitment Agreements for Non-appropriation: The City and Authority's obligations under this Agreement to provide incentive funds for financial assistance is conditioned upon sufficient funds being collected, distributed and otherwise being made available by state law. As a condition of participation in the program, Business agrees that if for any reason the state law governing Carson City's ability to receive sales tax from new car and vehicle-related sales is amended to withdraw, limit, or impair Carson City's ability to collect those funds, this Commitment Agreement may be renegotiated, in good faith, and Business waives any and all claim(s) for damages that may arise against the City and/or Authority.

## II. COMMITMENT PROVIDED BY BUSINESS OF CONTINUING BUSINESS OPERATION

- A. In exchange for financial assistance by the City and Authority for the acquisition of the Property, the Business agrees to make a Commitment for Continuing Business Operations in the South Carson Street Redevelopment Project Area No. 2 for a period of not less than twenty (20) consecutive years from the date of this Second Amended and Restated Agreement.

- B. As part of this Commitment for Continuing Business Operation, the Business agrees to continue to operate Carson City Toyota-Scion (3659 S. Carson Street), Carson City Mazda-Hyundai (3550 S. Carson Street), and Capital Ford (3660 S. Carson Street).
- C. Business shall use its best efforts to assure and maintain its existing business activity in Carson City at a greater level of sales for not less than twenty (20) consecutive years from the date of this Second Amended and Restated Agreement, but may terminate a certain franchise if the Business deems necessary. However, such termination shall not relieve the Business of the other obligations contained in this Second Amended and Restated Agreement.
- D. This Commitment by the Business shall be binding upon any successors in interest to the current Business owners, and shall be disclosed to any potential purchaser of the subject businesses. If the business is sold and the subsequent use remains the same and within the boundaries of South Carson Street Redevelopment Project Area No. 2, the Commitment Agreement transfers to the new owner and continues uninterrupted.
- E. Liquidated Damages. In the event Business breaches this Commitment Agreement by relocating any of its business operations outside Carson City, Nevada, the City and Authority shall be entitled to money damages, to be paid by Business within thirty (30) days of the demand by the City and Authority, as follows:
1. An amount equal to the value of the Basic City-County Relief Tax and the Supplemental City-County Relief Tax revenue that would have been generated by the Business for the twenty-year period that starts on January 1, 2006, minus the Basic City-County Relief Tax and the Supplemental City-County Relief Tax revenue that was generated by the Business and received by the City between January 1, 2006, and the time of the breach.
  2. The Basic City-County Relief Tax and the Supplemental City-County Relief Tax revenue that would have been generated by the Business after the breach will be determined by calculating the amount of such tax generated in the last year of performance, and multiplying that tax generation amount by the remaining number of years, or partial years, in the commitment obligation.

III. GENERAL CONDITIONS

- A. Successors and Assigns. This Agreement shall be binding upon the heirs, successors, and assigns of the parties.
- B. Time is of the Essence. In the event that any date specified in this Agreement falls on Saturday, Sunday or a public holiday, such date shall be deemed to be the succeeding day on which the public agencies and major banks are open for business.
- C. Execution of Additional Documents. In addition to documents and other matters specifically referenced in this Agreement, the Business, City and Authority agree to execute and/or deliver, or cause to be executed and/or delivered such other documents and/or materials, including additional escrow instructions carrying out the terms and conditions of this Agreement, as may be reasonably necessary to effect the transaction contemplated by this Agreement.
- D. Notices and Other Communications. Every notice or other communication required or contemplated by this Agreement by any party shall be in writing delivered either by (a) personal delivery, (b) prepaid overnight delivery service or (c) facsimile addressed to the party for whom intended at the address specified in this Section.

To City and Authority: Carson City Redevelopment Authority  
201 North Carson Street  
Carson City, NV 89703  
Telephone: (775) 887-2100  
Facsimile: (775) 887-2286

To Business: Richard Campagni, President  
3660 S. Carson St.  
Carson City, NV 89703  
Telephone: (775) 882-8211  
Facsimile: (775) 882-7819

Notice by overnight delivery service shall be effective on the date it is officially recorded as delivered to the intended recipient. All notices delivered in person or sent by facsimile shall be deemed to have been delivered to and received by the addressees and shall be effective on the date of personal delivery or on the date sent, respectively. Notice not given in writing shall be effective only if acknowledged in writing by a duly authorized representative of the party to whom it was given. Either

City and Authority or Business may, by notice to the other given as herein stated, change its address for future notices hereunder.

- E. Assignments. The parties shall have the right to assign this Agreement. Such assignment shall require the prior written approval of each of the Parties. Said approval shall not be unreasonably withheld, conditioned, or delayed.
- F. Governing Law. The validity, construction and enforceability of this Agreement shall be governed in all respects by the law of Nevada applicable to agreements negotiated, executed and performed in Nevada by Nevada residents, whether one or more of the parties shall now be or hereafter become a resident of another state.
- G. Ambiguities in Agreement. Both parties have participated in the drafting of this Agreement and any ambiguities in the language of the Agreement shall not be construed against either party.
- H. Facsimile Transmission of Signatures. All parties to this transaction instruct the agents and the escrow company to accept signatures forwarded herein via fax machine ("Faxed Signatures") to complete this Agreement. The signatures are to be accepted by all as though they were the original signatures. City and Authority and Business agree to forward the original signatures via regular U.S. Mail.
- I. Counterparts. This Agreement may be executed in one or more counterparts, and each counterpart shall constitute an original instrument, but all such counterparts shall only constitute one and the same instrument.
- J. Entire Agreement; Modification; Waiver. This Agreement constitutes the entire agreement between City and Authority and Business pertaining to the subject matter contained in it and supersedes all prior and contemporaneous agreements, representations, and understandings. This Agreement shall survive any close of escrow and/or sale of the subject property and be binding upon the parties, their successors, heirs and/or assigns. No supplement, modification, or amendment of this Agreement shall be binding unless executed in writing by all the parties. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.
- K. Captions. The captions of this Agreement do not in any way limit or amplify the terms and provisions of this Agreement.

- L. Attorney's Fees. In the event of any litigation between the parties hereto arising out of this Agreement, or if one party seeks to judicially enforce the terms of this Agreement, the prevailing party shall be reimbursed for all reasonable costs, including, but not limited to, reasonable attorney's fees.
- M. Severability. Each provision of this Agreement is severable from any and all other provisions of this Agreement. Should any provision(s) of this Agreement be for any reason unenforceable, the balance shall nonetheless be of full force and effect.
- N. Effect of Termination. No termination of this Agreement shall be construed as relieving a party from liability to any other party for breach of this Agreement.
- O. Discrimination. Business agrees not to discriminate on the basis of race, color, creed, national origin, sex, age, disability, or any other legally protected class in the sale, lease, rental, use or occupancy of the subject property or any improvements made to the subject property.
- P. Authority.
1. If either Party hereto is a governmental entity, corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Agreement on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Agreement on its behalf. Each party shall, within thirty (30) days after request, deliver to the other party satisfactory evidence of such authority.
  2. If this Agreement is executed by more than one person or entity as a party to this Agreement, each such person or entity shall be jointly and severally liable hereunder. It is agreed that any one of the named Parties shall be empowered to execute any amendment to this Agreement, or other document ancillary thereto and bind all of the named Parties.
- Q. Indemnification. Business agrees to indemnify and hold harmless the City and Authority, its successors, assigns, agents, contractors, employees, and attorneys from any and all liability, loss or damage City and Authority may suffer as a result of claims, demands, costs or judgments as a result of the Business' ownership of the Property that is secured by the Deed of Trust.

R. Replacement of November 20, 2008 Amended and Restated Commitment Agreement. This Second Amended and Restated Commitment Agreement is meant to and hereby does amend and fully replace the November 20, 2008 Amended and Restated Commitment Agreement, described above.

IN WITNESS WHEREOF, the Authority, City and Business have executed this Agreement on the date first above written.

**CITY OF CARSON CITY, NEVADA:**

By: \_\_\_\_\_

Its: \_\_\_\_\_

**CARSON CITY REDEVELOPMENT  
AUTHORITY**

By: \_\_\_\_\_

Its: \_\_\_\_\_

**BUSINESS:**

By: \_\_\_\_\_

**Richard Campagni**

**Individually and on behalf of Carson  
City Toyota, Carson City Mazda-  
Hyundai and Capital Ford**



\$3,057,000.00

Carson City, Nevada

May 15, 2009

**SECOND AMENDED AND RESTATED PROMISSORY NOTE**

This Second Amended and Restated Promissory Note is made by RICHARD CAMPAGNI, acting in his individual capacity and as President of Carson City Toyota-Scion and Capital Ford-Mazda-Hyundai (hereinafter collectively referred to as "CAMPAGNI"), with reference to the following facts:

A. On or about August 12, 2005, CAMPAGNI executed a promissory note promising to pay to the order of CARSON CITY, a political subdivision of the State of Nevada, and CARSON CITY REDEVELOPMENT (collectively "Holder"), the principal stated sum of THREE MILLION SIX HUNDRED THOUSAND DOLLARS (\$3,600,000.00) in accordance with the terms of said promissory note ("Original Promissory Note").

B. In or about January, 2009, CAMPAGNI and Holder executed a promissory note promising to pay to the order of CARSON CITY, a political subdivision of the State of Nevada, and CARSON CITY REDEVELOPMENT (collectively "Holder"), the principal stated sum of THREE MILLION SIX HUNDRED THOUSAND DOLLARS (\$3,600,000.00) for the purpose of modifying the term of the Original Promissory Note ("Amended and Restated Promissory Note").

B. By the terms of this document, CAMPAGNI desires to amend and restate the Amended and Restated Promissory Note and Holder desires to consent to said amendment and

restatement for the purpose of modifying the principal amount of the Original Promissory Note and the Amended and Restated Promissory Note as provided for herein.

FOR VALUE RECEIVED, CAMPAGNI promises to pay to Holder, or at the option of the legal holder of this note, at such other place as legal holder shall designate in writing, as outlined in the Second Amended and Restated Commitment Agreement that was executed by the parties, or as specified herein and in said Second Amended and Restated Commitment Agreement, in incentive credits, coin or currency, the sum of THREE MILLION FIFTY SEVEN DOLLARS (\$3,057,000.00). Said funds shall be repaid based on the following terms:

1. The annual obligation of CAMPAGNI to satisfy this Promissory Note shall be calculated based a calendar year and on a THREE MILLION FIFTY SEVEN DOLLARS (\$3,057,000.00) loan, amortized over a twenty (20) year period. No later than thirty (30) days after the end of each calendar year, a determination will be made by the City and Authority of the actual amount of incentive available in that year. Such determination will be made based on the Basic City-County Relief Tax and the Supplemental City-County Relief Tax that is paid by the Business in that calendar year.

a. This note shall bear interest at the rate of five percent (5%). This interest rate shall only apply to the portion of the loan that has been funded by the City and Authority.

b. This note shall be paid in full no later than December 31, 2025.

2. This Second Amended and Restated Promissory Note is secured by that certain Deed of Trust that was recorded in Carson City on August 12, 2005, as Document Number

341075.  
7

3. Notwithstanding the foregoing, the obligation owing under this note shall be reduced, as outlined by the Amended and Restated Commitment Agreement that was executed by the parties, each year by an amount that the City and Authority determine is the amount of Incentive that is available under Carson City's Incentive Program in that calendar year. The City and Authority shall determine the amount of the incentive no later than thirty (30) days after the end of each calendar year, and the first such calculation was to occur no later than thirty (30) days after December 31, 2005. Such determination will be based on the Basic City-County Relief Tax and the Supplemental City-County Relief Tax that is paid by CAMPAGNI in that calendar year, as outlined in said Commitment Agreement.

4. However, if the Basic City-County Relief Tax and the Supplemental City-County Relief Tax revenue paid by CAMPAGNI in a calendar year falls below the annual obligation of CAMPAGNI to satisfy this note, then CAMPAGNI must pay the difference in cash to the City and Authority within thirty (30) days of such a determination. If CAMPAGNI fails to pay the difference in such a case under these circumstances, then the City and Authority may foreclose on the Deed of Trust to enforce this note.

5. When this note is satisfied in full, the parties hereto agree to execute an Acknowledgment that the terms of this note have been satisfied. The Deed of Trust will then be released against the property.

6. After twenty years, the City and Authority shall determine whether the terms of this note have been satisfied in full. If this note has not been satisfied after twenty years, then CAMPAGNI shall pay the outstanding obligation on this note, or the City and Authority can foreclose on the property as authorized under the Deed of Trust.

7. In the event the CAMPAGNI sells, conveys or alienates the property described in the Deed of Trust securing this note, or contracts to sell, convey or alienate; or is divested of title or interest in any other manner, whether voluntarily or involuntarily without the written approval of the City and Authority being first obtained, the City and Authority shall have the right to declare the entire unpaid principal balance due and payable in full, upon written demand and notice, irrespective of the maturity date expressed herein.

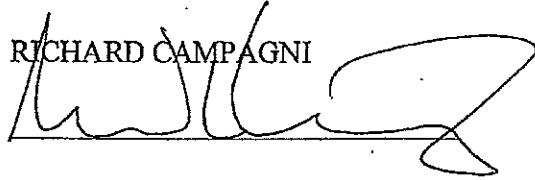
8. CAMPAGNI promises and agrees that in the event he shall make a general assignment for the benefit of creditors or be adjudged bankrupt, or shall be in default in the making of any payments of principal or interest hereunder, then upon the happening of any one of such events, the whole sum of principal shall become due and payable although the time of maturity as expressed in this promissory note shall not have arrived.

9. CAMPAGNI promises and agrees, in case any suit or legal or equitable action is instituted to collect this note, or any portion thereof, to pay all costs and expenses and attorney's fees in said suit or action, the same to be included in any judgment obtained on this Note.

10. CAMPAGNI severally waives presentment for payment, demand, notice, protest and notice of protest, diligence and nonpayment of this note, and all defenses on the ground of any extension of time of payment that may be given by the holder or holders to them or either of them and/or any other defenses which they or either of them might or could have.

11. Holder, by execution of this Second Amended and Restated Promissory Note hereby consents to the amendment and restatement of the Original Promissory Note and Amended and Restated Promissory Note described above, as provided for herein.

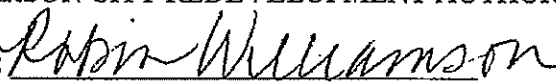
12. This Amended and Restated Promissory Note is meant to and hereby does amend and fully replace the Original Promissory Note and the Amended and Restated Promissory Note, described above.

RICHARD CAMPAGNI  


Consent by Holder:

CARSON CITY  
By: 

Its:

CARSON CITY REDEVELOPMENT AUTHORITY  
By: 

Its

**JOHNSON~PERKINS & ASSOCIATES, INC.**  
REAL ESTATE APPRAISERS & CONSULTANTS

Main Office: 295 Holcomb Avenue, Suite 1 ■ Reno, Nevada 89502 ■ Telephone (775) 322-1155  
Lake Tahoe Office: P.O. Box 11430 ■ Zephyr Cove, Nevada 89448 ■ Telephone (775) 588-4787  
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Karen K. Sanders  
Gregory D. Ruzzine  
Chad Gerken

January 9, 2013

Ms. Kim Belt  
Purchasing & Contracts Manager  
Carson City Department of Finance  
201 North Carson Street, Suite 3  
Carson City, Nevada 89701

Mr. Patrick Pittenger, AICP, PTP  
Transportation Manager  
Carson City Public Works Department  
3505 Butti Way  
Carson City, Nevada 89701

Re: Updated Appraisal of 2443 South Curry Street, Carson City, Nevada  
A.P.N. 009-051-19

Dear Ms. Belt and Mr. Pittenger:

This is in response to your request for an updated appraisal regarding the property located at 2443 South Curry Street, Carson City, Nevada. The subject property is further described as Carson City Assessor's Parcel Number 009-051-19. The subject property is improved with a 7,200± square foot industrial-commercial building. The property is currently owned by Carson City.

On December 13, 2010, we prepared a summary appraisal of the Market Value of the subject property's fee simple estate as of November 22, 2010. This updated appraisal involves an effective date of valuation of January 3, 2013 and is an addendum to our original report. This supplemental letter is intended to be used in conjunction with the initial appraisal, as a result, much of the descriptive information and valuation analysis set forth in the original report will not be repeated in this updated analysis.

The intended use of this letter is to estimate the Market Value of the subject property's fee simple estate, as of the current date of value. The intended users of the appraisal report include Carson City and their designated representatives. The updated appraisal will be utilized to assist the client in establishing a value for possible sale of the property. Any other use of this appraisal report requires the written authorization of these appraisers.

This is an updated appraisal report that is intended to comply with the Advisory Opinion 3 (AO-3) of the *Uniform Standards of Professional Appraisal Practice*. In an updated appraisal analysis, the appraiser addresses any changes in market conditions and the status of the subject since the effective date of the original appraisal, and analyzes the effect of these changes in arriving at a current value opinion for the subject property.

This updated appraisal report has been prepared in accordance with the Assumptions and Limiting Conditions as set forth in the original appraisal report.

The subject property is located in the southwest portion of Carson City. The subject is situated approximately one block west of South Carson Street which is a major commercial corridor. Commercial development along South Carson Street includes a number of freestanding commercial uses as well as neighborhood shopping centers. Further north along South Carson Street there are several automotive dealers. Within the past three years, a new Toyota, a new Subaru and new Honda dealership facilities have been constructed along South Carson Street south of Rhodes Street. In addition, the GMC dealership facility has undergone a major remodel. It is noted that the new development along South Carson Street has made this area more desirable and is attracting more retailers including some who have relocated from the north end of Carson Street. These include the Subaru and Honda dealerships noted above, as well as Big Five Sporting Goods. Burlington Coat Factory, Big Lots and Kohl's are in the same shopping center as Big 5 and are new to south Carson City. An Olive Garden restaurant was completed in the early part of 2012 along South Carson Street in the same

center as the Burlington Coat Factory. An Auto Zone Store and a new Discount Tire store were recently constructed along South Carson Street.

Overall, the development is varied consisting of additional automotive dealerships including Hyundai, Ford, GMC/Chevrolet, and the Dodge and Jeep dealerships, various service oriented commercial and retail uses and public facilities.

The subject site was inspected on January 3, 2013. Based upon our physical inspection of the subject property, it appears to be physically unchanged from our original date of valuation. A current review of the zoning, master plan and flood zone for the subject indicates that the status of the property in regards to these factors is also unchanged as our original date of valuation of November 22, 2010. It is noted that the subject property was unoccupied as of our original date of valuation and continues to sit idle.

As discussed in our original appraisal report, the land area for the subject parcel, at 36,413± Square Feet (.836± Acres), has been provided by Manhard Consulting LTD and is assumed to be correct. It is noted that the land area as depicted on the Carson City Assessor's Parcel Map is .988± acres which differs from that calculated by the engineers at Manhard Consulting and is felt to be incorrect.

Set out following is a summary of salient facts for the subject as of a current date of valuation of January 3, 2013.



**SUMMARY OF SALIENT FACTS AND IMPORTANT CONCLUSIONS**

<b>Property Type</b>	Light Industrial Building
<b>Location</b>	2443 South Curry Street, Carson City, Nevada
<b>Legal Description</b>	A portion of the West 1/2 of the Southwest 1/2 of Section 20, Township 15 North, Range 20 East, M.D.B.&M.
<b>Assessor's Parcel Number</b>	009-051-19
<b>Owner of Record</b>	Carson City
<b>Zoning</b>	GC (General Commercial)
<b>Master Plan</b>	MUC (Mixed Use Commercial)
<b>Land Area</b>	36,413± Square Feet (.836± Acres)
<b>Flood Zone</b>	"A"
<b>FEMA Map Number</b>	3200010094E
<b>Effective Date</b>	January 16, 2009
<b>Improvements:</b>	
<b>Building Type</b>	Light Industrial Building
<b>Year Built</b>	1957/1982
<b>Construction</b>	Concrete Block
<b>Gross Building Area</b>	7,200± Square Feet
<b>Condition</b>	Average
<b>Estimated Finished Area</b>	1,422± Square Feet (19.75% of the GBA)
<b>Land-to-Building Ratio</b>	5.06:1
<b>Highest and Best Use</b>	Continued use of the subject improvements for secondary commercial or industrial-commercial utilizations
<b>Type of Report</b>	Updated Appraisal Report
<b>Completion Date of Report</b>	January 9, 2013
<b>Effective Date of Valuation</b>	January 3, 2013

### **UPDATED VALUATION ANALYSIS**

In our original appraisal, we utilized the Income and Sales Comparison Approaches to Value to establish the Market Value of the subject property. The Income Approach to Value is based upon the principal that value is created by the anticipation of future benefits. The Sales Comparison Approach is based upon the principal of substitution, which holds that the value of a property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability.

In the final property value correlation and conclusion, the indications of value from the various approaches utilized are then correlated to arrive at the appraisers' final estimate of the Market Value of the subject's fee simple estate, as of a current date of valuation.

### **UPDATED INCOME APPROACH TO VALUE DIRECT CAPITALIZATION ANALYSIS**

The first step in the Income Approach to Value is to project the gross annual income that the subject property can be reasonably expected to produce as of the effective date of valuation. The potential gross annual income will be established through a direct comparison and analysis of the rental rates being generated by competing properties.

To establish an indication of the market rental rate which the subject property would reasonably be expected to generate, a number of industrial-commercial building rentals in the Carson City area were surveyed. For the purposes of this updated analysis, the market rental projection for the subject property is based upon NNN lease terms.

**COMPARABLE INDUSTRIAL-COMMERCIAL BUILDING RENTAL CHART**

<b>Rental Number</b>	<b>A.P.N. Tenant Address</b>	<b>Year Built Construction Condition</b>	<b>Building Area Leased Percent Office Land-to-Building Ratio</b>	<b>Expenses</b>	<b>Rent Per Square Foot</b>
BR-1	016-164-28 TDS Company 27 Bruce Way, Moundhouse, Lyon County	1998 Metal Average	9,000± SF 7% 5.86:1	Modified Gross	\$.35
BR-2	016-424-05 Electronics Assembly Facility 19 PPF Way, Moundhouse, Lyon County	1998 Metal Average	8,760± SF 23% 3.29:1	Modified Gross	\$.35
BR-3	003-064-12 Tile Outlet 1440 S. Curry Street, Carson City	1997 Metal Average	6,600± SF 50% 4.49:1	Modified Gross	\$.53
BR-4	004-053-03 Sierra La Bone Pet Supplies 880 S. Stewart Street, Carson City	1983 Masonry Fair to Average	3,480± SF 100% 3.88:1	Modified Gross	\$.57
BR-5	008-816-09 Multi-Tenant Industrial 5055 Metric Way, Carson City	1990 Concrete Tilt-up Average	4,307± SF Small Office/Reception Area 2.91:1*	NNN	Asking \$.40
BR-6	008-814-04 Multi-Tenant Industrial 3000 Conestoga Drive, Carson City	1982 Concrete Tilt-up Average	6,700± SF 45% 4.27:1*	Modified Gross Tenant Pays Electric, Gas	Asking \$.40
BR-7	003-063-05 Free Standing Shop Building 1356 S. Carson Street, Carson City	1974 Concrete Block Average	7,534± SF 30% 2.71:1	NNN	Asking \$.50
<b>Subject</b>	<b>009-051-19 Free Standing Showroom/Warehouse Building 2443 S. Curry Street, Carson City</b>	<b>1957/1982 Concrete Block Average</b>	<b>7,200± SF 19.75% 5.06:1</b>	<b>NNN</b>	<b>---</b>

\*Multi-Tenant or Multi-Building Project

**COMPARABLE RENTAL PHOTOGRAPHS**



**RENTAL BR-1  
27 BRUCE WAY, MOUNDHOUSE**



**RENTAL BR-2  
19 PFF WAY, MOUNDHOUSE**

**COMPARABLE RENTAL PHOTOGRAPHS**



**RENTAL BR-3  
1440 S. CURRY STREET, CARSON CITY**



**RENTAL BR-4  
880 S. STEWART STREET, CARSON CITY**



**COMPARABLE RENTAL PHOTOGRAPHS**



**RENTAL BR-5**  
**5055 METRIC WAY, CARSON CITY**



**RENTAL BR-6**  
**3000 CONESTOGA DRIVE, CARSON CITY**

**COMPARABLE RENTAL PHOTOGRAPHS**



**RENTAL BR-7**  
**1356 S. CARSON STREET, CARSON CITY**

### **Market Rent Analysis**

The rents set out on the preceding chart range from \$0.35 per square foot per month to \$0.57 per square foot per month. The comparable building rentals range in size from 3,480± to 9,000± square feet, as compared to the subject at 7,200± square feet. As previously noted, the market rent estimated for the subject property will be projected based upon NNN terms.

