

BOARD OF REGENTS  
BRIEFING PAPER

1. AGENDA ITEM TITLE: Sale of Real Property (“Nelson Building”) Located at 401 W Second

Street Reno, NV

MEETING DATE: December 1-2, 2016

2. BACKGROUND & POLICY CONTEXT OF ISSUE:

**Background:** The Nelson Building and accompanying parcels were transferred to the University of Nevada, Reno (UNR) in 1994 by Old College Law School, subject to restrictions imposed through a grant from the U. S. Economic Development Agency (EDA). These restrictions limited the use of the building to educational purposes and required approval of the EDA for UNR to sell or transfer the property until 2024, or else repay EDA the entire amount of the \$1.2M grant. Based upon the anticipated future use of this property for economic re-development in downtown Reno, UNR was able to negotiate a conditional release of the EDA restrictions. The one condition (Exhibit 1) was that UNR record a Covenant of Use which would prohibit the property being used for any (a) inherently religious activities and (b) any use that would violate nondiscrimination requirements set forth in 13 CFR § 302.20 (Exhibit 2).

**Proposing Buyer:** Secundo Vita, LLC, a Nevada limited liability company associated with Donald J. Clark, AIA. Property is being purchased as part of a future re-development project referred to as The West Second District which, if fully developed, would impact approximately 12 acres in Downtown Reno for a new mixed use district.

**Current Occupants in the Building and Relocation Plan:** Relocation properties have been identified and are being assessed for programs which currently occupy space in the Nelson Building. A formal relocation plan is being finalized. Upon close of escrow, under a \$1psf per month lease + utilities and operating expenses, UNR will have 120 days to relocate the tenants within the building. No relocation will take place until after close of escrow.

**Property Location:** Subject properties are located at 401 West Second Street Reno, NV, in the County of Washoe, APN#011-026-04, 011-023-02, 011-023-01 (Exhibit 3).

**Property Description:** The three parcels consist of 1.553± acres of land and contain two buildings; a two-story 56,233± square foot office building (Nelson Building) with a basement, a two-story 4,876± square foot storage building and a parking lot (Exhibit 4).

**Appraisal:** Property was appraised May 10, 2016 by Scott Griffin, MAI, of the Reno-based appraisal firm of Johnson/Perkins/Griffin for Three-Million Seven-Hundred Thousand Dollars (\$3,700,000.00) (Exhibit 5).

**Purchase & Sale Agreement:** A proposed Purchase and Sale Agreement has been agreed to with a sale price of Seven-Million Dollars (\$7,000,000.00). (Exhibit 6)

**Sole Source Justification:** The City of Reno, County of Washoe and other local and regional governing agencies have identified The West Second District project as a major economic re-development initiative for the region and especially for downtown Reno (Exhibit 7). The subject property, while only approximately 15% of the total property eventually needed for the project, is central and critical to the overall development of The West Second District. The offer to purchase the property for \$7 million cash is approximately 190% of the current appraised value.

The Purchase and Sale Agreement has been signed, subject to Board of Regents approval, and an escrow account has been opened. A \$700,000 earnest money deposit has been made without contingencies, refundable only upon Seller's default or should the Board of Regents fail to approve the Purchase. Therefore, based upon the unique beneficial facts and circumstances associated with this transaction, the University is requesting approval to sole source the sale of this property to Secundo Vita, LLC

**Resolution:** The University seeks approval of a Resolution authorizing the Chancellor or his Designee to approve and execute all associated documents to sell the property located at APN #011-026-04, 011-023-02, 011-023-01 (Exhibit 8).

### 3. SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED:

University of Nevada, Reno President Marc Johnson is requesting:

1. Board of Regents' approval to sole source the sale of APN 011-026-04, 011-023-02 & 0110-023-01 (the "Nelson Building"), located in Reno, Nevada to Secundo Vita, LLC for \$7,000,000.00.
2. Board of Regents' approval of the Purchase and Sale Agreement for Nelson Building attached as Exhibit 6, and
3. Board of Regents' approval of a resolution authorizing the Chancellor or his Designee to approve and execute all associated documents for sale of the Nelson Building after consultation with and review by the Vice Chancellor of Legal Affairs.

### 4. IMPETUS (WHY NOW?):

- Buyer has made an offer to pay well over the appraised value for the property.

### 5. BULLET POINTS TO SUPPORT REQUEST/RECOMMENDATION:

- Buyer is currently offering to pay well over appraised value for the property.
- This property is not located in the University's Master Plan nor is it a strategic asset required to achieve UNR's long term goals.
- The building, constructed in 1960, is expensive to maintain and in need of much deferred maintenance.
- Sale of the property will generate needed proceeds for continued investment in the ongoing physical development of the University.

### 6. POTENTIAL ARGUMENTS AGAINST THE REQUEST/RECOMMENDATION:

- Sale will necessitate the relocation of current Nelson Building occupants.

**7. ALTERNATIVE(S) TO WHAT IS BEING REQUESTED/RECOMMENDED:**

Hold and continue to operate the Nelson Building on an “as is” basis in the hope that future property values will increase beyond the sizeable premium currently being offered for the property.

**8. COMPLIANCE WITH BOARD POLICY:**

- Consistent With Current Board Policy: Title # 4 Chapter # 10 Section # 1.9
- Amends Current Board Policy: Title # \_\_\_\_\_ Chapter # \_\_\_\_\_ Section # \_\_\_\_\_
- Amends Current Procedures & Guidelines Manual: Chapter # \_\_\_\_\_ Section # \_\_\_\_\_
- Other: \_\_\_\_\_
- Fiscal Impact: Yes X No \_\_\_\_\_  
Explain: \$7 million in property sale proceeds.

Exhibit 1

APN: 011-023-01  
011-023-02  
011-026-04

**WHEN RECORDED, MAIL TO:**

Real Estate Office  
University of Nevada, Reno  
Mail Stop 243  
Reno, Nevada 89557-0243

The undersigned hereby affirms that this document, including any exhibits, submitted for recording does not contain the social security number of any person or persons. (Per NRS 239B.030)



SPACE ABOVE FOR RECORDER'S USE ONLY

**COVENANT OF USE**

This COVENANT OF USE is made this 30<sup>th</sup> day August, 2016, by the BOARD OF REGENTS OF THE UNIVERSITY AND COMMUNITY COLLEGE SYSTEM OF NEVADA on behalf of the University of Nevada, Reno, now known as the BOARD OF REGENTS OF THE NEVADA SYSTEM OF HIGHER EDUCATION on behalf of the University of Nevada, Reno ("Owner") as required by and in favor of the Economic Development Administration, United States of America ("EDA").

WHEREAS, Owner is the owner of certain real property (the "Property") situated in Reno, Washoe County, Nevada, commonly known as 401 East 2nd Street, and more particularly described in Exhibit A;

WHEREAS, EDA made an Offer of Grant dated August 16, 1984 to Owner's predecessor in interest, Old College, EDA Project No. 07-11-02747, to aid in the renovation and remodeling of a portion of an existing building located on the Property;

WHEREAS, as a condition to receiving the Offer of Grant, Old College entered into a certain Property Management Agreement (the "PMA") with the EDA, which PMA was recorded on November 27, 1984 at No. 963906 in the Official Records of Washoe County, Nevada;

WHEREAS, pursuant to 13 CFR § 314.10(d), Owner has requested, and EDA has agreed, to release the Property from EDA's property interests and the restrictive covenants contained in the PMA, except those stated in 13 CFR § 314.10(e)(3).

NOW, THEREFORE, in consideration of EDA's agreement to release the Property from the EDA's property interests and the restrictive covenants contained in the PMA, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Owner, for itself and its successors, covenants and agrees as follows:

1. Pursuant to 13 CFR § 314.10(e)(3), the Property is and shall henceforth be subject to and encumbered by the following covenants: (a) at no time shall the Property be used for inherently religious activities prohibited by applicable federal law; and (b) at no time shall the Property be used for any purpose that would violate the nondiscrimination requirements set forth in 13 CFR § 302.20.

2. Owner stipulates and agrees that the foregoing restrictive covenants constitute a reasonable restraint on alienation of use, control, and possession of or title to the Property given the federal interest expressed herein.

3. The foregoing restrictive covenants shall run with the land and shall bind Owner and its successors in title in and to the Property.

IN WITNESS WHEREOF, Owner has caused this instrument to be executed by its official(s) duly authorized to take such actions on behalf of and binding upon the Owner.

BOARD OF REGENTS OF THE NEVADA SYSTEM  
OF HIGHER EDUCATION on behalf of the University  
of Nevada, Reno

By: \_\_\_\_\_  
John V. White  
Chancellor

STATE OF NEVADA        )  
                                      )  
COUNTY OF Washoe  )

The above instrument was acknowledged before me on this 30th day of August, 2016, by John V. White, Chancellor, acting for the BOARD OF REGENTS OF THE NEVADA SYSTEM OF HIGHER EDUCATION on behalf of the University of Nevada, Reno, who is personally known to me, or proved to me on the basis of satisfactory evidence, to be the person whose name is subscribed to this instrument, and acknowledged that he executed the same on the date hereof as his free and voluntary act in his said capacity and with the full authority and as the free act of the BOARD OF REGENTS OF THE NEVADA SYSTEM OF HIGHER EDUCATION on behalf of the University of Nevada, Reno. I declare under penalty of perjury that the person whose name is ascribed to this instrument appears to be of sound mind and under no duress, fraud or undue influence.



Daniette E. Williams  
Notary Public  
Commission Expires May 10, 2020

## EXHIBIT A

### LEGAL DESCRIPTION OF PROPERTY

All that certain lot, piece or parcel of land situate in the City of Reno, County of Washoe, State of Nevada, described as follows:

#### PARCEL 1:

Beginning at the intersection of the Northern line of Church Lane with the Western line of the parcel of land described in the deed to the City of Reno, recorded in Book 270, File No. 191237, Deed Records; thence along said Northern line of Church Lane the two following courses and distances; thence South 84°14' West 61.59 feet and South 84°29' West 162.38 feet; thence North 11°52'15" West 100.00 feet; thence South 76°11' 1 West 50.85 feet to the Western line of the Lane property thence Northerly 11°53'20" West along the last mentioned line 64.51 feet, more or less, to the Southern right of way line of the Central Pacific Railroad; thence North 76°11' East along the last mentioned line 290.90 feet to said Western line of the City of Reno parcel; thence South 6°52' East along the last mentioned line 197.91 feet to the point of beginning. Reference is made to License Survey No. 205716.

AND

Beginning at the intersection of the Northern line of Church Lane with The Western line of the parcel of land described in the deed to RNI BUILDING CORPORATION recorded in Book 414, File No. 260556, Deed Records; thence along said RNI BUILDING CORPORATION parcel the two following courses and distances; North 11°52'15" West 100.00 feet and South 11°53'20" East along the last mentioned line 92.61 feet, more or less, to said Northern line of Church Lane; thence North 84°29' East along the last mentioned line 51.10 feet to the point of beginning. Reference is made to License Survey No. 205716.

#### PARCEL 2:

All that certain real property situate, lying and being in the City of Reno, County of Washoe, State of Nevada, and particularly described as follows, to-wit:

Beginning at the intersection of the North line of Second Street with the Easterly line of an alley running Northerly and Southerly through Block "G" as shown on the AMENDED MAP OF POWNINGS ADDITION TO THE TOWN, NOW CITY OF RENO, filed in the office of the County Recorder of Washoe County, State of Nevada, on April 10, 1981; thence Easterly along the North line of Second Street, 50 feet; thence Northerly, parallel with the East line of said alley, to the South line of Church Lane, to the Easterly line of said alley; thence Southerly, along the East line of said alley, to the point of beginning; said premises being the West 50 feet of Lots 5 and 6 and the West 50 feet of the fractional unnumbered lot adjoining said Lot 5 on the North, all in Block "G", as shown on the above mentioned map.

[continued on next page]

PARCEL 3:

All that certain property situate in Reno, Washoe County, Nevada, more particularly described as follows, to-wit:

Commencing at a point on the Northerly line of Second Street 50 feet Easterly from the intersection of the Northerly line of Second Street with the Easterly line of an alley running Northerly and Southerly through Block "G" of Pownings Addition to Reno, Nevada; thence Northerly parallel with the Easterly line of said alley to the Southerly line of Church Lane, formerly known as the Humboldt Road thence Easterly along the Southerly line of said Church Lane to it's intersection with the Westerly line of Stevenson Street; thence Southerly along the Westerly line of Stevenson Street to it's intersection with the Northerly line of Second Street; thence Westerly along the Northerly line of Second Street 90 feet, more or less to the point of beginning; said premises being the Easterly 90 feet of Lots 5 and 6 and the Easterly portion of the fractional unnumbered lot adjoining said Lot 5 on the North; all in Block "G" Pownings Addition to the Town, now the City of Reno, according to the official amended map thereof filed in the office of the County Recorder of Washoe County, Nevada, on April 10, 1891.

APN: 011-023-01  
011-023-02  
011-026-04

Document No. 1841322 is provided pursuant to the requirements of NRS 111.312(6).

Exhibit 2

APN: 011-023-01  
011-023-02  
011-026-04

**RECORDING REQUESTED BY:**

Real Estate Office  
University of Nevada, Reno  
Mail Stop 243  
Reno, Nevada 89557-0243

**WHEN RECORDED, MAIL TO:**

Real Estate Office  
University of Nevada, Reno  
Mail Stop 243  
Reno, Nevada 89557-0243

# 4630845

09/12/2016 02:31:41 PM

Requested By  
UNIVERSITY OF NEVADA RENO  
Washoe County Recorder  
Lawrence R. Burtness - Recorder  
Fee: \$21.00 RPTT: \$0.00  
Page 1 of 5

**CONFORMED COPY**

SPACE ABOVE FOR RECORDER'S USE ONLY

**RELEASE OF RESTRICTIONS AND PROPERTY INTEREST**

**(Title of Document)**

**Please complete Affirmation Statement below:**

I the undersigned hereby affirm that the attached document, including any exhibits, hereby submitted for recording does not contain the personal information of any person or persons.  
(Per NRS 239B.030)

**-OR-**

I the undersigned hereby affirm that the attached document, including any exhibits, hereby submitted for recording does contain the personal information of a person or persons as required by law: \_\_\_\_\_  
(State specific law)



Signature

Director of Real Estate

Title

Troy Miller

Printed Name

This page added to provide additional information required by NRS 111.312 Sections 1-2 and NRS 239B.030 Section 4.

This cover page must be typed or printed in black ink.

(Additional recording fee applies)



## RELEASE OF RESTRICTIONS AND PROPERTY INTEREST

WHEREAS, the BOARD OF REGENTS OF THE UNIVERSITY AND COMMUNITY COLLEGE SYSTEM OF NEVADA on behalf of the University of Nevada, Reno, now known as the BOARD OF REGENTS OF THE NEVADA SYSTEM OF HIGHER EDUCATION on behalf of the University of Nevada, Reno ("Owner") is the owner of certain real property (the "Property") situated in Reno, Washoe County, Nevada, commonly known as 401 East 2nd Street, and more particularly described in Exhibit A;

WHEREAS, the Property is subject to certain restrictive covenants contained in that certain Property Management Agreement (the "PMA") between the ECONOMIC DEVELOPMENT ADMINISTRATION, UNITED STATES OF AMERICA ("EDA") and Owner's predecessor in interest, Old College, recorded on November 27, 1984 at No. 963906 in the Official Records of Washoe County, Nevada;

WHEREAS, the PMA also grants the EDA certain property interests in the Property; and

WHEREAS, pursuant to 13 CFR § 314.10(d), Owner has requested, and EDA has agreed, to release the Property from EDA's property interests and the restrictive covenants contained in the PMA, except those stated in 13 CFR § 314.10(e)(3).

NOW, THEREFORE, the EDA hereby releases and terminates the PMA, all of the restrictive covenants contained therein, and any and all interest it may have in the Property thereunder, and directs that the same be cancelled of record.

[signatures on next page]

IN WITNESS WHEREOF, the EDA set their hand as of this 6 day of September in the year 2016.

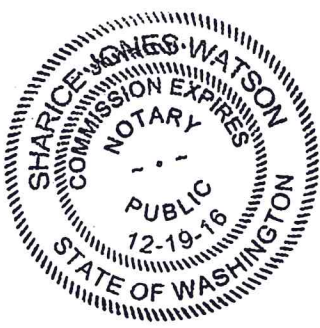
ECONOMIC DEVELOPMENT ADMINISTRATION,  
UNITED STATES OF AMERICA

By: A. Leonard Smith  
A. Leonard Smith  
Regional Director  
For: Release of Restrictions and Property Interest,  
University of Nevada, Reno, 401 East 2nd Street

STATE OF  
WASHINGTON  
  
COUNTY OF  
  
\_\_\_\_\_

ss.

On this 6 day of September, in the year 2016, before me, a notary Public in the State of Washington, personally appeared A. Leonard Smith, Regional Director for the UNITED STATES DEPARTMENT OF COMMERCE, ECONOMIC DEVELOPMENT ADMINISTRATION, known or identified to me, to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same.



Sharice Jones Watson  
(Signature of Notary)

SHARICE JONES WATSON  
(Legibly Print or Stamp Name of Notary)

Notary public in and for the State of Washington,  
residing at KING COUNTY  
My appointment expires 12/19/16

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[continued on next page]

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APN: 011-023-01  
011-023-02  
011-026-04

Document No. 1841322 is provided pursuant to the requirements of NRS 111.312(6).

Exhibit 3

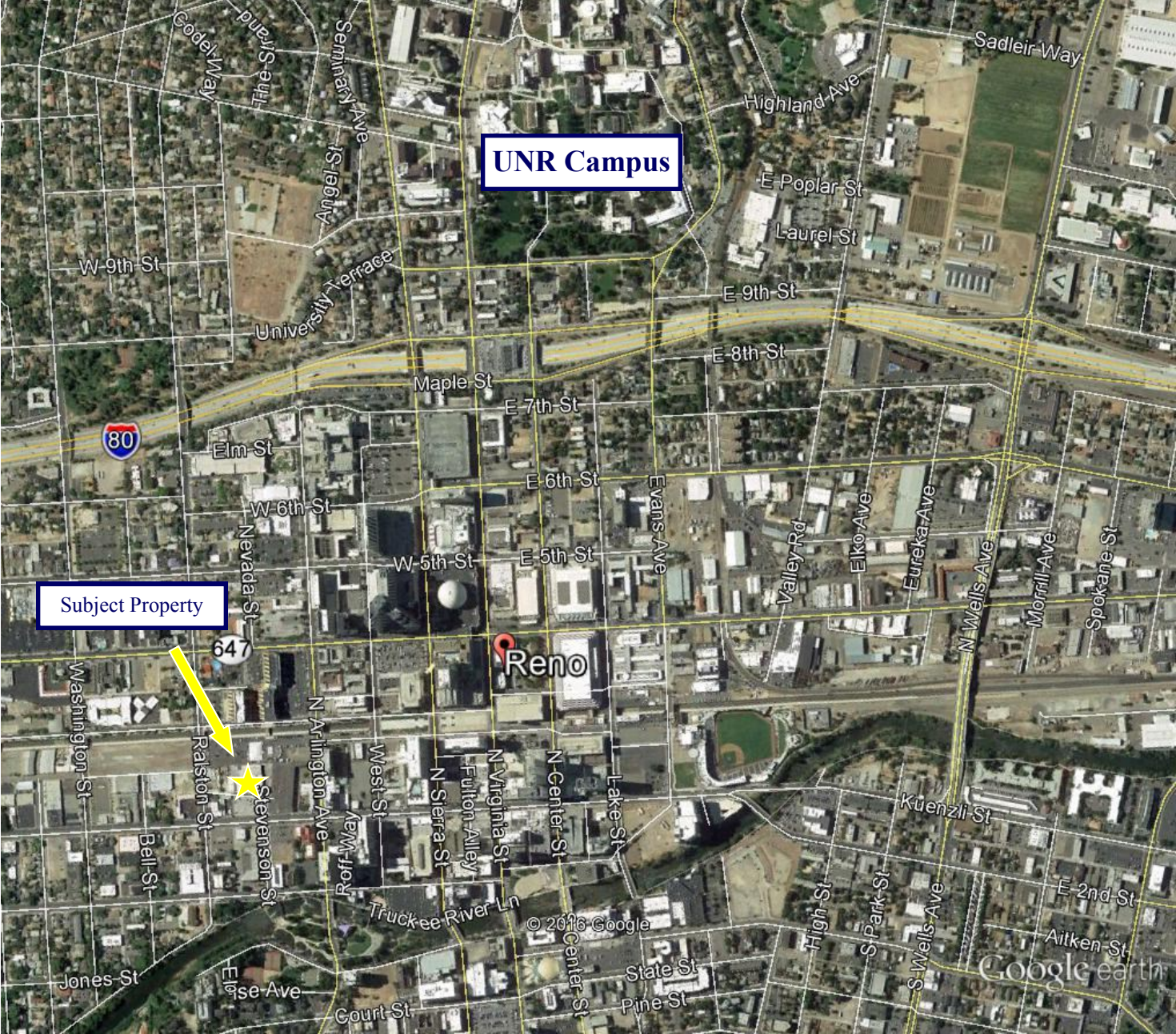


Exhibit 4





**JOHNSON | PERKINS | GRIFFIN**  
REAL ESTATE APPRAISERS & CONSULTANTS

## Exhibit 5

AN APPRAISAL  
OF THE

# WARREN NELSON BUILDING PROPERTY

LOCATED AT

401 WEST SECOND STREET,  
RENO, WASHOE COUNTY, NEVADA

OWNED BY

THE UNIVERSITY OF NEVADA BOARD OF REGENTS

PREPARED FOR

THE UNIVERSITY OF NEVADA, RENO

FOR THE PURPOSE OF  
ESTIMATING THE FOLLOWING VALUES

<b>VALUATION SCENARIO</b>	<b>DATE OF VALUE</b>
"AS-IS" MARKET VALUE	MAY 10, 2016



May 10, 2016

Mr. Troy Miller, Director of Real Estate  
Business Center North  
University of Nevada, Reno/239  
895 N. Center Street  
Reno, Nevada 89557-0239

Dear Mr. Miller:

This is in response to your request for an appraisal of the Warren Nelson Building located at 401 West Second Street, Reno, Washoe County, Nevada. The subject property, which is identified as Assessor's Parcel Numbers 011-026-04, 011-023-01 and 011-023-02, is currently owned by The University of Nevada Board of Regents. The subject is more completely described in the following report.

This appraisal is being prepared for the purpose of estimating the fee simple Market Value of the subject property as of a current date of valuation. The intended users of this appraisal report are the University of Nevada, Reno, and their designated representatives. The intended use of this appraisal report is for internal management purposes. Any other use of this appraisal report requires the written authorization of this appraisal firm.