In comparison to the subject Rentals BR-1 and BR-2, at \$.35 per square foot per month, are considered to be low indicators of an appropriate market rent for the subject primarily due to their remote locations in the Moundhouse area and inferior type of construction.

Rentals IR-2 and IR-7 are located in the immediate subject neighborhood. Rental IR-3, at \$.53 per square foot per month is considered a high indicator primarily due to its higher percentage of finished space and modified gross lease terms. Rental BR-7, at \$.50 per square foot per month is considered a high indicator primarily due to its South Carson Street frontage and as this comparable is an asking rent. It is noted that, at the time of our inspection, a new tenant was moving into this space. Although we have made inquiries into the actual rent achieved, no information has been forthcoming from the listing broker/owner.

Rental IR-4 is the Sierra la Bone Pet Supplies located at 880 South Stewart Street. This comparable, at \$.57 per square foot per month, is considered a high indicator of an appropriate rental rate for the subject due to its modified gross lease terms, much smaller size and as it includes 100% finished space.

Rentals IR-5 and IR-6 are both located in multi-tenant buildings in the Carson City Airport industrial submarket area. The asking rent for each of these comparables is \$.40 per square foot per month. Each of these comparables is considered to be a low indicator for the subject primarily due to the subject's superior location in South Carson City less than one



block west of South Carson Street. The subject is also considered superior as it is a freestanding building with a large yard area.

With consideration given to the analysis set out above, it is our opinion that the market rental rate applicable to the subject is \$.45 per square foot per month on triple net terms.

### **Vacancy and Credit Loss Analysis**

The potential gross annual rental income estimate is based upon 100% occupancy. As it is not reasonable to expect the property to generate 100% of its potential gross income over a typical holding period, certain allowances must be made for future vacancies as well as for normal credit losses.

To estimate an appropriate vacancy and credit loss for the subject, we have reviewed the *2011 Carson City State of the Market* study as presented by Coldwell Banker Commercial Premier Brokers. As of the 2<sup>nd</sup> Quarter (most recent available) the industrial submarket vacancy was report at 11.4%. It was further reported that the amount of vacant industrial space has declined sharply in recent months. In order to ascertain an appropriate vacancy and credit loss allowance for the subject we have also conducted interviews with commercial brokers familiar with the Carson City industrial market. It was the generally consensus that the average vacancy has continued to decline and that the current average vacancy is in the range of 10%. Based upon an analysis of the available data, an allowance for vacancy and credit loss for the subject, for a typical holding period, has been projected at 10% of the potential gross annual income.

### **Operating Expense Analysis**

The projected market rent for the subject assumes triple net lease terms, in which the tenant of the property would be responsible for operating expenses. Although the tenant would be responsible for a majority of the operating expenses associated with the property, a prudent investor in a property such as the subject would still deduct some allowance for

miscellaneous expenses, which would include a reserve for major structural repairs, ownership professional expenses, and miscellaneous expenses and administrative fees. Within the market, a typical expense projection associated with triple net properties is 5% of effective gross annual income. Therefore, we have estimated an allowance for miscellaneous operating expenses in the amount of 5.00% of the effective gross annual income.

**Overall Capitalization Rate Analysis**

The next step in the Income Approach is to establish an estimate of an appropriate overall capitalization rate for the subject property. Capitalization is the process in the Income Approach that translates an income projection into an indication of value. The connecting link is a rate that reflects the return necessary to attract investment capital.

To establish an indication of an appropriate overall capitalization rate applicable to the subject properties, an analysis of comparable building sales was conducted.

**OVERALL CAPITALIZATION RATES**

<b>A.P.N. Location</b>	<b>Sale Date Sale Price</b>	<b>OAR</b>
008-072-21 4770 Convair Drive, Carson City	02/26/2010 \$325,000	7.58%*
008-125-05 & 06 3650-3656 Research Way Multi-tenant Industrial-Commercial, Carson City	10/21/2011 \$710,000	9.00%
034-112-13 John Deere 955 Greg Street, Sparks, Washoe County	04/25/2012 \$850,000	8.78%
034-262-12 East Sparks Industrial Submarket Capurro Trucking, Manufacturing Building, 955 Deming Way, Sparks, Washoe County	07/11/2012 \$1,600,000	7.87%*
016-181-29 42 Carry Way, Moundhouse, Lyon County	11/11/2012 \$460,757	6.00%**
008-816-38 Industrial Building 5070 Sigstrom Drive, Carson City	Current Listing 01/03/2013 \$1,425,000	7.43%*
008-816-36 Industrial Building 5200 Sigstrom Drive, Carson City	Current Listing 01/03/2013 \$1,400,000	7.74%*

\*Based on Estimated Income (Asking Rent) & Expenses

\*\*Per Broker's Proforma

In arriving at an estimate of the appropriate overall capitalization rate applicable to the subject property, consideration is given to its average quality of construction, its average condition, older age and overall desirability. Although the subject has a secondary commercial location, it does offer a corner location and is less than one block west of South Carson Street.

Based upon a review of the available data and with consideration given to the analysis as set forth above, it is our opinion that an appropriate overall capitalization rate applicable to the projected net operating income for the subject property would be 8.00%.

Set forth following is a summary and indicated value of the subject property by the Direct Capitalization Approach to Value, as of a current date of valuation.

**UPDATED INCOME APPROACH  
DIRECT CAPITALIZATION SUMMARY AND VALUE INDICATION**

Potential Gross Annual Income (7,200± SF x \$.45 x 12 months)	\$38,880
Less Vacancy and Credit Loss (10%)	( <b>\$3,888</b> )
Effective Gross Annual Income	\$34,992
Less Operating Expenses (5%)	( <b>\$1,750</b> )
Net Operating Income	\$33,242
Overall Capitalization Rate	<u>8.00%</u>
	\$415,530
<b><u>INDICATED VALUE BY THE INCOME APPROACH (RD)</u></b> <b>(As of January 3, 2013)</b>	<b><u>\$415,000</u></b>

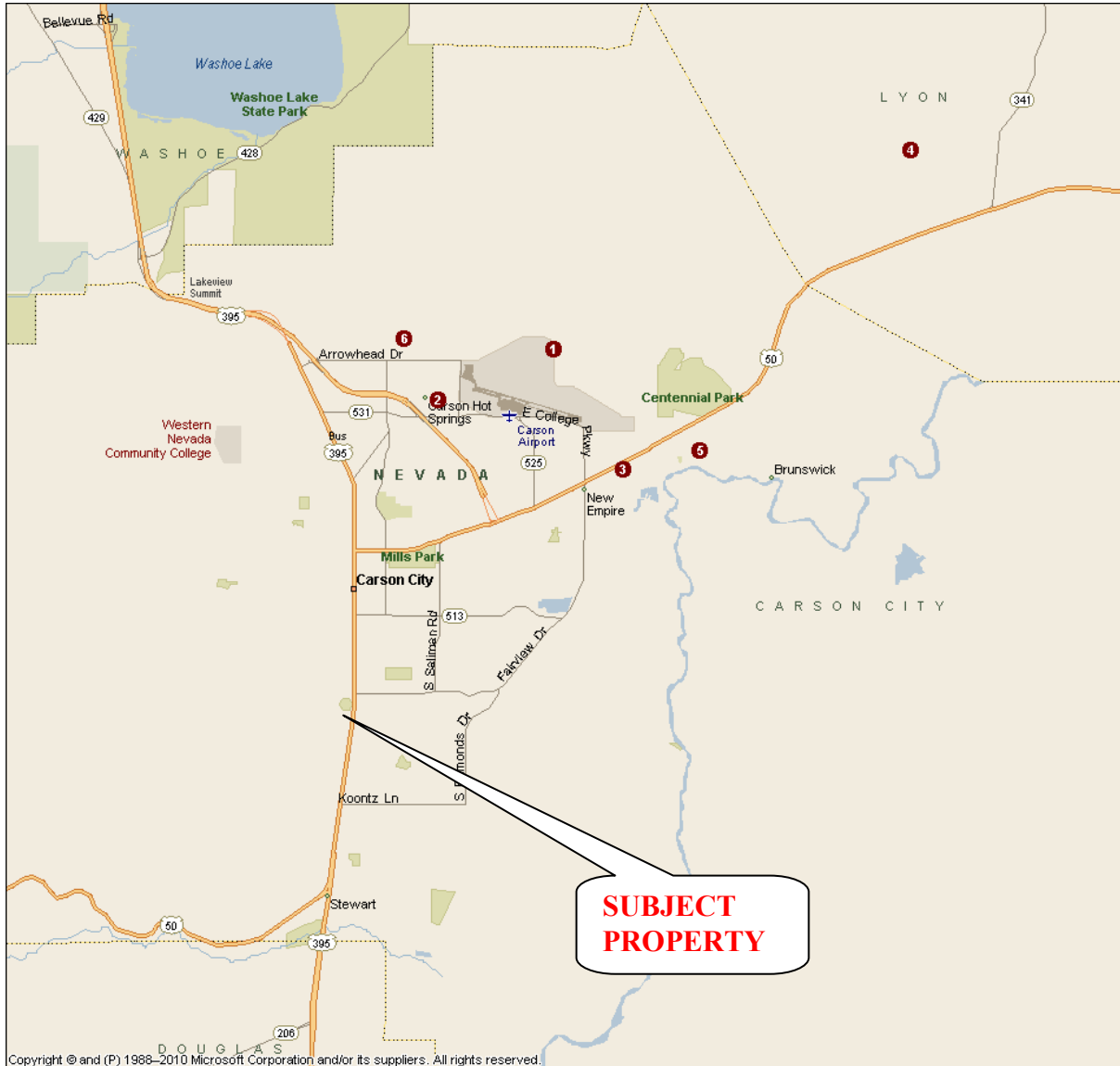
**UPDATED SALES COMPARISON APPROACH TO VALUE  
(As of January 3, 2012)**

To establish an indication of the Market Value of the subject property by the Sales Comparison Approach to Value, the official records of Carson City were searched for recent sales of similar properties. A search of current industrial-commercial building listings within the Carson City area was also conducted. All sales and listings found were investigated, analyzed and compared to the subject property. The sales set forth on the following chart were considered to be indicative of an appropriate value for the subject property. The comparable sales will be compared to the subject on a sale price per square foot of gross building area basis.

**COMPARABLE INDUSTRIAL-COMMERCIAL BUILDING SALES CHART**

Sale No.	A.P.N. Location	Sale Date Sale Price	Age Construction Condition	G.B.A. % Finished Ceiling Height	Land Area Land-to- Building Ratio	Price/SF
IBS-1	005-052-03 SEA Group 3493 Arrowhead Drive, Carson City	12/30/2010 \$575,000	1991 Concrete Tilt-up Average	10,150± SF 11.51% 16'	1.35± Ac 5.79:1	\$56.65
IBS-2	008-125-05 & 06 Multi-Tenant Industrial/ Commercial Center 3650 & 3656 Research Way, Carson City	10/21/2011 \$710,000	1988 Concrete Block Average	17,156± SF 26.23% 16'	.96± Ac 2.44:1	\$41.38
IBS-3	008-292-21 2444 Empire Ranch Road, Carson City	08/27/2012 \$291,200	1998 Metal Average	5,000± SF Nominal 19'	.45± Ac 3.92:1	\$58.24
IBS-4	016-181-29 42 Carry Way, Moundhouse, Lyon County	11/11/2012 \$460,757	2004 Metal Average	10,000± SF Nominal 12'	.98± Ac 4.27:1	\$46.08
IBL-5	008-541-63 5576 Bighorn Drive, Carson City	Current Listing 01/03/2013 \$495,000	2001 Masonry Average	8,967± SF 60% 16'	.70± Ac 3.40:1	Asking \$55.20
IBL-6	008-683-06 1701 S. Sutro Terrace, Carson City	Current Listing 01/03/2013 \$599,000	2001 Concrete Block Average	9,536± SF 57% 10'	.75± Ac 3.43:1	Asking \$62.81
<b>Subject</b>	<b>009-051-03 Former Tetrus Building 2443 S. Curry Street, Carson City</b>	<b>Date of Valuation 01/03/2013</b>	<b>1957/1982 Concrete Block Average</b>	<b>7,200± SF 19.75% 10' - 16'</b>	<b>.836± Ac 5.06:1</b>	<b>---</b>

**COMPARABLE INDUSTRIAL-COMMERCIAL BUILDING SALES MAP**



**COMPARABLE BUILDING PHOTOGRAPH AND DISCUSSION**



**SALE IBS-1  
3493 ARROWHEAD DRIVE, CARSON CITY**



**SALE IBS-2  
3650 & 3656 RESEARCH WAY, CARSON CITY**



**COMPARABLE BUILDING PHOTOGRAPH AND DISCUSSION**



**SALE IBS-3  
2444 EMPIRE RANCH ROAD, CARSON CITY**



**SALE IBS-4  
42 CARRY WAY, MOUNDHOUSE, LYON COUNTY**



**COMPARABLE BUILDING PHOTOGRAPH AND DISCUSSION**



**LISTING IBL-5**  
**5576 BIGHORN DRIVE, CARSON CITY**



**LISTING IBL-6**  
**1701 S. SUTRO TERRACE, CARSON CITY**

**UPDATED SALES COMPARISON APPROACH TO VALUE  
(As of January 3, 2012)**

The comparables presented on the preceding chart indicate sale prices ranging from \$41.38 per square foot to \$62.81 per square foot of gross building area. The comparable building sales range in size from 5,000± square feet to 17,156± square feet, as compared to the subject's 7,200± square feet of gross building area. The sales occurred between December 2010 and November 2012. The listings are current as of the date of valuation.

In arriving at an indication of the per square foot value applicable to the subject property, consideration is given to its physical characteristics including its closer-in location on South Curry Street, approximately one block west of the Carson Street commercial corridor. Consideration is also given to its corner situs, average quality, older age and condition and overall desirability.

The lowest sale price is illustrated by Sale IBS-2, at \$41.38 per square foot. This comparable is located at 3650 and 3656 Research Way in the Carson City Airport industrial submarket. This comparable is considered a very low indicator of an appropriate per unit value for the subject primarily due its inferior location, much larger building size and much lower land-to-building ratio as compared to the subject.

The next lowest price is illustrated by Sale IBS-4, at \$46.08 per square foot. This comparable is located at 42 Carry Way in the Moundhouse industrial submarket in Lyon County. This comparable requires a large upward adjustment due to its remote location in Moundhouse as compared to the subject's superior closer-in location. This comparable is considered a very low indicator of an appropriate per unit value for the subject primarily due its inferior location, larger building size, smaller percentage of finished space and lower land-to-building ratio as compared to the subject.

The highest price per unit is illustrated by Listing IBL-6, at \$62.81 per square foot. This comparable is located at 1701 South Sutro Terrace in the Carson City Airport industrial submarket. This comparable is considered a high indicator of an appropriate per unit value for the subject primarily due to its newer age, much higher percentage of finished space and listing status. It is noted that this comparable is inferior to the subject in regards to location, average ceiling height and land-to-building ratio.

The remainder of the comparables, Sales IBS-1, IBS-3 and Listing IBL-5 indicate a narrow range in sale or listing prices of \$55.20 to \$58.24 per square foot. Each of these comparables is inferior to the subject in regards to location. Sales IBS-1 and IBS-3 are inferior to the subject due to their lower percentage of finished space. Sale IBS-3 is also considered inferior in regards to type of construction. Sale IBS-3 and Listing IBL-5 require upward adjustment due to the subject's higher land-to-building ratio. On the other hand, each of these comparables is superior to the subject due to their newer dates of construction. Sale IBS-1 is smaller than the subject and has a higher average ceiling height. Listing IBL-5 has a much higher percentage of finished space which is superior to the subject.

Overall, Sales IBS-1, IBS-3 and Listing IBL-5, at \$55.20 to \$58.24 per square foot, are considered to bracket an appropriate per unit value for the subject.

The analysis set out above indicates that an appropriate per square foot value for the subject property would fall in the range of \$55 and \$60 per square foot. Applying the indicated value range to the subject's 7,200± square feet indicates a value range of \$396,000 and \$432,000, which is correlated to \$415,000.

**INDICATED VALUE SALES COMPARISON APPROACH**  
**(As Of January 3, 2013)**

**\$415,000**

**FINAL PROPERTY VALUE CORRELATION AND CONCLUSION**

In the preceding section of this appraisal report, we have utilized a Direct Capitalization Approach and a Sales Comparison Approach to estimate the market value of the subject property as of a current date of valuation. The following summarizes the indicated fee simple value conclusions by the each of the approaches to value.

**SUMMARY OF VALUE INDICATIONS**

<b>Income Approach</b>	
<b>Direct Capitalization Analysis</b>	<b>\$415,000</b>
<b>Sales Comparison Approach</b>	
<b>Price Per Square Foot Analysis</b>	<b>\$415,000</b>

Generally, the Income Approach Analysis is considered to be one of the most reliable indications of value, since it directly reflects the income producing capabilities of a property, as well as the expenses associated with generating that income. In this instance, the Income Approach to Value was considered to be well supported and to have resulted in a reasonable indication of the Market Value of the subject property.

We have also utilized the Sales Comparison Approach to Value. In the Sales Comparison Approach to Value, the sales of several comparable buildings were compared with the subject property using a Price Per Square Foot of Building Area Analysis. This analysis is felt to have been well documented and to have resulted in a reasonable indication of the Market Value of the subject.

In the final analysis, equal weight has been given to both the Income and the Sales Comparison Approaches to Value. The real property, which is the subject of this update letter, was valued, as of January 3, 2013, as follows:

<b><u>UPDATED MARKET VALUE CONCLUSION</u></b>	<b><u>\$415,000</u></b>
<b>(As of January 3, 2013)</b>	

### **APPRAISERS' CERTIFICATION**

Each of the undersigned does hereby certify that, unless otherwise noted in this appraisal report:

- Stephen R. Johnson and Cindy Lund Fogel have made a personal inspection of the property that is the subject of this 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 and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have preformed services regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the 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*.
- No one provided significant real property appraisal assistance to the person signing this certificate.
- The appraisal was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.

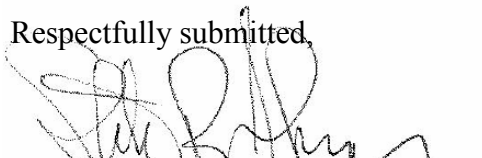
- The appraiser's state registration/certification has not been revoked, suspended, canceled or restricted.
- The Appraisal Institute conducts a mandatory program of continuing education for its designated members. As of the date of this report, Stephen R. Johnson and Cindy Lund Fogel have completed the requirements under the continuing education program 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.
- This is an update appraisal report that is intended to comply with the Advisory Opinion 3 (AO-3) of the Uniform Standards of Professional Appraisal Practice. It is intended that this update appraisal report be utilized in conjunction with the original summary appraisal report of the subject property, which was prepared by this appraisal firm on December 13, 2010, with an effective date of November 22, 2010.

After careful consideration of all data available, and upon thorough personal investigation of the subject property and the comparable properties analyzed, it is our opinion that the Market Value of the subject property's fee simple estate, as of January 3, 2013, is set out as follows:

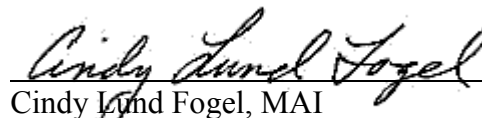
**FINAL MARKET VALUE CONCLUSION**  
**(Fee Simple Market Value As Of January 3, 2013)**

**\$415,000**

Respectfully submitted,



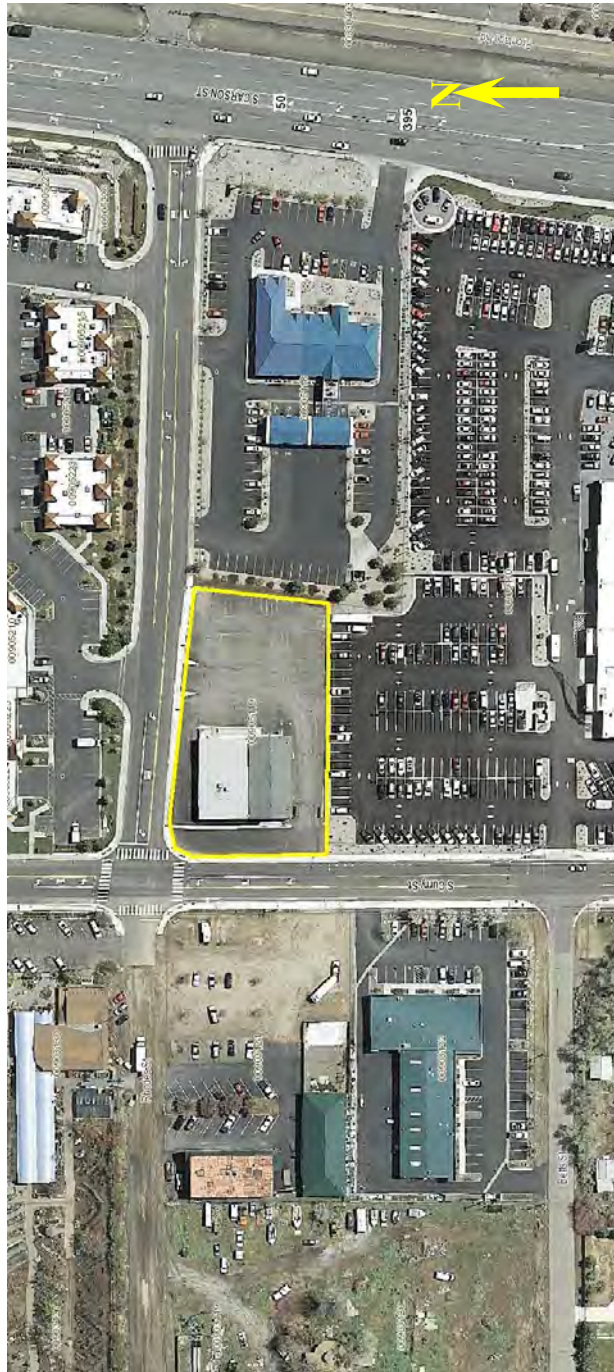
Stephen R. Johnson, MAI, SREA  
Nevada Certified General Appraiser  
License Number A.0000003-CG



Cindy Lund Fogel, MAI  
Nevada Certified General Appraiser  
License Number A.0002312-CG