This is an appraisal report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice for an appraisal report. The report was prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP). This appraisal firm is not responsible for unauthorized use of this report. I have performed services as appraisers regarding the property





that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

After careful consideration of all data available, and upon thorough personal investigation of the subject property and comparable properties analyzed, it is my opinion that the fee simple Market Value of the subject is:

<b>FINAL MARKET VALUE CONCLUSION</b>				
<b>Property Description</b>	<b>Value Addressed</b>	<b>Property Rights Appraised</b>	<b>Date Of Value</b>	<b>Value Conclusion</b>
<b>Warren Nelson Building Property, 401 West Second Street, Reno, Washoe County, Nevada (A.P.N.s 011-026-04, 011-023-01 &amp; 011-023-02)</b>	<b>"As-Is" Market Value</b>	<b>Fee Simple Interest</b>	<b>May 10, 2016</b>	<b>\$3,700,000</b>

Respectfully Submitted,

\_\_\_\_\_  
Scott Q. Griffin, MAI  
Nevada Certified General Appraiser  
License Number A.0003504-CG



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**SUMMARY OF SALIENT FACTS AND IMPORTANT CONCLUSIONS**

<b>PROPERTY SUMMARY</b>	
<b>Property Name</b>	Warren Nelson Building
<b>Property Type</b>	2-Story Office Building With Basement
<b>Secondary Property Type</b>	2-Story Storage Building & Parking Areas
<b>Property Address</b>	401 West Second Street, Reno, Washoe County, Nevada
<b>Assessor's Parcel Numbers</b>	011-026-04 (2 Buildings); 011-023-01 & 02 (Parking Areas)
<b>Subject Ownership</b>	The University of Nevada Board of Regents
<b>A.P.N. 011-026-04 Land Area</b>	1.185± Acres (51,639± Square Feet)
<b>A.P.N. 011-023-01 Land Area</b>	0.229± Acres (9,964± Square Feet)
<b>A.P.N. 011-023-02 Land Area</b>	0.139± Acres (6,046± Square Feet)
<b>Total Land Area-All Three Parcels</b>	1.553± Acres (67,649± Square Feet)
<b>Subject Zoning Designation</b>	MU-DRRC (Mixed Use-Downtown Reno Regional Center)
<b>Subject Master Plan Designation</b>	Special Planning Area-Downtown Reno Regional Center
<b>Subject Flood Zone Designation</b>	Zone "X" (Shaded & Unshaded)-FEMA Map #32031C3039G
<b>Highest &amp; Best Use Conclusion-As Vacant</b>	Future Mixed Use Development-Possible Assemblage
<b>Highest &amp; Best Use Conclusion-As Improved</b>	Continued Use of Improvements for Office Use

<b>SUBJECT IMPROVEMENT SUMMARY</b>	
<b>Warren Nelson Building</b>	
<b>Primary Building Type</b>	Professional Office Building
<b>Secondary Building Type</b>	Medical Office Building/Classroom/Theater
<b>Year Built</b>	1960 (Per Assessor's Office)
<b>Number of Floors</b>	2 Stories + Basement
<b>Gross Building Area-1<sup>st</sup> Floor</b>	23,516± Square Feet
<b>Gross Building Area-2<sup>nd</sup> Floor</b>	20,625± Square Feet
<b>Total Gross Building Area-Above Ground</b>	44,141± Square Feet
<b>Gross Building Area-Basement</b>	12,092± Square Feet
<b>Total Gross Building Area-Above Ground &amp; Basement</b>	56,233± Square Feet
<b>Current Use</b>	Professional Office/Medical Office/Theater/Day Care
<b>Current Occupancy</b>	100% (Owner Occupied)
<b>Construction Class (Marshall Valuation Service)</b>	Class C (Average)
<b>Building Class In Market</b>	Class "B"
<b>Quality/Condition</b>	Average/Average (For Its Age)
<b>Remaining Economic Life</b>	20+ Years
<b>Storage Building (Former Firehouse Building)</b>	
<b>Primary Building Type</b>	Storage
<b>Secondary Building Type</b>	N/A
<b>Year Built</b>	1906 (Per Assessor's Office)
<b>Number of Floors</b>	2 Stories
<b>Gross Building Area-1<sup>st</sup> Floor</b>	3,313± Square Feet
<b>Gross Building Area-2<sup>nd</sup> Floor</b>	1,564± Square Feet
<b>Total Gross Building Area-Above Ground</b>	4,788± Square Feet
<b>Gross Building Area-Basement</b>	0± Square Feet
<b>Total Gross Building Area-Above Ground &amp; Basement</b>	4,876± Square Feet
<b>Current Use</b>	Storage
<b>Current Occupancy</b>	100% (Owner Occupied)
<b>Construction Class (Marshall Valuation Service)</b>	Class C (Average)
<b>Building Class In Market</b>	Class "C"
<b>Quality/Condition</b>	Average/Average (For Its Age)
<b>Remaining Economic Life</b>	10+ Years



<b>DATES OF APPRAISAL</b>	
<b>Date Description</b>	<b>Date</b>
Dates of Inspection	May 10, 2016
Effective Date of Value	May 10, 2016
Completion Date of Appraisal	May 10, 2016

<b>FINAL MARKET VALUE CONCLUSION</b>				
<b>Property Description</b>	<b>Value Addressed</b>	<b>Property Rights Appraised</b>	<b>Date Of Value</b>	<b>Value Conclusion</b>
Warren Nelson Building Property, 401 West Second Street, Reno, Washoe County, Nevada (A.P.N.s 011-026-04, 011-023-01 & 011-023-02)	"As-Is" Market Value	Fee Simple Interest	May 10, 2016	\$3,700,000



### **PURPOSE OF APPRAISAL**

This appraisal is being prepared for the purpose of forming an opinion of the “As-Is” Market Value of the subject’s fee simple estate, as of a current date of value.

### **“AS-IS” MARKET VALUE DEFINED**

The “As-Is” Market Value represents the market value of a property as of a specified date of value. In this appraisal report, the “As-Is” Market Value represents the market value of the subject property as of May 10, 2016.

### **PROPERTY RIGHTS APPRAISED**

The subject property is appraised as held in fee simple ownership, affected by typical encumbrances such as mortgages, easements and zoning ordinances. 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>1</sup>

### **CLIENTS AND INTENDED USERS**

The clients of this appraisal report are the University of Nevada, Reno. The intended users of this appraisal report include the University of Nevada, Reno and their designated representatives.

### **INTENDED USE OF APPRAISAL**

The intended use of this appraisal report is for use by the client for internal management purposes. Any other use of this appraisal report requires the written authorization of this appraisal firm.

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<sup>1</sup> Source: The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, 2015, page 90.



## SCOPE OF APPRAISAL

The preparation of this appraisal included:

- An inspection of the subject property;
- Identification and analysis of the subject neighborhood;
- Interviews with representatives of the subject ownership;
- Review of data on the subject property provided by the subject ownership, the City of Reno and the Washoe County Assessor's Office;
- Analysis of the physical and legal attributes of the subject property;
- Completion of a Highest and Best Use Analysis;
- Analysis of the subject's operating history;
- Investigation of current rental rates, expenses and vacancies in similar buildings;
- Analysis of an appropriate stabilized occupancy rate for the subject building, including stabilized rents and expenses;
- Completion of an Income Approach to Value, utilizing a Direct Capitalization Approach Analysis to arrive at the "As-Is" Market Value of the subject property;
- Analysis of comparable building sales and listings;
- Completion of a Sales Comparison Approach to Value, utilizing a Price Per Square Foot Analysis, in order to arrive at the "As-Is" Market Value of the subject property;
- Correlation of the value indications to establish the "As-Is" Market Value of the subject property;
- Projection of an appropriate exposure and marketing time for the subject property, based upon the final "As-Is" Market Value conclusion;
- Preparation of the 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>2</sup>

### DATES OF APPRAISAL

<b>Date Description</b>	<b>Date</b>
Dates of Inspection	May 10, 2016
Effective Date of Value	May 10, 2016
Completion Date of Appraisal	May 10, 2016

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<sup>2</sup> Rules and Regulations, Federal Register, Vol. 55, No. 165, Page 34696, 12CFR Part 34.42(f)



## STATEMENTS OF LIMITING CONDITIONS

### Extraordinary Assumptions

An extraordinary assumption is defined as “An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser’s opinions or conclusions.”<sup>3</sup> This appraisal has been prepared subject to the following extraordinary assumptions:

- During my inspection of the subject property on May 10, 2016, portions of the property were not made available for inspection. I have made previous inspections of the subject property on July 22, 2014, July 24, 2014 and August 15, 2014. According to representatives of the subject ownership, the portions of the building not inspected on the most recent inspection remain essentially unchanged, and in similar condition as they were on previous inspections. This appraisal report is based upon the Extraordinary Assumption that portions of the building not inspected on the effective date of value are in similar condition as they were during prior inspections.

### Hypothetical Conditions

A hypothetical condition is defined as “a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.”<sup>4</sup> This appraisal has been prepared subject to the following hypothetical conditions:

- None

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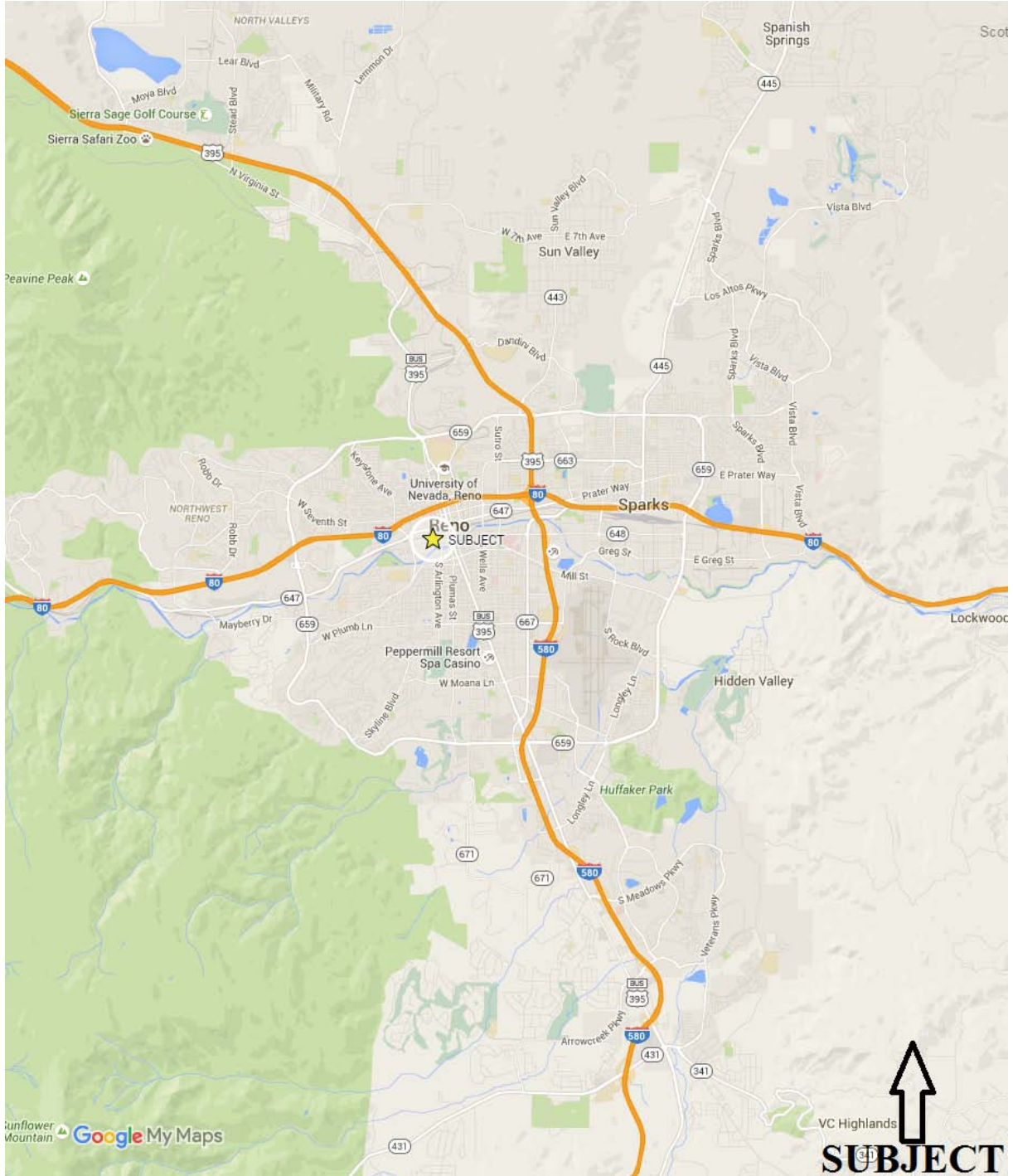
<sup>3</sup> Source: USPAP 2014-2015 Edition, Definitions; The Appraisal Foundation, Page U-3.

<sup>4</sup> Source: USPAP 2014-2015 Edition, Definitions; The Appraisal Foundation, Page U-3.





### RENO-SPARKS AREA MAP



**RENO-SPARKS AREA ANALYSIS AND DESCRIPTION**

The Reno-Sparks metropolitan area is situated on the eastern slopes of the Sierra Nevada Mountain Range in a large valley known as the Truckee Meadows. Two major freeways serve the region. Interstate 80 runs in an east-west direction through Reno, while U.S. 395/I-580 runs in a north-south direction through Reno. The following summarizes Reno’s vicinity to other major metropolitan areas in the region.

**Miles Between Reno & Major Metropolitan Areas**

Market	Direction From Reno	Miles From Reno
San Francisco	West/Southwest	190± Miles
Los Angeles	Southwest	450± Miles
Portland	Northwest	440± Miles
Salt Lake City	East	520± Miles
Las Vegas	Southeast	450± Miles
Phoenix	Southeast	745± Miles

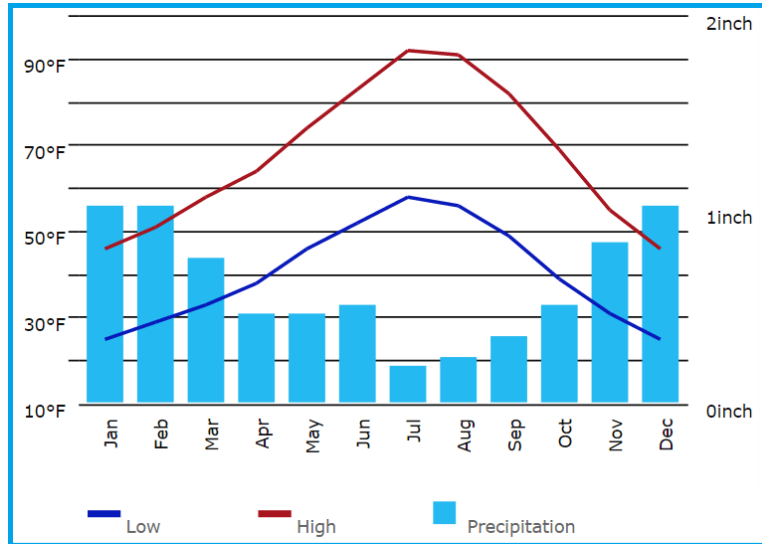
McCarran Boulevard is a ring road that encircles the Reno-Sparks area and facilitates access between the various quadrants of the region. Overall, the Reno-Sparks area has very good roadway and highway access.

The Reno-Sparks metropolitan area’s location is a positive amenity due to its proximity to major California markets, as well as the recreational and scenic amenities afforded by its proximity to the Sierra-Nevada Mountains and Lake Tahoe. Lake Tahoe is a 45-minute drive from downtown Reno and is the second largest alpine lake in the world, with 72 miles of Lake Frontage. Lake Tahoe also offers the greatest concentration of downhill skiing facilities in North America.

The Truckee Meadows is located at an elevation of approximately 4,400 feet above sea level and offers a semi-arid climate. The following chart summarizes weather data for the Reno area.



**Reno Weather Data**



**Reno weather averages**

Annual high temperature:	67.6°F
Annual low temperature:	40.1°F
Average temperature:	53.85°F
Average annual precipitation - rainfall:	7.39 inch
Days per year with precipitation - rainfall:	50 days
Annual hours of sunshine:	3483 hours
Av. annual snowfall:	22 inch

The primary source of water for the region is the Truckee River, which originates at Lake Tahoe, approximately 30 miles southwest of Reno, and terminates at Pyramid Lake approximately 30 miles north of Sparks. The river flows through the heart of downtown Reno and along the southern edge of Sparks. The Truckee River is a major recreational and scenic amenity for the region.

**Population, Growth and Employment**

Since 1970, the Truckee Meadows have been one of the fastest growing areas in the nation, with the population increasing by over 100% by 1990. According to the Nevada State Demographer’s Office at the University of Nevada, the population of Washoe County was estimated to be 436,797 in 2014. The following summarizes historical population estimates for the region.

### Historical Population Estimates

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Reno	206,735	214,371	220,613	223,012	218,143	217,282	222,801	229,859	232,243	235,371
Sparks	85,618	87,846	89,449	91,684	91,237	92,331	92,302	90,214	91,551	92,396
Unincorporated	104,491	106,868	107,999	109,137	107,252	107,766	106,490	107,131	108,530	109,030
Washoe County	396,844	409,085	418,061	423,833	416,632	417,379	421,593	427,204	432,324	436,797

Source: Nevada State Demographer

The downturn in the economy has particularly impacted the labor force in Nevada, although over the past two years unemployment has decreased significantly. Unemployment rates for the United States, Nevada and its four largest metropolitan statistical areas are summarized on the following chart.

### Unemployment Data

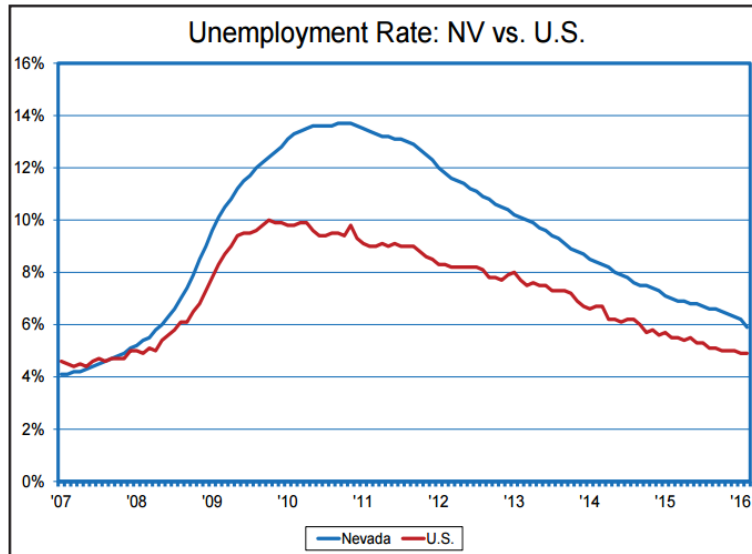
(Source: Nevada Department of Employment, Training & Rehabilitation)

Area	Annual 2009	Annual 2010	Annual 2011	Annual 2012	Annual 2013	Annual 2014	Annual 2015	February 2016
United States	9.25%	9.63%	8.95%	8.07%	7.38%	6.17%	5.28%	5.19%
Nevada	11.31%	13.53%	13.07%	11.17%	9.54%	7.75%	6.80%	5.65%
Las Vegas MSA	11.49%	13.76%	13.28%	11.26%	9.61%	7.81%	6.86%	5.64%
Reno-Sparks MSA	11.11%	12.96%	12.66%	11.05%	9.41%	7.45%	6.33%	5.30%
Carson City MSA	11.05%	13.48%	13.27%	11.74%	10.34%	8.49%	7.32%	6.65%
Elko MSA	6.28%	7.70%	7.24%	6.33%	6.13%	5.49%	5.19%	4.82%

The unemployment rate for Washoe County and Nevada has historically averaged between 1% and 2% below the national average. However, with the economic downturn which began in 2008, Nevada was one of the hardest hit in the nation and currently has among the highest unemployment rate in the country. Improvement is expected in Nevada's employment outlook, but remains below the pre-recession peak. The following chart summarizes the unemployment rate gap between the State of Nevada and the United States.



### Unemployment Gap-United States Versus Nevada



Nevada offers one of the most liberal tax structures in the country. Nevada levies no personal or corporate income tax. Nevada’s Freeport law exempts from taxation merchandise warehoused, assembled or processed in the State of Nevada. Real estate taxes in the State of Nevada are limited by State constitution to a maximum of \$5 per \$100 of assessed valuation. The assessed valuation is 35% of the Assessor’s estimate of the taxable value of the property.

Although it is not located in Washoe County, construction of the new Tesla Gigafactory in nearby Storey County within the Tahoe Reno Industrial Center is expected to have a huge impact on the entire region. On September 5, 2014, Tesla announced that the Tahoe Reno Industrial Park (TRIC), located east of Sparks, had landed the coveted Gigafactory. Over \$1.25 billion in State of Nevada incentives were approved for development of the project. In return, Tesla will be required to complete \$5 billion in capital investments on the facility through 2028. The cost for the building and site infrastructure will be \$1.1 billion. Machinery and equipment will account for the remaining \$3.9 billion, including materials processing and product assembly. Once the 5.5 million square foot facility reaches full operation, it will produce enough batteries for 500,000 Tesla electric cars each year. As part of the deal, the USA Parkway extension will be fast-tracked; this \$43 million project will extend USA Parkway from its current terminus in TRIC, to U.S. Highway 50 in Silver Springs, greatly reducing travel times between Interstate 80 and U.S. Highway 50. In January 2015, Las Vegas-based Switch announced plans to build a 3 million square foot data center project in the same industrial center. The project is expected to be built in phases with a total of \$1 billion in investment with it.

## Gaming and Tourism Market

It is estimated that the Reno-Sparks area currently offers approximately 25,000 hotel and motel rooms. The vast majority of the hotel-casino facilities are located within the downtown Reno core area. As a result, this area is one of the primary employment centers in the Reno-Sparks area. Additional hotel-casino developments are located in southern Reno along South Virginia Street including the Atlantis Casino resort and the Peppermill Hotel/Casino. The Grand Sierra Resort is located on the Reno-Sparks border and John Ascuaga's Nugget is located east of Reno in central Sparks. It is noted that the Nugget was recently purchased by a new owner and is undergoing major renovations.

The following chart summarizes the most recent data available for gaming revenue for the Reno-Sparks/Washoe County area, as well as other areas within the state.

### Gaming Win Data (Source: Nevada Gaming Control Board)

Area	Current Period			Fiscal Year-to Date		
	2/1/16 to 2/29/16	2/1/15 to 2/28/15	% Change	7/1/15 to 2/29/16	7/1/14 to 2/28/15	% Change
Statewide	989,818,839	916,087,062	8.05%	7,477,158,513	7,365,142,334	1.52%
Clark County	863,308,305	796,882,585	8.34%	6,466,607,163	6,365,767,262	1.58%
LV Strip	570,253,264	531,381,708	7.32%	4,289,738,012	4,276,168,506	0.32%
Downtown	50,611,476	43,245,198	17.03%	362,684,994	331,894,519	9.28%
North Las Vegas	24,735,280	21,912,724	12.88%	178,937,622	171,213,423	4.51%
Laughlin	43,350,327	43,008,712	0.79%	304,222,223	300,572,932	1.21%
Boulder Strip	70,962,362	64,277,623	10.40%	522,010,568	506,589,275	3.04%
Mesquite	10,908,553	10,394,110	4.95%	75,236,259	75,161,248	0.10%
Balance of County	92,487,044	82,662,510	11.89%	733,777,485	704,167,359	4.20%
Washoe County	65,848,443	60,637,212	8.59%	525,241,898	509,757,562	3.04%
Reno	48,221,713	45,103,774	6.91%	384,174,811	372,245,886	3.20%
Sparks	10,471,960	9,526,856	9.92%	83,472,604	80,709,387	3.42%
North Lake Tahoe	2,073,304	1,761,881	17.68%	18,817,809	18,705,945	0.60%
Balance of County	5,081,466	4,244,702	19.71%	38,776,674	38,096,344	1.79%
South Lake Tahoe	16,173,829	15,575,401	3.84%	145,411,321	153,815,155	-5.46%
Elko County	23,930,825	23,055,434	3.80%	176,190,662	172,064,906	2.40%
Wendover	16,163,512	15,618,019	3.49%	116,624,462	112,112,666	4.02%
Balance of County	7,767,314	7,437,414	4.44%	59,566,200	59,952,239	-0.64%
Carson Valley Area *	8,225,359	7,637,715	7.69%	66,627,237	65,144,762	2.28%
Other	12,332,077	12,298,715	0.27%	97,080,232	98,592,687	-1.53%

\* Carson Valley Area includes Carson City, Gardnerville, Minden and all other areas of Douglas County except South Lake Tahoe.

Within the past decade, legalized gaming has continued to spread across the country and gaming revenues for northern Nevada have been impacted. The opening of several Indian casinos in the State of California in recent years and the proposed openings of several other Indian Casinos in California have had a dramatic effect on the gaming economy in the Reno-



Sparks area. Over the past decade, several casinos in the downtown Reno market, including the Sundowner Hotel Casino, the Comstock Hotel Casino, Fitzgerald, and the Golden Phoenix Hotel Casino, have closed.

The following summarizes data provided by the Reno-Sparks Convention and Visitors Authority, regarding visitor counts for the Reno-Sparks area.

**Estimated Visitor Counts-Reno/Sparks Area**  
**Source: Reno-Sparks Convention and Visitors Authority**

Month	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
January	359,999	333,022	315,092	294,059	299,173	281,231	321,606	299,638	343,067	316,333
February	384,426	370,723	295,138	328,058	321,307	341,375	320,629	317,344	333,754	359,816
March	447,820	392,945	347,408	386,010	351,791	361,802	379,107	366,211	372,914	-
April	412,427	368,515	355,994	361,443	357,305	383,750	373,910	374,077	364,488	-
May	444,338	386,746	383,952	384,619	373,994	381,261	410,307	409,936	402,554	-
June	466,676	405,058	407,199	443,619	407,326	439,008	464,030	442,926	428,339	-
July	467,583	423,823	392,702	420,724	424,276	447,787	464,634	463,881	461,255	-
August	485,625	455,120	419,108	407,140	419,488	462,034	465,526	460,178	462,746	-
September	471,151	415,503	425,876	420,555	417,120	446,791	429,600	430,243	443,255	-
October	435,218	399,343	370,325	358,623	347,074	371,788	370,259	383,157	419,970	-
November	374,977	316,383	307,233	290,725	297,589	293,121	321,139	326,680	325,605	-
December	347,351	316,117	334,396	310,695	316,657	326,467	343,766	356,925	388,261	-
<b>Totals</b>	<b>5,097,591</b>	<b>4,583,298</b>	<b>4,354,423</b>	<b>4,406,270</b>	<b>4,345,141</b>	<b>4,536,415</b>	<b>4,664,514</b>	<b>4,631,195</b>	<b>4,746,207</b>	<b>676,149</b>

**Residential Market**

The residential market in the Reno-Sparks area grew tremendously in the 1990’s and this growth continued until 2006, when the residential housing crisis began. The downturn in the residential market had a tremendous impact on residential development and sales within the Reno-Sparks market, resulting in very limited new construction for the past five years. Although the residential real estate market has struggled there are signs of recovery. The existing residential home sales and prices are on the rebound. Market activity has increased significantly in Northern Nevada in recent months and the residential market is on the rebound after a long period of decline. Sale offers are reported at or above list prices and sellers are receiving multiple offers.

The March 2016 Market Report presented by the Reno/Sparks Association of Realtors reports that, “We have seen continued year-over-year price gains for the past four years, but percentage gains year-over-year have lessened as pricing appears to be stabilizing,” said William Process, 2016 RSAR president. “In today’s seller’s market, we continue to watch affordability



issues as rising home prices are hampering buyers. On the other end of the spectrum, with increasing seller's equity, it may be great time sell.”

### **Market Report Commentary-*Reno Sparks Association of Realtors***

- March unit sales at 559 are up 53% from February and up 2% compared to March 2015.
- The median price at \$296,000 was up 2% from February and up 8% from March 2015.
- March new listings are up 28% at 736 compared to February and up 13% from March 2015.
- The Reno market remains in a seller's market, but declined to 2.8 month's supply of inventory. Month's supply of inventory is the time it would take to exhaust the active and pending inventory at the current rate of sales.

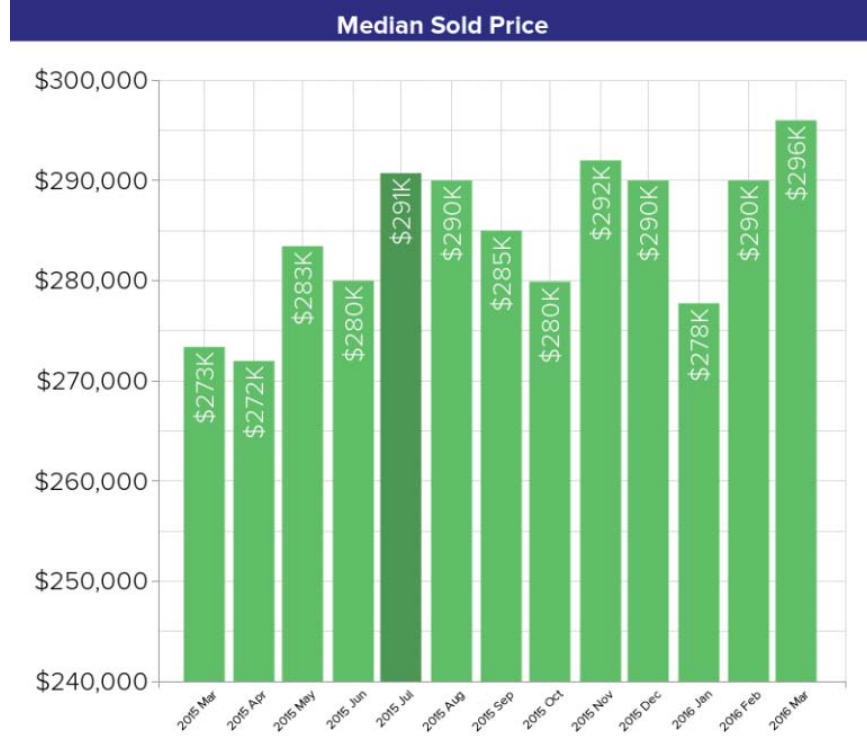
#### **Conclusions**

- Rising home prices are padding sellers' equity. Those prices, driven by relatively low inventory, are hampering buyers.
- Still, existing home sales were up in March. Total existing home sales, rose 53% in March from February and were 2% higher than a year ago.
- The median existing home price for all single family residences in March was \$296,000— 2% above March 2015. We have seen continued year over year price gains for the past 4 years.
- Housing inventory has remained between 1,550 and 1,600 units available for the past four months, but is 10% below March 2015.
- In March, the average days on market was 93, down from 99 days on market a year ago.
- The average days from listing date to contract date was 25 days compared to 44 in March of 2015.
- Looking ahead, affordability issues could intensify if the Federal Reserve increases interest rates this year.

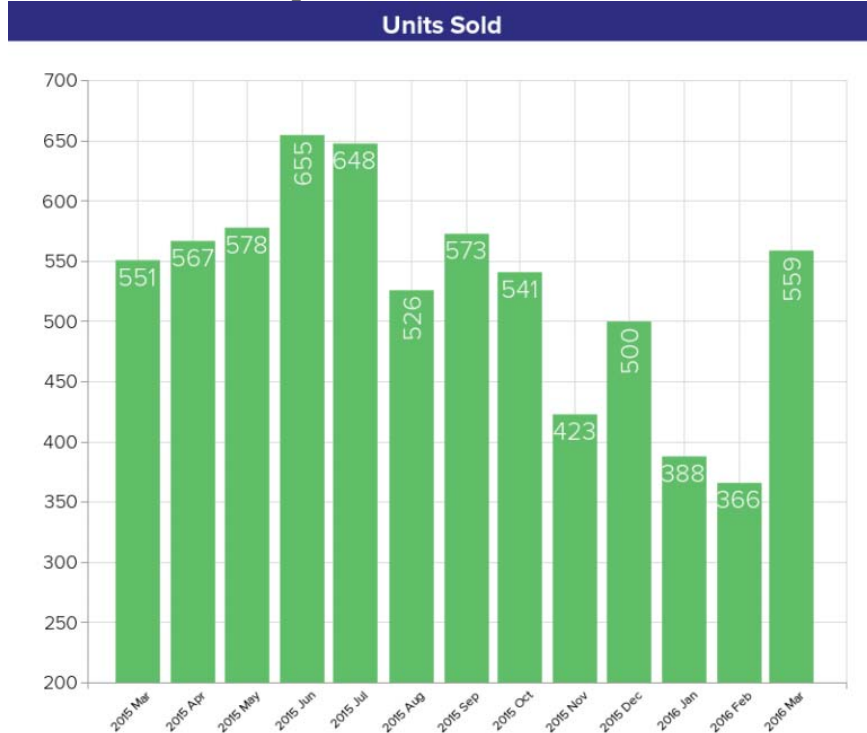




### Reno-Sparks March 2016 Median Price Sold



### Reno-Sparks March 2016 Units Sold

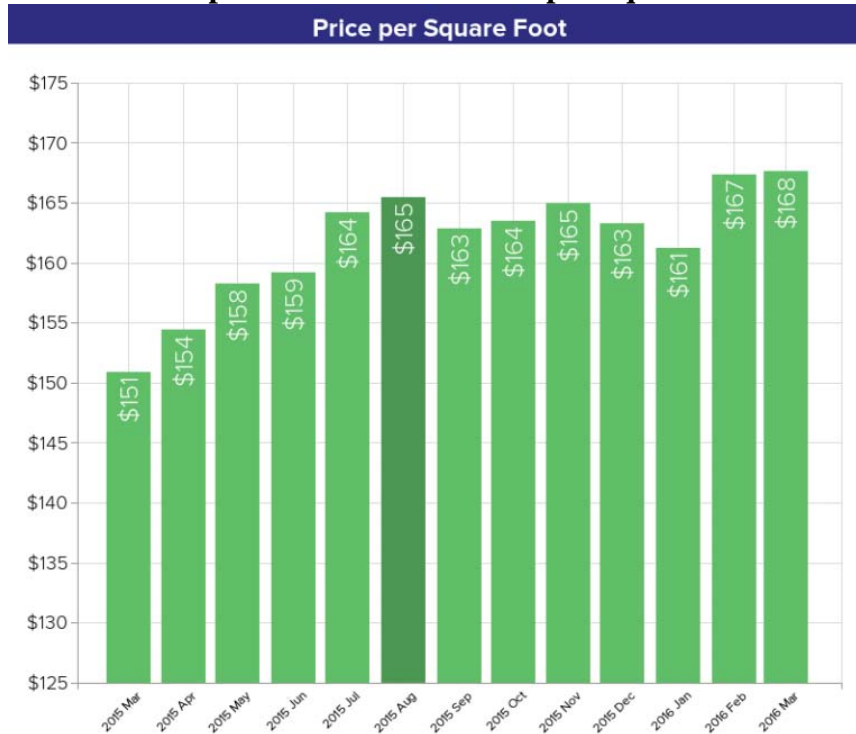




### Reno-Sparks March 2016 New Listings

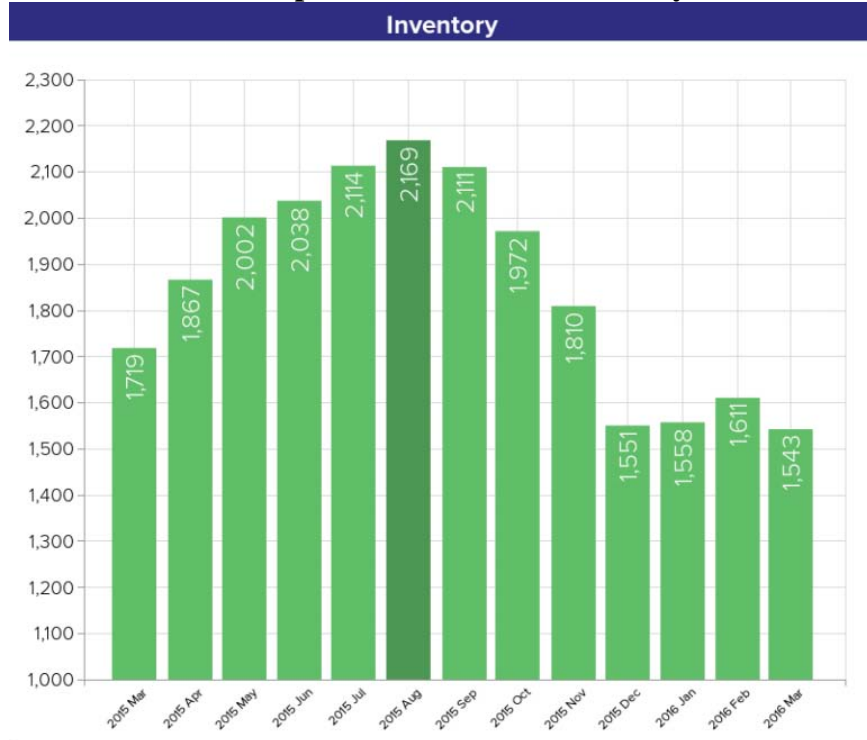


### Reno-Sparks March 2016 Price per Square Foot

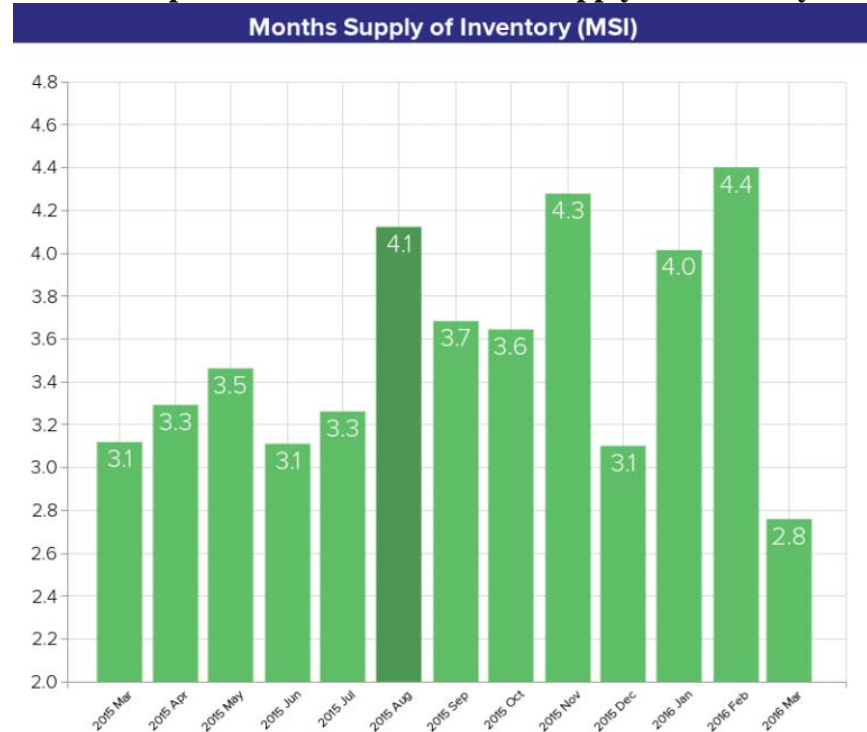




### Reno-Sparks March 2016 Inventory



### Reno-Sparks March 2016 Months Supply of Inventory





Improvement in the residential market is stimulating new construction. Most of the bulk finished lots within the market have been purchased by developers; most of these lots were bank owned during the depression. With job growth projected at over 50,000 new jobs in the coming years, demand for new housing in the area is expected to be extremely strong.

**Multifamily Market**

The following summarizes data from the *Apartment Survey*, which is a quarterly survey conducted by Johnson Perkins Griffin, LLC. The 1<sup>st</sup> Quarter 2016 Survey indicates an overall vacancy rate of 2.30%, and an average overall rent of \$990.

**Average Size, Average Rent & Average Vacancy Rate by Unit Type**

	STUDIOS	1 BED/ 1 BATH	2 BED/ 1 BATH	2 BED/ 2 BATH	3 BED/ 2 BATH	TOWNHOME	TOTALS
Average SF-By Unit Type	406 SF	724 SF	862 SF	1,044 SF	1,273 SF	1,298 SF	893 SF
Average Rent-By Unit Type	\$639	\$875	\$885	\$1,119	\$1,316	\$1,248	\$990
Average Rent/SF-By Unit Type	\$1.57	\$1.21	\$1.03	\$1.07	\$1.03	\$0.96	\$1.11
Indicated Vacancy Rate-By Unit Type	1.80%	2.32%	1.96%	2.46%	2.30%	2.59%	2.30%

**Overall Average Rent & Vacancy-Prior & Current Quarter**

	4 <sup>th</sup> Quarter 2015	1 <sup>st</sup> Quarter 2016	Change
Average Vacancy	2.90%	2.30%	-60 Basis Points
Average Rent	\$946	\$990	+\$44 or +4.65%

**Comparison of Rental Rates & Vacancy Rates to Prior Quarter**

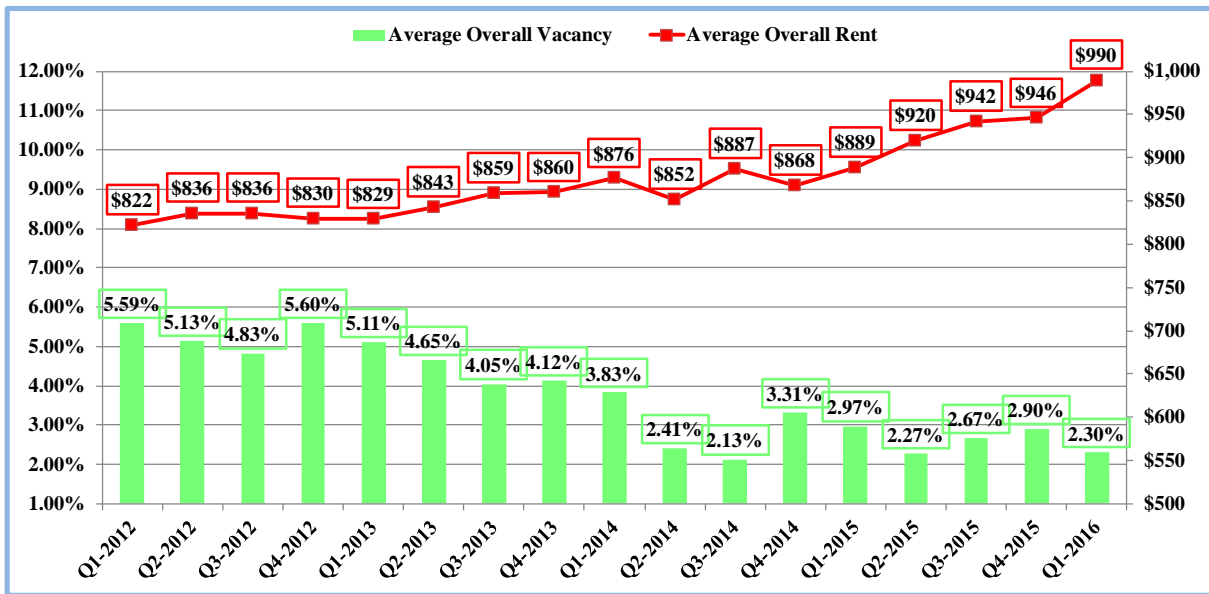
UNIT TYPE	AVERAGE RENT			AVERAGE VACANCY		
	4 <sup>th</sup> Qtr. 2015	1 <sup>st</sup> Qtr. 2016	Result	4 <sup>th</sup> Qtr. 2015	1 <sup>st</sup> Qtr. 2016	Result
Studio	\$580	\$639	+\$59	2.54%	1.80%	-0.74%
1 Bedroom/1 Bath	\$840	\$875	+\$35	2.85%	2.32%	-0.53%
2 Bedroom/1 Bath	\$854	\$885	+\$31	2.83%	1.96%	-0.87%
2 Bedroom/2 Bath	\$1,066	\$1,119	+\$53	3.01%	2.46%	-0.55%
3 Bedroom/2 Bath	\$1,263	\$1,316	+\$53	2.56%	2.30%	-0.26%
Townhouse	\$1,159	\$1,248	+\$89	4.81%	2.59%	-2.22%
<b>TOTALS</b>	<b>\$946</b>	<b>\$990</b>	<b>+\$44</b>	<b>2.90%</b>	<b>2.30%</b>	<b>-0.60%</b>



### Rental & Vacancy Rates by Sub-Market Area

Area	Sub-Market	AVERAGE RENT			AVERAGE VACANCY		
		4 <sup>th</sup> Qtr. 2015	1 <sup>st</sup> Qtr. 2016	Result	4 <sup>th</sup> Qtr. 2015	1 <sup>st</sup> Qtr. 2016	Result
1	Northwest Reno	\$1,015	\$1,083	+\$68	1.96%	1.66%	-0.30%
2	Northeast Reno	\$865	\$895	+\$30	1.60%	2.13%	+0.53%
3	W. Sparks/N. Valley	\$842	\$866	+\$24	2.35%	1.24%	-1.11%
4	East Sparks	\$1,047	\$1,135	+\$88	2.65%	2.84%	+0.19%
5	West Reno	\$825	\$856	+\$31	1.33%	0.00%	-1.33%
6	Southwest Reno	\$785	\$818	+\$33	7.86%	6.62%	-1.24%
7	Brinkby/Grove	\$723	\$722	-\$1	7.76%	5.55%	-2.21%
8	Airport	\$799	\$825	+\$26	2.32%	1.25%	-1.07%
9	Lakeridge	\$1,021	\$1,055	+\$34	3.59%	1.68%	-1.91%
10	Southeast Reno	\$988	\$1,010	+\$22	2.49%	1.98%	-0.51%
<b>Overall Reno-Sparks</b>		<b>\$946</b>	<b>\$990</b>	<b>+\$44</b>	<b>2.90%</b>	<b>2.30%</b>	<b>-0.60%</b>

### Overall Reno/Sparks Rent & Vacancy Data-All Unit Types



### Overall Reno-Sparks Market Averages-All Unit Types (Based Upon Units Surveyed)

Category	1 <sup>st</sup> Quarter 2016 Overall Reno-Sparks Averages
Average Square Feet Per Unit Surveyed	893± Square Feet
Average Rent For Units Surveyed	\$990 Per Month
Average Rent Per Square Foot For Units Surveyed	\$1.11 Per Square Foot
Average Overall Vacancy Rate For Units Surveyed	2.30%



## **Industrial Market**

In an effort to diversify the economic base of the area, community leaders have focused upon the expansion of the industrial segment of the economy. The industrial industry has experienced substantial growth over the past decade as a result of the region's central location, good transportation, infrastructure and liberal tax laws. At the present time, over 500 major U.S. and foreign corporations have headquarters or located large facilities in the area, including Amazon.com, International Gaming Technology (IGT), Barnes and Noble, Patagonia, Sherwin Williams, Wal-Mart Distribution Center, J.C. Penney's Catalog Distribution Center, and R.R. Donnelley, one of the nation's largest publishers.

On September 5, 2014, Tesla announced that the Tahoe Reno Industrial Park (TRIC), located east of Sparks, had landed the coveted Gigafactory. Over \$1.25 billion in State of Nevada incentives were approved for development of the project. In return, Tesla will be required to complete \$5 billion in capital investments on the facility through 2028. The cost for the building and site infrastructure will be \$1.1 billion. Machinery and equipment will account for the remaining \$3.9 billion, including materials processing and product assembly. Once the 5.5 million square foot facility reaches full operation, it will produce enough batteries for 500,000 Tesla electric cars each year. As part of the deal, the USA Parkway extension will be fast-tracked; this \$43 million project will extend USA Parkway from its current terminus in TRIC, to U.S. Highway 50 in Silver Springs, greatly reducing travel times between Interstate 80 and U.S. Highway 50.

As most major cities in the western portion of the United States are located within relatively close proximity and driving time to Northern Nevada, the Reno-Sparks area is a major distribution warehousing center. This development is further being enhanced by the favorable tax environment in the state of Nevada. Leases for industrial users in the Reno-Sparks market are typically based upon triple net lease terms. The CBRE *Reno Industrial Market View 1<sup>st</sup> Quarter 2016 Report* indicates the following:



## Commentary-CBRE Reno Industrial Market View 1<sup>st</sup> Quarter 2016

Continued demand in the Northern Nevada industrial market lead to a sixteenth consecutive quarter of positive net absorption and a vacancy rate now below 6%. Net absorption for Q1 2016 reached 941,241 sq. ft., largely due to the expansion of local tenants. Consequently, the vacancy rate declined 20 basis points (bps) from 6.1% in Q4 2015 to 5.9% during Q1 2016; the lowest recorded in nearly 10 years.

Local expansions were a ringing endorsement of the market during the first quarter. ITS Logistics expanded their footprint when they leased 622,500 sq. ft. at 555 Vista Boulevard. Chewy.com also took 566,660 sq. ft. at 385 Milan Drive. Expect to see additional expansion announcements forthcoming in Q2 2016.

One sale of note was an investment acquisition of the Southern Way Industrial Portfolio. The Bendetti Company purchased three buildings totaling 613,115 sq. ft. on Southern Way in Sparks. While user sales have become few and far between due to supply constraints, investment offerings are expected to dominate expected sale activity in the coming quarters.

Prologis' offering of approximately 650,000 sq. ft. of multi-tenant buildings is expected to change hands during Q2 2016. Also, a large institutional portfolio upwards of 2.5 million sq. ft. is expected to come to market next quarter.

Scarcity of quality product less than 100,000 sq. ft., especially product under 30,000 sq. ft. continues to be a weak point in the market. New speculative product expected to deliver during Q3 2016 will alleviate some of the bottleneck. However, rising construction costs, coupled with the improvement intensive nature of demising spaces into increments under 30,000 sq. ft. make it difficult for developers/landlords to underwrite these projects. We forecast that the supply of product under 20,000 sq. ft. will remain static for the remainder of the year, leading to further product scarcity and increasing rents in this niche.

With multiple requirements in the market over 200,000 sq. ft., expect net absorption to remain strong in the near future. The vacancy rate should continue to hover around 6.0%, even as large speculative projects are delivered, which is a further endorsement of the Northern Nevada industrial market.

The following charts summarize the overall and submarket industrial markets, and include data related to rental rates and vacancies. The data is from the *CBRE Reno Industrial Market View 1<sup>st</sup> Quarter 2016*.

## Industrial Rents & Vacancies By Submarket

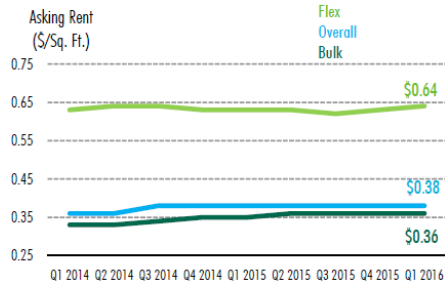
Figure 2: Reno Industrial Market Statistics

Submarket	Net Rentable Area	Total Vacancy %	Total Availability %	Q1 Net Absorption	YTD Net Absorption	Average Asking Rate \$
Central / Airport	9,712,658	4.0	7.1	(152,236)	(152,236)	0.51
Bulk	7,148,503	4.4	8.1	(156,197)	(156,197)	0.46
Flex	2,564,155	2.8	4.4	3,961	3,961	0.76
East Valley	16,241,873	6.7	12.9	731,660	731,660	0.34
Bulk	16,119,186	6.6	12.9	731,660	731,660	0.34
Flex	122,687	19.8	19.8	0	0	0.58
North Valley	17,323,952	12.0	14.2	(190,100)	(190,100)	0.35
Bulk	16,999,940	12.0	14.3	(186,200)	(186,200)	0.35
Flex	324,012	9.9	9.9	(3,900)	(3,900)	0.50
South Reno	9,217,894	2.5	2.9	1,355	1,355	0.57
Bulk	7,218,906	1.3	1.3	7,000	7,000	0.40
Flex	1,998,988	6.9	8.7	(5,645)	(5,645)	0.67
Sparks	28,557,999	3.9	13.6	550,562	550,562	0.36
Bulk	25,513,975	4.0	14.8	544,962	544,962	0.35
Flex	3,044,024	2.4	3.2	5,600	5,600	0.56
West Reno	1,694,299	1.3	3.9	0	0	0.50
Bulk	1,181,593	0.0	3.7	0	0	0.48
Flex	512,706	4.3	4.3	0	0	0.51
<b>Market Total</b>	<b>82,748,675</b>	<b>5.9</b>	<b>11.4</b>	<b>941,241</b>	<b>941,241</b>	<b>0.38</b>
Bulk	74,182,103	6.1	12.1	941,225	941,225	0.36
Flex	8,566,572	4.2	5.4	16	16	0.64

Source: CBRE Research, Q1 2016.