**SUBJECT AERIAL PHOTOGRAPH  
(A.P.N. 009-051-19)**



**Subject Property Outlined In Yellow**

**SUBJECT PHOTOGRAPHS**



**VIEW LOOKING NORTHERLY ALONG SOUTH CURRY STREET  
ADJACENT TO THE SUBJECT**



**VIEW LOOKING EASTERLY ALONG RHODES STREET FROM ITS  
INTERSECTION WITH SOUTH CURRY STREET**



**SUBJECT PHOTOGRAPHS**



**VIEW LOOKING NORTHERLY TOWARD THE SUBJECT FROM  
SOUTH CURRY STREET**



**VIEW LOOKING NORTHEASTERLY TOWARD THE SUBJECT FROM  
SOUTH CURRY STREET**

**SUBJECT PHOTOGRAPHS**



**VIEW LOOKING SOUTHEASTERLY TOWARD THE SUBJECT FROM THE INTERSECTION OF SOUTH CURRY STREET AND RHODES STREET**



**VIEW LOOKING WESTERLY TOWARD THE SUBJECT PROPERTY FROM RHODES STREET**

**INTERIOR SUBJECT PHOTOGRAPHS**



**VIEW OF THE MAIN SHOWROOM AREA**



**VIEW OF THE MAIN SHOWROOM AREA**

**INTERIOR SUBJECT PHOTOGRAPHS**



**VIEW OF THE COUNTER AREA WITHIN THE SHOWROOM SPACE**



**VIEW OF THE FINISHED OFFICE AREA**



**INTERIOR SUBJECT PHOTOGRAPHS**



**VIEW OF THE FINISHED OFFICE SPACE**



**VIEW OF A TYPICAL RESTROOM IN THE SUBJECT BUILDING**

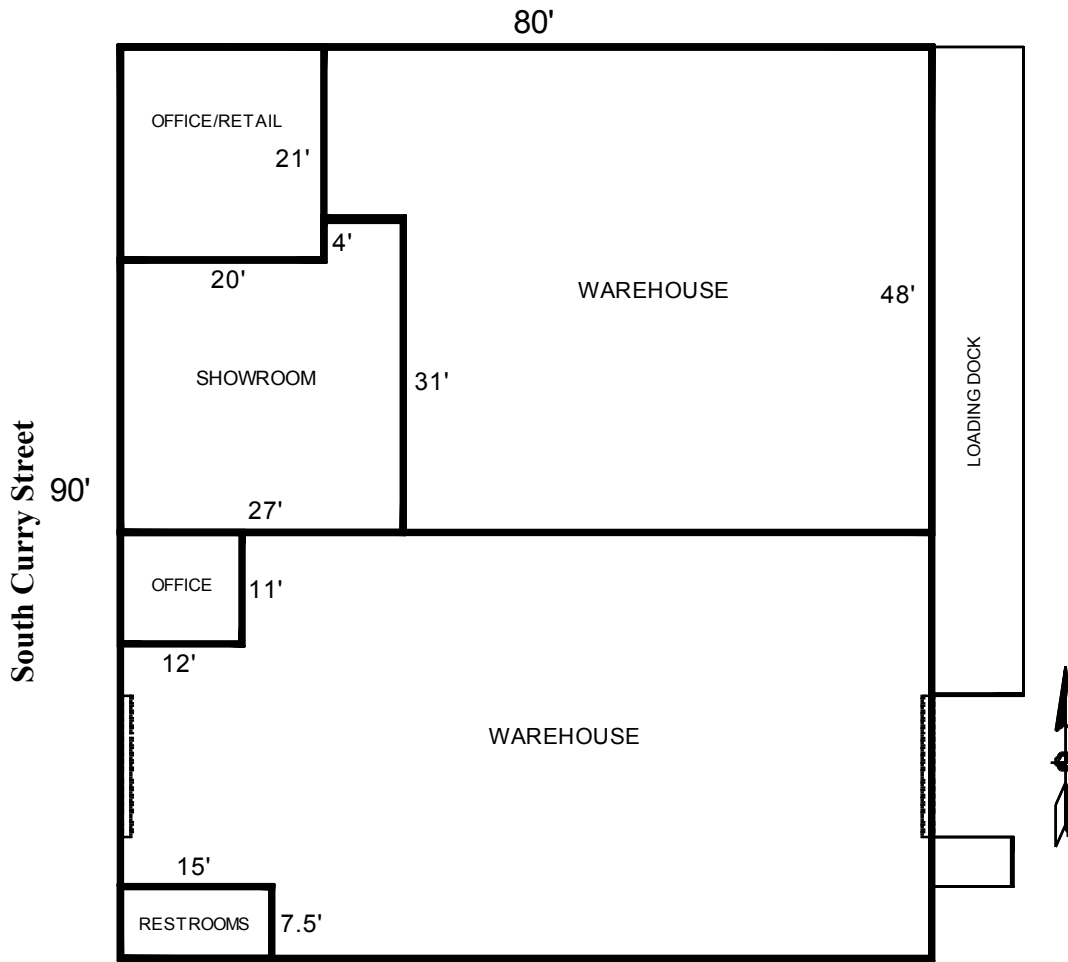
**INTERIOR SUBJECT PHOTOGRAPHS**



**VIEW OF THE SUBJECT'S NORTHERLY WAREHOUSE AREA**



**VIEW OF THE SUBJECT'S SOUTHERLY WAREHOUSE AREA**



**Gross Building Area: 7,200± Square Feet**

Sketch by Apex IV™

Comments:

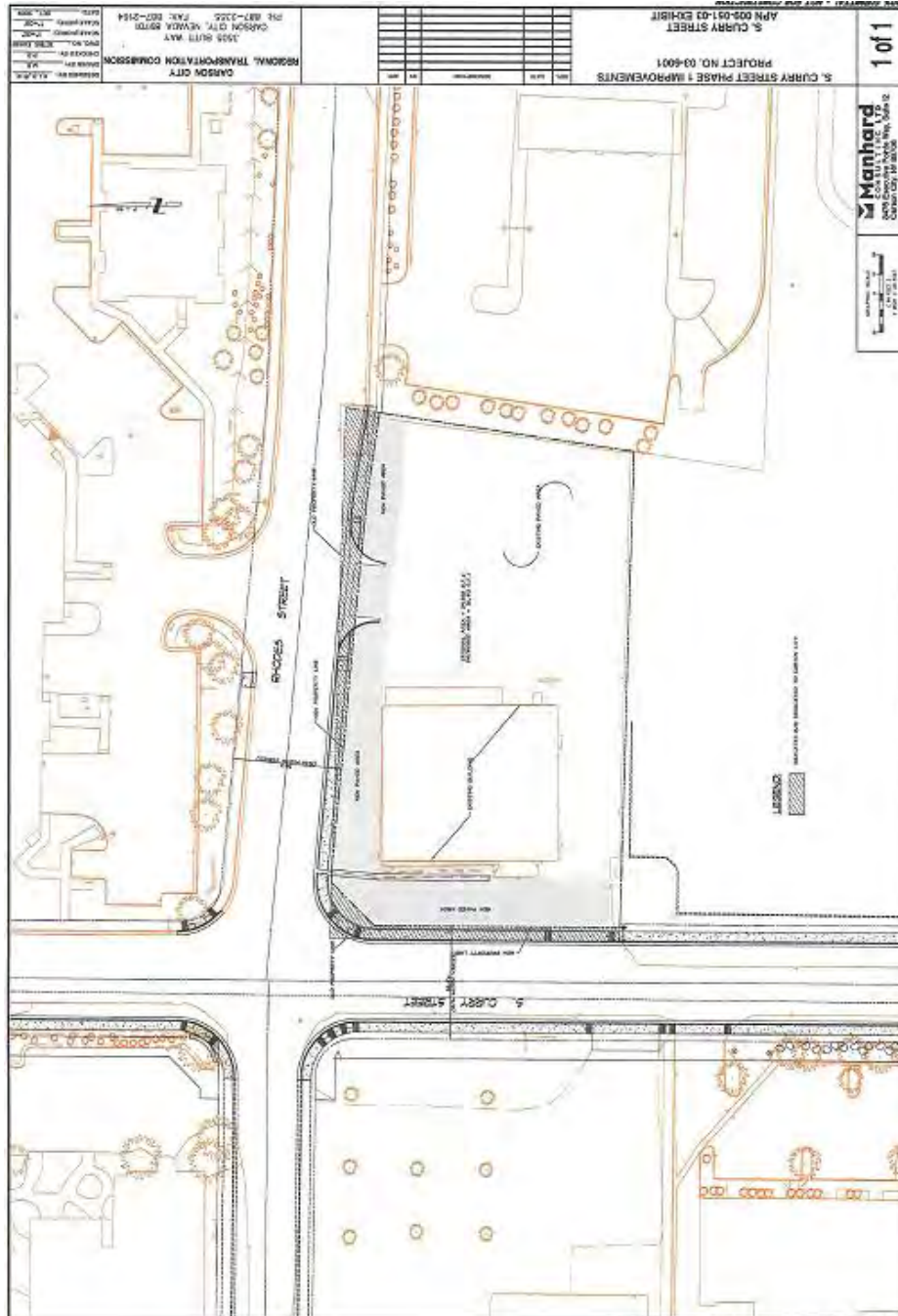
**AREA CALCULATIONS SUMMARY**

Code	Description	Net Size	Net Totals
GBA1	First Floor	7200.0	
	First Floor	420.0	
	First Floor	3840.0	

**BUILDING AREA BREAKDOWN**

Breakdown	Sub
First Floor	
80.0 x 90.0	
20.0 x 21.0	

**SUBJECT SITE PLAN**



**Land Area: 36,413± Square Feet (.836± Acres)  
Per Manhard Consulting Ltd.**



A SUMMARY APPRAISAL  
OF A

## LIGHT INDUSTRIAL PROPERTY

LOCATED AT

2443 SOUTH CURRY STREET,  
CARSON CITY, NEVADA  
A.P.N. 009-051-19

OWNED BY

CARSON CITY

PREPARED FOR

CARSON CITY PUBLIC WORKS DEPARTMENT



---

**JOHNSON~PERKINS & ASSOCIATES, INC.**  
REAL ESTATE APPRAISERS & CONSULTANTS

---

A Complete Summary Appraisal  
Of A

## Light Industrial Property

Located At

2443 South Curry Street  
Carson City, Nevada  
A.P.N. 009-051-19

Owned By

Carson City

Prepared For

Carson City Public Works Department

For the purpose of  
Estimating Market Value  
As of  
November 22, 2010

**JOHNSON~PERKINS & ASSOCIATES, INC.**  
REAL ESTATE APPRAISERS & CONSULTANTS

Main Office: 295 Holcomb Avenue, Suite 1 ■ Reno, Nevada 89502 ■ Telephone (775) 322-1155  
Lake Tahoe Office: P.O. Box 11430 ■ Zephyr Cove, Nevada 89448 ■ Telephone (775) 588-4787  
FAX: Main Office (775) 322-1156 ■ Lake Tahoe Office (775) 588-8295  
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Scott Q. Griffin, MAI  
Daniel B. Oaks, MAI  
Benjamin Q. Johnson, MAI

Karen K. Sanders  
Gregory D. Ruzzine  
Chad Gerken

December 13, 2010

Ms. Kim Belt, Capital Program Manager  
Carson City Public Works Department  
3505 Butti Way  
Carson City, Nevada 89701

Re: 2443 South Curry Street, Carson City, Nevada - A.P.N. 009-051-19

Dear Ms. Belt:

This is in response to your request for a summary appraisal of a property located at 2443 South Curry Street, Carson City, Nevada. The subject's larger parcel is identified as Carson City Assessor's Parcel Number 009-051-19 and is owned by Carson City.

The subject property is improved with a 7,200± square foot concrete block light industrial building which was originally constructed in 1957 with an expansion added in 1982. The subject site contains 36,413± square feet of land area. The subject property was previously occupied by Tetrus and is currently vacant. The subject property will be more thoroughly described in the following report.

This is a summary appraisal report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a summary appraisal report. As such, it presents only summary discussion of the data, reasoning and analyses that were used in the appraisal process to develop our opinion of value. Supporting documentation concerning the data, reasoning and

analyses is retained in these appraisers' file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use as stated herein. This appraisal firm is not responsible for unauthorized use of this report.

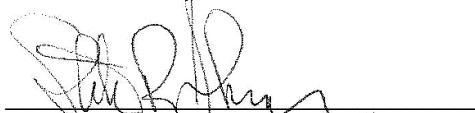
The purpose of this appraisal is to estimate the Market Value of the subject property as of a current date of valuation. The intended users of the report are Carson City and their representatives. The intended use of the appraisal report is to assist the client in establishing a reasonable asking price with respect to the subject property. Any other use of the appraisal report requires the prior written authorization of this appraisal firm.

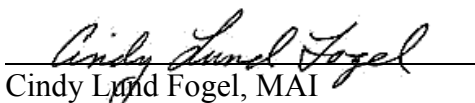
After careful consideration of all data available, and upon thorough personal investigation of the subject property and comparable properties analyzed, it is our opinion that the Market Value of the subject property, as of November 22, 2010, is as follows:

**FINAL MARKET VALUE CONCLUSION**  
**(Market Value as of November 22, 2010)**

**\$500,000**

Respectfully submitted,

  
\_\_\_\_\_  
Stephen R. Johnson, MAI, SREA  
Nevada Certified General Appraiser  
License Number A.0000003-CG

  
\_\_\_\_\_  
Cindy Lund Fogel, MAI  
Nevada Certified General Appraiser  
License Number A.0002312-CG

**TABLE OF CONTENTS**

Cover	
Title Page	
Letter of Transmittal	
Table of Contents	
	<b>Page</b>
Summary of Salient Facts and Important Conclusions	1
Purpose of Appraisal	2
Market Value Defined	3
Carson City Area Map	5
Neighborhood Map	6
Neighborhood Description	7
Subject Aerial Photograph	11
Subject Photographs	12
Subject Site Plan	16
Subject Plot Map	17
Subject Zoning and Land Use Maps	18
Subject Identification and Site Description	19
Subject Flood Map	24
Subject Building Sketch	25
Interior Subject Photographs	26
Description of Improvements	30
Highest and Best Use Analysis	33
Introduction to Valuation Analysis	36
Income Approach to Value	37
Comparable Industrial-Commercial Rental Chart	38
Comparable Industrial-Commercial Rental Map	39
Comparable Rental Photographs	40
Market Rent Analysis	43
Vacancy and Credit Loss Analysis	46
Operating Expense Analysis	47
Capitalization Rate Analysis	48
Direct Capitalization Summary and Value Indication	50
Sales Comparison Approach to Value	51
Comparable Industrial-Commercial Building Sales Chart	52
Comparable Industrial-Commercial Building Sales Map	53
Comparable Building Sales Photographs	54
Comparable Building Sales Discussion and Comparison	57
Correlation and Final Value Indication	63
Exposure and Marketing Time	65
Appraiser's Certification	67
Standard Assumptions and Limiting Conditions	69
Qualifications of Appraisers	76

**SUMMARY OF SALIENT FACTS AND IMPORTANT CONCLUSIONS**

<b>Property Type</b>	Light Industrial Building
<b>Location</b>	2443 South Curry Street, Carson City, Nevada
<b>Legal Description</b>	A portion of the West 1/2 of the Southwest 1/2 of Section 20, Township 15 North, Range 20 East, M.D.B.&M.
<b>Assessor's Parcel Number</b>	009-051-19
<b>Owner of Record</b>	Carson City
<b>Zoning</b>	GC (General Commercial)
<b>Master Plan</b>	MUC (Mixed Use Commercial)
<b>Land Area</b>	36,413± Square Feet (.836± Acres)
<b>Flood Zone</b>	
<b>FEMA Map Number</b>	3200010094E
<b>Effective Date</b>	January 16, 2009
<b>Flood Zone</b>	"A"
<b>Improvements:</b>	
<b>Building Type</b>	Light Industrial Building
<b>Year Built</b>	1957/1982
<b>Construction</b>	Concrete Block
<b>Gross Building Area</b>	7,200± Square Feet
<b>Condition</b>	Average
<b>Estimated Finished Area</b>	1,422± Square Feet (19.75% of the GBA)
<b>Land-to-Building Ratio</b>	5.06:1
<b>Highest and Best Use</b>	Secondary Commercial or Industrial-Commercial Uses
<b>Type of Report</b>	Summary Appraisal Report
<b>Completion Date of Report</b>	December 13, 2010
<b>Effective Date of Valuation</b>	November 22, 2010

**FINAL MARKET VALUE CONCLUSION**

**\$500,000**

### **PURPOSE OF APPRAISAL**

This appraisal was prepared for the purpose of estimating the Market Value of the subject property as of a current date of valuation.

### **INTENDED USE OF APPRAISAL**

The appraisal report will be utilized by Carson City and their representatives. The intended use of the appraisal report is to assist the client in establishing a reasonable sale price for the subject property. Any other use of the appraisal report requires the prior written authorization of this appraisal firm.

### **SCOPE OF APPRAISAL**

The preparation of this appraisal included:

- An inspection of the subject property;
- Identification and analysis of the subject neighborhood;
- Completion of a Highest and Best Use Analysis;
- Investigation of current rental rates and vacancies for comparable properties;
- Analysis of comparable property operating expenses and overall capitalization rates;
- Preparation of an Income Approach to Value utilizing a Direct Capitalization Analysis;
- Research and analysis of recent comparable property sales and listings;
- Completion of a Direct Sales Comparison Approach Analysis, utilizing a Price Per Square Foot Analysis;
- Correlation of the value indications to arrive at the Market Value of the subject property as of the effective date of valuation;
- Analysis of an appropriate marketing and exposure time for the subject property;
- Preparation of a summary appraisal report.

### **MARKET VALUE DEFINED**

Market Value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- 1) Buyer and seller are typically motivated;
- 2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
- 3) A reasonable time is allowed for exposure in the open market;
- 4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- 5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by any one associated with the sale.<sup>1</sup>

### **PROPERTY RIGHTS APPRAISED**

The subject property is appraised as held in fee simple ownership. Fee simple estate is defined as “Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”<sup>2</sup>

### **EFFECTIVE DATE OF VALUATION**

The opinions of value, as set forth in this report, apply as of November 22, 2010.

### **COMPLETION DATE OF REPORT**

This appraisal report was completed on December 13, 2010.

<sup>1</sup> Rules and Regulations, Federal Register, Vol. 55, No. 165, Page 34696, 12CFR Part 34.42(f)

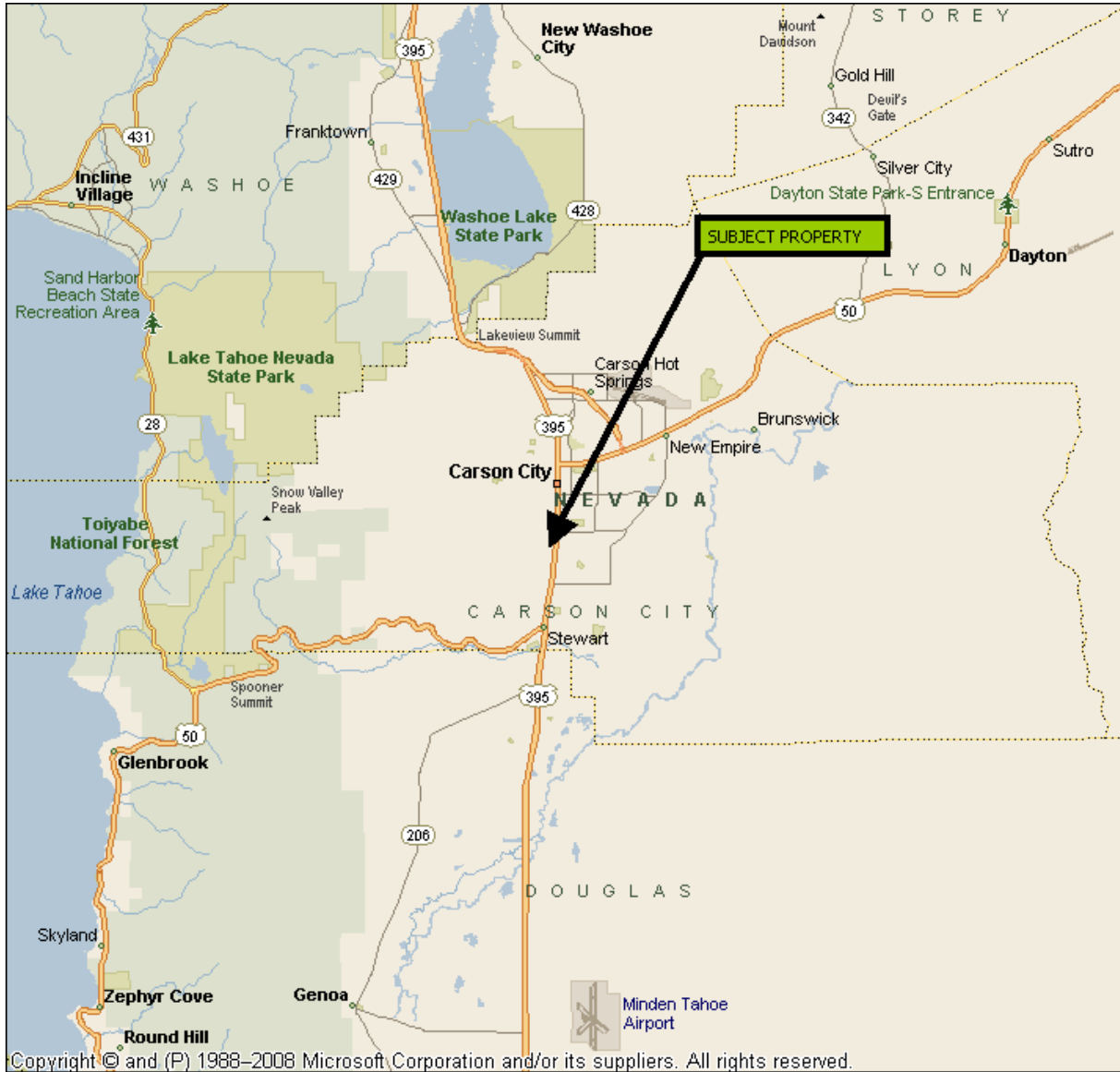
<sup>2</sup> Source: The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, 2010.



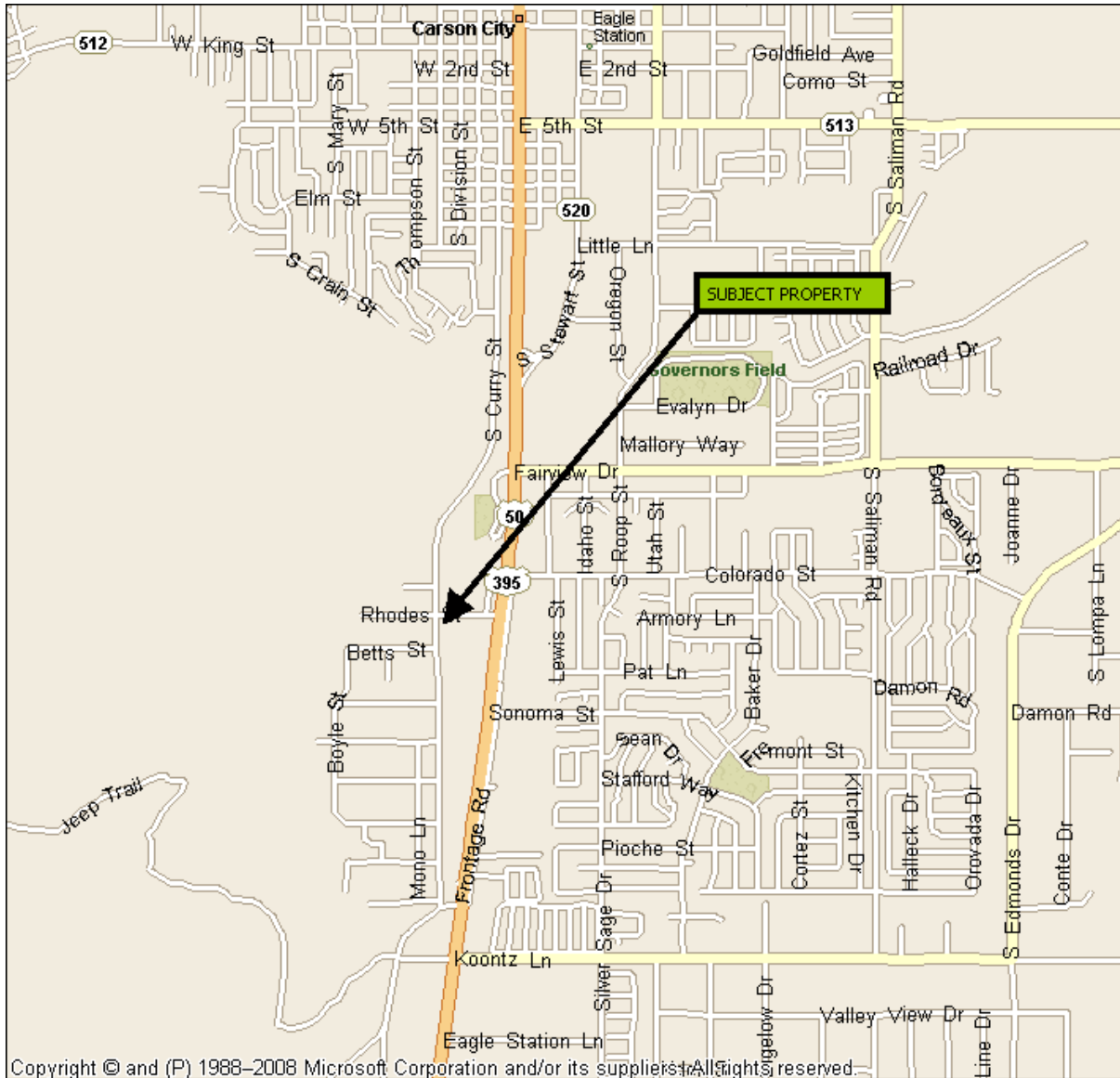
**TYPE OF REPORT**

This is a summary appraisal report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a summary appraisal report. As such, it presents only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning and analyses is retained in these appraisers' file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use as stated herein. The appraisers are not responsible for unauthorized use of this report.