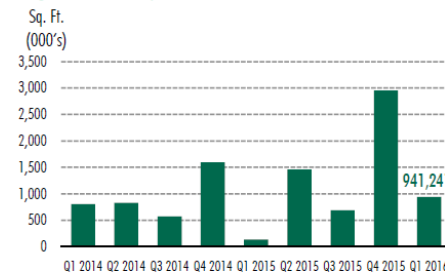
## Historical Industrial Data

Figure 4: Lease Rates



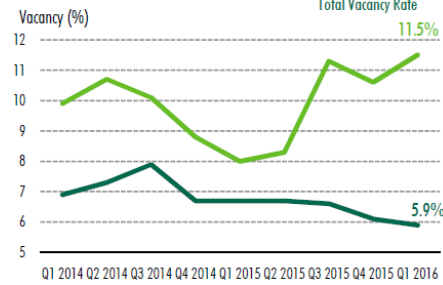
Source: CBRE Research, Q1 2016.

Figure 5: Net Absorption



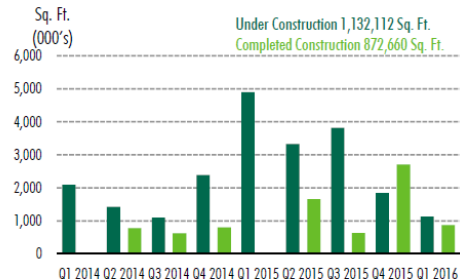
Source: CBRE Research, Q1 2016.

Figure 6: Vacancy & Availability



Source: CBRE Research, Q1 2016.

Figure 7: Construction Activity



Source: CBRE Research, Q1 2016.





**Retail Market**

The Reno-Sparks area now offers three regional shopping centers and more than 100 neighborhood or local shopping centers. The three major regional centers are Meadowood Mall, the Summit Sierra Mall, and the Legends at Sparks Marina.

According to the Nevada Department of Taxation 2010/2011 to 2014/2015 fiscal taxable sales show an increase from year-to-date numbers for each of the past five years. The following chart summarizes taxable sales totals for Washoe County from 1997/1998 (fiscal years).

**Washoe County Taxable Sales History**

<b>Fiscal Year</b>	<b>Taxable Sales</b>	<b>Percentage Change</b>
1997/1998	\$4,377,547,590	3.22%
1998/1999	\$4,679,515,860	6.90%
1999/2000	\$4,966,612,920	6.14%
2000/2001	\$5,194,146,044	4.58%
2001/2002	\$5,292,178,588	1.89%
2002/2003	\$5,481,582,915	3.47%
2003/2004	\$6,003,368,280	9.52%
2004/2005	\$6,660,263,045	10.6%
2005/2006	\$7,268,593,250	9.13%
2006/2007	\$7,202,640,557	-0.91%
2007/2008	\$6,823,700,706	-5.3%
2008/2009	\$5,707,791,051	-16.35%
2009/2010	\$5,176,981,699	-9.30%
2010/2011	\$5,282,936,232	2.05%
2011/2012	\$5,522,605,351	4.54%
2012/2013	\$5,824,726,136	5.47%
2013/2014	\$6,370,684,534	9.37%
2014/2015	\$6,817,588,648	7.02%

Source: Nevada Department of Taxation

Leases for retail space in the Reno-Sparks market are typically based upon triple net lease terms or modified gross lease terms. Under triple net lease terms, tenants typically pay a base rental rate, and are also responsible for paying most operating expenses associated with the property, including utilities, taxes, insurance, management, typical repairs and maintenance, and other expense items. In multi-tenant projects, these additional fees are most often billed back to tenants; these are often referred to as Common Area Maintenance (CAM) fees. The CBRE *Reno Retail Market View 1<sup>st</sup> Quarter 2016 Report* indicates the following:

### Commentary-CBRE Reno Retail Market View 1<sup>st</sup> Quarter 2016

Reno continues to enjoy steady growth as net absorption in 1Q 2016 already surpassed 2015's annual total. The user-sale of the former Lowe's at 2450 Oddie Boulevard in Sparks to Renown Health was the primary driver accounting for 177,809 sq. ft. of the 192,188 of positive net absorption. The remaining leasing activity was predominantly shop space with restaurants accounting for 31% of the total.

The average asking lease rate grew by \$.02 during the quarter to \$1.30, the highest since 2Q 2013. After six quarters of stagnation, asking rates have risen a total of \$.08 since 2Q 2015, and are expected to continue increasing in the short term, while the long-term trend will hinge on local construction activity.

Given these market conditions, Reno continues to garner attention from active buyers in the market. In addition to the 177,809 sq. ft. user-sale in Sparks, the 105,705 sq. ft. Ironhorse Shopping Center and the 102,832 sq. ft. Parkside Center both sold to investors. By comparison, 2015 only produced one sale of more than 100,000 sq. ft., Smithridge Plaza (172,261 sq. ft.).

In addition to the strong investor activity, the vacancy rate fell sharply to start the year. Market wide, the overall vacancy rate has experienced a steady decline since peaking in Q1 2013 at 17.3%. Currently, the vacancy rate of 12.0% is the lowest CBRE has recorded since tracking the market in 2009, down 150 basis points (bps) from 13.5% in 4Q 2015.

Construction activity remains stagnant. Although asking rates are climbing and vacancy is falling there is still an overabundance of supply to justify new developments. However, there is enough demand to warrant the expansion of some existing centers such as the 19,500 sq. ft. expansion of Legends at Sparks Marina, which is currently underway.

Reno remains one of the fastest growing markets in the region. High net absorption figures combined with increasing investor activity, falling vacancy rates, and rising asking rates point to a bright future for the city. As consumer confidence continues to grow and new employers drive population growth, Reno can anticipate further growth and increasing investment activity.

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The following charts summarize the overall and submarket retail markets, and include data related to rental rates and vacancies. The data is from the *CBRE Reno Retail Market View 1<sup>st</sup> Quarter 2016*.

## Retail Rents & Vacancies By Submarket

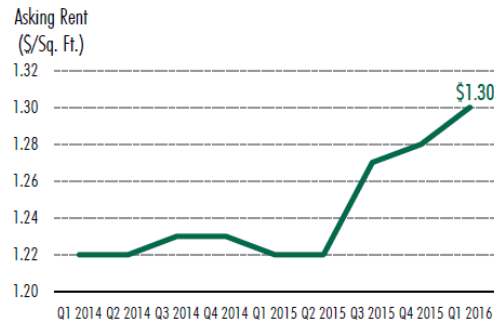
Figure 2: Reno Retail Market Statistics

Submarket	Gross Leaseable Area	Total Vacancy %	Total Availability %	Q1 Net Absorption	YTD Net Absorption	Average Asking Rate \$
Central/Airport	1,850,941	24.2	27.9	9,165	9,165	1.21
Downtown	367,732	13.8	13.8	(3,827)	(3,827)	1.57
Meadowood	3,488,187	7.2	11.3	(4,808)	(4,808)	1.39
North Valleys	791,887	6.0	6.0	323	323	1.48
Northwest Reno	1,813,641	6.7	7.3	1,571	1,571	1.38
South Reno	2,443,237	13.8	14.5	11,273	11,273	1.41
Southwest Reno	787,064	11.8	12.4	(2,221)	(2,221)	1.32
Spanish Springs	1,612,633	18.4	18.7	(490)	(490)	1.31
Sparks	3,728,556	10.4	10.6	181,202	181,202	1.13
<b>Market Total</b>	<b>16,883,878</b>	<b>12.0</b>	<b>13.6</b>	<b>192,188</b>	<b>192,188</b>	<b>1.30</b>

Source: CBRE Research, Q1 2016.

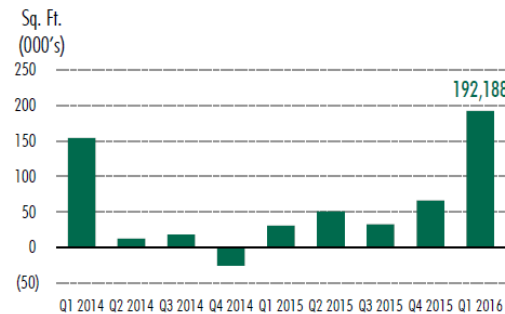
## Historical Retail Data

Figure 6: Lease Rates



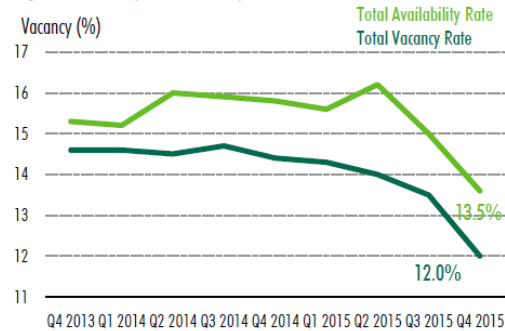
Source: CBRE Research, Q1 2016.

Figure 7: Net Absorption



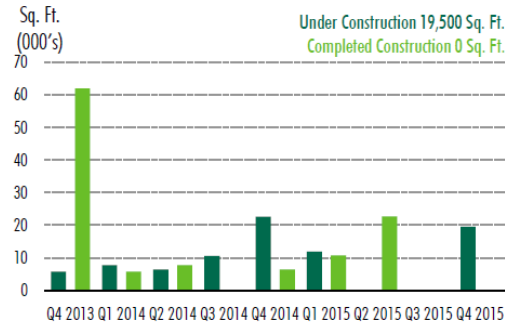
Source: CBRE Research, Q1 2016.

Figure 8: Vacancy & Availability



Source: CBRE Research, Q1 2016.

Figure 9: Construction Activity



Source: CBRE Research, Q1 2016.



## Office Market

The Reno-Sparks office market consists of a variety of product types, from older second and third generation properties, to new, high-end Class A office space. Leases for professional office uses in the Reno-Sparks market are typically based upon full service gross lease terms or modified gross lease terms. Under full service gross lease terms, owners are responsible for all operating costs associated with the building. Typically, these leases incorporate base year expense stops, with tenants responsible for any increases in operating expenses over the base year. Under modified gross lease terms, the tenant is typically responsible for utilities and janitorial service. Due to increases in utility expenses, many property owners now market properties on modified gross lease terms, with some even marketing properties on triple net lease terms, in which the tenant is responsible for all operating expenses associated with the building. The CBRE *Reno Office Market View 1<sup>st</sup> Quarter 2016 Report* indicates the following:

### Commentary-CBRE Reno Office Market View 1<sup>st</sup> Quarter 2016

The Reno office market ended Q1 2016 relatively flat with 9,728 sq. ft. of negative net absorption. This figure follows nearly 128,000 sq. ft. of positive net absorption in 2015. A lack of large contiguous vacancies of 15,000 sq. ft. or greater still exists, especially for Class A product. Supply of office spaces less than 2,000 sq. ft. is also limited, a sign that small businesses are flourishing. For users seeking 3,000-7,000 sq. ft., there is an ample supply of quality spaces to choose from.

The average asking lease rate for Class A product increased by 2.8% from the previous quarter to \$1.86 full service gross (FSG). Most well located Class A properties are achieving rental rates above \$2.00. A flight to quality has been taking place since 2009; however, many tenants who upgraded their space at much lower lease rates during 2010-2013 should expect to see fairly significant rent increases as their leases roll. It is likely in the coming year that a number of tenants will transition out of the best located Class A buildings into more economical options.

As occupancy rates in buildings improve, landlords are faced with managing issues related to parking. Companies are focusing on efficient use of space by maximizing their employee count within their space. Much of the office space built to code requiring 4 parking spaces per 1,000 sq. ft. is not sufficient to support increased employee counts within those spaces. Many tenants have transitioned from a private office heavy environment to an open bull pen environment, with parking ratio requirements that often exceed the previous market standard.

The lack of large contiguous Class A vacancy is paving the way for new speculative construction. McKenzie Properties will break ground in April on the first speculative office construction project since 2007. The 4-story Class A office building is scheduled for completion in Q1 2017 and is located in the Meadowood submarket, a centrally located suburban office submarket that consistently boasts the highest rents and lowest vacancy rates in Reno, currently at 12.2% (8.0% in the Class A category).

The following charts summarize the overall and submarket office markets, and include data related to rental rates and vacancies. The data is from the CBRE *Reno Office Market View 1<sup>st</sup> Quarter 2016*.

### Office Rents & Vacancies By Submarket

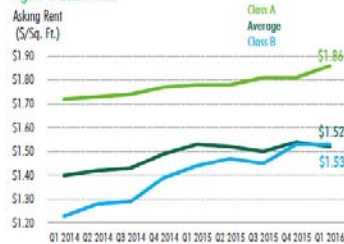
Figure 2: Reno Office Market Statistics

Submarket	Net Rentable Area	Total Vacancy %	Total Availability %	Q1 Net Absorption	YTD Net Absorption	Average Asking Rate \$
Airport	600,747	9.6	14.2	(1,148)	(1,148)	1.06
Class A	32,376	-	-	-	-	-
Class B	394,849	8.4	15.4	(562)	(562)	1.16
Central	609,419	29.4	29.4	527	527	1.31
Class A	-	-	-	-	-	-
Class B	315,224	27.1	27.1	784	784	1.53
Downtown	1,364,568	17.9	18.6	(3,231)	(3,231)	1.56
Class A	810,695	8.6	9.7	5,728	5,728	2.00
Class B	272,070	42.1	42.1	(10,599)	(10,599)	1.33
Meadowood	1,779,416	12.2	15.3	3,883	3,883	1.61
Class A	1,100,707	8.0	9.2	(1,973)	(1,973)	1.85
Class B	480,469	16.9	23.1	3,347	3,347	1.63
South Reno	1,399,415	15.7	17.2	(6,346)	(6,346)	1.76
Class A	1,112,924	15.5	17.3	(2,684)	(2,684)	1.73
Class B	286,491	16.5	16.5	(3,662)	(3,662)	1.82
Sparks	162,423	7.3	7.3	1,784	1,784	1.35
Class A	-	-	-	-	-	-
Class B	93,693	12.6	12.6	-	-	1.35
West Reno	37,495	28.2	28.2	(5,197)	(5,197)	1.72
Class A	14,493	35.9	35.9	(5,197)	(5,197)	2.05
Class B	23,002	23.4	23.4	-	-	1.40
<b>Market Total</b>	<b>5,953,483</b>	<b>15.8</b>	<b>17.7</b>	<b>(9,728)</b>	<b>(9,728)</b>	<b>1.52</b>
Class A	3,071,195	10.9	12.3	(4,126)	(4,126)	1.86
Class B	1,865,798	20.3	23.4	(10,692)	(10,692)	1.53

Source: CBRE Research Q1 2016.

### Historical Office Data

Figure 4: Lease Rates



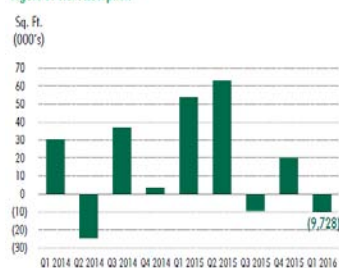
Source: CBRE Research, Q1 2016.

Figure 6: Vacancy & Availability



Source: CBRE Research, Q1 2016.

Figure 5: Net Absorption



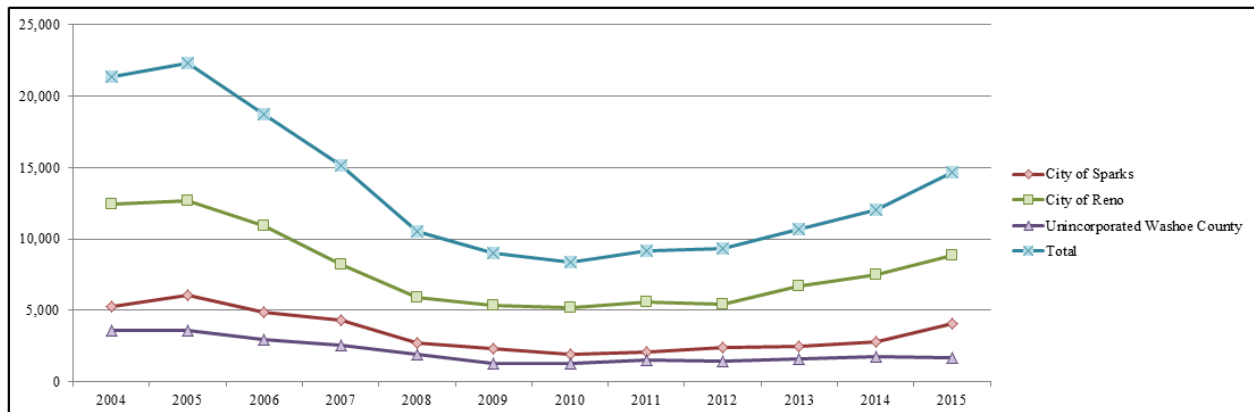
Source: CBRE Research, Q1 2016.

### Construction Activity

Construction activity in the area was limited during the housing crisis, but has shown signs of recovery. Within the Reno-Sparks market, building permits issued began to drop in 2006, and dropped every year thru 2010; beginning in 2011, building permit activity has continued to increase through 2015. As the chart and graph below indicate, at the peak of the market in 2005, 22,313 total building permits were issued in Washoe County, including the City of Reno and the City of Sparks. In 2015, the latest full calendar year, 14,678 building permits, or 34% less than 2005, were issued.

#### Building Permits Issued

Calendar Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
City of Sparks	4,456	6,120	5,278	6,030	4,858	4,322	2,693	2,338	1,946	2,078	2,415	2,451	2,818	4,107
City of Reno	8,613	10,964	12,457	12,662	10,891	8,240	5,891	5,371	5,149	5,570	5,454	6,670	7,504	8,859
Unincorporated Washoe County	3,893	3,395	3,591	3,621	2,980	2,549	1,926	1,304	1,259	1,502	1,457	1,597	1,734	1,712
<b>Total</b>	<b>16,962</b>	<b>20,479</b>	<b>21,326</b>	<b>22,313</b>	<b>18,729</b>	<b>15,111</b>	<b>10,510</b>	<b>9,013</b>	<b>8,354</b>	<b>9,150</b>	<b>9,326</b>	<b>10,718</b>	<b>12,056</b>	<b>14,678</b>
% Change From Prior Year	---	20.73%	4.14%	4.63%	-16.06%	-19.32%	-30.45%	-14.24%	-7.31%	9.53%	1.92%	14.93%	12.48%	21.75%



(Reno, Sparks & Unincorporated Washoe County)

### Transportation

The Reno-Tahoe International Airport serves the Reno-Sparks area. The airport offers daily departures to over 30 North American destinations with non-stop or one-stop service. This level of service is normally found in cities with populations four to five times the size of the Reno-Sparks area. The following chart summarizes passenger statistics for the Reno-Tahoe International Airport.



### Reno-Tahoe International Airport Statistics

Total Passengers February-16					
	Passengers		% Diff.	Passengers	
	2014	2015		2016	% Diff.
JAN	241,181	246,571	2.2%	259,868	5.4%
FEB	228,035	234,763	3.0%	269,807	14.9%
MAR	278,172	277,477	-0.2%		
<b>1st Quarter</b>	<b>747,388</b>	<b>758,811</b>	<b>1.5%</b>		
APR	266,800	256,823	-3.7%		
MAY	282,277	276,969	-1.9%		
JUN	316,720	319,309	0.8%		
<b>2nd Quarter</b>	<b>865,797</b>	<b>853,101</b>	<b>-1.5%</b>		
JUL	332,242	350,823	5.6%		
AUG	318,965	336,948	5.6%		
SEP	284,931	297,299	4.3%		
<b>3rd Quarter</b>	<b>936,138</b>	<b>985,070</b>	<b>5.2%</b>		
OCT	266,701	295,749	10.9%		
NOV	225,384	253,494	12.5%		
DEC	263,682	286,432	8.6%		
<b>4th Quarter</b>	<b>755,767</b>	<b>835,675</b>	<b>10.6%</b>		
<b>TOTAL</b>	<b>3,305,090</b>	<b>3,432,657</b>	<b>3.9%</b>		
<b>YTD Total</b>		481,334		529,675	10.0%

Total Enplaned Passengers February-16				
Month	2014	2015	2016	% Diff.
JAN	121,700	124,505	130,546	4.9%
FEB	113,777	117,750	133,669	13.5%
MAR	142,542	141,314		
APR	132,183	128,088		
MAY	139,349	137,132		
JUN	158,827	159,989		
JUL	162,090	172,266		
AUG	159,664	166,935		
SEP	147,458	151,127		
OCT	134,946	150,567		
NOV	112,573	125,712		
DEC	128,295	142,423		
<b>TOTAL</b>	<b>1,653,404</b>	<b>1,717,808</b>		
<b>YTD Total</b>		242,255	264,215	9.1%

Total Deplaned Passengers				
Month	2014	2015	2016	% Diff.
JAN	119,481	122,066	129,322	5.9%
FEB	114,258	117,013	136,138	16.3%
MAR	135,630	136,163		
APR	134,617	128,735		
MAY	142,928	139,837		
JUN	157,893	159,320		
JUL	170,152	178,557		
AUG	159,307	170,013		
SEP	137,480	146,172		
OCT	131,755	145,182		
NOV	112,811	127,782		
DEC	135,387	144,009		
<b>TOTAL</b>	<b>1,651,699</b>	<b>1,714,849</b>		
<b>YTD Total</b>		239,079	265,460	11.0%

Total Cargo February-16						
	2014	2015	% Diff.	2016		% Diff.
	Cargo in Pounds			Pounds	Metric	
JAN	10,303,380	10,113,421	-1.8%	11,939,003	5,415	18.1%
FEB	9,486,697	9,418,781	-0.7%	10,947,416	4,965	16.2%
MAR	9,758,391	10,381,009	6.4%			
<b>1st Quarter</b>	<b>29,548,468</b>	<b>29,913,211</b>	<b>1.2%</b>			
APR	9,876,465	10,416,248	5.5%			
MAY	10,269,963	10,459,643	1.8%			
JUN	9,679,744	10,595,645	9.5%			
<b>2nd Quarter</b>	<b>29,826,172</b>	<b>31,471,536</b>	<b>5.5%</b>			
JUL	10,863,843	11,775,072	8.4%			
AUG	10,853,726	11,031,470	1.6%			
SEP	10,127,014	12,360,393	22.1%			
<b>3rd Quarter</b>	<b>31,844,583</b>	<b>35,166,935</b>	<b>10.4%</b>			
OCT	11,429,538	12,160,586	6.4%			
NOV	10,664,398	11,657,012	9.3%			
DEC	15,776,073	17,907,699	13.5%			
<b>4th Quarter</b>	<b>37,870,009</b>	<b>41,725,297</b>	<b>10.2%</b>			
<b>TOTAL</b>	<b>129,089,232</b>	<b>138,276,979</b>	<b>7.1%</b>			
<b>YTD Total</b>		19,532,202		22,886,419	10,379	17.2%

Enplaned Passengers & Load Factor				
Airline	Enplaned PAX	Feb-16	Feb-15	Diff.
Alaska/Horizon	15,596	79.2%	75.0%	4.2
Allegiant Air	1,345	90.0%	65.7%	24.4
American	27,708	84.4%	90.4%	-6.0
Delta	9,506	83.2%	71.9%	11.3
jetBlue	3,098	86.1%	n/a	n/a
Southwest	55,197	81.2%	77.1%	4.1
United	19,150	87.0%	90.6%	-3.7
US Airways	0	n/a	84.8%	n/a
Volaris	1,569	67.4%	72.0%	-4.6

The Reno-Sparks area also has adequate rail service and bus service. The area has excellent access to trucking facilities, with over 60 firms serving the Reno area. Rail service through the area is provided by Union Pacific Railroad. The rail lines pass through downtown Reno with most of the rail traffic involving freight transportation. Additionally, Amtrak provides passenger rail service to the area.

### Hospitals, Education and Public Services

The Reno-Sparks area has four private general hospitals and one Veterans' Administration hospital. While the area is considered to have good hospital facilities, the hospitals in Nevada are some of the more expensive in the country. The two largest hospitals, St.

Mary's and Renown, have both opened satellite hospitals in south Reno, and have both undergone major expansions at their main facilities.

The Washoe County School District provides public schools. The University of Nevada-Reno is situated on a 200-acre campus just north of downtown Reno. There are approximately 20,900 students currently enrolled at the University. The area is also served by the Truckee Meadows Community College, which has an enrollment of approximately 11,500 students per year.

Each of the municipalities in the Reno-Sparks area offers police and fire protection. Both the police and fire protection is highly rated. Municipal recreational facilities in the Reno-Sparks area include a number of golf courses, several indoor/outdoor swimming pools, numerous public parks and several public libraries. RTC Ride provides public transportation to the region.

### **Summary**

In summary, the Reno-Sparks area has experienced rapid population growth over the past several decades due to the excellent quality of life. Historically, the gaming industry has been the principal economic base for the area. With the legalization of gaming across the United States, the area's principal industry is experiencing a major challenge.