**CARSON CITY AREA MAP**



**NEIGHBORHOOD MAP**



## NEIGHBORHOOD DESCRIPTION

The subject property is located in the southwest portion of Carson City. The subject neighborhood may be generally defined as extending from Spooner Junction north to downtown Carson City. The subject neighborhood is bound to the east by Roop Street/Silver Sage Drive and to the west by the Toiyabe National Forest.

U.S. Highway 395, which is more commonly referred to as Carson Street within the local Carson City community, is a major north-south highway that begins in Southern California, extends northeast into Nevada, and eventually into Oregon. Within Carson City, Carson Street (U.S. Highway 395) is a major four-lane, two-way, asphalt paved roadway, most of which is improved with concrete curbs, gutters, sidewalks and streetlights. According to the *2008 Annual Traffic Report* as prepared by the Nevada Department of Transportation, traffic counts on U.S. Highway 395, in the vicinity of the subject neighborhood, total approximately 42,000 vehicles per day.

Carson Street is a major commercial corridor through the city. Commercial development along South Carson Street includes a number of freestanding commercial uses as well as neighborhood shopping centers. These utilizations include fast food restaurants, retail-commercial uses and automobile sales facilities. A newer development in the subject neighborhood is an office/retail project by the Ribeiro Company. The commercial facilities, for the most part, have been well maintained and are currently in average to above average condition.

The intersection of South Carson Street and Clearview Drive is a primary retail-commercial area in Carson City. This area has several retail shopping centers, the largest of which is Eagle Station. Stores in this area include J.C. Penney and a Raley's supermarket. The Casino Fandango and Save Mart supermarket are located on South Carson Street, south of Clearview Drive. The Casino Fandango has expanded, including a 10-screen Galaxy Movie Theater, parking garage and additional casino space. An adjacent 100-room Courtyard By Marriott was completed in 2007.

The 30,000± square foot Bodine's Casino, owned by the Carano family (Eldorado Hotel Casino) and famed race horse owner Michael Pegram, is located at U.S. 395 Freeway and Old Clear Creek Road. This newer casino includes a restaurant and a sports book. This property is situated a short distance south of the intersection of U.S. Highway 50 from South Lake Tahoe and U.S. 395 Freeway in south Carson City. Bodine's is near the planned south terminus of the Carson City bypass. Initial construction has begun on the final phase of the bypass.

Further north along South Carson Street there are several automotive dealers. A new Toyota, a new Subaru and a new Honda dealership facilities have recently been constructed along South Carson Street south of Rhodes Street. From here, the development becomes more varied consisting of various automotive, commercial and retail uses and public facilities. The public facilities include a U.S. Forest Service ranger station, the former National Guard facility, the Chamber of Commerce and the Virginia and Truckee Railroad Museum. As Carson City is the state capital of Nevada, there are several state government buildings located along Carson Street (U.S. Highway 395), including the State Capitol and the Nevada Legislature within the northerly most portion of the neighborhood.

Carson Street (U.S. Highway 395) is also the primary artery that links Reno with South Lake Tahoe. Within much of the city limits of Carson City, the speed limit on Carson Street is 25 miles per hour. As a result of the commercial businesses, the link between Reno and South Lake Tahoe, and the 25-mile per hour speed limit, Carson Street can become congested during the rush hours and other peak periods of the day. The new U.S. 395 Freeway Bypass has been completed through northeast Carson City. The Bypass currently diverts traffic from North Carson Street directly to Fairview Drive and alleviates some of the congestion in the downtown area.

The properties lying west of South Carson Street on either side of South Curry Street involve a mixture of secondary commercial, industrial-commercial and residential developments. The single-family residential uses south of Fairview Drive include lower

densities with lot sizes generally ranging from ½ acre to one acre and larger. The residential development north of Fairview Drive involves higher densities within older established subdivisions. There is also a fair amount of vacant land west of South Curry Street.

The Carson Indian Colony is centrally located in the west portion of the neighborhood. The Carson Indian Colony has been developed with primarily single-family residential uses with some secondary commercial and industrial-commercial uses generally located along South Curry Street.

The residential uses east of South Carson Street include primarily single-family residences with some multi-family and mobile home park developments. The single-family residences generally consist of homes ranging from average to good quality. There are areas of older homes on larger lots as well as areas of new, good quality homes on smaller lots.

In addition to U.S. Highway 395, the subject neighborhood is served by U.S. Highway 50 West. Within the subject neighborhood, U.S. Highway 50 is a major east/west arterial between the south shore of Lake Tahoe and Carson City.

Overall, the immediate subject neighborhood involves mixed uses including commercial, industrial-commercial and residential. The residential uses involve a more rural setting, as they primarily involve larger lots and a lower density. As previously noted, primary commercial uses for the subject neighborhood are located along Carson Street (U.S. 395 South).

Similar to the rest of the U.S., the current recession has had a negative impact on most sectors of the local economy. With the continued softness in the real estate market, the area is experiencing a decline in demand for both residential and commercial development. The unemployment rate for the State of Nevada is currently reported at 14%, one of the highest in the nation.

Electricity within the subject neighborhood is provided by NV Energy, while telephone service is provided by AT&T. Water service is provided by the Carson City Water Department and municipal sewer service is provided to the subject neighborhood. Southwest Gas Corporation provides natural gas service and Waste Management provides trash removal.

Police protection for the subject neighborhood is provided by the Carson City Sheriff's Department, while fire protection is provided by the Carson City Fire Department.

Recreation amenities within the subject neighborhood include the Fuji Park located south of Spooner Junction. Edmond's Sports Complex is located in the southeast portion of the neighborhood and Governor's Field and a linear park are located in the northeast portion of the neighborhood.

In summary, the subject neighborhood is generally located in the southwest portion of Carson City. The South Carson Street (U.S. Highway 395) commercial corridor consists of community shopping centers, fast food restaurants and other service-oriented retail facilities. Additional development within the subject neighborhood includes residential uses, secondary commercial and industrial-commercial utilizations. There are no inharmonious uses in the subject neighborhood which would detract from property values.



**SUBJECT AERIAL PHOTOGRAPH**



**Subject Property Outlined In Yellow**



**SUBJECT PHOTOGRAPHS**



**VIEW LOOKING NORTHERLY ALONG SOUTH CURRY STREET ADJACENT  
TO THE SUBJECT**



**VIEW LOOKING SOUTHERLY ALONG SOUTH CURRY STREET AT ITS  
INTERSECTION WITH RHODES STREET**

**SUBJECT PHOTOGRAPHS**



**VIEW LOOKING WESTERLY ALONG RHODES STREET ADJACENT TO THE SUBJECT**



**VIEW LOOKING EASTERLY ALONG RHODES STREET FROM ITS INTERSECTION WITH SOUTH CURRY STREET**

**SUBJECT PHOTOGRAPHS**



**VIEW LOOKING SOUTHEASTERLY TOWARD THE SUBJECT PROPERTY  
FROM SOUTH CURRY STREET**



**VIEW LOOKING EASTERLY TOWARD THE SUBJECT FROM  
SOUTH CURRY STREET**



**SUBJECT PHOTOGRAPHS**

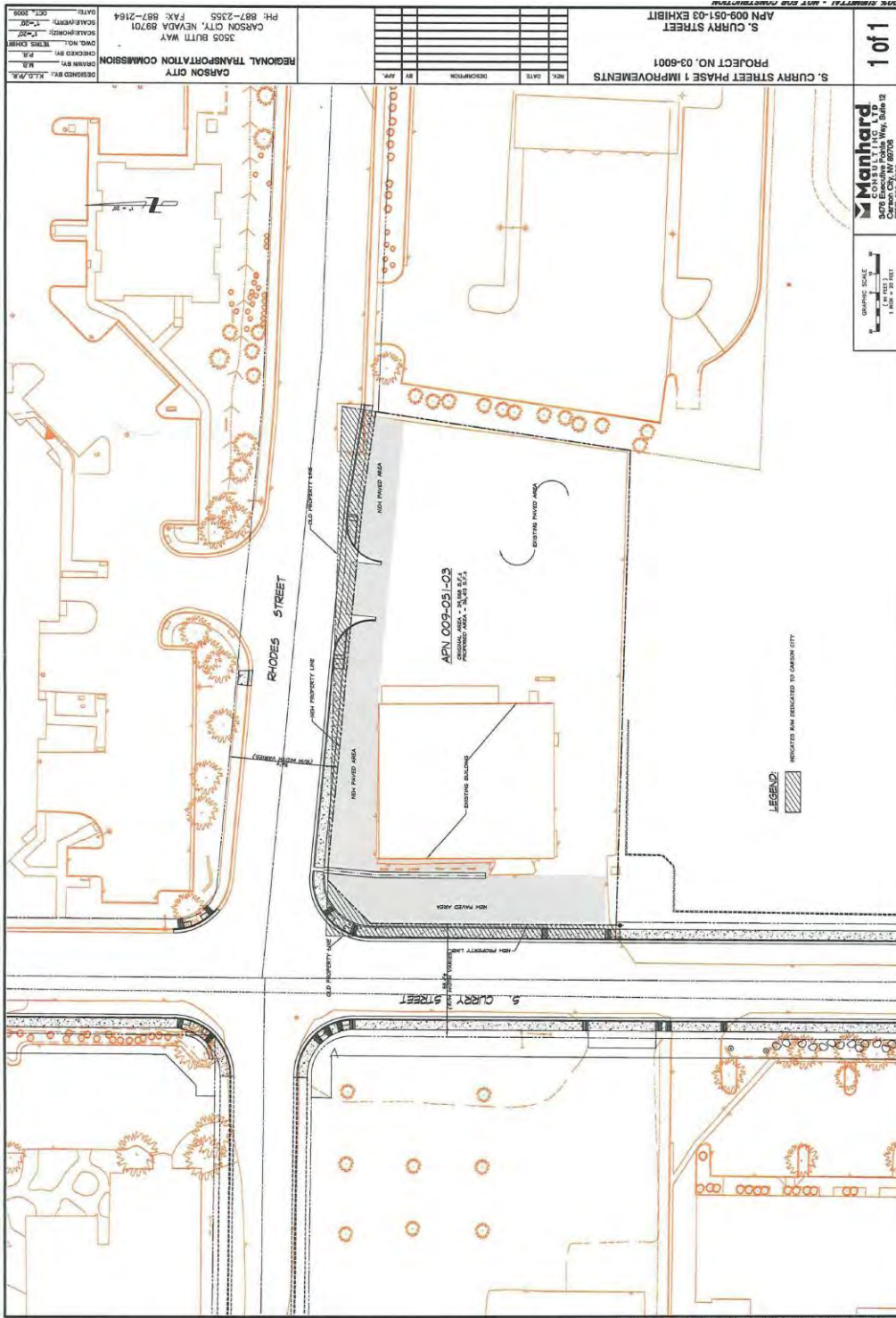


**VIEW LOOKING WESTERLY TOWARD THE SUBJECT FROM ITS  
SOUTHEAST CORNER**



**VIEW LOOKING WESTERLY TOWARD THE SUBJECT FROM  
NEAR RHODES STREET**

**SUBJECT SITE PLAN**



## SUBJECT PLOT MAP (A.P.N. 009-051-19)

9-05

PORITION W1/2 SW1/4 SECTION 20, T.15 N., R.20 E., M.D.B. & M.

CARSON QUAIL PARK  
INDUSTRIAL SUBDIV

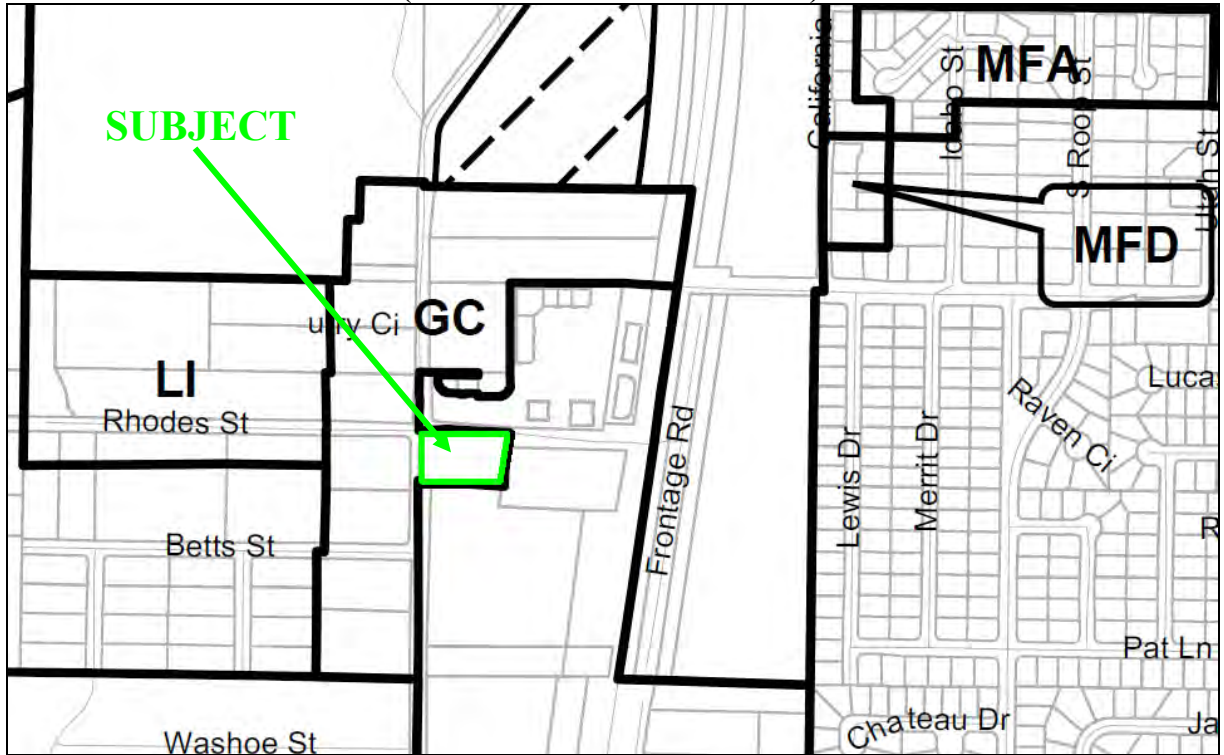
APN	MAP
009-051-07	PARCEL 3 PARCELS
009-051-11	PARCEL 1 PARCELS
009-051-12	PARCEL 2 PARCELS
009-051-15	PARCEL 5 PARCELS
009-051-17	PARCEL 9 R/22215
009-051-20	PARCEL 13 R/22215
009-051-21	PARCEL 14 R/22215
009-051-22	PARCEL 12 R/22215
009-051-23	PARCEL 16 R/22215
009-051-24	PARCEL 1 R/22215
009-051-25	PARCEL 12 R/22215
009-051-26	REFINER 2 L.L. & J. SHERIDAN R/S 22215
009-051-27	PARCEL 10 R/22215 L.L. & J. SHERIDAN R/S 22215



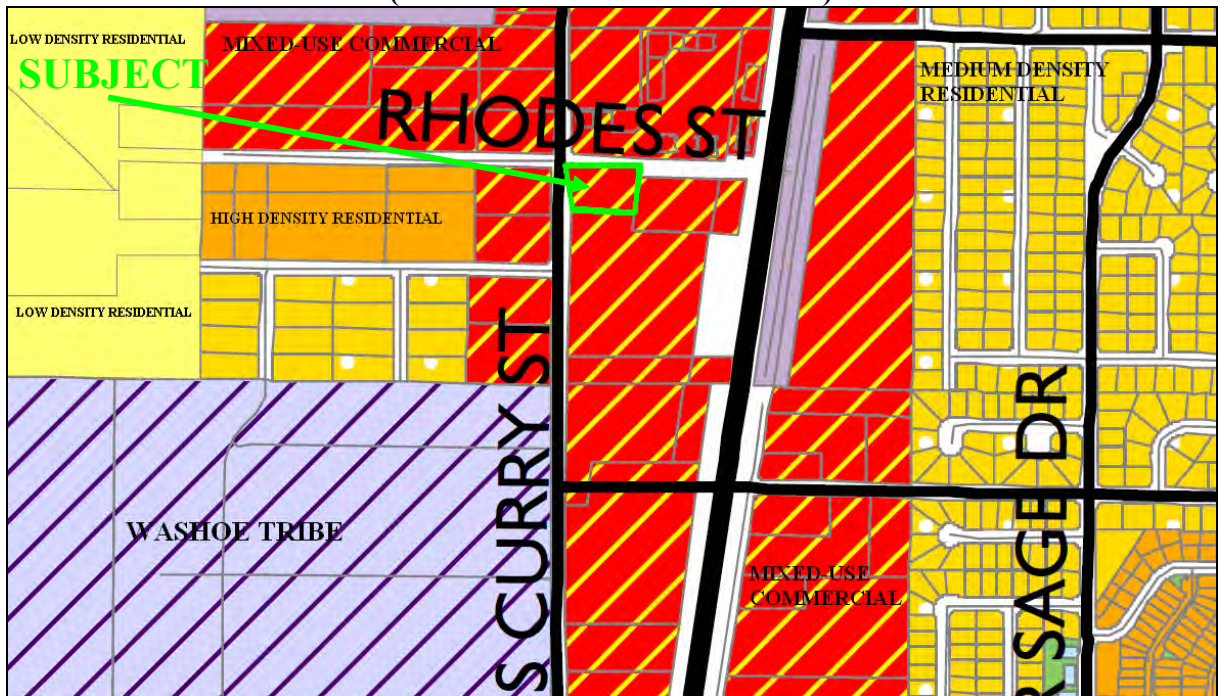
Revised Total Land Area: 36,413± Square Feet (.836± Acres)



**SUBJECT ZONING MAP  
 (GENERAL COMMERCIAL)**



**SUBJECT LAND USE MAP  
 (MIXED-USE COMMERCIAL)**



**SUBJECT IDENTIFICATION AND SITE DESCRIPTION**

<b>Property Type</b>	Light Industrial Building
<b>Location</b>	2443 South Curry Street, Carson City, Nevada
<b>Legal Description</b>	A portion of the West 1/2 of the Southwest 1/2 of Section 20, Township 15 North, Range 20 East, M.D.B.&M.
<b>Assessor's Parcel Number</b>	009-051-19
<b>Owner of Record</b>	Carson City
<b>Shape</b>	Slightly irregular
<b>Land Area</b>	36,413± Square Feet (.836± Acres)

The land area for the subject's larger parcel has been provided by Manhard Consulting LTD and is assumed to be correct. It is noted that the land area as depicted on the Carson City Assessor's Parcel Map is .988± acres which differs from that calculated by the engineers at Manhard Consulting and is felt to be incorrect.

**Access**

The subject property is a corner site having access from South Curry Street along its west property line and Rhodes Street which abuts its north property line. Both of these streets, adjacent to the subject, are two-lane, two-way, asphalt paved roadways with center turn lanes. Both Streets are improved with concrete curbs, gutters, sidewalks and street lights. Overall, the subject property has adequate to good access.

**Zoning**

GC (General Commercial)

The purpose of the General Commercial district is to preserve a commercial area limited primarily to retail and wholesale of new and used material, repair and service facilities and offices. The primary permitted uses in the General Commercial District include all uses permitted in the Retail Commercial District. According to the Carson City Municipal Code, there are no setback requirements other than corner sites do require a setback for sight



distance. For the purposes of this analysis it is assumed that the subject is either in conformance with the sight line set back requirement or it has been grandfathered in as a nonconforming use.

**Master Plan**

MUC (Mixed-Use Commercial)

The primary allowed uses in the Mixed-Use Commercial master plan districts include retail-commercial and office utilizations. The intent of the MUC designation is to allow for vertical or horizontal mix of uses on sites, including some higher-density residential development.

**Soils and Topography**

The subject's larger parcel has generally level topography. These appraisers were not provided with a soil survey for the subject site. It has been noted that surrounding development does not appear to have been adversely impacted due to soil conditions. For the purposes of this appraisal, it is assumed that the soil conditions are adequate to support a wide variety of development.

**Flood Zone**

FEMA Map No.	3200010094E
Effective Date	January 16, 2009
Flood Zone	"A"

Reference to the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map for the subject indicates that the subject lies within a Flood Zone "A". A Flood Zone "A" designates areas of 100 year floods, where base flood elevations and flood hazard factors have not been determined.

**Earthquake Zone**

Risk Zone 3

According to the most recent Uniform Building Code, the subject property is located in a Seismic Risk Zone 3. This zone encompasses areas which have a number of local faults

and where there is relatively strong probability of moderate to strong seismic activity. Seismic Risk Zone 3 is characteristic of the entire area.

**Hazardous Substances**

Our standard on-site inspection of the subject property did not reveal any readily apparent evidence which would suggest the presence of contaminants or hazardous wastes on the subject property. For the purposes of this appraisal, it is assumed that the value of the subject property is not negatively impacted by the existence of toxic materials or hazardous waste.

**Utilities**

Water	Carson City
Sewer	Carson City
Natural Gas	Southwestern Gas
Electric	NV Energy
Telephone	AT&T

All utilities are installed to the subject property.

**Surrounding Development**

A small multi-tenant commercial center which includes the Liaison Salon and Day Spa is located to the west of the subject. The property to the northwest of the subject is improved with the Greenhouse Garden Center and Gift Shop. The property to the north and northeast of the subject is improved with the Carson Quail Park which includes primarily retail-commercial and service-oriented commercial and office uses. The property to the east of the subject is improved with a Wells Fargo bank branch. The property to the south of the subject which fronts on South Carson Street was recently improved with a new Toyota dealership. New and Honda Subaru dealership facilities have also been completed along South Carson Street in the vicinity of the subject.

**Easements**

We were not provided with a current Preliminary Title Report for the subject property. For the purposes of this analysis, it is assumed that the subject property is not encumbered by easements to a greater degree than is typical for similar properties in the surrounding area. Our physical inspection of the subject property revealed no overt signs of any easements which would impact its development potential.

**Subject Sales History**

The subject parcel was purchased by Carson City in 2009. The purchase price was reported at \$875,000 and the transaction involved cash. This sale was recorded on October 16, 2009 at Document Number 394615, in the Official Records, Carson City, Nevada. The subject property was purchased for the South Curry Street Improvement project. This project has now been completed.

**Tax Data**

Tax Year	2009-2010	2010-2011
Assessor's Parcel Number	009-051-19	009-051-19
Assessed Values		
Land	\$210,092	\$173,224
Improvements	\$47,706	\$44,568
Total Assessed Values	\$257,798	\$217,792
Exemptions	None	\$217,792
<b>Taxable Value</b>	<b>\$736,566</b>	<b>\$622,263</b>
<b>Taxes</b>	<b>\$2,397.97</b>	<b>Exempt</b>

Under Nevada State Law, the Carson Assessor's Office is required to estimate the taxable value of land based upon its full cash value. A 35% assessment ratio is then applied to the taxable value of the property to arrive at its assessed value.

Not-for-profit organizations, quasi-governmental, and governmental organizations are exempt from real estate taxes.