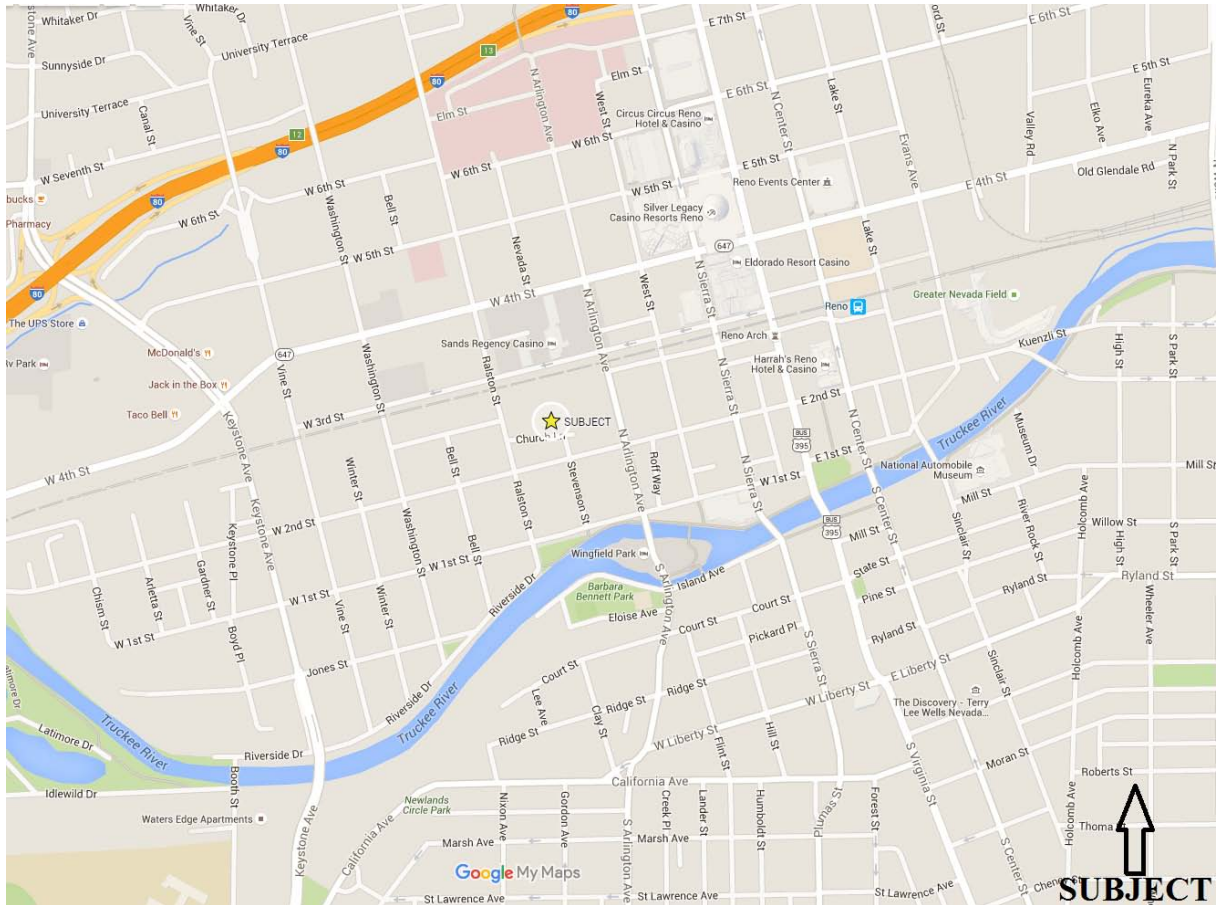
In response to this challenge, the National Bowling Stadium and Downtown Events Center have been built, the Reno-Sparks Convention Center has been expanded and renovated, special events have been expanded, the City of Reno is actively supporting downtown revitalization, and a AAA professional baseball stadium was completed in April of 2009. Tesla began construction on their new Gigafactory just east of Sparks in the Tahoe Reno Industrial Park in 2014. The area has experienced success in broadening the economic base with the expansion of the hi-tech and back office industries.

The recent economic recession has had a negative impact on most sectors of the local economy. However, signs point to a recovery in most sectors of the market, with for-sale and for-rent residential market recoveries, and recoveries in the commercial and industrial sectors of the marketplace. Unemployment has continued to drop, and construction activity has continued to increase. Positive signs are apparent in the local and regional economy.





### NEIGHBORHOOD MAP



## NEIGHBORHOOD DESCRIPTION

The subject property is located in the downtown Reno market, just west of the main casino core. The downtown market is general bounded on the north by Interstate 80, on the east by Wells Avenue, on the south by the Truckee River and on the west by Keystone Avenue. The neighborhood described above is largely commercial in nature, but includes a variety of uses, including older single family dwellings, professional offices, multi-family residences and light industrial uses.

The major roadway connecting Reno-Sparks and the west Reno area is Interstate-80. Interstate-80 generally forms the northerly boundary of the subject neighborhood. The subject neighborhood has good accessibility to the Interstate 80 Freeway from an interchange at Keystone Avenue, Virginia Street and Wells Avenue. As Interstate 80 intersects with Interstate 580 in central Reno, the subject neighborhood has good access to the Reno-Sparks area. The Interstate 80 Freeway also provides access to California to the west, and continues across the United States to the east.

Major roadways within the subject neighborhood include Keystone Avenue, Fourth Street, Fifth Street, Virginia Street, Center Street, Sierra Street and Wells Avenue. These roads provide alternative access to the Reno-Sparks area. The subject neighborhood is felt to have good accessibility to all portions of the Reno-Sparks area.

The Truckee River runs along the south portion of the neighborhood, and runs from west to east. Generally speaking, the major commercial and casino developments in downtown Reno to the east of the neighborhood are located on the north side of the river, while the financial district and major office buildings are located south of the Truckee River.

Due to its proximity to the river, many portions of the subject neighborhood lie within the river's floodplain. Of the various floodplain classifications promulgated by the Federal Emergency Management Agency (FEMA), those which have the greatest impact on property values are the "AE" and "floodway" designations. Properties located in the "AE" zone can, and frequently are, developed with a variety of uses (commercial, industrial, residential, etc.) in both the cities of Reno and Sparks. The main constraints to development of properties in the "AE" zone are the cost of additional engineering and fill material required to raise the bottom of the lowest floor beam or basement floor one foot above the base flood elevation.



The Union Pacific Railroad passes through the central portion of the subject neighborhood. Along with U.S. Interstate 80, the Union Pacific Railroad generally parallels the Truckee River, crossing the river at various points throughout the neighborhood. The Union Pacific Railroad is primarily utilized for freight service.

Granite Construction completed the ReTRAC train trench project in 2005, which involved the depression of the railroad tracks through downtown Reno. This has resulted in a fully grade-separated two-track main line railroad corridor through the central portion of downtown Reno. The depressed railway begins at a point approximately 250± feet west of West Second Street and extends approximately 12,500± lineal feet, or approximately 2.25± miles, to a point approximately 50± feet west of Sutro Street. The depressed railway is 54 feet in width, and approximately 30± deep at its deepest point.

As part of the ReTRAC Project, 11 at-grade crossings of the railroad tracks through downtown Reno have been eliminated and replaced with completely grade-separated intersections. At each intersection, a bridge has been constructed at ground level, with the depressed railway passing under the intersections. This project was the largest public works project ever constructed in the City of Reno. The portion of the trench located between West Street and Virginia Street in the downtown core was covered for the construction of a public plaza.

A majority of the area's tourist commercial development, which consists of hotel-casino uses and smaller tourist commercial retail uses, are situated in the downtown Reno core just east of the subject neighborhood. The Reno casino core area contains the largest concentration of hotel casino utilizations in northern Nevada. The major hotel casinos include the Silver Legacy Hotel Casino, the Circus-Circus Hotel Casino, the Eldorado Hotel Casino, the Sands Hotel Casino, Harrah's Hotel Casino, and the Cal-Neva Casino. As a result, this area does involve a major employment center for the Reno-Sparks area.

Several casinos within the downtown Reno area, including the Sundowner Hotel Casino, the Comstock Hotel Casino, the Golden Phoenix Hotel Casino, and the Fitzgerald's Hotel Casino were closed within the past ten years. Several of these projects have been converted and developed into high-rise condominium projects. The Fitzgerald's was converted to a non-gaming hotel named the Whitney Peak.



The Truckee River corridor in downtown Reno has seen a number of developments over the past decade. A 12-screen movie theater is located along the Truckee River on the west side of Sierra Street. A multi-tenant retail building was constructed adjacent to the theater. Additionally, the Truckee River Whitewater Park is located along the river near Arlington Avenue. This whitewater park has been a successful draw for downtown Reno, and many believe it was the initial catalyst for development along the river downtown. Other shopping, including the West Street Market, is in close proximity to the Truckee River.

In April 2009, construction was completed on a AAA professional baseball development. Originally named Aces Stadium, this stadium has been renamed Greater Nevada Field. This project is located on the northeast corner of East Second Street and Evans Avenue, although the developer has plans to also develop a large retail project on other properties in the vicinity of the baseball stadium. The stadium utilized the historic Freight House in its design and has a seating capacity for 9,000± fans. To date, the owners of the ballpark have completed several new restaurants and lounges directly adjacent to the stadium.

Also in downtown, two non-gaming hotel projects are undergoing construction or renovation. These two projects are the Siena Hotel and the Courtyard by Marriott. The Siena Hotel is an existing property which was formerly operated as a hotel-casino, and is in the process of being rebranded into a Renaissance Hotel, a high-end Marriott hotel chain. This property has a total of 214 rooms. The Courtyard by Marriott is currently under construction in the southeast portion of downtown Reno across from the Greater Nevada Field; once complete, this property will have 135 rooms. Both of these projects will cater to business travelers.

The Regional Transportation Commission completed construction on a bus transfer station which is located on the southeast corner of East Fourth Street and Lake Street, known as the 4<sup>TH</sup> Street Station.

Within the subject neighborhood, the former Kings Inn Casino is being renovated into apartment units with retail space. The property has been renamed 3<sup>rd</sup> Street Flats, and is currently under renovation. The renovation included gutting the property down to a shell condition, and renovating the property into a 94-unit apartment project with retail space on the first floor. The renovations include all new mechanical systems, new elevator, renovating the parking garage and adding storage areas in the garage area, rebuilding the pool on the third floor deck, constructing 94 individual apartment units and interior hallways, building a lobby/leasing

area, new community room on the first floor, and a common area courtyard on the west end of the property. Construction on this project is expected to be completed in the Summer of 2016.

In April 2016, a local architect announces plans for a \$1.2 billion project in the subject neighborhood. This project has been named West 2<sup>nd</sup> District, and would involve the development of high rise structures, which would include office, retail and residential uses. Funding for this project has not been finalized.

The majority of the better quality professional offices are located around the center of the downtown Reno financial district, which is located in the central portion of the subject neighborhood at the intersection of South Virginia Street and Liberty Street. Several major financial institutions active in Northern Nevada have administrative offices and/or main branches located within a short distance of this downtown financial core. The four most prominent buildings in the financial core area include the 50 West Liberty Street, the U.S. Bank building, the Wells Fargo tower, and the Museum Towers building. These structures range in height between 6 and 12 stories and are good quality Class "A" professional office buildings.

In addition to the major financial institutions, the Washoe County Courthouse is located on the northwest corner of South Virginia Street and Court Street in the central portion of the subject neighborhood. The Mills B. Lane Justice Center involves relatively new construction. Washoe County also utilizes a newer courthouse complex located at the southwest corner of South Sierra Street and Island Avenue. Additionally, the Federal Courthouse is located on the block bounded by South Virginia Street, Liberty Street, Center Street and Stewart Street.

The old Reno City Hall, located at the intersection of Liberty Street and Sinclair Street, has been converted into the Nevada Discovery Museum, a hands-on children's museum. The main branch of the Washoe County library system is located on the northwest corner of Liberty Street and Center Street, and the William F. Harrah National Automobile Museum is located on the northeast corner of Mill Street and Sinclair Street. Additionally, the Nevada Museum of Art is located on Liberty Street in the financial district of downtown Reno.

The former Downtown Reno United States Post Office is located on the south side of the Truckee River, between South Virginia Street and Center Street, north of Mill Street. The Post Office building was designed by renowned architect Frederick DeLongchamps. Constructed in 1932, the post office building is considered one of the best examples of Art Deco design,

specifically Zig-Zag Moderne, in Nevada. This building was purchased by a local developer, who has developed retail and office space in the building. Adjacent to this property, construction was recently completed on a new bridge over the Truckee River on Virginia Street.

Industrial utilizations are found east and west of the downtown casinos, adjacent to the Union Pacific Railroad tracks and include small manufacturing and repair facilities, auto wreckers and outside storage yards. Transit warehouses and truck terminals are prominent uses in the northeast portions of the subject neighborhood. These facilities are typically operated by interstate trucking firms for redistribution and reloading of interstate freight.

Residential growth started in the eastern portion of the subject neighborhood and progressed westward. The area near Keystone Avenue involves older homes constructed from the 1930s to the 1950s. Residential development along Mayberry Drive involves newer homes and has traditionally been a desirable neighborhood.

Idlewild Park and Wingfield Park are located along the Truckee River in the central portions of the subject neighborhood. There is a walking/bike path along the Truckee River from the western portion of the subject neighborhood to downtown Reno. This path also continues past downtown Reno and terminates past Vista Boulevard in Sparks. The neighborhood has access to all typical public services. Fire protection is provided by the City of Reno Fire Department. The City of Reno Police Department provides police protection. Public transportation is provided by RTC Ride, which does maintain bus stops along major roadways in the neighborhood. Overall, the neighborhood is considered to have good access to typical public services.

To summarize, the subject neighborhood is a mature, commercial and residential neighborhood located within the downtown Reno area. The subject neighborhood includes a variety of uses, including hotel-casinos, public facilities, St. Mary's Hospital, high-rise and low-rise residential uses, and a variety of commercial uses.



**SUBJECT AERIAL MAPS**



**SOURCE: BING MAPS ONLINE**



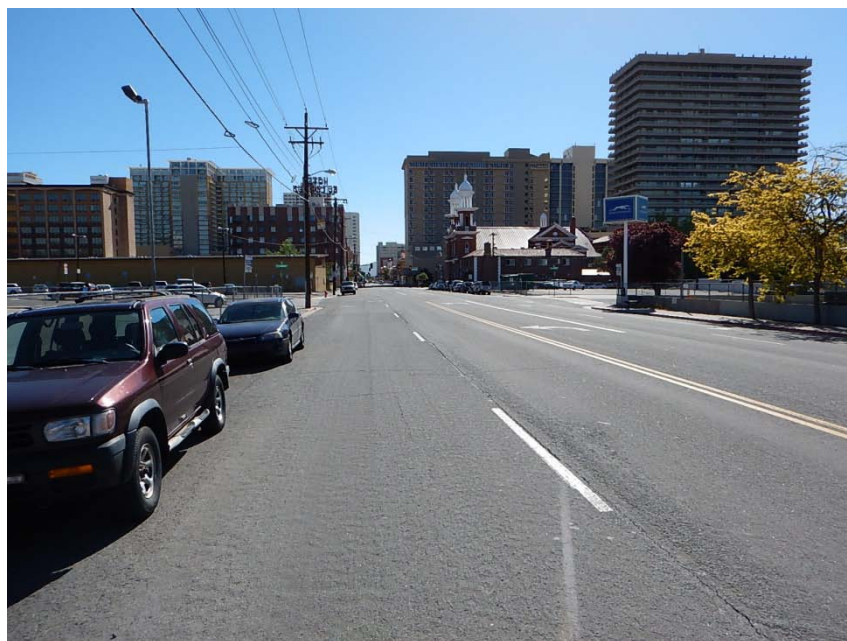
**SOURCE: BING MAPS ONLINE**



**SUBJECT STREET SCENE PHOTOGRAPHS**



**VIEW OF WEST SECOND STREET  
FACING WEST IN THE VICINITY OF THE SUBJECT PROPERTY**



**VIEW OF WEST SECOND STREET  
FACING EAST IN THE VICINITY OF THE SUBJECT PROPERTY**





**SUBJECT STREET SCENE PHOTOGRAPHS**



**VIEW OF STEPHENSON STREET FACING NORTH  
FACING WEST IN THE VICINITY OF THE SUBJECT PROPERTY**



**VIEW OF CHURCH LANE FACING EAST  
IN THE VICINITY OF THE SUBJECT PROPERTY**



**EXTERIOR SUBJECT PHOTOGRAPHS**



**VIEW OF THE WARREN NELSON BUILDING FACING NORTHWEST**



**VIEW OF THE WARREN NELSON BUILDING FACING NORTHEAST**



**EXTERIOR SUBJECT PHOTOGRAPHS**



**VIEW OF THE EAST PORTION OF THE WARREN NELSON BUILDING  
FACING SOUTHWEST**



**VIEW OF THE NORTHWEST PORTION OF THE SUBJECT SITE  
FACING NORTHWEST**



**EXTERIOR SUBJECT PHOTOGRAPHS**



**VIEW OF THE STORAGE BUILDING FACING NORTHEAST**



**VIEW OF THE STORAGE BUILDING FACING SOUTHWEST**



**INTERIOR SUBJECT PHOTOGRAPHS**



**VIEW OF THE ENTRY LOBBY IN THE WARREN NELSON BUILDING**



**VIEW OF THE LAXALT AUDITORIUM IN THE WARREN NELSON BUILDING**



**INTERIOR SUBJECT PHOTOGRAPHS**



**VIEW OF AN OPEN LOBBY AREA IN THE WARREN NELSON BUILDING**



**VIEW OF A CONFERENCE ROOM IN THE WARREN NELSON BUILDING**



**INTERIOR SUBJECT PHOTOGRAPHS**



**VIEW OF AN OFFICE AREA IN THE WARREN NELSON BUILDING**



**VIEW OF A FILE STORAGE ROOM IN THE WARREN NELSON BUILDING**



**INTERIOR SUBJECT PHOTOGRAPHS**



**VIEW OF A HALLWAY IN THE WARREN NELSON BUILDING**



**VIEW OF A CLASSROOM AREA IN THE WARREN NELSON BUILDING**





**INTERIOR SUBJECT PHOTOGRAPHS**



**VIEW OF A LARGE OPEN AREA IN THE BASEMENT OF  
THE WARREN NELSON BUILDING**



**VIEW OF A FENCED STORAGE AREA IN THE BASEMENT OF  
THE WARREN NELSON BUILDING**



**INTERIOR SUBJECT PHOTOGRAPHS**



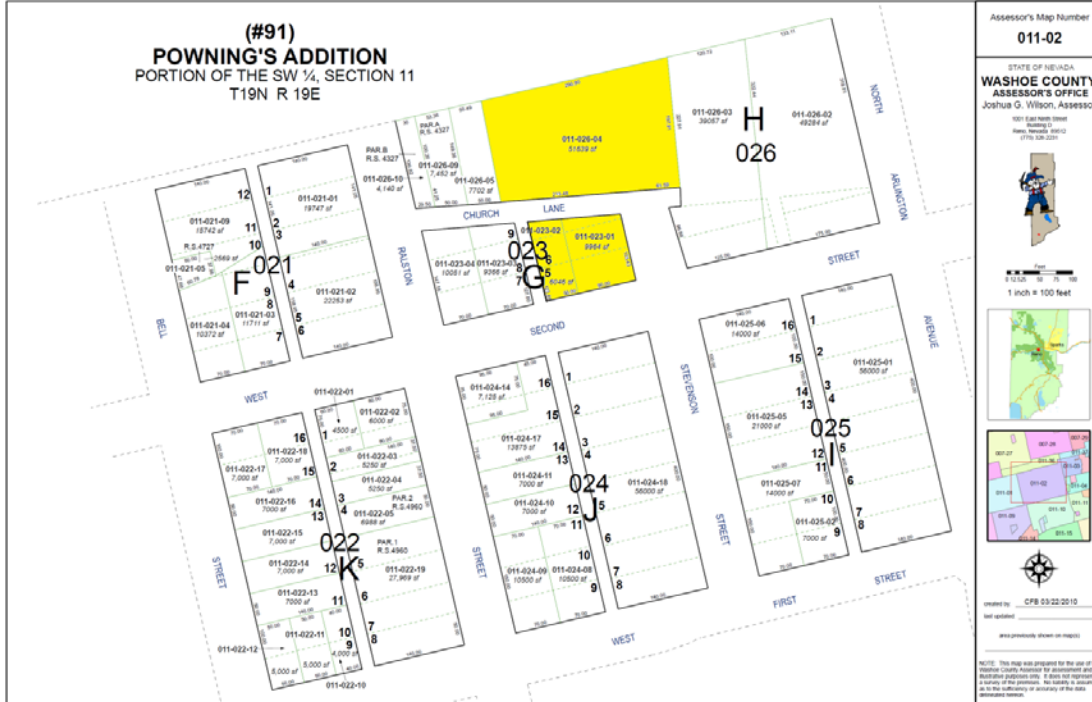
**VIEW OF THE FIRST FLOOR INTERIOR OF THE STORAGE BUILDING**



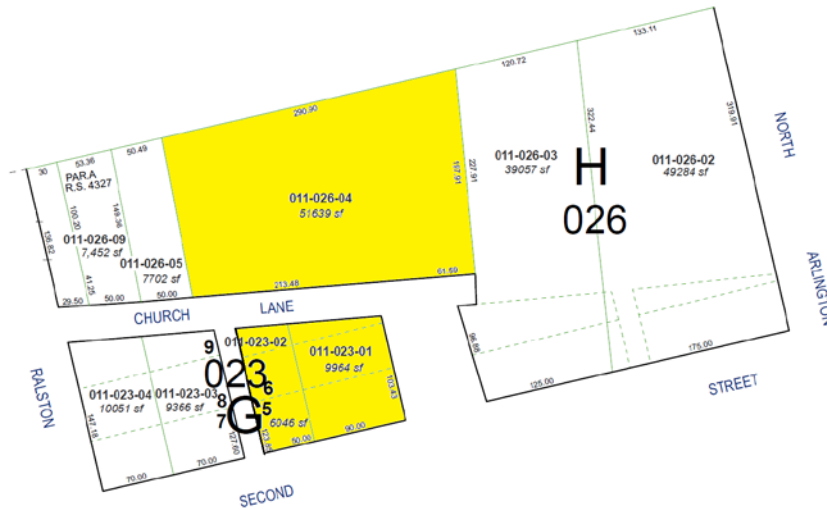
**VIEW OF THE SECOND FLOOR INTERIOR OF THE STORAGE BUILDING**



**SUBJECT PLOT MAP**



**MAGNIFIED PLOT MAP**



**Subject Land Areas**

Assessor's Parcel Number	Land Acreage	Land Square Feet
011-026-04	1.185± Acres	51,639± Square Feet
011-023-01	0.229± Acres	9,964± Square Feet
011-023-02	0.139± Acres	6,046± Square Feet
<b>TOTALS</b>	<b>1.553± Acres</b>	<b>67,649± Square Feet</b>



### SUBJECT ZONING MAP



**Subject Zoned Mixed Use-Downtown Reno Regional Center Overlay**

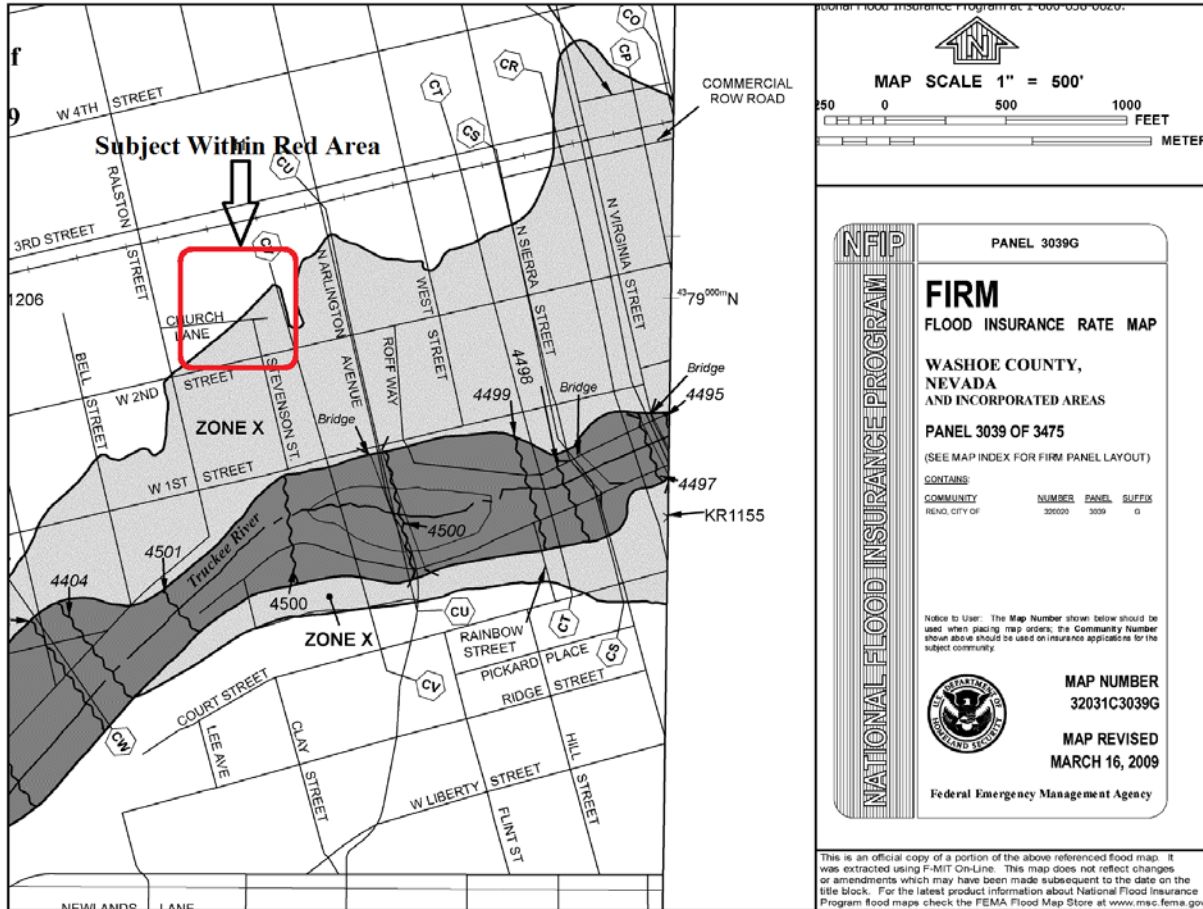
### SUBJECT MASTER PLAN MAP



**Master Plan Designation-Special Planning Area  
(Downtown Reno Regional Center-Entertainment District)**



**SUBJECT FLOOD ZONE MAP**



ZONE	DESCRIPTION
<b>B and X (shaded)</b>	Area of moderate flood hazard, usually the area between the limits of the 100-year and 500-year floods. B Zones are also used to designate base floodplains of lesser hazards, such as areas protected by levees from 100-year flood, or shallow flooding areas with average depths of less than one foot or drainage areas less than 1 square mile.
<b>C and X (unshaded)</b>	Area of minimal flood hazard, usually depicted on FIRMs as above the 500-year flood level. Zone C may have ponding and local drainage problems that don't warrant a detailed study or designation as base floodplain. Zone X is the area determined to be outside the 500-year flood and protected by levee from 100-year flood.