### **Improvements**

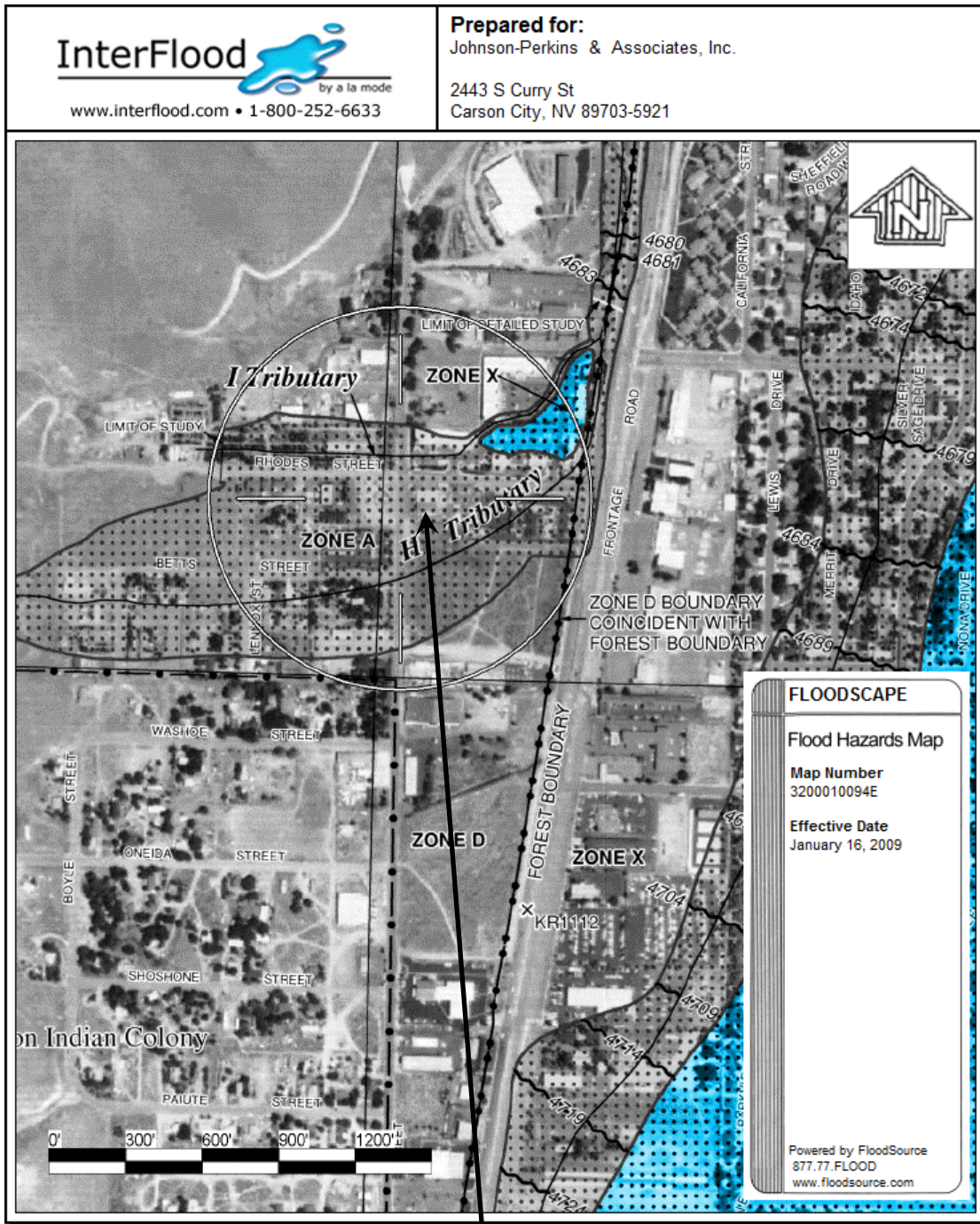
The subject's larger parcel is improved with a 7,200± square foot light industrial building. According to the Felesina family, the prior owners, the original structure was constructed in 1957 with an expansion added in 1982. Site improvements include asphalt paved parking, loading and storage yard areas as well as perimeter chain link fencing.

### **Summary and Conclusion**

In summary, the subject's larger parcel is slightly irregular and contains 36,413± square feet or .836± acres. The property is located in southwest Carson City at the southeast corner of South Curry Street and Rhodes Street, 1/2± block west of South Carson Street. The site is zoned General Commercial and has level topography, being at street grade. All necessary utilities are immediately available to the subject site.

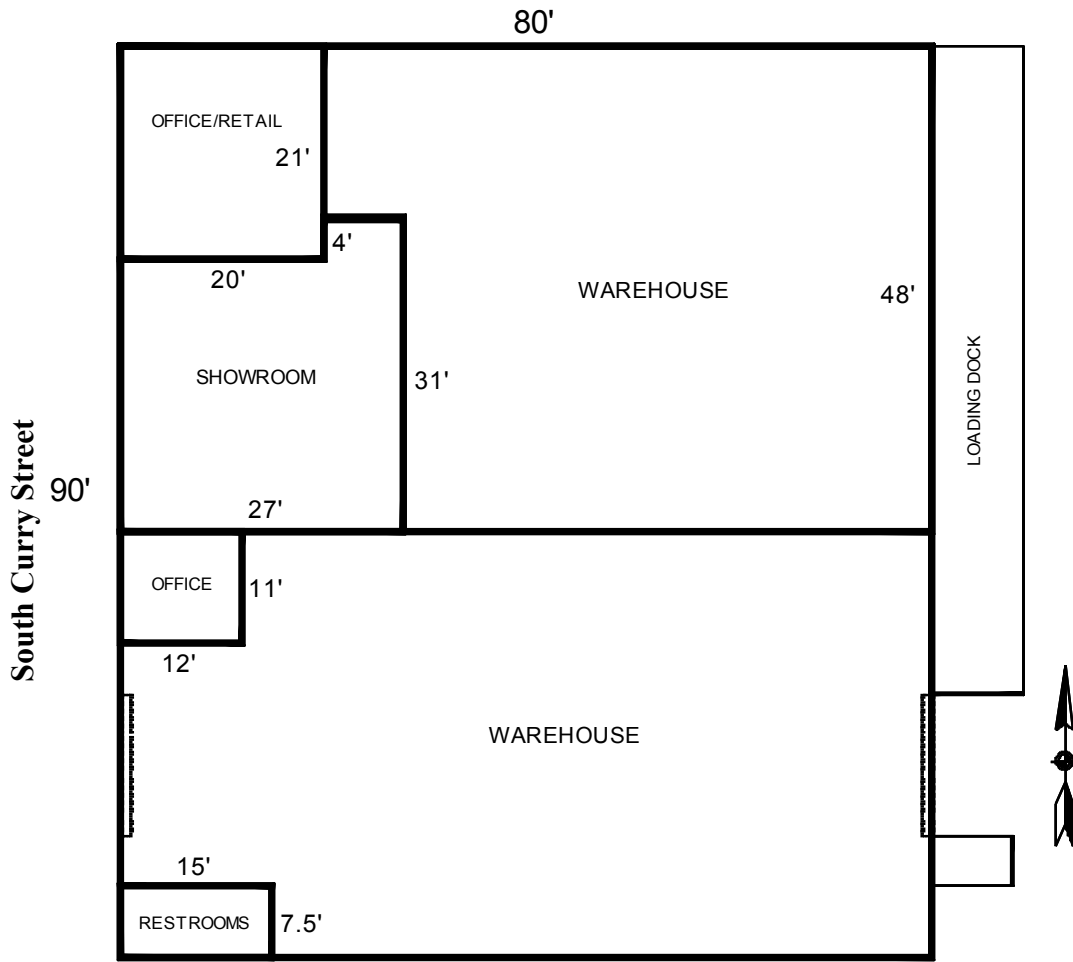
Reference is made to photographs and plot plan contained elsewhere in this appraisal report, which will enable the reader to more clearly visualize the subject property.

**SUBJECT FLOOD MAP**



© 1999-2009 SourceProse and/or FloodSource Corporations. All rights reserved. Patents 6,831,326 and 6,878,815. Other patents pending. For Info: info@floodsource.com.

**Subject Property**  
**Federal Emergency Management Agency's Flood Insurance Rate Map**  
**Community Panel Number 3200010094E**  
**Effective Date: January 16, 2009**



**Gross Building Area: 7,200± Square Feet**

Sketch by Apex IV™

Comments:

**AREA CALCULATIONS SUMMARY**

**BUILDING AREA BREAKDOWN**

Code	Description	Net Size	Net Totals	Breakdown	Sub
GBA1	First Floor	7200.0		First Floor	
	First Floor	420.0		80.0 x 90.0	
	First Floor	3840.0		20.0 x 21.0	
	First Floor	788.0		48.0 x 80.0	
	First Floor	132.0		8.0 x 31.0	
	First Floor	120.0		8.0 x 15.0	



**INTERIOR SUBJECT PHOTOGRAPHS**



**VIEW OF THE MAIN SHOWROOM AREA**



**VIEW OF THE MAIN SHOWROOM AREA**

**INTERIOR SUBJECT PHOTOGRAPHS**



**VIEW OF THE LARGE OFFICE/SHOWROOM AREA**



**VIEW OF THE SMALLER OFFICE AREA**



**INTERIOR SUBJECT PHOTOGRAPHS**



**VIEW OF THE SOUTH WAREHOUSE AREA**



**VIEW OF THE NORTH WAREHOUSE AREA**

**INTERIOR SUBJECT PHOTOGRAPHS**



**VIEW OF THE MEN'S RESTROOM**



**VIEW OF THE WOMEN'S RESTROOM**

**DESCRIPTION OF SUBJECT IMPROVEMENTS**

<b>Building Type</b>	Light Industrial Building
<b>Address</b>	2443 South Curry Street, Carson City, Nevada
<b>Foundation</b>	Reinforced Concrete
<b>Exterior Wall Construction</b>	Concrete Block
<b>Gross Building Area</b>	7,200± Square Feet
<b>Land-to-Building Ratio</b>	5.06:1
<b>Year Built</b>	According to the Felesina family, the prior owners, the subject's original structure was built in 1957 and the addition was constructed in 1982.
<b>Roof</b>	The original building has a flat roof and the addition has a sloped roof. The sloped roof is finished with composition asphalt shingles.
<b>Average Ceiling Height</b>	
<b>South Warehouse</b>	16± Feet
<b>North Warehouse</b>	10± Feet

**Doors**

The main entrance to the subject's retail showroom area is located along its west wall near the northwest corner of the structure. This door is glazed and is aluminum frame with an awning above. There is a metal pedestrian door along the east wall of the structure near its northeast corner which provides access to the subject's north warehouse area. The south warehouse area is equipped with two roll-up overhead metal doors.

**Comments**

The subject light industrial building contains 7,200± square feet of gross building area and is in average condition. The subject building is currently vacant and is owned by Carson City.

The layout of the subject building includes office space, retail showroom area, two restrooms, and two storage warehouse areas. The subject building contains approximately 1,422± square feet of finished space. The finished areas are generally located in the western portion of the building and contain fluorescent lighting and are finished with sheetrock walls and ceramic tile flooring. A gas fireplace is located in the southwest corner of the main showroom. The main entrance to the subject's retail showroom area is located along its west wall near the northwest corner of the structure.

The warehouse space contains approximately 5,778± square feet and is generally located within the eastern portion of the subject building. The subject's two warehouse areas are separated by a concrete block wall. An 8± foot wide opening provides access between the warehouse areas. The northern portion of the warehouse space contains a flat roof, while the southern portion has a gable roof. The north warehouse area ceiling is insulated. The warehouse space has concrete floors, suspended fluorescent lighting, and suspended gas fired space heaters. The interior walls in the warehouse are exposed concrete block.

The men's and women's restrooms are located in the far southeast corner of the subject building in the warehouse area. The men's restroom is finished with a handicap equipped water closet, pedestal sink with a wall mounted mirror above and a wall mounted wood cabinet. The women's restroom contains a formica wash basin within a wood base, a water closet and a shower stall. Both restrooms contain fluorescent lighting, ceramic tile flooring, sheetrock walls and sheetrock ceilings.

The subject building contains two metal roll-up doors which provide access into the warehouse area. The roll-up doors are located at the southeast and southwest corners of the building. The southeast door is at dock height and the southwest door is at grade.

### **Parking**

As previously noted the subject property was purchased by Carson City as part of the South Curry Street Improvement project. Carson City required a total of 3,145± square feet of the subject's land area along its west boundary fronting South Curry Street and its north boundary fronting on Rhodes Street. With the installation of the street improvements the setback area between the new Right-of-Way (R/W) and the subject structure has decreased. The subject building is currently setback approximately 35 feet from the new South Curry Street Right-of-Way and 15± feet from the new Rhodes Street R/W near its northeast corner and 22± feet from the new Rhodes Street R/W near its northwest corner. Although there are asphalt paved areas along the north and west sides of the subject building, as a result of the decreased setback, there is limited space available for parking within these areas. As previously noted, the front entrance to the subject's showroom area is near the northwest corner of the building. Although there is sufficient land on site (to the east of the subject building), to provide additional parking, this is less convenient to the front entrance. It is noted that due to the South Curry Street improvements that street parking adjacent to the subject is limited.

### **On-site Improvements**

On-site improvements include asphalt paving and a concrete loading dock located along the eastern side of the building. To better visualize the subject improvements, the reader is referred to the photographs and floor plan contained elsewhere in this report.

### **HIGHEST AND BEST USE ANALYSIS**

Highest and best use is defined as that reasonable and probable use which will support the highest present value, as defined, as of the effective date of valuation. Implicit in this definition is that the highest and best use must be physically possible, legally permissible, financially feasible and maximally productive.

In determining the physically possible uses of the subject parcel, its location and physical characteristics must be considered. The subject parcel contains 36,413± square feet or .836± acres and is of sufficient size and shape to support a variety of utilizations. It is a corner site having frontage along both South Curry Street and Rhodes Street. As a result, the site has adequate to good access and roadway exposure. The subject is situated approximately ½ block west of South Carson Street (U.S. 395 South). The subject is located in an area in which the predominant land use consists of industrial-commercial, retail and service commercial utilizations and older single family residences. The subject site involves level topography. The parcel has immediate access to all necessary utilities including municipal water and sewer services.

Physically, the subject property is adaptable to a wide range of uses due to its size, shape, topography, access and availability of utilities. As a result, based upon physically possible considerations, it is our opinion that the subject parcel would be well suited for most types of utilizations.

From a legal perspective, the subject's General Commercial district is intended to preserve a commercial area limited primarily to wholesale and retail sales of new and used material, repair and service facilities and offices. The GC zoning offers no undue burdensome limitation on building size, type or design.

The highest and best use of the subject property must also be financially feasible. The subject has frontage on South Curry Street, a north-south minor arterial and Rhodes Street, an east-west connector street. Surrounding development consists of the Liaison Salon and Day



Spa, the Greenhouse Garden Center and Gift Shop, the Carson Quail Park which includes primarily retail-commercial and service-oriented commercial uses, a Wells Fargo Bank, the new Carson Toyota car dealership and single-family residential uses. The new Subaru and Honda dealerships are located a short distance south of the subject along South Carson Street. Given the surrounding development, we believe industrial-commercial and possibly secondary commercial uses are financially feasible.

The highest and best use of the subject property must also be that use which provides the greatest economic return, or is the maximally productive use. As the majority of land uses in the immediate market area involve industrial-commercial and secondary commercial uses, it is our opinion that these types of land uses would meet the criteria of a maximally productive utilization of the subject property.

Based upon a careful review of the analysis set forth above, it is our opinion that the highest and best use of the subject's larger parcel, as if vacant and unimproved, would be for future development with industrial-commercial or secondary commercial uses. Given the current soft market demand, it is our expectation that development would occur at such time as market demand would warrant.

The next step in this analysis is to consider the subject property as presently improved. The subject's larger parcel is improved with a light industrial building. The subject building was originally constructed in 1957 with an addition constructed in 1982. The structure contains a total building area of 7,200± square. The improvements involve concrete block construction and are currently in average condition. There are asphalt paved areas along the north and west sides of the subject building, however, as a result of the relatively narrow setback from the subject's street frontage along both Curry Street and Rhodes Street, there is limited space available for parking within these areas. As previously noted, the front entrance to the subject's showroom area is near the northwest corner of the building. Although there is sufficient land on site (to the east of the subject building), to provide additional parking, this is less convenient to the current front entrance.

Development throughout the immediate subject neighborhood includes primarily industrial-commercial and secondary retail and service-oriented commercial uses. A number of these uses are similar to the subject, and the design and layout of the subject facility would lend itself to similar utilizations. With consideration given to the scope of the subject improvements, it is our opinion that the subject's current use does represent it's highest and best use.



## **INTRODUCTION TO VALUATION ANALYSIS**

In order to develop an estimate of the current Market Value of the subject property, consideration has been given to the three standard methods of valuation analysis. These three methods or approaches include the Cost Approach to Value, the Income Approach to Value and the Sales Comparison Approach to Value.

The Cost Approach to Value is based upon the premise that the value of a property can be derived by adding the estimated value of the land to the current cost of constructing improvements of equal desirability and utility, less any accrued depreciation. With consideration given to the older age of the subject improvements, the Cost Approach to Value has not been utilized in this analysis.

The Income Approach to Value is based upon the principal that value is created by the anticipation of future benefits. In this appraisal analysis, the Income Approach to Value, using the Direct Capitalization technique will be utilized.

The third method of analysis available to appraisers involves the Direct Sales Comparison Approach to Value. The Direct Sales Comparison Approach is based upon the principal of substitution, which holds that the value of a property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability. In this approach, the Direct Sales Comparison Approach will be completed utilizing a Price Per Square Foot Analysis.

In the final property value correlation and conclusion, the indications of value from the various approaches utilized are then correlated to arrive at the appraisers' final estimate of the Market Value of the subject's fee simple estate, as of a current date of valuation.

## **INCOME APPROACH TO VALUE**

The Income Approach to Value is the procedure in the appraisal analysis, which converts anticipated future benefits (income) to be derived from the ownership of property into a value conclusion. This approach is predicated on the assumption that value is typically viewed and measured as the present worth of anticipated future income forecast to be derived from the possession of ownership rights in real estate.

The first step in this approach is to project the gross annual income that the subject property can be reasonably expected to produce as of the effective date of valuation. The potential gross annual income will be established through a direct comparison and analysis of the rental rates being generated by competing properties.

The next step is to establish a realistic projection of the vacancy and credit loss which the subject will experience. The effective gross income will be established by subtracting the vacancy and credit loss from the projected gross annual income. The next step is to establish a realistic projection of the expenses that will be incurred in generating the gross income.

The net operating income which the subject property can reasonably be expected to produce is determined by subtracting the operating expenses from the effective gross income projection. An overall capitalization rate is then applied to the net income in order to arrive at an indication of the value for the subject property.

**COMPARABLE INDUSTRIAL-COMMERCIAL RENTAL CHART**

<b>Rental Number</b>	<b>A.P.N. Tenant Address</b>	<b>Year Built Construction Condition</b>	<b>Building Area Leased Percent Office Land-to- Building Ratio</b>	<b>Expenses</b>	<b>Rent Per Square Foot</b>
IR-1	003-064-12 Tile Outlet 1440 S. Curry Street	1997 Metal Average	6,600± SF 50% 4.49:1	Modified Gross	\$.53
IR-2	Confidential Southwest Carson City	1999 Metal Average	1,400± SF N/A 9.17:1*	Modified Gross	\$.50
IR-3	008-923-15 3267 Research Way	1995 Concrete Tilt-Up Average	6,000± SF N/A 1.68:1	NNN	\$.50
IR-4	008-816-78 & 89 Classic Dash 5225 Grumman Drive Suites 100 & 188	2005 Split Face Block Average	4,800± SF N/A 1.00:1 Plus Common Areas	NNN	\$.48
IR-5	008-523-04 Available 5831 Highway 50 East	1971 Metal Average	5,150± SF 19.42% 10.23:1	NNN	Asking \$.59
IR-6	008-816-74 Available 5130 Metric Way	2001 Concrete Tilt-Up Above Average	5,670± SF 25% 3.64:1*	NNN	Asking \$.50
<b>Subject</b>	<b>009-051-19 Available 2443 S. Curry Street</b>	<b>1957/1982 Concrete Block Average</b>	<b>7,200± SF 19.75% 5.06:1</b>	<b>NNN</b>	<b>---</b>

\*Multi-tenant or multiple buildings

**COMPARABLE INDUSTRIAL-COMMERCIAL RENTAL MAP**



**COMPARABLE RENTAL PHOTOGRAPHS**



**RENTAL IR-1**  
**1440 S. Curry Street, Carson City**

**CONFIDENTIAL**

**RENTAL IR-2**

**COMPARABLE RENTAL PHOTOGRAPHS**



**RENTAL IR-3**  
**3267 Research Way, Carson City**



**RENTAL IR-4**  
**5225 Grumman Drive, Suites 100 & 188, Carson City**



**COMPARABLE RENTAL PHOTOGRAPHS**



**RENTAL IR-5**  
**5835 Highway 50 East, Carson City**



**RENTAL IR-6**  
**5130 Metric Way, Carson City**



### MARKET RENT ANALYSIS

To establish an indication of the market rental rate which the subject property could reasonably be expected to generate, a number of industrial-commercial building rentals in the Carson City area were surveyed. For the purposes of this analysis, the market rental projection for the subject property is based upon NNN lease terms.

The rents set out on the Comparable Industrial-Commercial Rental Chart indicate a narrow range from \$.48 to \$.53 per square foot per month. The asking rents range from \$.50 to \$.59 per square foot per square foot per month. The comparable rental units range in size from 1,400± square feet to 6,600± square feet, as compared to the subject at 7,200± square feet. The majority of the comparables are leased on triple net terms, while Rentals IR-1 and IR-2 are based on modified gross terms. The subject property is currently vacant.

**Rentals IR-1 and IR-2** are located in the subject neighborhood. These comparables require downward adjustments due to their newer ages and modified gross lease terms. Rental IR-2 requires downward adjustments due to its smaller size and higher land-to-building ratio as compared to the subject. Rental IR-1 requires a downward adjustment due to this comparable's higher percentage of finished space. On the other hand, each of these comparables requires upward adjustments due to their inferior metal construction and due to the subject's corner situs. Rental IR-1 requires an additional upward adjustment due its lower land-to-building ratio. Rental IR-2 requires an additional upward adjustment as the subject is a freestanding building, which is considered more desirable. These comparables are similar to the subject in regards to location and condition. Overall, Rentals IR-1 and IR-2, at \$.50 and \$.53 per square foot per month, are considered to be reasonable indicators of an appropriate market rent for the subject.

**Rental IR-3** is located at 3267 Research Way approximately ½ block southeast of College Parkway. This comparable requires downward adjustments due to its newer age, and slightly smaller building size. On the other hand, upward adjustments are required due to the subject's corner situs and much higher land-to-building ratio. This comparable is similar to

the subject in regards to location, type of construction, and condition. Overall, Rental IR-3, at \$.50 per square foot per month, is considered to be a reasonable indicator of an appropriate market rent for the subject.

**Rentals IR-4** is a 4,800± square foot unit located in a multi-tenant industrial building located at 5225 Grumman Drive. This comparable is located at the Grumman Drive cul-de-sac in the Carson City airport submarket. This comparable requires downward adjustments due to its smaller size and much newer age. On the other hand, upward adjustments are necessary due to the subject's superior closer-in location and corner situs. Further upward adjustments are required due to the subject's much higher land-to-building ratio and as the subject is a freestanding building. Overall, Rental IR-4, at \$.48 per square foot per month, is considered to be a slightly low indicator of an appropriate market rent for the subject.

**Rentals IR-5** is a freestanding, 5,150± square foot industrial warehouse building located at 5831 Highway 50 East which is currently available for lease. This comparable requires downward adjustments due to its superior frontage on Highway 50 East and much higher land-to-building ratio at 10.23:1. An additional downward adjustment is necessary due to this comparable's smaller building size. On the other hand, upward adjustments are necessary due to the subject's much superior closer-in location, corner situs and superior curb appeal. This comparable is similar to the subject in regards to age, condition, type of construction and percentage of finished space. Overall, Rental IR-5, at \$.59 per square foot per month, is considered to be a high indicator of an appropriate market rent for the subject.

**Rentals IR-7** is a 5,670± square foot industrial warehouse unit which is currently available for lease located at 5130 Metric Way. This comparable is located on the west side of Metric Way, 310± feet north of Conestoga Drive in the Carson City airport submarket. This comparable requires downward adjustments due to its smaller size, much newer age and listing status. On the other hand, upward adjustments are necessary due to the subject's superior closer-in location and corner situs. Further upward adjustments are required due to the subject's higher land-to-building ratio and as the subject is a freestanding building.

Overall, Rental IR-6, at \$.50 per square foot per month, is considered to be a reasonable indicator of an appropriate market rent for the subject.

Based upon a review of all available data and with consideration given to the subject's location, age, average condition, type of construction, land-to-building ratio and other various factors, it is our opinion that the market rental rate applicable to the subject, as of November 22, 2010, is \$.50 per square foot per month based upon NNN terms.

**POTENTIAL GROSS ANNUAL INCOME**  
**(7,200± SF x \$.50 x 12 Months)**

**\$43,200**

**VACANCY AND CREDIT LOSS ANALYSIS**

The potential gross annual rental income estimated in the preceding section of this report was based upon 100% occupancy. As it is not reasonable to expect the property to generate 100% of its potential gross income over a typical holding period, certain allowances must be made for future vacancies as well as for normal credit losses. The allowance is usually estimated as a percentage of the potential gross income, which varies depending on the type and characteristics of the physical property, the quality of its tenants, the type and level of income streams, as well as national, regional and local economic conditions. In the case of the subject building, it is our expectation that the most likely occupant would be an owner-user with the ability to lease a portion of the building.

In order to estimate an appropriate vacancy and credit loss allowance for the subject, we have reviewed the Carson City Rental Vacancy Report as prepared by the Community Development Department of Carson City. The most recent survey available was as of April 2009. According to the report, the overall vacancy for industrial properties in Carson City, as of the survey date, was 21.50%. Additionally, the overall vacancy for retail properties in Carson City, was 19.76%. In recent interviews with brokers familiar with the industrial market in the Carson City area it was indicated that this market is still experiencing high vacancy rates with very limited demand.

With consideration given to the analysis set out above as well as to the subject's location, its average quality, average condition, age, overall desirability and its historic occupancy and current market conditions, it is our opinion that a prudent purchaser would project a vacancy and credit loss allowance, for a typical holding period, of 10% for the subject.

<b>POTENTIAL GROSS ANNUAL INCOME</b>	<b>\$43,200</b>
<b>LESS VACANCY AND CREDIT LOSS (10%)</b>	<b><u>(\$4,320)</u></b>
<b>EFFECTIVE GROSS ANNUAL INCOME</b>	<b><u>\$38,880</u></b>

**OPERATING EXPENSE ANALYSIS**

The market rent projected for the subject assumes that the building would be leased on triple net terms with the tenant being responsible for all operating expenses. Even with triple net lease terms, however, the property owner will still incur some minor miscellaneous expenses including legal and accounting fees as well as for other miscellaneous expenses.

Although the lessee is responsible for a majority of the operating expenses, it is our opinion that a prudent investor in a property such as the subject would still deduct some allowance for miscellaneous expenses.

**Miscellaneous Expenses**

As it is not possible to anticipate all costs associated with the operation of the subject property, an allowance for miscellaneous operating expenses has been estimated in the amount of 5.0% of the effective gross annual income.

<b>TOTAL EFFECTIVE GROSS INCOME</b>	<b>\$38,880</b>
<b>LESS OPERATING EXPENSES (5.0%)</b>	<b><u>(\$1,944)</u></b>
<b>NET OPERATING INCOME</b>	<b><u>\$36,936</u></b>

### **CAPITALIZATION RATE ANALYSIS**

The next step in the Income Approach to Value is to establish a reasonable estimate of an appropriate overall capitalization rate that would be applicable to the subject's net operating income. Capitalization is the process in the appraisal analysis that translates an income projection into an indication of value. The connecting link is the rate that reflects the return necessary to attract investment capital, since real estate must compete with alternative forms of investment.

To establish an appropriate overall capitalization rate applicable to the subject property, the overall capitalization rates from comparable sales were analyzed. In estimating an overall capitalization rate, the net operating income that a sale property was producing, or was capable of producing at the time of sale, is divided by the sale price to arrive at the overall capitalization rate.

The overall capitalization rates indicated by the comparable properties utilized in the Direct Sales Comparison Approach were reviewed. Sufficient information to derive an overall capitalization rate was available for only Sale IBS-3. Therefore, we have also considered the overall capitalization rates illustrated by the sales of a number of industrial property sales in the Carson City, Minden and Reno/Sparks areas. The overall capitalization rates indicated by the comparable properties are summarized as follows:

**OVERALL CAPITALIZATION RATES**

<b>A.P.N. Location</b>	<b>Sale Date Sale Price</b>	<b>OAR</b>
009-031-23 2310 S. Curry Street Carson City, NV	05-08-08 \$870,000	6.42%*
012-319-20 Raven Electronics/Potter's House 400 Edison Way Reno, NV	02-27-09 \$2,055,000	7.06%*
008-072-21 4770 Convair Drive Carson City, NV	02-26-10 \$325,000	7.58%*
1230-08-001-004 2379 Heybourne Road Minden, NV	04-22-10 \$5,300,000	8.58%
008-816-45 5200 Convair Drive Carson City, NV	Current Listing \$2,975,000	7.74%*

\*Based on Estimated Income & Expenses

The comparable sales and listings illustrate a range of overall capitalization rates between 6.42% and 8.58%. It is noted that the most recent sale that has occurred in Carson City indicates an overall capitalization rate of 7.58%.

In arriving at an estimate of the appropriate overall capitalization rate applicable to the subject property, consideration is given to the subject's secondary commercial location. Consideration is also given to its corner situs, average quality of construction, its average condition, age and overall desirability.

Based upon a review of the available data and with consideration given to the analysis as set forth above, it is our opinion that an appropriate overall capitalization rate applicable to the projected net operating income for the subject property would be 7.50%.

Set forth following is a summary and indicated value of the subject property as of November 22, 2010, by the Income Approach to Value.



**DIRECT CAPITALIZATION SUMMARY AND VALUE INDICATION**

Potential Gross Annual Income (7,200± SF x \$.50 x 12 months)	\$43,200
Less Vacancy and Credit Loss (10%)	<u>(\$4,320)</u>
Effective Gross Annual Income	\$38,880
Less Operating Expenses (5%)	<u>(\$1,944)</u>
Net Operating Income	\$36,936
Overall Capitalization Rate	<u>7.50%</u>
	\$492,480
<b><u>INDICATED VALUE BY THE INCOME APPROACH (RD)</u></b>	<b><u>\$490,000</u></b>

**SALES COMPARISON APPROACH TO VALUE**

To establish an indication of the Market Value of the subject property by the Sales Comparison Approach to Value, the official records of Carson City were searched for recent sales of similar properties. All sales found were investigated, analyzed and compared to the subject. The sales set forth on the following chart were considered to be indicative of an appropriate value for the subject property. The comparable sales will be compared to the subject on a sale price per square foot of gross building area basis.

## COMPARABLE INDUSTRIAL-COMMERCIAL BUILDING SALES CHART

Sale No.	A.P.N. Location	Sale Date Sale Price	Age Construction Condition	G.B.A. % Finished	Land Area Land-to- Building Ratio	Grantee Document Number Terms of Sale	Price/SF
IBS-1	008-292-21 2444 Empire Ranch Road Carson City	02-17-10 \$348,000 Current Listing \$398,000	1998 Metal Average	5,000± SF Nominal	.45± Ac 3.92:1	Carson Nugget Inc. C/O Steve Neighbors 397944 Cash to Seller	Sale Price \$69.60 Asking \$79.60
IBS-2	005-072-21 4770 Convair Drive Carson City	02-26-10 \$325,000	1992 Metal Average	6,000± SF 16.67%	.78± Ac 5.66:1	Arlen K. Bean 398225 Cash to Seller	\$54.17
IBS-3	034-430-05 1395 Spice Island Drive Sparks	05-07-10 \$625,000	1985 Wood Frame/Rock Accents Average	8,500± SF 22%	1.289± Ac 6.61:1	Nevada Energy Leasing, LLC 3879225/3907865 Cash to Seller	\$73.52
IBS-4	012-164-05 Travelers RV Repair Shop 1765 Lewis Street, Reno	06-24-10 \$400,000	1947 Concrete Block Fair to Average	5,892± SF Nominal	.865± Ac 6.39:1	Traveler's RV 3895180 Seller Financing	\$67.89
IBL-5	005-052-03 Available 3493 Arrowhead Drive Carson City	Current Listing 11-22-10 \$650,000	1991 Concrete Tilt-up Average	10,150± SF 11.51%	1.35± Ac 5.79:1	Owner of Record: Larry Evenson Family Trust N/A	Asking \$64.04
IBL-6	034-171-45 Available Newell Roofing 2085 Greg Street, Sparks	Current Listing 11-22-10 \$875,000	1989 Concrete Tilt-up Average	11,242± SF 25.44%	1.10± Ac 4.25:1	Owner of Record: R. & D. Newell N/A	Asking \$77.83
Subject	009-051-03 Former Tetras Building 2443 S. Curry St Carson City	Date of Valuation 11-22-10	1957/1982 Concrete Block Average	7,200± SF 19.75%	.836± Ac 5.06:1	Owner of Record: Carson City	---

**COMPARABLE INDUSTRIAL-COMMERCIAL BUILDING SALES MAP**



**COMPARABLE BUILDING SALES PHOTOGRAPHS**



**SALE IBS-1**  
**2444 Empire Ranch Road, Carson City**



**SALE IBS-2**  
**4770 Convair Drive, Carson City**



**COMPARABLE BUILDING SALES PHOTOGRAPHS**



**SALE IBS-3**  
**1395 Spice Island Drive, Reno**



**SALE IBS-4**  
**1765 Lewis Street, Reno**

**COMPARABLE BUILDING SALES PHOTOGRAPHS**



**LISTING IBL-5**  
**3493 Arrowhead Drive, Carson City**



**LISTING IBL-6**  
**2085 E. Greg Street, Sparks**



### **COMPARABLE BUILDING SALES DISCUSSION AND COMPARISON**

The comparables presented on the preceding chart indicate sale prices ranging from \$54.17 per square foot to \$77.83 per square foot of gross building area. The comparable industrial building sales range in size from 5,000± square feet to 11,242± square feet, as compared to the subject's 7,200± square feet of gross building area. The sales occurred between February 2010 and June 2010. The listings are current as of the date of valuation.

As each of the comparables involve cash sales or terms equivalent to cash, no adjustments are necessary due to the terms of financing. Set out following is a comparison of each of the comparable building sales to the subject property.

**Sale IBS-1** is located at 2444 Empire Ranch Road in northeast Carson City, ½ block south of U.S. Highway 50 East. This property is situated on the southwest corner of Empire Ranch Road and Darla Way. This comparable is of metal construction and was built in 1998. This comparable contains 5,000± square feet of building area and was average condition at the time of sale. The improvements also include a 1,440± square foot modular home and an enclosed storage yard. Although the modular home may be used for an interim period, it is our expectation that an industrial user would in all likelihood remove this unit in order to better utilize the property's yard space. This property, excluding the modular unit, illustrates a land-to-building ratio of 3.92:1. It is noted that this property is currently available for sale at an asking price of \$398,000 or \$79.60 per square foot.

In comparison with the subject, this comparable requires a large upward adjustment due to the subject's superior closer in location. Upward adjustments are necessary due to the subject's superior type of construction and much higher percentage of finished space. Further upward adjustment is necessary due to the subject's higher land-to-building ratio. On the other hand, downward adjustments are required for this comparable's date of sale due to continuing soft market conditions. A downward adjustment is required due to this comparable's newer date of construction. A minor downward adjustment is necessary as the sale price included the modular home, which is considered to be an interim use. This

comparable is similar to the subject in regards to corner situs. Overall, Sale IBS-1, at \$69.60 per square foot, is considered to be a reasonable indication of an appropriate per unit value for the subject. As previously noted, this property is currently available for sale at \$79.60 per square foot. In light of the February purchase of this property and with consideration given to the fact that the real estate market is still very soft with declining values, this asking price is considered to be a high indicator for the subject as of a current date of valuation.

**Sale IBS-2** is located at 4770 Convoir Drive in the Airport sub-market area of Carson City. This property is situated at the southwest corner of Convoir Drive and Boeing Way. This comparable is of metal construction and was built in 1992. This comparable was in average condition at the time of sale. The building contains 6,000± square feet of which 16.67% is finished space. This property illustrates a land-to-building ratio of 5.66:1. This comparable was listed at \$450,000 in November of 2009 and sold in February 2010 for \$325,000 indicating a decrease of 28% from the asking price.

In comparison with the subject, this comparable requires large upward adjustments due to the subject's superior location and superior type of construction. On the other hand, a minor downward adjustment is required due to this comparable's somewhat smaller size. A downward adjustment is necessary due to this comparable's newer date of construction. An additional downward adjustment is necessary due to the continuing soft market conditions. This comparable is similar to the subject in regards to corner situs, percentage of finished space and land-to-building ratio. Overall, Sale IBS-2, at \$54.17 per square foot, is considered to be a low indication of an appropriate per unit value for the subject.

**Sale IBS-3** is located at 1395 Spice Island Drive in southeast Sparks. This property is situated on the east side of Spice Island Drive generally between the Truckee River and East Greg Street. Due to its proximity to the river this property is situated in an AE floodplain. According to the FEMA Flood Hazard Map for this parcel, it is also located entirely within a floodway. In general, properties located within a Floodway classification cannot be developed with any structures which would impede flood waters. This comparable building is

of wood frame construction with decorative rock accents and was built in 1985. This comparable was in average condition at the time of sale. The building contains 8,500± square feet has 22% finished space and illustrates a land-to-building ratio of 6.61:1.

In comparison with the subject, this comparable requires a large upward adjustment due to its presence in a floodway. Upward adjustments are necessary due to the subject's corner situs, somewhat smaller building size and superior type of construction. On the other hand, a downward adjustment is required due to the comparable's superior location within the southeast Sparks industrial submarket, one of the largest in the Reno-Sparks area. Downward adjustments are required due to continuing soft market conditions and due to this comparable's higher land-to-building ratio. This comparable is similar to the subject in regards to age, type of construction, percentage of finished space and condition. Overall, Sale IBS-3 at \$73.52 per square foot, is considered to be a slightly high to reasonable indication of an appropriate per unit value for the subject.

**Sale IBS-4** is located at 1765 Lewis Street near Renown Medical Center in central Reno. This property is situated at the northeast corner of Lewis Street and Gould Street, ½ block west of Kietzke Lane. This comparable is of concrete block construction and was built in 1947. This comparable was in fair to average condition at the time of sale and contains 5,892± square feet. This property has nominal office finish and illustrates a land-to-building ratio of 6.39:1.

In comparison with the subject, this comparable requires large upward adjustments due to the subject's newer average age and superior condition. Additional upward adjustment is required due to the subject's much higher percentage of finished space. On the other hand, downward adjustment are required due to this comparable's superior location, and due to soft market conditions. Downward adjustment are required due to this comparable's smaller size and higher land-to-building ratio as compared to the subject. This comparable is similar to the subject in regards to type of construction and corner situs. Overall, Sale IBS-4, at \$67.89

per square foot, is considered to be a slightly low to reasonable indication of an appropriate per unit value for the subject.

**Listing IBL-5** is an office-warehouse building located at 3493 Arrowhead Drive in the Airport sub-market area of Carson City. This property is situated at the northwest corner of Arrowhead Drive and Lamotte Drive. This comparable is of concrete tilt-up construction and was built in 1991. This comparable is in average condition. The building contains 10,150± square feet and includes approximately 11.51% finished space. The finished area consists of four executive offices and a secretarial/bookkeeper office area. This property illustrates a land-to-building ratio of 5.79:1. This comparable is currently listed at \$650,000 or \$64.04 per square foot. This price was reduced from the original asking price from approximate one year ago at \$975,000 or \$96.06 per square foot indicating a decrease of 33% in the asking price.

In comparison with the subject, this comparable requires an upward adjustment due to the subject's superior location. Further upward adjustment is necessary due to the subject's much smaller size and higher percentage of finished space. On the other hand, downward adjustments are required due to this comparable's newer age, superior interior finish and listing status. This comparable is similar to the subject in regards to type of construction, condition and land-to-building ratio. Overall, Listing IBL-5, at \$64.04 per square foot, is considered to be a low indication of an appropriate per unit value for the subject.

**Listing IBL-6** is located at 2085 East Greg Street in southeast Sparks. This property is situated at the south terminus of Kleppe Lane between the Truckee River and East Greg Street. Due to its proximity to the river, this property is situated in an AE floodplain. According to the FEMA Flood Hazard Map for this parcel, the very south portion of the site is also located within a floodway. In general, properties located within a Floodway classification cannot be developed with any structures which would impede flood waters. This comparable building is of concrete tilt-up construction and was built in 1989. This

comparable was in average condition at the time of sale. The building contains 11,242± square feet has 25.44% finished space and illustrates a land-to-building ratio of 4.25:1.

In comparison with the subject, this comparable requires an upward adjustment due to its presence in a floodplain and partially within a floodway. Upward adjustments are necessary due to the subject's corner situs, smaller building size and higher land-to-building ratio. On the other hand, a downward adjustment is required due to the comparable's superior location within the southeast Sparks industrial submarket. Downward adjustments are required due to this comparable's newer average age, higher percentage of finished space and listing status. This comparable is similar to the subject in regards to type of construction, and condition. Overall, Listing IBL-6, at \$77.83 per square foot, is considered to be a high indication of an appropriate per unit value for the subject.

The subject parcel was purchased by Carson City from the Genevieve Felesina Family Trust by Carson City. The purchase price was reported at \$875,000 and the transaction involved cash. This sale was recorded on October 16, 2009 at Document Number 394615, in the Official Records, Carson City, Nevada. The purchase of the subject had been under negotiation for approximately one year. It is our understanding that the negotiations were based upon the appraisal of the subject property prepared by this firm with a date of valuation of October 2, 2008. The purpose of the appraisal was to estimate the Market Value and recommended Just Compensation due the owners of the subject property as a result of a partial Right-of-Way taking for the Curry Street Improvement project. The valuation of the whole subject property, as of that date, was \$820,000. The property owners negotiated the sale price for the entire property at \$875,000, which the city paid in order to avoid lengthy, expensive litigation. Overall, with consideration given to current soft market conditions as well as the influence of the Curry Street Improvement project, it is our opinion that the October 2009 sale of the subject property is well above current market levels.

In summary Sale IBS-2 and Listing IBL-5, at \$54.17 and \$64.04 per square foot, were considered to be low to very low indications of an appropriate per unit value for the subject.

Sale IBS-4, at \$67.89 per square foot, was considered to be a slightly low to reasonable indicator. Listing IBL-6, at \$77.83 per square foot, was considered to be a high indicator. The current listing of Sale IBS-1, at \$79.60 per square foot was considered to be a high indicator. The 2010 sales of Comparables IBS-1 and IBS-3 at \$69.60 and \$73.52 per square foot, were considered to reasonable indications of an appropriate per unit value for the subject.

Based upon a review of the available data and with consideration given to the analysis as set forth above, it is our opinion that a per unit value of \$70.00 per square foot would be applicable to the subject. Applying the indicated per unit value to the subject's 7,200± square feet, results in an indicated value by the Per Square Foot Analysis, as of November 22, 2010, of \$504,000, which is rounded to \$505,000.

**INDICATED VALUE BY SALES COMPARISON APPROACH**

**\$505,000**

**CORRELATION AND FINAL VALUE INDICATION**

In this portion of the report, the appraiser weighs the relative significance, applicability and defensibility of each of the indications of value derived from the various approaches to value. The appraiser then places the most weight and reliance upon that method which, in his best professional judgment, best approximates the value being sought in the appraisal.

In this appraisal, the value being sought is the Market Value of the unencumbered fee simple ownership in the subject property. Market Value is that value which most nearly represents what a typical, informed, rational purchaser would pay for the subject property if it were available for sale on the open market as of the date of the appraisal, given all information available. In the preceding sections of this report we have valued the subject property using two valuation methods. The values from each of the approaches are summarized as follows:

<b>INCOME APPROACH</b>	<b>\$490,000</b>
<b>SALES COMPARISON APPROACH</b>	<b>\$505,000</b>

In this appraisal analysis, the Income Approach to Value using the Direct Capitalization technique has been utilized. In the Income Approach to Value, the subject's potential gross annual income estimate was based upon a comparison of rental rates currently being generated by similar or competing industrial-commercial properties. Furthermore, there were recent comparable building sales from which to derive overall capitalization rates. The indication of value by the Income Approach is considered to be a reliable indicator of the Market Value of the subject. It has been these appraisers' experience that investors place the most weight and reliance upon the methods of appraisal analysis which address the income producing capabilities of an industrial-commercial property such as the subject.

In the Sales Comparison Approach, a number of recent industrial building sales were analyzed utilizing a Price per Square Foot method of comparison. The subject property was



compared to the sales of comparable industrial buildings in the Carson City area with adjustments made for variations in location and physical characteristics. Overall, the Sales Comparison Approach analysis is considered to have resulted in a reasonable indication of value for the subject property. Typically, the Sales Comparison Approach to Value is one of the better indicators of value as it does reflect the actions of the buyers and sellers in the marketplace. It is our expectation that the most likely occupant of the subject would be an owner-user with the ability to lease a portion of the building.

In the final analysis, both approaches to value were given equal consideration. Based upon a careful review of all information available, it is our opinion that the fee simple Market Value of the subject property, as of November 22, 2010, is \$500,000.

**FINAL MARKET VALUE CONCLUSION**

**\$500,000**

### **EXPOSURE AND MARKETING TIME**

Exposure time is defined as the length of time that would have been necessary to expose the property on the open market, in order to have consummated the sale as of the effective date of valuation. This analysis assumes the property was marketed at the value conclusion contained in this report.

Marketing time, on the other hand, is the time necessary to consummate a sale of the subject property assuming that a marketing effort is begun as of the effective date of valuation and that the property is marketed at the final property value conclusion contained in this report.

In arriving at an estimate of the exposure time and marketing time applicable to the subject property, consideration is given to the demand for similar properties. In their *Third Quarter Industrial Market Research Survey* for the Reno-Sparks area, Colliers International reports that “although it appears that the Northern Nevada industrial market is showing signs of stabilizing in the third quarter, in our opinion, there still remains a great deal of risk and uncertainty in the market. There continues to be problematic financing of transactions and sales prices are likely to continue to set new lows for the next several quarters as any buyers in the market are seeking value oriented opportunities.” Of concern is the fact that financing is still very tight – the majority of completed sales transactions were cash deals and distressed properties, short sales and foreclosures – while still minimal in our market, may still keep downward pressure on sales prices for the foreseeable future.

The *Third Quarter 2009 Korpacz Real Estate Investor Survey* reports the average marketing time as indicated by respondents for the National Warehouse markets, which includes investment grade properties, at 9.08 months, an increase over the prior quarter at 8.15 months and the prior year at 5.75 months.

In arriving at an estimate of the exposure time and marketing time applicable to the subject property, consideration must be given to the current soft market conditions, difficulty

in obtaining financing and competition from distressed properties. Consideration is also given to the subject's secondary industrial-commercial location. On the other hand, consideration is given to the subject's average condition, average quality and overall desirability. Overall, it is our opinion that an appropriate exposure time and marketing time applicable to the subject property would be approximately one to two years.

**EXPOSURE AND MARKETING TIME**

**ONE TO TWO YEARS**

### APPRAISER'S CERTIFICATION

Each of the undersigned do hereby certify that, unless otherwise noted in this appraisal report:

- I have made a personal inspection of the property that is the subject of this report.
- I have no present or contemplated future interest in the real estate that is the subject of this appraisal report.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- To the best of my knowledge and belief, the statements of fact contained in this appraisal report, upon which the analysis, opinions, and conclusions herein are based, are true and correct.
- This report sets forth all the limiting conditions (imposed by the terms of my assignment or by the undersigned) affecting the analysis, opinions, and conclusions contained in this report.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the *Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute*, which include the *Uniform Standards of Professional Appraisal Practice*.
- My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- The appraisal was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- No one other than the undersigned prepared the analyses, conclusions and opinions concerning real estate that are set forth in this appraisal report.
- The Appraisal Institute conducts a mandatory program of continuing education for its designated members. As of the date of this report, Stephen R. Johnson and Cindy Lund Fogel have completed the

requirements under the continuing education program of the Appraisal Institute.