**PROPERTY IDENTIFICATION AND SITE DESCRIPTION**

<b>PROPERTY SUMMARY</b>	
<b>Property Name</b>	Warren Nelson Building
<b>Property Type</b>	2-Story Office Building With Basement
<b>Secondary Property Type</b>	2-Story Storage Building & Parking Areas
<b>Property Address</b>	401 West Second Street, Reno, Washoe County, Nevada
<b>Assessor's Parcel Numbers</b>	011-026-04 (2 Buildings); 011-023-01 & 02 (Parking Areas)
<b>Subject Ownership</b>	The University of Nevada Board of Regents
<b>A.P.N. 011-026-04 Land Area</b>	1.185± Acres (51,639± Square Feet)
<b>A.P.N. 011-023-01 Land Area</b>	0.229± Acres (9,964± Square Feet)
<b>A.P.N. 011-023-02 Land Area</b>	0.139± Acres (6,046± Square Feet)
<b>Total Land Area-All Three Parcels</b>	1.553± Acres (67,649± Square Feet)

<b>LEGAL DESCRIPTIONS</b>		
<b>Assessor's Parcel Number</b>	<b>Block &amp; Map</b>	<b>Section, Township &amp; Range</b>
011-026-04	Within Blocks G & H, Powning's Addition (#91)	Portion of the Southwest ¼ of Section 11, Township 19 North, Range 19 East, M.D.B.& M.
011-023-01	Within Block G, Powning's Addition (#91)	Portion of the Southwest ¼ of Section 11, Township 19 North, Range 19 East, M.D.B.& M.
011-023-02	Within Blocks G, Powning's Addition (#91)	Portion of the Southwest ¼ of Section 11, Township 19 North, Range 19 East, M.D.B.& M.

<b>SITE DIMENSIONS &amp; FRONTAGES</b>				
<b>A.P.N.</b>	<b>North Property Line</b>	<b>East Property Line</b>	<b>South Property Line</b>	<b>West Property Line</b>
011-026-04	290.90± Feet (Abuts A.P.N. 011-360-27)	197.91± Feet (Abuts A.P.N. 011-026-03)	275.07± Feet (Abuts Church Lane)	149.36± Feet (Abuts A.P.N. 011-026-05)
011-023-01	90.95± Feet (Abuts Church Lane)	103.43± Feet (Abuts Stevenson Street)	90.00± Feet (Abuts West 2 <sup>nd</sup> Street)	± Feet (Abuts A.P.N. 011-023-02)
011-023-02	50.53± Feet (Abuts Church Lane)	116.56± Feet (Abuts A.P.N. 011-023-01)	50.00± Feet (Abuts West 2 <sup>nd</sup> Street)	123.85± Feet (Abuts Alleyway)

**Roadway Descriptions/Access**

The subject property has frontage along West Second Street, Stevenson Street, Church Lane and an alleyway. In the vicinity of the subject property, West Second Street is an east-west, two-way, four-lane asphalt paved roadway. This roadway is improved with concrete curbs, gutters and sidewalks along its frontage with the subject. Second Street is a main arterial east-west roadway through downtown Reno. Vehicular access into the subject's parking areas is not directly available from West Second Street; instead, traffic must first turn north on Stevenson Street to access parking areas. Stevenson Street's north terminus is at the subject's improved parcel.

In the vicinity of the subject property, Church Lane is a short access road which provides access to the subject parcels from the west via Ralston Street. The alleyway runs between Church Lane and West Second Street.

**Legal Restrictions**

<b>SUBJECT ZONING &amp; MASTER PLAN DESIGNATIONS</b>		
<b>Assessor's Parcel Number</b>	<b>City of Reno Zoning Designation</b>	<b>City of Reno Master Plan Designation</b>
011-026-04	MU-DRRC (Mixed Use-Downtown Reno Regional Center)	Special Planning Area-Downtown Reno Regional Center
011-023-01	MU-DRRC (Mixed Use-Downtown Reno Regional Center)	Special Planning Area-Downtown Reno Regional Center
011-023-02	MU-DRRC (Mixed Use-Downtown Reno Regional Center)	Special Planning Area-Downtown Reno Regional Center

***City of Reno Zoning Discussion***

According to the City of Reno Community Development Department, the subject property is zoned Mixed Use (MU), and is located within the Downtown Reno Regional Overlay Zoning District (DRRC). The DRRC Downtown Reno Regional Center Overlay District promotes the distinctly urban character of Downtown Reno and its important role as the primary regional center in the metropolitan area and supports the Region’s and City’s adopted land use goals for the DRRC district.

The purpose of the Downtown Regional Overlay Zoning District (DRRC) is to modify the Mixed Use land uses, development standards, and development review procedures within the DRRC. This district is intended to maintain and enhance the Downtown area and promote compatible land use in the immediate vicinity. The DRRC is divided into five districts: the Entertainment District, Truckee River District, California Avenue District, Wells Avenue District, and the Keystone District. The subject is located within the Entertainment District. The Entertainment District has been established to maintain the tourist element of Downtown. This district is appropriate for hotel/casinos, destination resorts, major recreational facilities, cultural facilities, and tourist shopping, services and activities. This district is surrounded by the other districts and Interstate 80 to adequately separate the intense land uses and high densities from surrounding single family development. The other districts within the regional center should feature pedestrian access between residential and tourist centers. The following sets forth the Entertainment District Specific Standards, as set forth in the City of Reno Annexation & Land Development Code.

**Entertainment District Specific Standards  
 (From City of Reno Annexation & Land Development Code)**

<b>TABLE 18.08-16A: DRRC ENTERTAINMENT, CALIFORNIA AVENUE, WELLS AVENUE AND KEYSTONE AVENUE DISTRICTS - MINIMUM SETBACKS</b>	
Front—Virginia Street, Mill Street, and Fourth Street	18 feet from adjacent street curb, which will include 8 feet for street trees/street furniture, a 5½ foot sidewalk, and 4½ feet for window shopping and street fair
Front—All other streets	12 feet from adjacent street curb, which will include 4 feet for street trees/street furniture, and 8 feet for sidewalk when the site is adjacent to on-street parking. If the site is not adjacent to on-street parking then the setback shall be 10 feet to the satisfaction of the administrator
Side	0 or greater than 5 feet
Rear	0 or greater than 10 feet
Alleys	0

<b>TABLE 18.08-16A.1: Density and Intensity in DRRC Districts</b>		
<b>DRRC District</b>	<b>Residential Density</b>	<b>FAR</b>
California Avenue	21 dwelling units / acre	1.0
Entertainment District	45 dwelling units / acre	3.0
Keystone Avenue	30 dwelling units / acre	2.0
Truckee River District	21 dwelling units / acre	1.0
Wells Avenue	30 dwelling units / acre	2.0

**MU MIXED USE DISTRICT.**

The following standards shall apply to all development in a MU District:

**(1) Land use intensities.**

- a. Residential densities within the Entertainment District of the Downtown Reno Regional Center shall be 30 units per acre or greater and 18 units per acre or greater in other districts within the DRRC and within other regional centers; and
- b. Nonresidential and mixed use developments within regional centers shall have a floor area ratio of 1.0 or greater.
- c. Residential densities and floor area ratios required within each overlay, may be modified through a phasing plan to the approval of the administrator. The phasing plan shall show how the project meets the streetscape requirements in the first phase to create the desired pedestrian environment as described in the Master Plan for each mixed use area.
- d. There is no minimum floor area ratio or density requirement within secondary TOD corridors.
- e. If a development contains more than one story and a mix of land use types including residential and nonresidential, no minimum floor area ratio or density shall be required.



### ***Master Plan Discussion***

The Special Planning Area designation allows any individual land use, or land uses in combination which are compatible and complementary within the project boundaries and with adjoining properties; gaming may be appropriate within the Regional Centers and transit corridors. The SPA designation is appropriate for large holdings which could be developed with a mix of land uses (e.g., planned unit developments, regional centers, and transit corridors). The Special Planning Area designation is also appropriate for areas undergoing a transition in land use to more intense development, areas that would become more stable with development of mixed uses that complement each other, or areas where the City of Reno wants to encourage investment.

Currently the majority of the DRRC plan area is developed with a mix of hotel/casinos, commercial, office, and residential land uses. This plan divides the regional center into five districts: Entertainment District, Truckee River District, California Avenue District, Wells Avenue District, and Keystone Avenue District. The subject is in the Entertainment District.

The entire area of the Regional Center has been rezoned to MU/DRRC (Mixed Use/Downtown Reno Regional Center Overlay Zoning District). Mixed use development (i.e., combination of uses) is permitted by the underlying Mixed Use base zoning district. Specific modifications to allowed land uses, development standards and processing requirements are identified in the DRRC in the Reno Municipal Code. The planning area overlay designation permits continuation of existing uses when a currently established use is going to be maintained or expanded. As long as the use remains the same it is considered a conforming use. Any change in the use must be in conformance with the DRRC.

### ***Subject Compliance***

The subject is currently improved with a two-story office building and a former firehouse building utilized for storage. Based upon a review of the subject's current improvements, and the Mixed Use zoning designation, the subject's current improvements are a legally conforming use for the site.

### **Topography**

The topography of the subject property is level and at grade with surrounding streets. The site appears to provide adequate drainage.

**Soils**

A soil survey of the subject property was not provided to me. However, based upon surrounding utilizations, and the current building on the subject site, the subject soils are assumed to be sufficient for development.

**Hazardous Substances**

A physical inspection of the subject site did not reveal any overt signs of hazardous waste or contamination on the site. The valuation analysis as set forth herein assumes that the subject property is not negatively impacted by the existence of toxic materials or hazardous wastes. The reader is cautioned, however, that we are not an expert at detecting hazardous substances. Should remediation for hazardous substances be required in the future, the value conclusions set forth in this appraisal report could change significantly.

<b>UTILITIES &amp; PUBLIC SERVICES</b>		
<b>Utility &amp; Public Service</b>	<b>Provider</b>	<b>Availability</b>
Electricity	NV Energy	On-Site
Natural Gas	NV Energy	On-Site
Telephone	Various Carriers	On-Site
Water	Truckee Meadows Water Authority (TMWA)	On-Site
Sewer	City of Reno	On-Site
Waste Disposal	Waste Management	Service Available
Cable	Charter Communications	On-Site
Internet	Various Providers	On-Site
Fire Protection	City of Reno Fire Department	Covered
Police Protection	City of Reno Police Department	Covered
Public Transportation	RTC Ride	Stops In Vicinity

**Flood Zone**

According to the Federal Emergency Management Agency's Flood Insurance Rate Map, Community Panel Number 32031C3039G, with an effective date of March 16, 2009, the subject property is located in a Flood Zone “X” and Shaded “X”. Flood insurance is not required in areas designated “X” and Shaded “X”. A map and further description of the subject’s designated flood zones is set forth in a prior section of this report.

**Earthquake Zone**

The Reno-Sparks area is located in a Seismic Risk Zone 3. This zone encompasses areas which have a number of local faults and where there is a relatively strong probability of moderate to strong seismic activity. The *Uniform Building Code* does require special construction techniques as a result of earthquake hazards. Additionally, a structural engineer



typically reviews plans for residential and commercial buildings in order to assess earthquake hazards. As a result, for the purposes of this analysis, it is being assumed that the subject property is not impacted by earthquake hazards to a greater degree than is typical for the Reno-Sparks area.

### **Easements**

This appraisal firm was not provided with a Preliminary Title Report prior to issuance of this report. It is assumed that the subject is encumbered by typical utility easements. This appraisal has been conducted based upon the assumption that there are no easements, encumbrances or restrictions which would adversely affect the subject's development potential or market value.

### **Subject Sales History**

There have been no arm's length sales of the subject property in the past five years. According to representatives of the subject ownership, the subject is not currently subject to a purchase agreement and is not currently listed for sale.

### ASSESSMENT & TAXABLE VALUE DATA

Valuation History for 011-026-04							
Roll Year	Land Taxable Value	Buildings Taxable Value	Total Taxable Value	Tax Cap Value	Land Assessed	Building Assessed	Secured Total Assessed
2016 NR	258,195	2,155,342	2,413,537		90,368	754,370	844,738
2015 FV	258,195	2,133,462	2,391,657	2,391,657	90,368	746,712	837,080
2014 FV	294,342	2,079,182	2,373,524	2,373,521	103,020	727,714	830,733
2013 FV	294,342	1,942,807	2,237,149	2,237,152	103,020	679,982	783,002
2012 FV	438,932	1,956,094	2,395,026	2,395,026	153,626	684,633	838,259
2011 FV	464,751	1,807,039	2,271,790	2,271,792	162,663	632,464	795,127
2010 FV	568,000	1,813,811	2,381,811	2,381,812	198,800	634,834	833,634
Valuation History for 011-023-01							
Roll Year	Land Taxable Value	Buildings Taxable Value	Total Taxable Value	Tax Cap Value	Land Assessed	Building Assessed	Secured Total Assessed
2016 NR	84,694	14,353	99,047		29,643	5,024	34,666
2015 FV	84,694	14,219	98,913	98,916	29,643	4,977	34,620
2014 FV	84,694	14,147	98,841	98,841	29,643	4,951	34,594
2013 FV	84,694	13,880	98,574	98,577	29,643	4,858	34,501
2012 FV	84,694	17,548	102,242	102,242	29,643	6,142	35,785
2011 FV	89,676	17,289	106,965	106,965	31,387	6,051	37,438
2010 FV	109,600	15,929	125,529	125,529	38,360	5,575	43,935
Valuation History for 011-023-02							
Roll Year	Land Taxable Value	Buildings Taxable Value	Total Taxable Value	Tax Cap Value	Land Assessed	Building Assessed	Secured Total Assessed
2016 NR	51,391	9,032	60,423		17,987	3,161	21,148
2015 FV	51,391	9,091	60,482	60,482	17,987	3,182	21,169
2014 FV	51,391	9,045	60,436	60,439	17,987	3,166	21,153
2013 FV	51,391	8,742	60,133	60,133	17,987	3,060	21,047
2012 FV	51,391	12,236	63,627	63,628	17,987	4,283	22,270
2011 FV	54,414	12,090	66,504	66,506	19,045	4,232	23,277
2010 FV	66,500	11,165	77,665	77,667	23,275	3,908	27,183

FV=Final Value; NR=Newspaper Roll

- The taxable value of the property is based upon the Assessor’s estimate of the full cash value of the site. The taxable value of the improvements is based upon the replacement cost new of the improvements which the Assessor estimates utilizing *Marshall Valuation Service* a nationally recognized and accepted cost estimating publication. Straight line depreciation of 1.5% per year is deducted from the replacement cost new of the improvements.

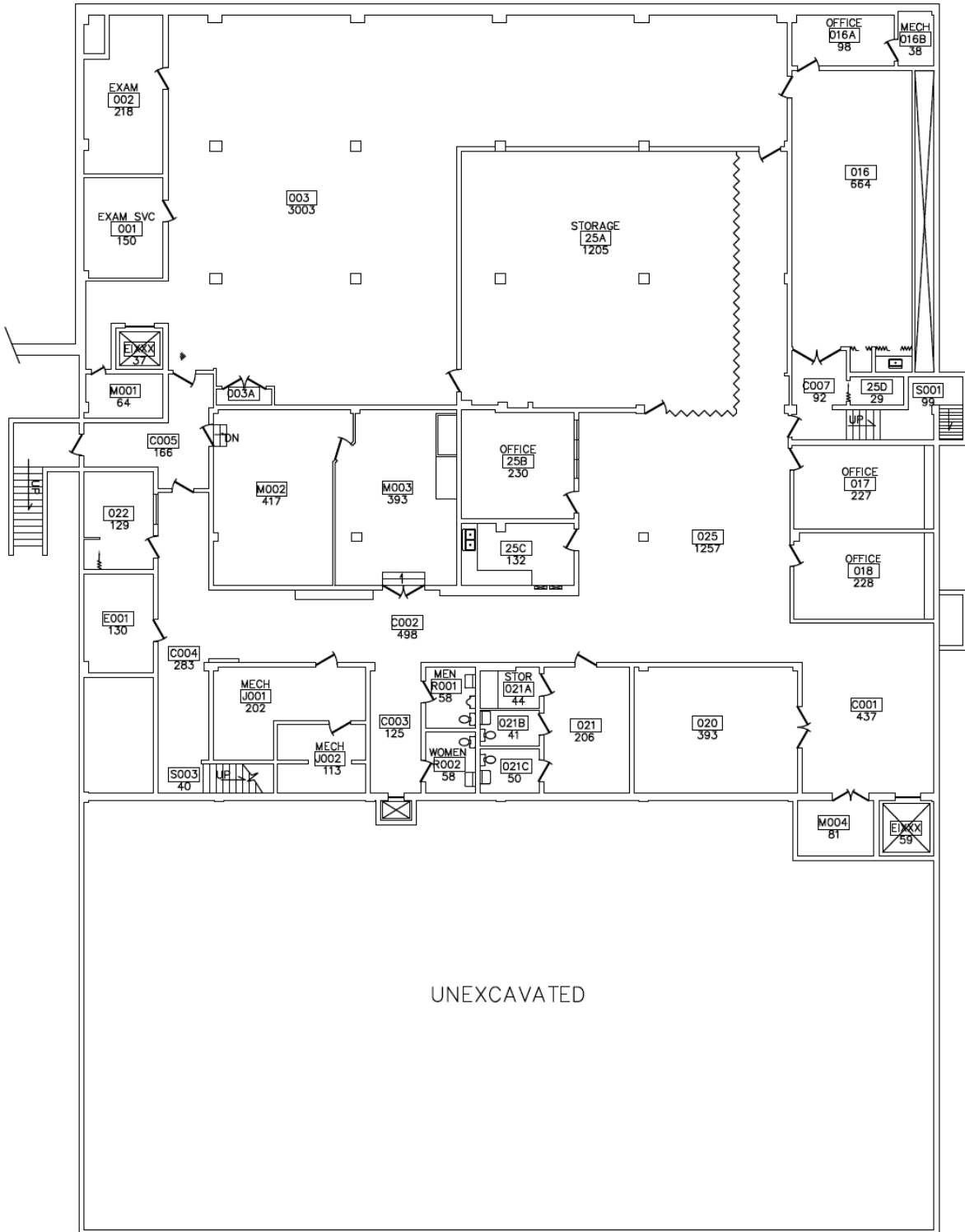
### Real Property Tax Data

The subject property is owned by The University of Nevada Board of Regents, and is therefore exempt from real property taxes. If the property were to be owned by a private entity, the property would be subject to real property taxes. Therefore, an analysis of the subject’s potential real property taxes, under private ownership, has been analyzed.

The subject is located within Tax District 1001. The taxable rate for this district for the 2015-2016 tax year is \$3.6600 for every \$100 of assessed value. Based upon the subject’s total secured assessed value for the 2015 tax year (\$892,868), the subject’s real property taxes, if it were held in private ownership, would be \$32,679 for the tax year, if the tax rate remained unchanged.