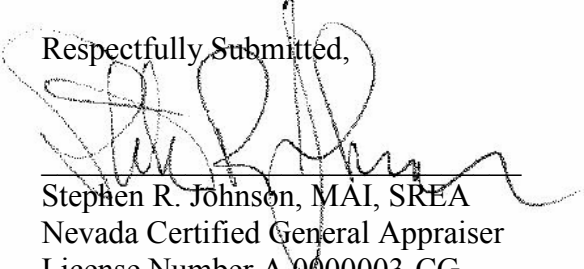
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- The appraiser has appraised the subject property in the preceding three years.

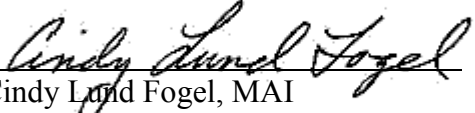
After careful consideration of all data available, and upon thorough personal investigation of the subject property and comparable properties analyzed, it is our opinion that the Market Values of the subject property, as of November 22, 2010, is as follows:

**FINAL MARKET VALUE CONCLUSION**  
**(Market Value as of November 22, 2010)**

**\$500,000**

Respectfully Submitted,

  
Stephen R. Johnson, MAI, SREA  
Nevada Certified General Appraiser  
License Number A.0000003-CG

  
Cindy Lund Fogel, MAI  
Nevada Certified General Appraiser  
License Number A.0002312-CG

## **STANDARD ASSUMPTIONS AND LIMITING CONDITIONS**

The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith are contingent upon the following assumptions and limiting conditions.

### **LIMITS OF LIABILITY**

This report was prepared by Johnson-Perkins and Associates, Inc. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of Johnson-Perkins and Associates, as employees, not as individuals. The liability of Johnson-Perkins & Associates, Inc. and its employees and associates is limited to the client only and to the fee actually received by the appraisal firm. There is no accountability, obligation, or liability to any third party. If the appraisal report is disseminated to anyone other than the client, the client shall make such party or parties aware of all limiting conditions and assumptions affecting the appraisal assignment. Neither the appraisers nor the appraisal firm is in any way to be responsible for any costs incurred to discover or correct any physical, financial and/or legal deficiencies of any type present in the subject property. In the case of limited partnerships or syndication offerings or stock offerings in real estate, the client agrees that in the event of a lawsuit brought by a lender, a partner or part owner in any form of ownership, a tenant or any other party, the client will hold the appraiser(s) and the appraisal firm completely harmless in such action with respect to any and all awards or settlements of any type in such lawsuits.

### **COPIES, PUBLICATION, DISTRIBUTION AND USE OF REPORT**

Possession of this report or any copy thereof does not carry with it the right of publication, nor may it be used for any purpose or any function other than its intended use, as stated in the body of the report. The appraisal fee represents compensation only for the analytical services provided by the appraiser(s). The appraisal report remains the property of the appraisal firm, though it may be used by the client in accord with these assumptions and limiting conditions.

This appraisal is to be used only in its entirety, and no part is to be used without the whole report. All conclusions and opinions concerning the analysis as set forth in the report were prepared by the appraiser(s) whose signature(s) appears on the appraisal report, unless it is indicated that one or more of the appraisers was acting as "Review Appraiser." No change of any item in the report shall be made by anyone other than the appraiser(s). The appraiser(s) and the appraisal firm shall bear no responsibility for any such unauthorized changes.

### **CONFIDENTIALITY**

Except as provided for subsequently, neither the appraiser(s) nor the appraisal firm may divulge the analyses, opinions or conclusions developed in the appraisal report, nor may they give a copy of the report to anyone other than the client or his designee as specified in writing. However, this condition does not apply to any requests made by the Appraisal Institute for purposes of confidential ethics enforcement. Also, this condition does not apply to any order or request issued by a court of law or any other body with the power of subpoena.

**INFORMATION SUPPLIED BY OTHERS**

Information (including projections of income and expenses) provided by informed local sources, such as government agencies, financial institutions, Realtors, buyers, sellers, property owners, bookkeepers, accountants, attorneys, and others is assumed to be true, correct and reliable. No responsibility for the accuracy of such information is assumed by the appraiser(s). Neither the appraiser(s) nor the appraisal firm is liable for any information or the work product provided by subcontractors. The client and others utilizing the appraisal report are advised that some of the individuals associated with Johnson-Perkins & Associates, Inc. are independent contractors and may sign the appraisal report in that capacity. The comparable data relied upon in this report has been confirmed with one or more parties familiar with the transaction or from affidavit or other sources thought reasonable. To the best of our judgment and knowledge, all such information is considered appropriate for inclusion. In some instances, an impractical and uneconomic expenditure of time would be required in attempting to furnish absolutely unimpeachable verification. The value conclusions set forth in the appraisal report are subject to the accuracy of said data. It is suggested that the client consider independent verification as a prerequisite to any transaction involving a sale, a lease or any other commitment of funds with respect to the subject property.

**TESTIMONY, CONSULTATION, COMPLETION OF CONTRACT FOR APPRAISAL SERVICE**

The contract for each appraisal, consultation or analytical service is fulfilled and the total fee is payable upon completion of the report. The appraisers(s) or those assisting in the preparation of the report will not be asked or required to give testimony in court or in any other hearing as a result of having prepared the appraisal, either in full or in part, except under separate and special arrangements at an additional fee. If testimony or a deposition is required, the client shall be responsible for any additional time, fees and charges, regardless of the issuing party. Neither the appraiser(s) nor those assisting in the preparation of the report is required to engage in post- appraisal consultation with the client or other third parties, except under a separate and special arrangement and at an additional fee.

**EXHIBITS AND PHYSICAL DESCRIPTIONS**

It is assumed that the improvements and the utilization of the land are within the boundaries of the property lines of the property described in the report and that there is no encroachment or trespass unless noted otherwise within the report. No survey of the property has been made by the appraiser(s) and no responsibility is assumed in connection with such matters. Any maps, plats, or drawings reproduced and included in the report are there to assist the reader in visualizing the property and are not necessarily drawn to scale. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced or used apart from the report.

**TITLE, LEGAL DESCRIPTIONS, AND OTHER LEGAL MATTERS**

No responsibility is assumed by the appraiser(s) or the appraisal firm for matters legal in character or nature. No opinion is rendered as to the status of title to any property. The title is presumed to be good and merchantable. The property is appraised as if free and clear, unless otherwise stated in the appraisal report. The legal description, as furnished by the client, his designee or as derived by the appraiser(s), is assumed to be correct as reported. The appraisal is not to be construed as giving advice concerning liens, title status, or legal marketability of the subject property.



## **ENGINEERING, STRUCTURAL, MECHANICAL, ARCHITECTURAL CONDITIONS**

This appraisal should not be construed as a report on the physical items that are a part of any property described in the appraisal report. Although the appraisal may contain information about these physical items (including their adequacy and/or condition), it should be clearly understood that this information is only to be used as a general guide for property valuation and not as a complete or detailed report on these physical items. The appraiser(s) is not a construction, engineering, or architectural expert, and any opinion given on these matters in this report should be considered tentative in nature and is subject to modification upon receipt of additional information from appropriate experts. The client is advised to seek appropriate expert opinion before committing any funds to the property described in the appraisal report.

Any statement in the appraisal regarding the observed condition of the foundation, roof, exterior walls, interior walls, floors, heating system, plumbing, insulation, electrical service, all mechanicals, and all matters relating to construction is based on a casual inspection only. Unless otherwise noted in the appraisal report, no detailed inspection was made. For instance, the appraiser is not an expert on heating systems, and no attempt was made to inspect the interior of the furnace. The structures were not investigated for building code violations, and it is assumed that all buildings meet the applicable building code requirements unless stated otherwise in the report.

Such items as conditions behind walls, above ceilings, behind locked doors, under the floor, or under the ground are not exposed to casual view and, therefore, were not inspected, unless specifically so stated in the appraisal. The existence of insulation, if any is mentioned, was discovered through conversations with others and/or circumstantial evidence. Since it is not exposed to view, the accuracy of any statements regarding insulation cannot be guaranteed.

Because no detailed inspection was made, and because such knowledge goes beyond the scope of this appraisal, any comments on observed conditions given in this appraisal report should not be taken as a guarantee that a problem does not exist. Specifically, no guarantee is given as to the adequacy or condition of the foundation, roof, exterior walls, interior walls, floors, heating systems, air conditioning systems, plumbing, electrical service, insulation, or any other detailed construction matters. If any interested party is concerned about the existence, condition, or adequacy of any particular item, we would strongly suggest that a mechanical and/or structural inspection be made by a qualified and licensed contractor, a civil or structural engineer, an architect or other experts. This appraisal report is based on the assumption that there are no hidden, unapparent or apparent conditions on the property or improvements which would materially alter the value as reported. No responsibility is assumed for any such conditions or for any expertise or engineering to discover them. All mechanical components are assumed to be in operable condition and standard for the properties of the subject type. Conditions of heating, cooling, ventilating, electrical and plumbing equipment are considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. No judgment is made in the appraisal as to the adequacy of insulation, the type of insulation, or the energy efficiency of the improvements or equipment which is assumed to be standard for the subject's age, type and condition.

## **TOXIC MATERIALS AND HAZARDS**

Unless otherwise stated in the appraisal report, no attempt has been made to identify or report the presence of any potentially toxic materials and/or condition such as asbestos, urea formaldehyde foam insulation, PCBs, any form of toxic waste, polychlorinated biphenyl, pesticides, lead-based paints or soils or ground water contamination on any land or improvements described in the appraisal report. Before committing funds to any property, it is strongly advised that appropriate experts be employed to inspect both land and improvements for the existence of such potentially toxic materials and/or conditions. If any potentially toxic materials and/or conditions are present on the property, the value of the property may be

adversely affected and a re-appraisal at an additional cost may be necessary to estimate the effects of such circumstances.

### **SOILS, SUB-SOILS, AND POTENTIAL HAZARDS**

It is assumed that there are no hidden or unapparent conditions of the soils or sub-soil which would render the subject property more or less valuable than reported in the appraisal. No engineering or percolation tests were made and no liability is assumed for soil conditions. Unless otherwise noted, the land and the soil in the area being appraised appeared to be firm, but no investigation has been made to determine whether or not any detrimental sub-soil conditions exist. Neither the appraiser(s) nor the appraisal firm is liable for any problems arising from soil conditions. These appraisers strongly advise that, before any funds are committed to a property, the advice of appropriate experts be sought.

If the appraiser(s) has not been supplied with a termite inspection report, survey or occupancy permit, no responsibility is assumed and no representation is made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained.

Neither the appraiser(s) nor the appraisal firm assumes responsibility for any costs or for any consequences arising from the need or lack of need for flood hazard insurance. An Agent for the Federal Flood Insurance Program should be contacted to determine the actual need for flood hazard insurance.

### **ARCHEOLOGICAL SIGNIFICANCE**

No investigation has been made by the appraiser and no information has been provided to the appraiser regarding potential archeological significance of the subject property or any portion thereof. This report assumes no portion of the subject property has archeological significance.

### **LEGALITY OF USE**

This appraisal report assumes that there is full compliance with all applicable federal, state and local environmental regulations and laws, unless non-compliance is stated, defined and considered in the appraisal report. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined and considered in the appraisal report. It is assumed that all required licenses, consents, or other legislative or administrative authority from any local, state or national government, private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

### **COMPONENT VALUES**

Any distribution of the total value between the land and improvements, between partial ownership interests or any other partition of total value applies only under the stated use. Moreover, separate allocations between components are not valid if this report is used in conjunction with any other analysis.

### **COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT**

The Americans with Disabilities Act ("ADA") became effective January 26, 1992. It is assumed that the property is in direct compliance with the various detailed requirements of the ADA.

### **AUXILIARY AND RELATED STUDIES**

No environmental or impact studies, special market studies or analyses, special highest and best use studies or feasibility studies have been requested or made by the appraiser(s) unless otherwise specified in an agreement for services and so stated in the appraisal report.

### **DOLLAR VALUES AND PURCHASING POWER**

The estimated market value set forth in the appraisal report and any cost figures utilized are applicable only as of the date of valuation of the appraisal report. All dollar amounts are based on the purchasing power and price of the dollar as of the date of value estimates.

### **ROUNDING**

Some figures presented in this report were generated using computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity, most numbers have been rounded. Thus, these figures may be subject to small rounding errors.

### **QUANTITATIVE ANALYSIS**

Although this analysis employs various mathematical calculations to provide value indications, the final estimate is subjective and may be influenced by our experience and other factors not specifically set forth in this report.

### **VALUE CHANGE, DYNAMIC MARKET, ALTERATION OF ESTIMATE BY APPRAISER**

All values shown in the appraisal report are projections based on our analysis as of the date of valuation of the appraisal. These values may not be valid in other time periods or as conditions change. Projected mathematical models set forth in the appraisal are based on estimates and assumptions which are inherently subject to uncertainty and variations related to exposure, time, promotional effort, terms, motivation, and other conditions. The appraiser(s) does not represent these models as indicative of results that will actually be achieved. The value estimates consider the productivity and relative attractiveness of a property only as of the date of valuation set forth in the report.

In cases of appraisals involving the capitalization of income benefits, the estimate of market value, investment value or value in use is a reflection of such benefits and of the appraiser's interpretation of income, yields and other factors derived from general and specific client and market information. Such estimates are as of the date of valuation of the report, and are subject to change as market conditions change.

This appraisal is an estimate of value based on analysis of information known to us at the time the appraisal was made. The appraiser(s) does not assume any responsibility for incorrect analysis because of incorrect or incomplete information. If new information of significance comes to light, the value given in this report is subject to change without notice. The appraisal report itself and the value

estimates set forth therein are subject to change if either the physical or legal entity or the terms of financing are different from what is set forth in the report.

#### **ECONOMIC AND SOCIAL TRENDS**

The appraiser assumes no responsibility for economic, physical or demographic factors which may affect or alter the opinions in this report if said economic, physical or demographic factors were not present as of the date of value of this appraisal. The appraiser is not obligated to predict future political, economic or social trends.

#### **EXCLUSIONS**

Furnishings, equipment, other personal property and value associated with a specific business operation are excluded from the value estimate set forth in the report unless otherwise indicated. Only the real estate is included in the value estimates set forth in the report unless otherwise stated.

#### **SUBSURFACE RIGHTS**

No opinion is expressed as to the value of subsurface oil, gas or mineral rights or whether the property is subject to surface entry for the exploration or removal of such materials, except as is expressly stated.

#### **PROPOSED IMPROVEMENTS, CONDITIONED VALUE**

It is assumed in the appraisal report that all proposed improvements and/or repairs, either on-site or off-site, are completed in an excellent workmanlike manner in accord with plans, specifications or other information supplied to these appraisers and set forth in the appraisal report, unless otherwise explicitly stated in the appraisal. In the case of proposed construction, the appraisal is subject to change upon inspection of the property after construction is completed. The estimate of market value is as of the date specified in the report. Unless otherwise stated, the assumption is made that all improvements and/or repairs have been completed according to the plans and that the property is operating at levels projected in the report.

#### **MANAGEMENT OF PROPERTY**

It is assumed that the property which is the subject of the appraisal report will be under typically prudent and competent management which is neither inefficient nor superefficient.

#### **FEE**

The fee for any appraisal report, consultation, feasibility or other study is for services rendered and, unless otherwise stated in the service agreement, is not solely based upon the time spent on any assignment.

**LEGAL EXPENSES**

Any legal expenses incurred in defending or representing ourselves concerning this assignment will be the responsibility of the client.

**CHANGES AND MODIFICATIONS**

The appraiser(s) reserves the right, at the cost of the client, to alter statements, analyses, conclusions, or any value estimates in the appraisal if any new facts pertinent to the appraisal process are discovered which were unknown on the date of valuation of this report.

**DISSEMINATION OF MATERIAL**

Neither all nor any part of the contents of this report shall be disseminated to the general public through advertising or sales media, public relations media, new media or other public means of communication without the prior written consent and approval of the appraiser(s).

The acceptance and/or use of the Appraisal Report by the client or any third party constitutes acceptance of the Assumptions and Limiting Conditions set forth in the preceding paragraphs. The appraiser's liability extends only to the specified client, not to subsequent parties or users. The appraiser's liability is limited to the amount of the fee received for the services rendered.

**QUALIFICATIONS OF APPRAISER  
STEPHEN R. JOHNSON**

**Professional Designations**

MAI - Member Appraisal Institute (Certified through 2012)	1976
SREA - Senior Real Estate Analyst; Society of Real Estate Appraisers	1984

**State Licensing and Certification**

Certified General Appraiser-State of Nevada License # A.0000003-CG (Certified through 4/30/2011)	1991
Certified General Appraiser-State of California License # AG007038 (Certified through 6/18/2011)	1992

**Association Memberships and Affiliations**

Member Reno Board of Realtors	
Member Nevada Association of Realtors	
International Right-of-Way Association	
Member Nevada State Board of Equalization - (Appointed by Governor Richard Bryan, January 1984 & 1988)	1984-1991
(Appointed by Governor Kenny C. Guinn, March 2000 & 2004)	2000-2008
Member Nevada Commission of Appraisers of Real Estate - (Appointed by Governor Bob Miller, August 7, 1989)	1989-1994

**Offices Held**

Chairman, National Ethics Administration Division	1995
Vice Chairman, National Ethics Commission	1993/94
Regional Member, Ethics Administration Appraisal Institute, Region 1	1989-1992
President, Sierra-Nevada Chapter #60, AIREA -	1989
Vice President, Sierra-Nevada Chapter #60, AIREA -	1988
Secretary, Sierra-Nevada Chapter #60, AIREA -	1987
Vice Governor District 3 (Northern California & Nevada) Society of Real Estate Appraisers (SREA) -	1980-1981
Past President & Membership Chairman - Reno/Carson/Tahoe Chapter #189	
Member 1976 Young Men's Council, SREA, Atlanta, Georgia	
Discussion Leader 1977 Young Men's Council, SREA, Las Vegas, Nevada	

**QUALIFICATIONS OF APPRAISER  
STEPHEN R. JOHNSON**

**Offices Held (continued)**

Elected 1 of 2 National Representatives to the International Board of Governors of the SREA, representing the Young Men's Council -	1977
International Professional Practice Committee, SREA -	1978-1981
International Conference Committee, SREA -	1978 & 1979
National Candidates Guidance Committee of the American Institute of Real Estate Appraisers (AIREA) -	1978-1981
Chairman National Division of Member and Chapter Services, AIREA -	1981
Board of Directors Northern California Chapter #11, AIREA -1	1980
Admissions Committee, Sierra-Nevada Chapter #60, AIREA	
Board of Directors, Sierra-Nevada Chapter #60, AIREA	1984-1986
Board of Directors, Reno-Carson-Tahoe Chapter	

**Appraisal Experience**

Independent Fee Appraiser	1976 to present
President, Stephen R. Johnson & Associates	1976-1992
President, Johnson - Wright & Associates	
President, Johnson - Perkins & Associates (Staff of 11 Appraisers)	1994 to present
Alves Appraisal Associates	1972-1976
Alves-Kent Appraisal Associates	1970-1972

**Qualified as an Expert Witness**

Nevada District Courts:  
Washoe County, Carson City, Douglas County,  
and Elko County

U.S. Bankruptcy Courts:  
Reno, Las Vegas, Sacramento, and Los Angeles

U.S. District Court, San Francisco, California

United States Tax Court

Arizona Superior Court, Maricopa County, Phoenix

Douglas County Board of Equalization

Washoe County Board of Equalization

Nevada State Board of Equalization

King County Superior Court, Seattle, Washington



**QUALIFICATIONS OF APPRAISER  
STEPHEN R. JOHNSON**

**Formal Education**

Reno High School Graduate - 1966  
Bachelor of Science Degree in Business Administration  
Majoring in Real Estate, from the University of  
Nevada, Reno 1972

**Appraisal Education**

University of Nevada:  
B.A. 430 Real Estate Evaluation 1970  
B.A. 432 Real Estate Appraisal Problems 1971  
American Institute of Real Estate Appraisers:  
Course 1A Basic Appraisal Principles, Methods  
& Techniques, San Francisco, CA 1972  
Course 1B Capitalization Theory & Techniques,  
San Francisco, California 1973  
Course 2 Urban Properties,  
San Francisco, California  
Course 6 Investment Analysis,  
Memphis, Tennessee 1976  
Society of Real Estate Appraisers:  
Course 301 Special Applications of Appraisal  
Analysis, Pomona, California 1974

Numerous Continuing Education Seminars and Courses

**Appraisal Instructor**

Nevada Association of Realtors  
Department of Commerce, Real Estate Division, State of Nevada  
Appraisal "A" Residential Appraising  
Appraisal "B" Apartment and Commercial Property Appraising  
Western Nevada Community College  
R.E. 206 Real Estate Appraising  
Northern Nevada Real Estate School  
Real Estate Appraisal

**QUALIFICATIONS OF APPRAISER  
STEPHEN R. JOHNSON  
REPRESENTATIVE APPRAISAL CLIENTS AND PROPERTIES**

BARTON MEMORIAL HOSPITAL  
CITY OF RENO  
CITY OF SPARKS  
COLONIAL BANK  
R.J.B. DEVELOPMENT COMPANY CARSON CITY  
DOUGLAS COUNTY  
LINCOLN COUNTY  
LYON COUNTY  
WASHOE COUNTY  
MINERAL COUNTY  
EMERALD BAY POST OFFICE  
NEVADA STATE PARK SYSTEM  
NEVADA STATE DEPT. OF TRANSPORTATION  
NEVADA STATE DIVISION OF LANDS  
NEVADA ATTORNEY GENERAL'S OFFICE  
U.S. DEPARTMENT OF NAVY  
U.S. FOREST SERVICE  
FNMA - REGIONAL OFFICE  
INTERNAL REVENUE SERVICE  
FEDERAL TRADE COMMISSION  
WASHOE COUNTY REGIONAL TRANS.  
RENO TAHOE AIRPORT AUTHORITY  
TAHOE REGIONAL PLANNING AGENCY  
CALIFORNIA ATTY GENERAL'S OFFICE  
CALIFORNIA TAHOE CONSERVANCY  
CITY OF SOUTH LAKE TAHOE  
PLACER COUNTY REDEVELOPMENT AGENCY  
NEW HAMPSHIRE DEPARTMENT OF JUSTICE  
MISSOURI HWY AND TRANS. DEPT COMMISSION  
IDAHO TRANSPORTATION DEPARTMENT  
COLONIAL BANK  
PLUMAS BANK  
SECURITY BANK OF NEVADA  
LIBERTY BANK  
FIRST INDEPENDENT BANK OF NV  
NORTHERN NEVADA BUSINESS BANK  
NEVADA STATE BANK  
UNION BANK  
VALLEY BANK OF NEVADA  
BANK OF AMERICA  
THE BANK OF CALIFORNIA  
CROCKER NATIONAL BANK  
WELLS FARGO BANK  
B OF A TRUST DEPARTMENT  
FIRST FEDERAL SAVINGS & LOAN  
FIRST WESTERN SAVINGS & LOAN  
AMERICAN SAVINGS AND LOAN  
NEVADA SAVINGS & LOAN  
DILORETO CONST. & DEVELOPMENT  
DERMODY PROPERTIES  
TRAMMELL CROW CO.  
MCKENZIE PROPERTIES  
HOMWOOD HIGH & DRY MARINA  
TAHOE KEYS MARINA  
TAHOE CITY MARINA

WASHOE MEDICAL CENTER  
PLAZA RESORT CLUB  
ROYAL BANK OF SCOTLAND  
CARSON-TAHOE HOSPITAL  
JOHNNY RIBEIRO BUILDER  
KEEVER CONSTRUCTION COMPANY  
SIERRA PACIFIC POWER COMPANY  
SOUTH LAKE TAHOE PUBLIC UTILITY DIST.  
TAHOE DOUGLAS SEWER DISTRICT  
GLENBROOK WATER COMPANY  
TAHOE PARK WATER COMPANY  
NORTH FOOTHILL APARTMENTS  
MEADOWOOD APARTMENTS  
WOODSIDE VILLAGE APARTMENTS  
SIERRA WOODS APARTMENTS  
AMESBURY PLACE APARTMENTS  
SUNDANCE APARTMENTS  
KEYSTONE SQUARE SHOPPING CTR.  
POZZI MOTORS  
CARSON CITY DATSUN-AMC-JEEP  
LEMMON VALLEY LAND COMPANY  
CONSOLIDATED FREIGHTWAYS  
RINGSBY UNITED  
SYSTEMS 99  
EASTMAN KODAK  
HALLMARK CARDS  
OSCAR MEYER AND COMPANY  
GENERAL ELECTRIC  
CHEMETRO  
CITY SERVICES MINERAL CO.  
SUPERIOR OIL COMPANY  
TRAVELERS INSURANCE  
FARMERS INSURANCE COMPANY  
FIRST AMERICAN TITLE CO. OF NV.  
FIDELITY TITLE INSURANCE CO  
MERRILL LYNCH RELOCATION  
YOUNG ELECTRIC SIGN COMPANY  
THE TRUST FOR PUBLIC LANDS  
THE TRUCKEE DONNER LAND TRUST  
THE CONSERVATION FUND  
THE NATURE CONSERVANCY  
SUGAR BOWL SKI RESORT  
THE FEATHER RIVER LAND TRUST  
SKI INCLINE RESORT  
KIRKWOOD ASSOCIATES  
NORTHSTAR  
SQUAW VALLEY U.S.A.  
LEWIS HOMES OF NEVADA  
SYNCON HOMES  
MGM GRAND HOTEL CASINO & THEME PARK  
EL DORADO HOTEL - CASINO  
COMSTOCK HOTEL - CASINO  
LAKESIDE INN HOTEL - CASINO  
RAMADA EXPRESS HOTEL - CASINO

**QUALIFICATIONS OF APPRAISER  
 CINDY LUND FOGEL**

**Professional Designations**

MAI – Member of the Appraisal Institute 2000

**State Licensing and Certification**

Nevada Certified General Appraiser  
 License #A.0002312-CG (Certified through 5/31/12) 1996

**Offices Held**

President, Reno/Carson/Tahoe Chapter Appraisal Institute 2009/2010  
 Vice President, Reno/Carson/Tahoe Chapter Appraisal Institute 2008  
 Education Chair, Reno/Carson/Tahoe Chapter Appraisal Institute 2006  
 Education Chair, Reno/Carson/Tahoe Chapter Appraisal Institute 2003  
 Education Chair, Reno/Carson/Tahoe Chapter Appraisal Institute 2002  
 President, Reno/Carson/Tahoe Chapter Appraisal Institute 2001  
 Vice President, Reno/Carson/Tahoe Chapter Appraisal Institute 2000  
 Treasurer, Reno/Carson/Tahoe Chapter Appraisal Institute 1999  
 Secretary, Reno/Carson/Tahoe Chapter Appraisal Institute 1998

**Occupational History**

Johnson - Perkins & Associates 1994 - Present  
 Real Estate Appraiser

Johnson - Wright & Associates 1992 - 1994  
 Real Estate Appraiser

Stephen R. Johnson & Associates 1990 - 1992  
 Real Estate Appraiser

**Admitted as Expert Witness**

Washoe County Board of Equalization  
 Nevada State Board of Equalization

**Appraisal Education & Technical Training**

Real Estate 103 and 202 1986  
 Real Estate Financing 1986  
 American Institute of Real Estate Appraisers 1991  
     Course 1A-1 "Real Estate Appraisal Principles"  
     Course 1A-2 "Basic Valuation Procedures"  
     Course 1BA "Cap Theory & Tech, Part A" 1992  
     Course 1BB "Cap Theory & Tech, Part B"  
 Nevada Law (NRS 645C) 1993

**QUALIFICATIONS OF APPRAISER  
 CINDY LUND FOGEL**

**Appraisal Education & Technical Training (Continued)**

Standards of Professional Practice Parts A & B	1993
Advanced Applications	1993
Report Writing and Valuation Analysis	1995
Case Studies in Law and Ethics	1998
Standards of Professional Practice, Part C	1998
Advanced Income Capitalization	1999
Standards of Professional Practice, Part C	2000 & 2002
7-Hour National USPAP Update Course	2004
7-Hour National USPAP Update Course	2006
Cost Approach to Commercial Appraising	2006
Uniform Appraisal Standards/Federal Land Acquisitions	2007
7-Hour National USPAP Update Course	2007
7-Hour National USPAP Update Course	2008
Business Practices and Ethics	2008
Uniform Appraisal Standards for Federal Land Acquisitions (Yellow Book)	2009
7-Hour National USPAP Update Course	2010
Business Practices and Ethics	2010
Corridor Valuation & Yellow Book Issues and Divided Partial Interests	2010

**Appraisal Seminars**

Forecasting Revenue/Appraising Distressed Commercial Real Estate	2009
Valuation of Easements and Other Partial Interests	2009
Construction Defects and Cost Trends & Feasibility Analysis	2008
Valuation of Detrimental Conditions	2008
Spotlight on Common Errors & Confidentiality USPAP Issues	2008
The Essentials, Current Issues & Misconceptions in Appraising	2007
Attacking & Defending an Appraisal in Litigation	2007
Market Analysis and Site to do Business	2006
Analyzing Distressed Properties	2005
Appraising From Blueprints and Specifications	2005
Appraisal Valuation Modeling	2004
Subdivision Valuation	2004
The Road Less Traveled: Special Purpose Properties	2004
Scope of Work Seminar	2003
Appraisal Consulting: A Solutions Approach for Professionals	2002

**Formal Education**

University of Nevada-Reno: Bachelor of Arts, College of Arts and Science	1989
Truckee Meadows Community College, Associate in Arts	1984
Sparks High School, Sparks, Nevada	1975

*Redline*

**THIRD AMENDED AND RESTATED COMMITMENT  
AGREEMENT FOR  
CONTINUING BUSINESS OPERATION**

This THIRD AMENDED AND RESTATED COMMITMENT AGREEMENT FOR CONTINUING BUSINESS OPERATION (the "Agreement") is entered into on this \_\_\_ day of \_\_\_\_\_, 2013, between the CITY OF CARSON CITY, NEVADA (the "City") and the CARSON CITY REDEVELOPMENT AUTHORITY, (the "Authority"), and RICHARD CAMPAGNI, acting in his individual capacity and as President of Carson City Toyota-Scion and Capital Ford and Carson City Hyundai (hereinafter referred to as the "Business").

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RECITALS

WHEREAS, the Business operates three auto sales businesses in Carson City, Nevada, including Carson City Toyota-Scion (2590 S. Carson Street) and Capital Ford (3660 S. Carson Street) and Carson City Hyundai (3550 S. Carson Street),

WHEREAS, on March 17, 2005, the Board of Supervisors and the Authority adopted Resolution No.2005-R-12 to implement an Incentive Program for franchised auto dealers as part of the Redevelopment Plan for South Carson Street which authorizes the Authority to provide incentives to businesses in the South Carson Street Redevelopment Project Area No. 2 in order to retain those businesses in Carson City, and to increase new car sales for dealers that are operating in the South Carson Street Redevelopment Area,

WHEREAS, the City and Authority has authorized the execution of commitment agreements with dealers in exchange for long-term commitments from such businesses to continue operation in the South Carson Street Redevelopment Project Area No. 2,

WHEREAS, on or about July 21, 2005, the parties entered into a Commitment Agreement for Continuing Business Operation with regard to the acquisition and development by Business of certain real property located in Carson City that is identified as Assessor's Parcel Number 009-051-10, (the "Property") for the purpose of conducting the new car sales activities of Business,

WHEREAS, the Property is located in the South Carson Street Redevelopment Project Area No. 2, the Business qualifies for the Incentive Program, and the City, Authority and Business entered into the July 21, 2005 Commitment Agreement to implement the Incentive Program,

WHEREAS, pursuant to the July 21, 2005 Commitment Agreement, Business acquired the Property on or about August 12, 2005 and on or about August 14, 2008, a building permit was issued for the construction of Business' Toyota dealership on the Property,

WHEREAS, on or about November 20, 2008, the parties entered into an Amended and Restated Commitment Agreement for Continuing Business Operation, restating, clarifying and modifying the time periods provided for in the Agreement,

WHEREAS, on or about May 15, 2009, the parties entered into a Second Amended and Restated Commitment Agreement for Continuing Business Operation, restating, clarifying and modifying the terms provided for in the Agreement,

WHEREAS, following approval of the Second Amended and Restated Commitment Agreement, Carson City entered into an Incentive Program commitment agreement with another local automobile dealership providing for an interest rate (3%) that was less than previously provided to Business (5%) and resulted in an appeal for parity;

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WHEREAS, the Parties desire to provide Business with parity consideration to account for the interest rate disparity provided by Carson City to the similarly situated Carson City dealership;

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WHEREAS, the Parties acknowledge without alteration herein the obsolescence of prior existing agreement language that Carson City would issue Bonds regarding the agreement's financing. Bonds were not issued and all financing to date has been accomplished by other funding sources, and

WHEREAS, the Parties desire to restate and clarify their agreement a third time in order to provide additional parity consideration to Business in lieu of a modification of the applicable interest rate.

NOW, THEREFORE, in consideration of the mutual commitments by the City, Authority and Business, as contained in this Agreement, the Parties agree as follows:

I. INCENTIVE PROVIDED BY CITY AND AUTHORITY

A. Financial Assistance by City and Authority. The City and Authority will provide financial assistance to the Business in an amount that is not in excess of twenty (20) percent of the Basic City-County Relief Tax and the Supplemental City-County Relief Tax revenue generated by the Business each year for a twenty-year period that starts on January 1, 2006.

1. The City and Authority's financial assistance to the Business shall be used, as described in this Agreement, for the acquisition of the Property on which the Business will conduct its auto sales activity.
2. The City and Authority have reviewed the Business' past records of tax payment, and has determined that the financial assistance that will be available to the Business under the Incentive Program

will be at least the amount that is being pledged in this Agreement, assuming the Business continues to sell new cars at or above the average sales figure for the calendar years 2002, 2003 and 2004. The taxes generated by this average sales volume will be defined as the Base Year Tax Contribution.

- B. Purchase Price for Property. The Business has acquired the Property for a total of Three Million and Six Hundred Thousand Dollars (\$3,600,000.00).
- C. Bonds to be Issued. The City and Authority intend to issue bonds to obtain the funds needed to provide the financial assistance to the Business that is described herein. The City and Authority will diligently pursue the issuance of these bonds upon the execution of this Agreement.
- D. Interim Financing. Until bonds are issued to provide the funds for the Authority and City's financial assistance that is outlined in this Agreement, the City and Authority has provided one half (½) of the purchase price for the Property. The Business has completed construction of the new Toyota dealership on the Property and the new location has been operating since March, 2010.
- E. Prevailing Wage. The Business agrees that all work associated with construction of the new Toyota dealership on the Property and for any other project for which funds provided by this incentive are used shall be subject to the provisions of NRS 338.010 to 338.090, inclusive, as required pursuant to NRS 279.500.
- F. Promissory Note. The City and Authority has provided total financial assistance in the amount of Three Million and Six Hundred Thousand Dollars (\$3,600,000.00). In exchange, the Business will execute a Second Amended and Restated Promissory Note for Three Million Fifty Seven Thousand Dollars (\$3,057,000.00), in favor of the City and Authority, and said Note shall be secured by that certain Deed of Trust that was recorded in Carson City on August 12, 2005, as Document Number 341075 against the Property for the total amount of the financial assistance from the City and Authority. The principal amount of the Second Amended and Restated Promissory Note is less than the total financial assistance described above, to compensate Business, in part, for the additional costs associated with having to comply the provisions of the NRS 338.010 to 338.090, inclusive, involving the payment of prevailing wages. The Second Amended and Restated Promissory Note will be repaid as follows:
  - 1. The Second Amended and Restated Promissory Note will include a five percent (5%) interest charge and will be paid in full no later



than December 31, 2025. The annual obligation of the Business to satisfy the Amended and Restated Promissory Note will be calculated based on the new principal amount of the loan amortized over the balance of twenty (20) year term, expiring December 31, 2025.

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2. No later than thirty (30) days after the end of each calendar year, a determination will be made by the City and Authority of the actual amount of incentive available in that year. Such determination will be made based on not more than 20% of the Basic City-County Relief Tax and the Supplemental City-County Relief Tax that is paid by the Business in that calendar year.
3. The obligation under the Second Amended and Restated Promissory Note will be reduced each year by the amount that the City and Authority has determined is the amount of incentive that was available in that calendar year.
4. If the Basic City-County Relief Tax and the Supplemental City-County Relief Tax revenue paid by the Business in a calendar year falls below the annual obligation of the Business to satisfy the Third Amended and Restated Promissory Note including accrued interest, as that annual obligation is determined in this Section I.F., the Business must, within thirty (30) days of such a determination, pay the difference in cash, or City and Authority may foreclose on the Deed of Trust to enforce the Third Amended and Restated Promissory Note.
5. When the obligation under the Second Amended and Restated Promissory Note is satisfied by the Business, the City and Authority will execute an Acknowledgment that the Second Amended and Restated Promissory Note has been satisfied, and will release the Deed of Trust that has been recorded against the Business Property. However, such action by the City and Authority will not relieve Business of its Commitment in this Agreement to Continue Business Operations in Carson City for at least twenty (20) years from May 15, 2009, the date of the Second Amended and Restated Agreement. If the Second Amended and Restated Promissory Note is satisfied before the note due date of December 31, 2025, the Business will receive an incentive of 10 (ten) percent of the City's portion of the Basic City-Couty Relief Tax and Supplemental City-County Relief Tax that is generated by the business each year through the May 14, 2029 completion of the continuing business operations covenant. The base year will be

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established when the Second Amended and Restated Promissory Note is fully satisfied.

6. As of December 31, 2025, the City and Authority shall determine whether Business has satisfied the obligations under the Third Amended and Restated Promissory Note. If the Second Amended and Restated Promissory Note has not been satisfied, the Business shall pay the full amount of the outstanding obligation under the Third Amended and Restated Promissory Note, or the City and Authority can foreclose on the Business Property as authorized by the Deed of Trust.

H. Deed of Trust. The City and Authority shall provide financial assistance as provided herein, and Business has executed a Deed of Trust in favor of the City and Authority in order to secure the obligations under this Agreement. Said Deed of Trust has been recorded in the Official Records of Carson City on August 12, 2005, as Document Number 341077.

1. Business agrees that the Deed of Trust executed pursuant to this Agreement will subordinate to another deed of trust and hold second position for security purposes. However, the Deed of Trust recorded pursuant to this Agreement shall only be subordinated to a deed of trust that is executed to secure construction related financing.
2. Business agrees that the obligations and burdens stated in the Deed of Trust shall include the covenants made in this Agreement, and that those covenants run with the subject land binding future owners of the land to fullest extent permitted by law and equity for the benefit and favor of, and enforceable by, the City and Authority and their successors and assigns for the term of this Third Amended and Restated Agreement.
3. Reasons for the foreclosure by the City and Authority on the Deed of Trust shall include failure of Business to operate in Carson City until May 14, 2029.

I. Renegotiation of Commitment Agreements for Non-appropriation: The City and Authority's obligations under this Agreement to provide incentive funds for financial assistance is conditioned upon sufficient funds being collected, distributed and otherwise being made available by state law. As a condition of participation in the program, Business agrees that if for any reason the state law governing Carson City's ability to receive sales tax from new car and vehicle-related sales is amended to withdraw, limit, or impair Carson City's ability to collect those funds, this Commitment Agreement may

be renegotiated, in good faith, and Business waives any and all claim(s) for damages that may arise against the City and/or Authority.

J. 2443 South Curry Street Property: In lieu of reducing the interest rate on the Second Amended and Restated Promissory Note to be consistent with similar incentives recently provided by Carson City and the Authority to companies similar to Business or its designee, pursuant to the conditions required under NRS 244.2815 Carson City has agreed to convey and Business has agreed to accept certain real property located at 2443 South Curry Street in Carson City, Nevada (A.P.N. 009-051-19) ("Property"). Within thirty (30) days of approval of this Third Amended and Restated Commitment Agreement, Carson City shall convey by grant, bargain and sale deed the Property to Business free of liens and encumbrances except those evidenced by a preliminary title report and accepted by Business. Business or its designee, at its discretion and cost, may obtain policy of title insurance in the full amount of the appraised values of the Property from a title insurance selected by Business, subject only to those exceptions disclosed on the preliminary title report and accepted by Business.

## II. COMMITMENT PROVIDED BY BUSINESS OF CONTINUING BUSINESS OPERATION

- A. In exchange for financial assistance by the City and Authority for the acquisition of the Property, the Business agrees to make a Commitment for Continuing Business Operations in the South Carson Street Redevelopment Project Area No. 2 until at least May 14, 2029.
- B. As part of this Commitment for Continuing Business Operation, the Business agrees to continue to operate Carson City Toyota-Scion (2590 S. Carson Street), Carson City Hyundai (3550 S. Carson Street), and Capital Ford (3660 S. Carson Street).
- C. Business shall use its best efforts to assure and maintain its existing business activity in Carson City at a greater level of sales until at least May 14, 2029, but may terminate a certain franchise if the Business deems necessary. However, such termination shall not relieve the Business of the other obligations contained in this Third Amended and Restated Agreement.
- D. This Commitment by the Business shall be binding upon any successors in interest to the current Business owners, and shall be disclosed to any potential purchaser of the subject businesses. If the business is sold and the subsequent use remains the same and within the boundaries of South Carson Street Redevelopment Project Area No. 2, this Commitment Agreement shall transfer to the new owner and continue uninterrupted.

E. Liquidated Damages. In the event Business breaches this Commitment Agreement by relocating any of its business operations outside Carson City, Nevada, the City and Authority shall be entitled to money damages, to be paid by Business within thirty (30) days of the demand by the City and Authority, as follows:

1. An amount equal to the value of the Basic City-County Relief Tax and the Supplemental City-County Relief Tax revenue that would have been generated by the Business for the twenty-year period that starts on January 1, 2006, minus the Basic City-County Relief Tax and the Supplemental City-County Relief Tax revenue that was generated by the Business and received by the City between January 1, 2006, and the time of the breach.
2. The Basic City-County Relief Tax and the Supplemental City-County Relief Tax revenue that would have been generated by the Business after the breach will be determined by calculating the amount of such tax generated in the last year of performance, and multiplying that tax generation amount by the remaining number of years, or partial years, in the commitment obligation.

III. GENERAL CONDITIONS

A. Successors and Assigns. This Agreement shall be binding upon the heirs, successors, and assigns of the parties.

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B. Time is of the Essence. In the event that any date specified in this Agreement falls on Saturday, Sunday or a public holiday, such date shall be deemed to be the succeeding day on which the public agencies and major banks are open for business.

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C. Execution of Additional Documents. In addition to documents and other matters specifically referenced in this Agreement, the Business, City and Authority agree to execute and/or deliver, or cause to be executed and/or delivered such other documents and/or materials, including additional escrow instructions carrying out the terms and conditions of this Agreement, as may be reasonably necessary to effect the transaction contemplated by this Agreement.

D. Notices and Other Communications. Every notice or other communication required or contemplated by this Agreement by any party shall be in writing delivered either by (a) personal delivery, (b) prepaid overnight delivery service or (c) facsimile addressed to the party for whom intended at the address specified in this Section.

To City and Authority: Carson City Redevelopment Authority  
201 North Carson Street  
Carson City, NV 89703  
Telephone: (775) 887-2100  
Facsimile: (775) 887-2286

To Business: Richard Campagni, President  
3660 S. Carson St.  
Carson City, NV 89703  
Telephone: (775) 882-8211  
Facsimile: (775) 882-7819

Notice by overnight delivery service shall be effective on the date it is officially recorded as delivered to the intended recipient. All notices delivered in person or sent by facsimile shall be deemed to have been delivered to and received by the addressees and shall be effective on the date of personal delivery or on the date sent, respectively. Notice not given in writing shall be effective only if acknowledged in writing by a duly authorized representative of the party to whom it was given. Either City and Authority or Business may, by notice to the other given as herein stated, change its address for future notices hereunder.

- E. Assignments. The parties shall have the right to assign this Agreement. Such assignment shall require the prior written approval of each of the Parties. Said approval shall not be unreasonably withheld, conditioned, or delayed.
- F. Governing Law. The validity, construction and enforceability of this Agreement shall be governed in all respects by the law of Nevada applicable to agreements negotiated, executed and performed in Nevada by Nevada residents, whether one or more of the parties shall now be or hereafter become a resident of another state.
- G. Ambiguities in Agreement. Both parties have participated in the drafting of this Agreement and any ambiguities in the language of the Agreement shall not be construed against either party.
- H. Facsimile Transmission of Signatures. All parties to this transaction instruct the agents and the escrow company to accept signatures forwarded herein via fax machine ("Faxed Signatures") to complete this Agreement. The signatures are to be accepted by all as though they were the original signatures. City and Authority and Business agree to forward the original signatures via regular U.S. Mail.

- I. Counterparts. This Agreement may be executed in one or more counterparts, and each counterpart shall constitute an original instrument, but all such counterparts shall only constitute one and the same instrument.
- J. Entire Agreement; Modification; Waiver. This Agreement constitutes the entire agreement between City and Authority and Business pertaining to the subject matter contained in it and supersedes all prior and contemporaneous agreements, representations, and understandings. This Agreement shall survive any close of escrow and/or sale of the subject property and be binding upon the parties, their successors, heirs and/or assigns. No supplement, modification, or amendment of this Agreement shall be binding unless executed in writing by all the parties. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.
- K. Captions. The captions of this Agreement do not in any way limit or amplify the terms and provisions of this Agreement.
- L. Attorney's Fees. In the event of any litigation between the parties hereto arising out of this Agreement, or if one party seeks to judicially enforce the terms of this Agreement, the prevailing party shall be reimbursed for all reasonable costs, including, but not limited to, reasonable attorney's fees.
- M. Severability. Each provision of this Agreement is severable from any and all other provisions of this Agreement. Should any provision(s) of this Agreement be for any reason unenforceable, the balance shall nonetheless be of full force and effect.
- N. Effect of Termination. No termination of this Agreement shall be construed as relieving a party from liability to any other party for breach of this Agreement.
- O. Discrimination. Business agrees not to discriminate on the basis of race, color, creed, national origin, sex, age, disability, or any other legally protected class in the sale, lease, rental, use or occupancy of the subject property or any improvements made to the subject property.
- P. Authority.
  - 1. If either Party hereto is a governmental entity, corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Agreement on behalf of such entity represents and warrants that he or she is duly authorized to execute

and deliver this Agreement on its behalf. Each party shall, within thirty (30) days after request, deliver to the other party satisfactory evidence of such authority.

2. If this Agreement is executed by more than one person or entity as a party to this Agreement, each such person or entity shall be jointly and severally liable hereunder. It is agreed that any one of the named Parties shall be empowered to execute any amendment to this Agreement, or other document ancillary thereto and bind all of the named Parties.

Q. Indemnification. Business agrees to indemnify and hold harmless the City and Authority, its successors, assigns, agents, contractors, employees, and attorneys from any and all liability, loss or damage City and Authority may suffer as a result of claims, demands, costs or judgments as a result of the Business' ownership of the Property that is secured by the Deed of Trust.

R. Replacement of May 15, 2009 Second Amended and Restated Commitment Agreement. This Third Amended and Restated Commitment Agreement is meant to and hereby does amend and fully replace the May 15, 2009 Second Amended and Restated Commitment Agreement, described above.

IN WITNESS WHEREOF, the Authority, City and Business have executed this Agreement on the date first above written.

**CITY OF CARSON CITY, NEVADA:**

By: \_\_\_\_\_

Its: \_\_\_\_\_

Individually and on behalf of Carson City Toyota, Carson City Hyundai and Capital Ford

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**CARSON CITY REDEVELOPMENT AUTHORITY:**

By: \_\_\_\_\_

Its: \_\_\_\_\_

**BUSINESS:**

By: \_\_\_\_\_  
Richard Campagni