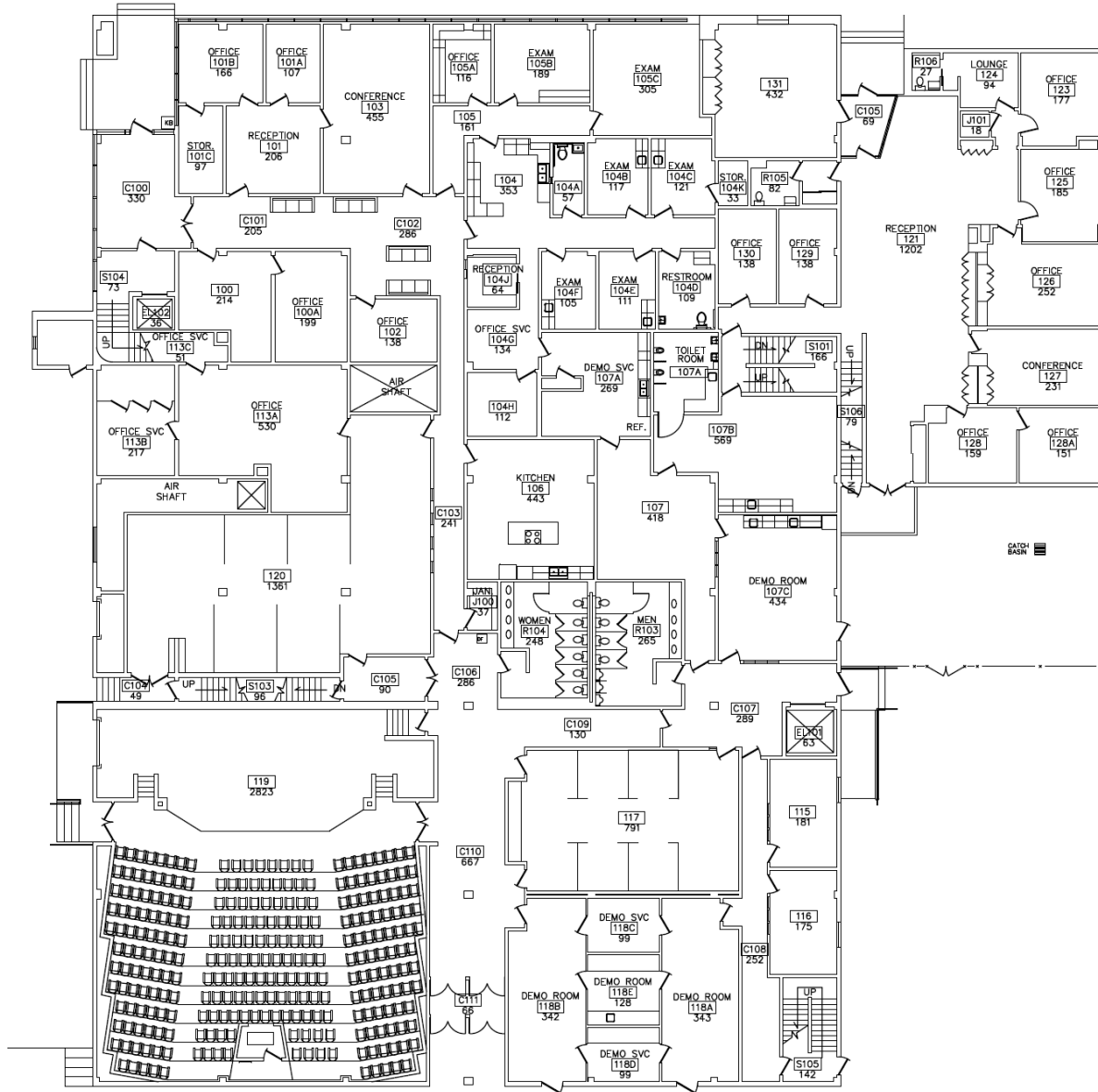


### WARREN NELSON BUILDING BASEMENT FLOOR PLAN



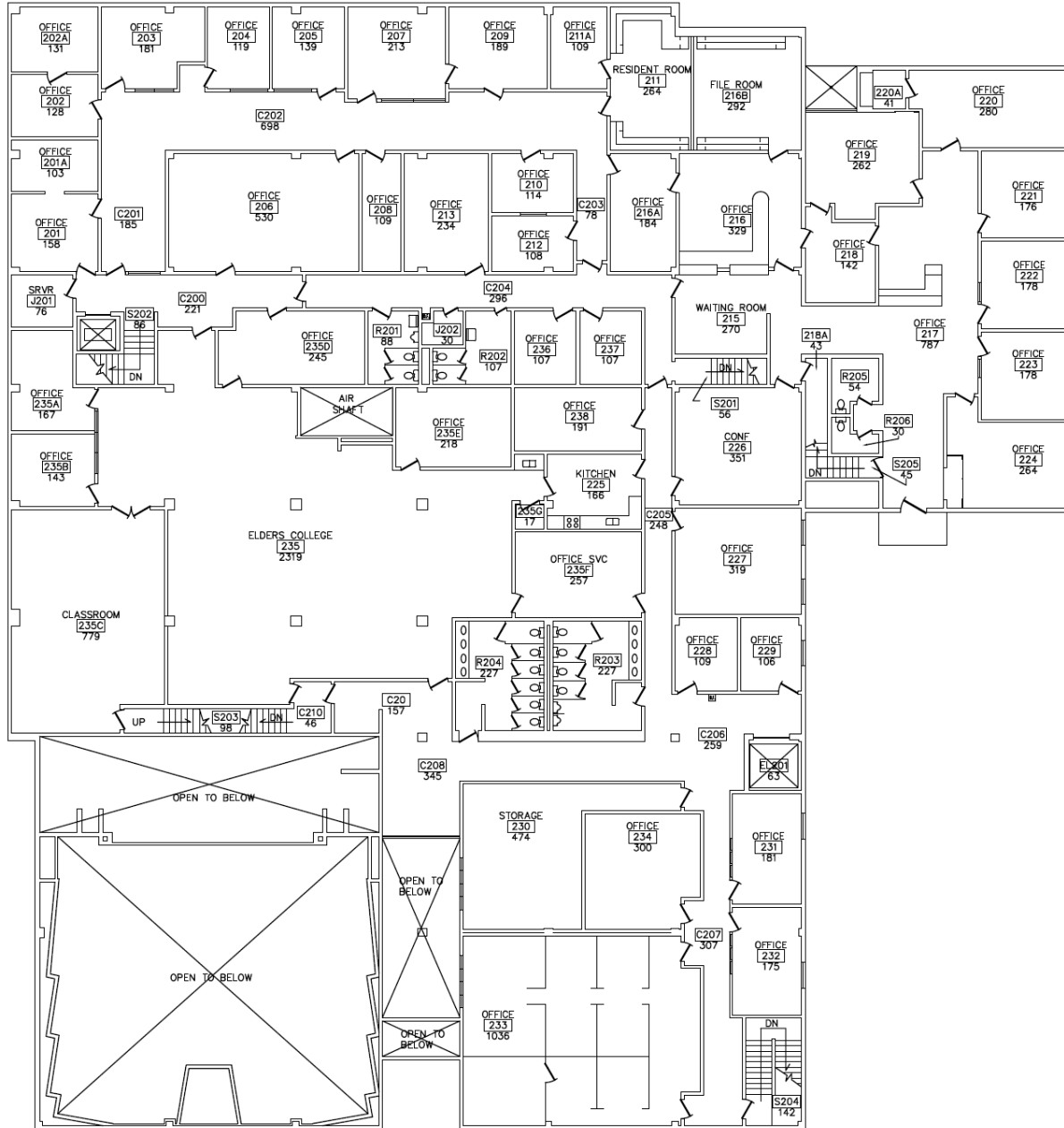


### WARREN NELSON BUILDING FIRST FLOOR PLAN



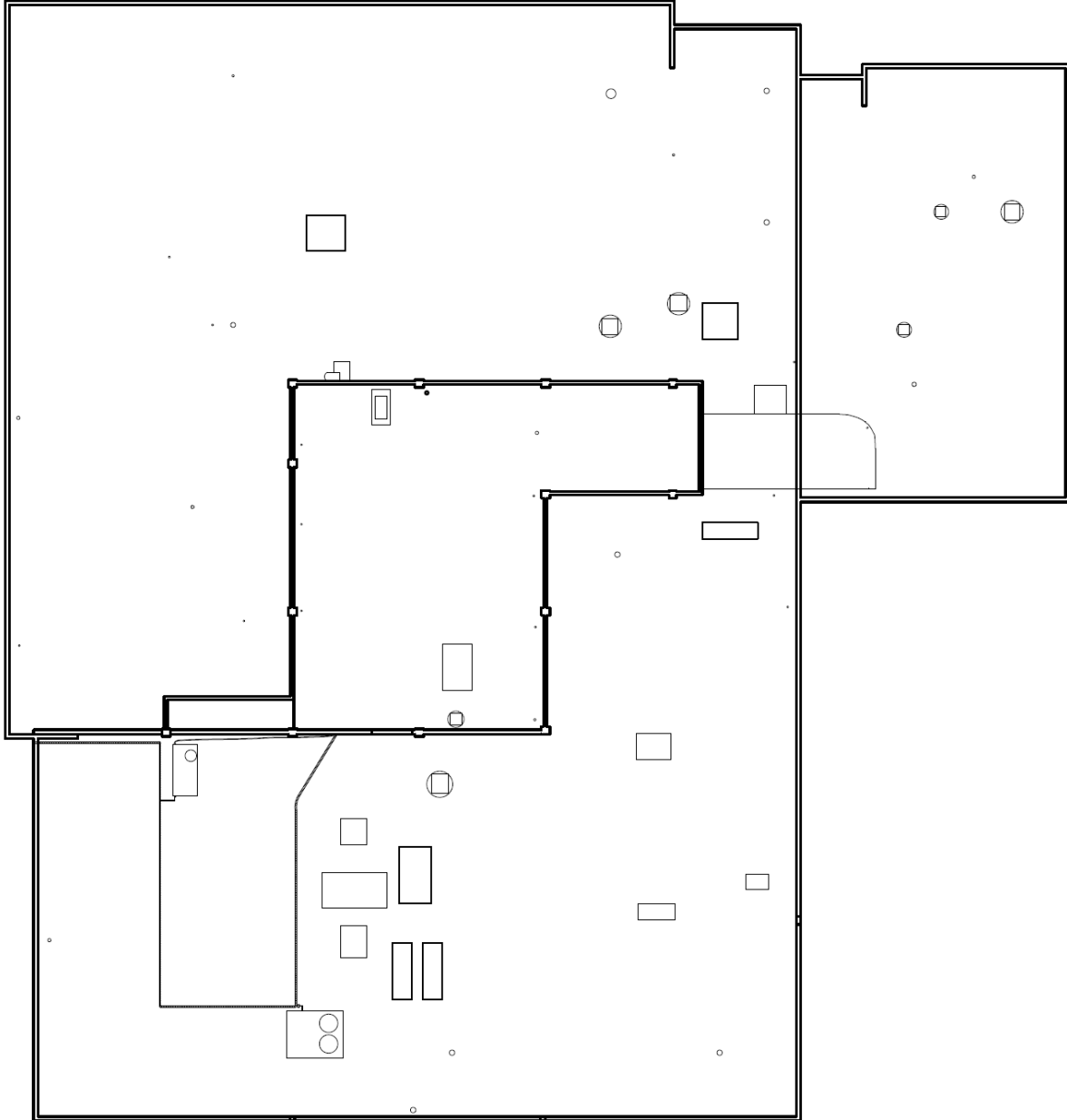


### WARREN NELSON BUILDING SECOND FLOOR PLAN





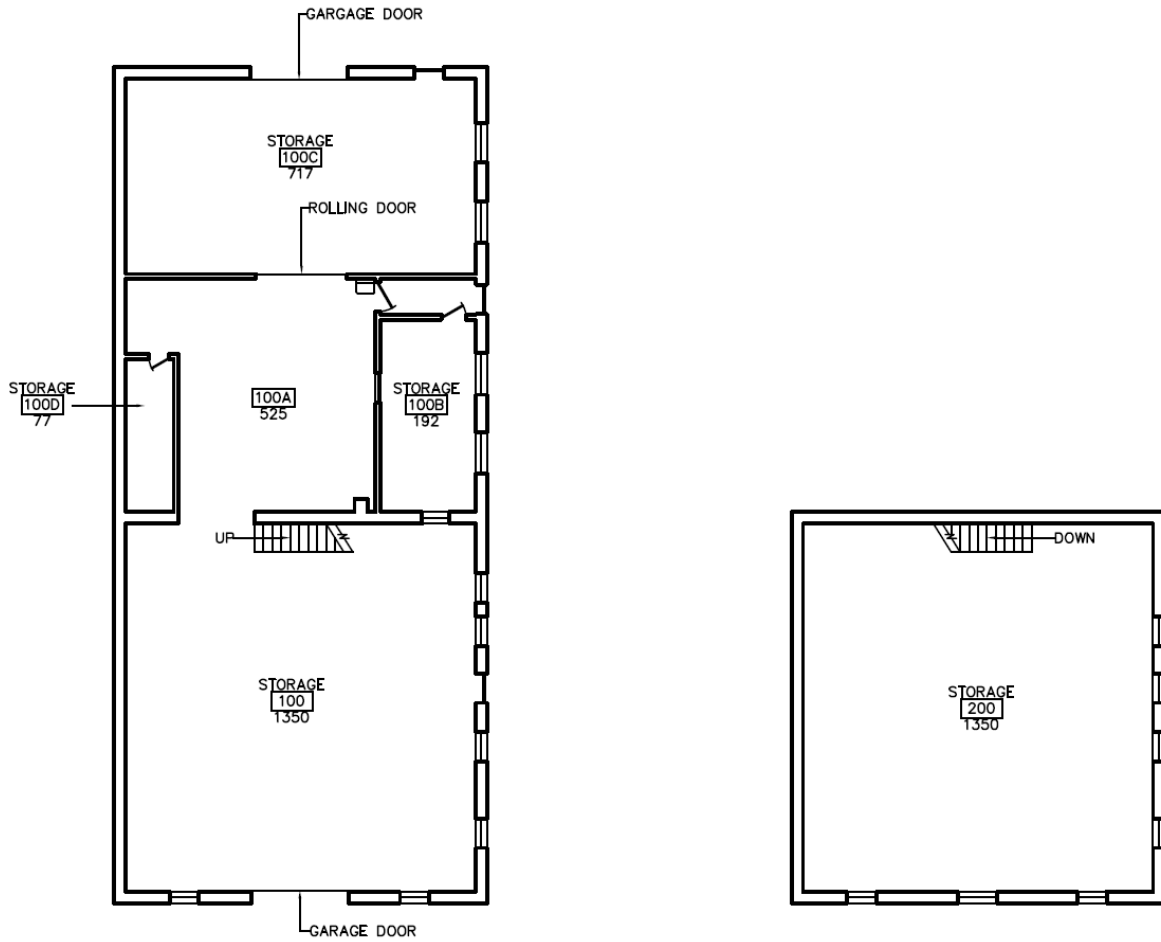
### WARREN NELSON BUILDING ROOF PLAN







### STORAGE BUILDING FLOOR PLAN



### DESCRIPTION OF SUBJECT IMPROVEMENTS

The subject property is improved with an average quality, two-story professional office building with a basement. The subject building has Class “C” construction, consisting of a masonry construction. The building is considered to be in average condition, and enjoys average curb appeal. The following descriptions are based upon our physical inspection of the subject site and building, and upon data provided by the subject ownership.

<b>SUBJECT IMPROVEMENT SUMMARY</b>	
<b>Warren Nelson Building</b>	
<b>Primary Building Type</b>	Professional Office Building
<b>Secondary Building Type</b>	Medical Office Building/Classroom/Theater
<b>Year Built</b>	1960 (Per Assessor’s Office)
<b>Number of Floors</b>	2 Stories + Basement
<b>Gross Building Area-1<sup>st</sup> Floor</b>	23,516± Square Feet
<b>Gross Building Area-2<sup>nd</sup> Floor</b>	20,625± Square Feet
<b>Total Gross Building Area-Above Ground</b>	44,141± Square Feet
<b>Gross Building Area-Basement</b>	12,092± Square Feet
<b>Total Gross Building Area-Above Ground &amp; Basement</b>	56,233± Square Feet
<b>Current Use</b>	Professional Office/Medical Office/Theater/Day Care
<b>Current Occupancy</b>	100% (Owner Occupied)
<b>Construction Class (Marshall Valuation Service)</b>	Class C (Average)
<b>Building Class In Market</b>	Class “B”
<b>Quality/Condition</b>	Average/Average (For Its Age)
<b>Remaining Economic Life</b>	20+ Years
<b>Storage Building (Former Firehouse Building)</b>	
<b>Primary Building Type</b>	Storage
<b>Secondary Building Type</b>	N/A
<b>Year Built</b>	1906 (Per Assessor’s Office)
<b>Number of Floors</b>	2 Stories
<b>Gross Building Area-1<sup>st</sup> Floor</b>	3,313± Square Feet
<b>Gross Building Area-2<sup>nd</sup> Floor</b>	1,564± Square Feet
<b>Total Gross Building Area-Above Ground</b>	4,788± Square Feet
<b>Gross Building Area-Basement</b>	0± Square Feet
<b>Total Gross Building Area-Above Ground &amp; Basement</b>	4,876± Square Feet
<b>Current Use</b>	Storage
<b>Current Occupancy</b>	100% (Owner Occupied)
<b>Construction Class (Marshall Valuation Service)</b>	Class C (Average)
<b>Building Class In Market</b>	Class “C”
<b>Quality/Condition</b>	Average/Average (For Its Age)
<b>Remaining Economic Life</b>	10+ Years

#### Occupancy

The subject property is currently utilized by various departments of the ownership. The building is utilized for professional office uses, office medical uses, classrooms, theater and other various uses. The subject building has the potential for single or multi-tenancy, due to its layout.



### **Layout/Interior Finish**

The main entrance to the building is at the southeast corner from glass doors, which are handicapped accessible. The entrance has a glass enclosed area with dual pane windows. The main entry lobby leads to a hallway which provides access to the various first floor areas. Access to the second floor is provided by five different stairways, along with two elevators. Access to the basement area is provided by two stairways and two elevators.

The office and common lobby areas within the building include a variety of finishes, but generally have carpeting (carpet squares) and/or vinyl flooring, sheetrock walls, and acoustical tile ceilings set in t-bar grids. The first and second floors of the building have numerous demised office, storage and classroom areas. The first floor includes the theater (Laxalt Auditorium). The second floor of the building includes office areas, classroom areas, and various common areas. The basement has mostly vinyl flooring with some areas of concrete flooring, and houses some office areas, large storage and open classroom areas, as well as the mechanical rooms which house the heating system, hot water heater and chiller; the basement also has a large area which is demised with chain link fencing which is used for costume storage.

The first and second floors each have restroom facilities, which are generally finished with urinals (men's restrooms) and water closets (some handicapped equipped), wall mounted sinks, tile wainscoting, and sheetrock walls and ceilings. Additionally, the first and second floors do have break room areas. The first floor also has classroom areas which connect to outside play areas, which are located toward the north end of the building.

Overall, the subject building has average quality finishes, with some finished areas having older, dated finishes. The interior of the building is generally in average condition.

### **Exterior Finish**

The exterior of the subject building is a combination of painted concrete block, brick and painted paneling, with some exterior windows. The building does have a "courtyard" area to the north of the building which is utilized as outdoor play areas for kids, and can also be utilized for some parking. The east side of the building has a loading dock with roll-up door for the theater, and various fire rated exit doors. A fire emergency escape is located outside of a metal door on the second floor of the building, facing the courtyard area. The exterior has average curb appeal.

### **Roof**



A visual inspection of the roof was completed, and the roof appears to be in good condition. The roof has a single ply membrane with some skylights, and houses the air conditioning equipment. The roof also has a penthouse area with air handlers and air ventilation equipment.

### **Storage Building**

The storage building is an old, two-story brick building which was originally a firehouse. The building has one roll-up door on both the north and south ends of the building. The interior of the storage building has painted brick walls; all of the windows have been either brick shut or close with wood. Floors on the first floor are concrete, and the ceiling has exposed wood beams with insulation. Portions of the first floor have been finished with plaster ceilings and walls, and there are storage areas on the first floor. Lighting is provided by fluorescent tube lights. Access to the second floor is from a wood staircase which is located between the south warehouse area and the middle storage area. The second floor has non-insulated exposed wood ceilings, and older wood floors.

### **Parking**

Parking is provided to the building from two lots owned by the University, which have a total of 53 parking spaces. In addition, the east side of the Warrant Nelson Building has 22 additional parking spaces which are on the lot owned by the University, and the northwest corner of the site has an additional 8 parking spaces. Overall, the subject has 84 on-site spaces. The University currently leases an adjacent lot from the City of Reno to provide additional parking, although this lot is not included in the appraisal of the subject property. The parking areas owned by the University and included in the appraisal are in fair to average condition, and will likely need to be re-sealed in the near future.

### **American's With Disabilities Act (ADA)**

Although an ADA compliance survey of the subject property was not completed, it was noted that the subject's public restrooms do provide handicap access and there is a ramp providing access to the first floor entry, and the main entry doors have handicapped switches to open the doors. Generally, based upon our physical inspection there are no significant barriers to handicap entry to the subject property.

However, the reader is cautioned that we are not qualified to conduct a specific compliance survey or analysis of the subject property to determine whether or not it is in



conformance with the various detailed requirements of the Americans With Disabilities Act. For the purpose of this appraisal, it has been assumed that compliance with the Americans with Disabilities Act could be achieved with a minimal capital expenditure. Should a subsequent compliance survey conclude that a significant expenditure would be required to bring the subject into compliance, the values reported herein could be negatively impacted.

### **Fire Protection**

The Warren Nelson Building is protected with fire sprinklers throughout the building, while the storage building does not have fire sprinklers.

## HIGHEST AND BEST USE ANALYSIS

Highest and best use is defined in the 6<sup>th</sup> Edition of *The Dictionary of Real Estate Appraisal* (Appraisal Institute, Chicago, 2015) as:

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)
3. The highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)

### Highest And Best Use Assuming Vacant-Physically Possible

The subject property has frontage along West Second Street, Stevenson Street, Church Lane and an alleyway. Second Street is a main arterial east-west roadway through downtown Reno. Vehicular access into the subject's parking areas is not directly available from West Second Street; instead, traffic must first turn north on Stevenson Street to access parking areas. Stevenson Street's north terminus is at the subject's improved parcel. In the vicinity of the subject property, Church Lane is a short access road which provides access to the subject parcels from the west via Ralston Street. The alleyway runs between Church Lane and West Second Street.

The subject site is level and at grade with the surrounding streets. The subject is comprised of three parcels totaling 67,649± square feet (1.553± acres). The subject has all utilities immediately available. Overall, the subject property has adequate physical features for many types of development.

### Legally Permissible

According to the City of Reno Community Development Department, the entire subject property is zoned Mixed Use (MU), and is located within the Downtown Reno Regional Overlay Zoning District (DRRC). The purpose of the Mixed Use zoning district is to promote high intensity mixed use development in designated regional centers and transit-oriented development

(TOD) corridors. Mixed Use zoning is permitted only where there is a regional center or TOD corridor plan adopted as part of the City of Reno Master Plan.

The purpose of the Downtown Regional Overlay Zoning District (DRRC) is to modify the Mixed Use land uses, development standards, and development review procedures within the DRRC. This district is intended to maintain and enhance the Downtown area and promote compatible land use in the immediate vicinity.

The subject is located within the Downtown Reno Regional Center Plan, which is an element of the City of Reno Master Plan prepared in accordance with Nevada Revised Statutes. The City of Reno Master Plan has three different levels of applicability: Citywide, Center and Transit Corridor, and Neighborhood. The Downtown Reno Regional Center Plan is one of the eight regional centers and five transit oriented development corridors in the City and its sphere of influence.

The subject is located within the Entertainment District. The Entertainment District has been established to maintain the tourist element of Downtown. This district is appropriate for hotel/casinos, destination resorts, major recreational facilities, cultural facilities, and tourist shopping, services and activities. This district is surrounded by the other districts and Interstate 80 to adequately separate the intense land uses and high densities from surrounding single family development. The other districts within the regional center should feature pedestrian access between residential and tourist centers.

The subject's current zoning and master plan designations allow a variety of commercial and residential uses, including professional office uses, retail developments, and high density multi-family residential uses. A full description of the Mixed Use zoning designation is set forth in a prior section of this report.

### **Financially Feasible**

The highest and best use of the subject site must be financially feasible. In order to be financially feasible, there must be adequate demand at sufficient rental levels to support the proposed use. Surrounding development and utilizations in the subject neighborhood are primarily retail, parking, casino office and residential uses. Older single family residences, smaller multi-family residential and attached single family developments are located around the periphery of the neighborhood.



Within the downtown market, most sellers point to historical purchases by hotel-casino operators and government agencies. In most cases, land within the downtown Reno market has historically sold for between \$30 per square foot to over \$200 per square foot. These land prices limit the financially feasible uses of a property to very high density uses. A majority of land which has been assembled historically in the downtown Reno market has been for the development of a hotel-casino, or purchased by government agencies. More recently, land sales have been in the \$10 to \$30 per square foot range within the downtown Reno market.

Over the past 20 years, new development of larger properties in downtown Reno has mainly been limited to projects developed by government agencies or with substantial government subsidies, in which the assemblage of parcels was under threat of eminent domain. Two of the most recent developments in downtown Reno, the Downtown Reno Events Center and the Ballroom, involved Joint Ventures between casinos, the City of Reno, and the Reno-Sparks Convention and Visitors Authority. Another block east of the National Bowling Stadium was assembled under the threat of eminent domain for development of a new transit site. The AAA baseball site, which has been improved with a stadium in southeast downtown Reno, was assembled with the assistance of the City of Reno; this project was developed in an area that has historically involved much lower land prices than the northern areas of downtown Reno. These assembled properties have been developed with projects which were constructed to spur redevelopment in the downtown Reno area.

Over the past decade, an investors/developer had been assembling parcels in the northeast portion of downtown Reno. In general, the prices paid for properties increased as knowledge of the assemblage became apparent to property owners. The investor assembling these parcels was attempting to utilize Sales Tax Anticipated Revenue Bonds (STAR Bonds) to assist in financing their respective projects. The project, Tessera, was anticipating a retail and office project, and Apple was originally anticipated to develop a support facility in the project. However no new development has occurred in this project.

In April 2016, a local architect announces plans for a \$1.2 billion project in the subject neighborhood. This project has been named West 2<sup>nd</sup> District, and would involve the development of high rise structures, which would include office, retail and residential uses. Funding for this project has not been finalized. The subject site is located within the area designated as part of West 2<sup>nd</sup> District.



In analyzing the most financially feasible use of the subject property, if vacant, consideration is given to the subject’s land area, location, and surrounding uses. In particular, consideration is given to the land area of the underlying parcel, and the difficulties in assembling large tracts of land in downtown Reno. As has been discussed, a majority of assembled parcels within the downtown Reno market have been improved with hotel-casino uses, or with projects which were partially funded with government assistance.

Consideration is given to current economic conditions within the Reno market, as well as in the national markets. The subject is in close proximity to the downtown Reno core, and would likely generate development interest in a project which would include retail, office, or mixed use project.

Although current economic conditions may limit the financial feasibility of development of the subject parcel in the short-term, it is likely that the property’s location and size would be attractive to investors, developers and/or government agencies for a future high-density development. In the short-term, it is likely that the most financially feasible use of the property is for speculative holding, until such time that costs associated with development are supported by market rents in the downtown market. The data below summarizes office and retail market data for the 1<sup>st</sup> Quarter of 2016 in the Downtown Reno market, as reported by CB Richard Ellis.

### Downtown Reno Office Market-CB Richard Ellis 1<sup>st</sup> Quarter 2016

#### MARKETVIEW RENO OFFICE

Figure 2: Reno Office Market Statistics

Submarket	Net Rentable Area	Total Vacancy %	Total Availability %	Q1 Net Absorption	YTD Net Absorption	Average Asking Rate \$
Downtown	1,364,568	17.9	18.6	(3,231)	(3,231)	1.56
Class A	810,695	8.6	9.7	5,728	5,728	2.00
Class B	272,070	42.1	42.1	(10,599)	(10,599)	1.33

**Downtown Reno Retail Market-CB Richard Ellis 1<sup>st</sup> Quarter 2016**

**MARKETVIEW RENO RETAIL**

Figure 2: Reno Retail Market Statistics

Submarket	Gross Leaseable Area	Total Vacancy %	Total Availability %	Q1 Net Absorption	YTD Net Absorption	Average Asking Rate \$
Downtown	367,732	13.8	13.8	(3,827)	(3,827)	1.57

Current asking rental rates for office properties in downtown Reno generally range between \$1.00 and \$2.00 per square foot on a full service gross basis; the average asking rent for downtown Reno is \$1.56 for all office types and \$2.00 for Class A space as reported by CB Richard Ellis. Downtown office vacancies are reported at 17.9% by CB Richard Ellis. CB Richard Ellis reports an average asking rental rate for retail properties in the downtown market of \$1.57 per square foot, based upon triple net lease terms, with vacancies at 13.8%.

Overall, current rents in the downtown market, along with the amount of available space would limit the financial feasibility of development of the subject property in the short term. Development would likely require significant pre-lease activity at higher rental rates.

Based upon the above analysis, and with consideration given to the subject property’s physical characteristics, surrounding uses and current economic conditions in the market, it is my opinion that the most financially feasible use of the site, if vacant, would be for a future high density mixed use project upon a change in market conditions.

**Maximally Productive**

To be maximally productive, the highest and best use of the subject must be the most intense use to which the site could be developed and remain financially feasible. Based upon the physically possible, legally permissible and financially feasible uses for the subject site, it is my opinion that the maximally productive use of the property would be for a high density mixed use development once demand warrants development. Assemblage with adjacent parcels would likely enhance the development potential of the property.



### **Highest and Best Use As Improved**

The next step in the highest and best use analysis is to consider the subject property as presently improved. The subject property is presently improved with an average quality two-story office building with basement, currently owned and occupied by the University of Nevada. It is my opinion that the value of the subject property, as presently improved, exceeds the value of the site “as if” vacant. As a result, it is my opinion that the Highest and Best Use of the subject property, as presently improved, is for continuation of the subject’s present use as an office building.

The on-site storage building is not felt to contribute value to the property, due to its age, and potential costs to renovate the building for occupancy other than storage. The subject property is currently under-parked, as the property only includes approximately 84 on-site parking spaces for a building with 56,233± square feet of total gross building area and 44,141± square feet of above ground space. This equates to one parking space per 669± square feet of total space (1.49 spaces per 1,000 square feet), and one space per 525± square feet of above ground space (1.90 spaces per 1,000 square feet).

The older storage building located on the site could be razed for additional parking. As the basement of the main Warren Nelson Building has good potential for storage, a user of the property could raze the storage building for additional parking, and utilize the basement of the Warren Nelson Building for storage.



## INTRODUCTION TO VALUATION ANALYSIS

There are three approaches to value an appraiser generally must consider in estimating the value of a property. These approaches include the Cost Approach, the Income Approach and the Direct Sales Comparison Approach.

### Methodology

The purpose of this appraisal report is to estimate the “as-is” market value of the fee simple interest of the subject property.

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. The Cost Approach to Value is typically most reliable when valuing a proposed or new project. Given the age of the subject improvements and the difficulty in accurately estimating accrued depreciation, the Cost Approach to Value is considered to be less reliable. In addition, investors contemplating the purchase of a property such as the subject are more motivated by the income producing capabilities of the property, rather than replacement cost new less depreciation. As a result, for the purposes of this analysis, the Cost Approach to Value will not be utilized.

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, utilizing the Direct Capitalization Analysis, will be utilized.

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. The subject property is compared to similar properties which have recently sold or which are currently available for sale. The Sales Comparison Approach will be completed as a second indicator of value.

## INCOME APPROACH TO VALUE

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

### Direct Capitalization Analysis

In this analysis, we will estimate the market value of the subject property by utilizing a Direct Capitalization Analysis. The first step in the Direct Capitalization Analysis is to project the potential gross annual income that the subject property could reasonably be expected to produce as of the effective date of valuation. As the subject building is currently owner occupied, the potential gross annual income will be established through an analysis of rents and income generated by competing professional office buildings in the area.

The next step in the Direct Capitalization Approach is to establish a realistic estimate of the vacancy and credit loss that the subject will most likely incur over a normal holding period. An appropriate vacancy and credit loss will be established through an analysis of similar properties in the Reno area, and in particular the downtown Reno office market. The total effective gross annual income that the subject property can produce will be estimated by subtracting the vacancy and credit loss allowance from the potential gross annual income estimate.

The next step in this analysis is to establish a realistic estimate of the operating expenses that would most likely be incurred in order to generate the effective gross income. An appropriate expense deduction will be established through an analysis of the subject's operating expense history, through comparisons with similar professional office buildings, and by analyzing national expense indicators. The total operating expenses will then be deducted from the total effective gross income in order to arrive at an estimate of the net operating income which the subject property could reasonably be expected to generate as of the effective date of valuation.

An overall capitalization rate will then be applied to the net operating income to arrive at an indication of value by the Direct Capitalization Approach. The overall capitalization rate will be developed through the direct extraction from sales of competing properties, as well as from an analysis of national indicators. The resulting value will represent the "As-Is" Fee Simple Market Value of the subject property utilizing the Direct Capitalization Analysis.



### BUILDING AREA ANALYSIS

Prior to completion of this appraisal report, we were provided with drawings depicting the square footages of the subject building. The following summarizes the subject's gross building areas, based upon these drawings and data provided by the subject ownership.

<b>Warren Nelson Building Gross Square Footages</b>	
<b>Gross Building Area-1<sup>st</sup> Floor</b>	23,516± Square Feet (Per CAD Drawings)
<b>Gross Building Area-2<sup>nd</sup> Floor</b>	20,625± Square Feet (Per CAD Drawings)
<b>Total Gross Building Area-Above Ground</b>	44,141± Square Feet (Per CAD Drawings)
<b>Gross Building Area-Basement</b>	12,092± Square Feet (Per CAD Drawings)
<b>Total Gross Building Area-Above Ground &amp; Basement</b>	56,233± Square Feet (Per CAD Drawings)

Due to the subject's current owner occupancy and its configuration, we have utilized the gross building areas for the first and second floors in calculating the subject's market rent. It is likely that a majority of the gross building area will be rentable. As for the basement, it is recognized that portions of this floor are utilized for mechanical equipment. Based upon an inspection of the basement and with consideration given to the drawings, I have estimated that approximately  $\frac{3}{4}$  of the basement is rentable, with the remaining  $\frac{1}{4}$  of the space utilized for mechanical space. Other portions of the basement are used for storage, although these areas could be rented for storage purposes to a tenant. Based upon the basement's gross square footage, and my inspection of the basement and an analysis of the basement drawings, I have estimated a rentable floor area of 9,000± square feet for the basement space.



### **MARKET RENTAL ANALYSIS**

To establish an estimate of the market rental rate which the subject property can reasonably be expected to generate, a rental survey was completed of competitive office buildings. All office rentals found were investigated, analyzed and compared to the subject.

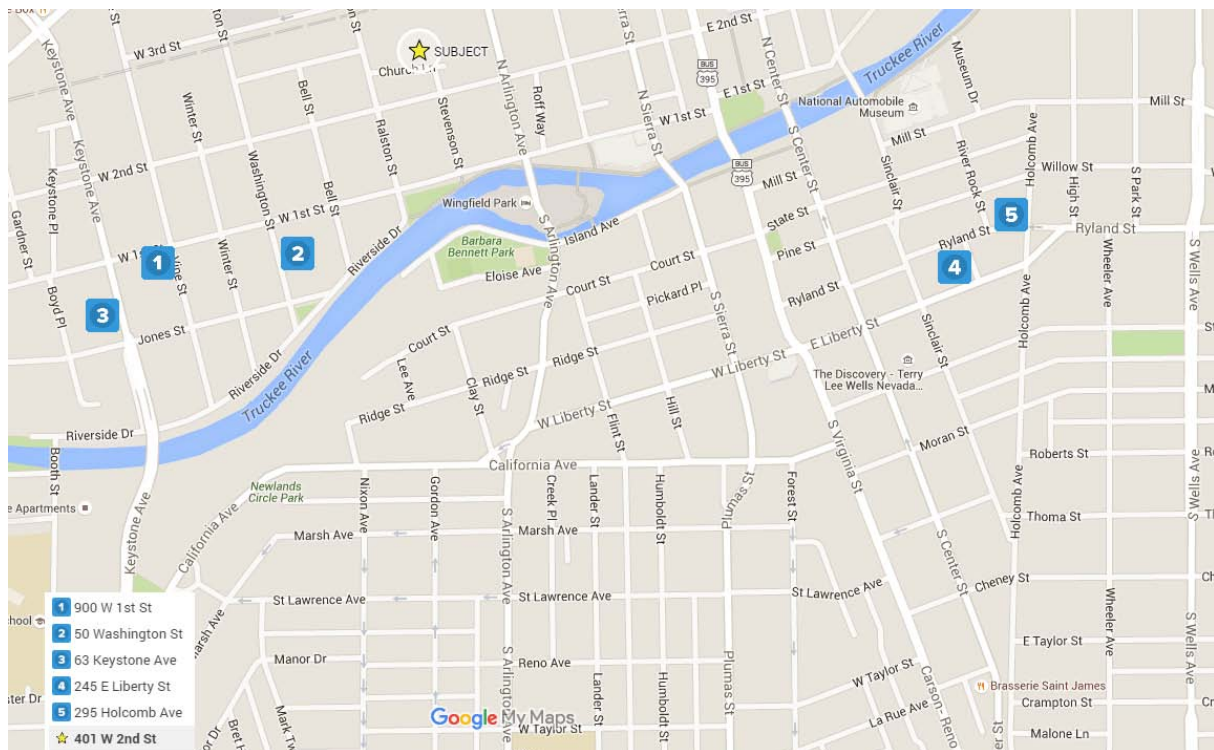
The comparable office buildings set forth on the following chart were considered to be most competitive to the subject, as they are all located in the downtown submarket. The chart summarizes current asking rental rates in each of these buildings. The chart is followed by a map and individual profile sheets of each building.



### COMPARABLE OFFICE BUILDING RENTAL CHART

Rent Number	A.P.N. Building Name Address	Year Built Quality Condition	Gross Building Area Parking	Suite Sizes Available Expenses	Asking Rents Rent/SF/Month
OBR-1	011-083-17 Office Building 900 West First Street Reno, NV	1974 Average Fair-Avg.	10,558 Surface & Covered	1,000-4,958 SF Full Service	\$0.80-\$1.05
OBR-2	011-095-17 50 Washington Street 50 Washington Street Reno, NV	1975 Average Average+	23,544 Surface	4,720 SF Full Service	\$1.85
OBR-3	011-081-21 63 Keystone Building 63 Keystone Avenue Reno, NV	1972 Average Average (Remodeled)	12,186 Surface	339-12,186 SF Full Service	\$1.35
OBR-4	011-176-09 McKenzie Building 245 East Liberty Street Reno, NV	1981 Average Average+	48,034 Garage & Surface	5,000-10,000 SF Full Service	Negotiable Recent \$1.55
OBR-5	012-133-10 Comstock Building 295 Holcomb Avenue Reno, NV	1982 Average Average	14,260 Garage & Surface	459-2,794 SF Full Service	\$1.25
<b>Subject Property</b>	<b>011-026-04 Warren Nelson Building 401 West Second Street Reno, NV</b>	<b>1960 Average Average</b>	<b>56,233 Surface</b>	<b>Owner Occupied Assuming Full Service</b>	<b>N/A N/A</b>

### COMPARABLE OFFICE BUILDING RENTAL MAP







## COMPARABLE OFFICE BUILDING RENTAL PHOTO AND DISCUSSION RENTAL OBR-1



Rent Number	A.P.N. Building Name Address	Year Built Quality Condition	Gross Building Area Parking	Suite Sizes Available Expenses	Asking Rents Rent/SF/Month
OBR-1	011-083-17 Office Building 900 West First Street Reno, NV	1974 Average Fair-Avg.	10,558 Surface & Covered	1,000-4,958 SF Full Service	\$0.80-\$1.05
<p>This comparable is a professional office building located west of downtown Reno. This building has two above ground floors with 7,750± square feet, along with a basement level with 2,808± square feet; parking is provided by a surface parking lot along with 8 covered spaces. This building was constructed in 1974, and is generally in fair to average condition for its age. The building is considered a Class C building in the local market. According to the current leasing broker, this building is being marketed at an asking lease rate of \$0.80 to \$1.05 per square foot per month on a full service gross basis.</p>					



## COMPARABLE OFFICE BUILDING RENTAL PHOTO AND DISCUSSION RENTAL OBR-2



Rent Number	A.P.N. Building Name Address	Year Built Quality Condition	Gross Building Area Parking	Suite Sizes Available Expenses	Asking Rents Rent/SF/Month
OBR-2	011-095-17 50 Washington Street 50 Washington Street Reno, NV	1975 Average Average+	23,544 Surface	4,720 SF Full Service	\$1.85

This comparable is located west of downtown Reno. This building is partially owner-occupied, and the occupied portions of the building have been extensively remodeled. The building was constructed in 1975, but is in above average condition for its age due to renovations completed in the building. The building is considered a Class B building in the local market. According to the current leasing broker, this building is being marketed at an asking lease rate of \$1.85 per square foot per month on a full service gross basis. Parking is provided by 76 surface parking spaces.



### COMPARABLE OFFICE BUILDING RENTAL PHOTO AND DISCUSSION RENTAL OBR-3



Rent Number	A.P.N. Building Name Address	Year Built Quality Condition	Gross Building Area Parking	Suite Sizes Available Expenses	Asking Rents Rent/SF/Month
OBR-3	011-081-21 63 Keystone Building 63 Keystone Avenue Reno, NV	1972 Average Average (Remodeled)	12,186 Surface	339-12,186 SF Full Service	\$1.35

This comparable is located west of downtown Reno. This building was recently sold, and the new ownership has been renovating the entire building. The building was constructed in 1972, but is in average condition for its age due to renovations completed in the building. The building is considered a Class B building in the local market. According to the current leasing broker, this building is being marketed at an asking lease rate of \$1.35 per square foot per month on a full service gross basis. Parking is provided by 36 surface parking spaces.



## COMPARABLE OFFICE BUILDING RENTAL PHOTO AND DISCUSSION RENTAL OBR-4



Rent Number	A.P.N. Building Name Address	Year Built Quality Condition	Gross Building Area Parking	Suite Sizes Available Expenses	Asking Rents Rent/SF/Month
OBR-4	011-176-09 McKenzie Building 245 East Liberty Street Reno, NV	1981 Average Average	48,034 Garage & Surface	486-3,402 SF Full Service	Negotiable Recent \$1.55

This comparable is a professional office building located toward the eastern portion of the financial district in downtown Reno. This building includes a parking garage, and five above ground stories of office space. This building was constructed in 1981, and is generally in average condition for its age; the ownership has recently renovated the lobby, and renovations are ongoing to other portions of the building. The building has reinforced concrete construction, with metal curtain walls. The building is considered a Class B+ building in the local market. Parking is provided by two levels of parking, one that is underground and one at surface level. The building has 110 total parking spaces. The current asking rental rate within this building is negotiable, although a recent lease was signed at \$1.55 per square foot per month.



### COMPARABLE OFFICE BUILDING RENTAL PHOTO AND DISCUSSION RENTAL OBR-5



Rent Number	A.P.N. Building Name Address	Year Built Quality Condition	Gross Building Area Parking	Suite Sizes Available Expenses	Asking Rents Rent/SF/Month
OBR-5	012-133-10 Comstock Building 295 Holcomb Avenue Reno, NV	1982 Average Average	14,260 Garage & Surface	459-2,794 SF Full Service	\$1.25

This comparable is a professional office building located toward the eastern portion of the financial district in downtown Reno. This building has garage parking and on-street parking. This building was constructed in 1982, and is generally in average condition for its age. The building recently was impacted by water damage, and the ownership has been renovating portions of the building. The building is considered a Class B building in the local market. The asking lease rate in this building is \$1.25 per square foot per month on a full service gross basis.

### MARKET RENT CORRELATION AND CONCLUSION

The comparable rentals utilized in this analysis are professional office buildings located in and around the periphery of the downtown Reno financial district. All of the comparables are multi-tenant office buildings which are leased on a full service gross basis.

In general, the subject has an average location, average quality and appeal, below average parking, below average views due to a lack of windows, and is considered a Class B to B-building in the local market. The following summarizes the subject in comparison to the six rent comparables with respect to location, quality/appeal, parking, views and class in market.

#### Analysis of Rent Comparables

Rent #	Subject	OBR-1	OBR-2	OBR-3	OBR-4	OBR-5
Rent/SF/Month	N/A	\$0.80-\$1.05	\$1.85	\$1.35	Recent \$1.55	\$1.25
Location	Average	Average	Average	Average	Average+	Average
Quality/Appeal	Average	Fair-Average	Average+	Average	Average+	Good
Parking Type	Surface	Surface/Covered	Surface	Surface	Surface/Garage	Surface
Parking Spaces	1 Per 669 SF	1 Per 406 SF	1 Per 310 SF	1 Per 339 SF	1 Per 437 SF	1 Per 500 SF
Views	Limited	Limited	Average	Limited	Average+	Limited
Class in Market	B	C	B	B	B+	B

The rent comparables indicate asking rental rates of between \$0.80 and \$1.85 per square foot per month, based upon full service gross lease terms. The subject building has average appeal, limited views, and a poor parking ratio. The subject’s parking would likely limit the appeal of the building to a wide variety of users, although its location close to the downtown core would be appealing to some users.

Based upon an analysis of the comparable rentals versus the subject, it is my opinion that the market rent potential of the subject, based upon full service gross lease terms, would be toward the lower end of the comparable data, due to the property’s limited parking, lack of windows/views, and older age and average finishes.

In addition to the comparable asking rents, I have considered the overall downtown Reno submarket. The following sets forth data provided by CB Richard Ellis for the 1<sup>st</sup> Quarter of 2016.

**1<sup>st</sup> Quarter 2016 Downtown Office Market  
(Source: CB Richard Ellis)**

**MARKETVIEW** RENO OFFICE

Figure 2: Reno Office Market Statistics

Submarket	Net Rentable Area	Total Vacancy %	Total Availability %	Q1 Net Absorption	YTD Net Absorption	Average Asking Rate \$
Downtown	1,364,568	17.9	18.6	(3,231)	(3,231)	1.56
Class A	810,695	8.6	9.7	5,728	5,728	2.00
Class B	272,070	42.1	42.1	(10,599)	(10,599)	1.33

The downtown asking lease data indicates average asking lease rates of \$1.33 per square foot for Class B office space, \$2.00 per square foot for Class A space, and an overall average of \$1.56 per square foot.

Based upon an analysis of the competitive office buildings within the submarket, it is my opinion that the market rent for the subject is \$1.35 per square foot per month for the above ground space on a full service gross basis, and \$0.50 per square foot for the rentable basement space on a full service gross basis; within the downtown Reno market, typical basement rents range from \$0.25 to \$1.25 per square foot per month, depending on finish, and the subject’s basement has fair to average quality of finishes.

It is my opinion that under any new leases, any operating expenses over a base year expense stop would be passed on to the tenant. This is typical for the Reno market, and in particular, the downtown financial district. The following is a summary of the potential gross rental income for the subject office building, based upon our projected market rent projections for space within the building.

**Projected Potential Gross Annual Income**

Floor	Square Feet	Rent Per Square Foot Per Month	Monthly Rent	Annual Totals
First Floor	23,516	\$1.35	\$31,747	\$380,959
Second Floor	20,625	\$1.35	\$27,844	\$334,125
Basement-Rentable	9,000	\$0.50	\$4,500	\$54,000
Basement-Not Rentable	3,092	\$0.00	\$0	\$0
<b>Total Potential Gross Rental Income</b>	<b>56,233</b>	<b>\$1.14</b>	<b>\$64,090</b>	<b>\$769,084</b>

### VACANCY AND CREDIT LOSS ANALYSIS

The scheduled gross annual income projected in the preceding section reflects 100% of the income producing capabilities of the subject property. As it is unlikely that the subject property will generate 100% of its scheduled gross income over a typical holding period, a vacancy and credit loss must be forecast.

According to the *CB Richard Ellis 2<sup>nd</sup> Quarter 2014 Office Survey*, the subject’s submarket (Downtown Reno Office submarket) has a current total vacancy rate (including sublease space) of 18.6%. The chart below summarizes this data.

#### Downtown Office Market Data

##### MARKETVIEW RENO OFFICE

Figure 2: Reno Office Market Statistics

Submarket	Net Rentable Area	Total Vacancy %	Total Availability %	Q1 Net Absorption	YTD Net Absorption	Average Asking Rate \$
Downtown	1,364,568	17.9	18.6	(3,231)	(3,231)	1.56
Class A	810,695	8.6	9.7	5,728	5,728	2.00
Class B	272,070	42.1	42.1	(10,599)	(10,599)	1.33

In order to establish an estimate of an appropriate vacancy and credit loss applicable to the subject property, the current vacancies indicated by the comparable rentals utilized in this analysis have been considered. The comparable buildings indicate the following vacancy rates.

#### Comparable Office Building Vacancy Rates

Rental Number	Property ID	Submarket	Vacancy Rate
OBR-1	900 West 1 <sup>st</sup> Street	Downtown	56%
OBR-2	50 Washington Street	Downtown	20%
OBR-3	63 Keystone Avenue	Downtown	100% (Being Remodeled)
OBR-4	McKenzie Building	Downtown	30%±
OBR-5	The Comstock Building	Downtown	23%

In projecting a market vacancy and credit loss for the subject, consideration is given to the amount of competitive space in the downtown Reno market which is currently available. Additionally, consideration is given to the vacancy history in the office building market in downtown Reno, which has historically remained above 15%. It is noted that the subject has an





average location, and average appeal. On the other hand, the property has been owner occupied for an extended time, and the property lends itself to an owner occupied use.

Based upon a review of the available data, and with consideration given to the analysis, it is my opinion that an appropriate vacancy and credit loss applicable to the subject's projected gross annual income is 15.00%.

### Effective Gross Income Projection

	Per SF	% of PGI	Total	
<b>Total Potential Gross Annual Income</b>	<b>\$13.68</b>	<b>100.00%</b>	<b>\$769,084</b>	<b>\$769,084</b>
<b>Less Vacancy &amp; Credit Loss</b>	<b>(\$2.05)</b>	<b>-15.00%</b>	<b>(\$115,363)</b>	<b>(\$115,363)</b>
<b>Effective Gross Annual Income</b>	<b>\$11.63</b>	<b>85.00%</b>	<b>\$653,722</b>	<b>\$653,722</b>



**OPERATING EXPENSE ANALYSIS**

The next step in the Income Approach is to project the operating expenses that would be incurred by the subject office building in generating the effective gross income. The subject property is currently owner occupied; the subject’s market rent has been projected based upon full service gross lease terms. In order to generate the effective gross income, the subject property incurs expenses including utilities, repairs and maintenance, office and miscellaneous expenses. Although the subject is currently tax exempt (owned by University of Nevada), a projection of real property taxes will be completed, as a buyer would be responsible for these expenses.

It is noted that the subject property is currently owned by the University Of Nevada Board Of Regents. We have only been provided with expenses associated with the subject’s utilities, janitorial and repairs (construction), which are summarized below.

<b>Subject Operating Expenses 2012-2015 Calendar Years</b>				
<b>Year Actual or Budget</b>	<b>2012 Actual</b>	<b>2013 Actual</b>	<b>2014 Actual</b>	<b>2015 Actual</b>
Electric	\$57,885	\$60,684	\$58,502	\$52,293
Heat	\$13,812	\$13,452	\$19,454	\$20,163
Water	\$2,049	\$1,973	\$2,150	\$2,197
Trash	\$3,120	\$4,680	\$7,800	\$7,800
Sewer	\$407	\$438	\$3,003	\$3,265
Construction	\$27,529	\$6,710	\$0	\$0
Janitorial	\$38,346	\$38,346	\$38,346	\$38,346
Other	\$25,843	\$25,843	\$23,338	\$23,338
<b>Total Expenses</b>	<b>\$168,992</b>	<b>\$152,126</b>	<b>\$152,594</b>	<b>\$147,403</b>
<b>Total Expenses/SF Gross-Above Ground</b>	<b>\$3.83</b>	<b>\$3.45</b>	<b>\$3.46</b>	<b>\$3.34</b>
<b>Total Expenses/SF Gross-With Basement</b>	<b>\$3.01</b>	<b>\$2.71</b>	<b>\$2.71</b>	<b>\$2.62</b>

**Projected Operating Expenses**

In order to project operating expense for the subject building, I have analyzed operating expenses of other office buildings in the market. The following sets forth a summary of operating expenses of office buildings in the Reno market over the past three years.

### Comparable Office Building Expenses

Building	General Location	Year Built	Square Feet	Expense Year	Expenses	Expenses/SF
5595 Kietzke Lane	Reno, NV	2005	10,752 SF	2011-2012	\$90,132	\$8.38
Thomas Creek II	Reno, NV	1999	12,664 SF	2012	\$50,398	\$3.98
Vista Professional Building	Sparks, NV	2004	12,927 SF	2012	\$59,569	\$4.61
595 Double Eagle Court	Reno, NV	1999	15,264 SF	2012	\$117,800	\$7.72
575 Double Eagle Court	Reno, NV	2000	20,164 SF	2012	\$110,048	\$5.46
Lakeridge Office Center	Reno, NV	1999	37,410 SF	2011	\$272,962	\$7.30
745 West Moana	Reno, NV	1998	60,011 SF	2012	\$375,934	\$6.26
NevDex Building 1	Reno, NV	1997	49,348 SF	2012	\$353,207	\$7.16
NevDex Building 2	Reno, NV	2000	58,432 SF	2012	\$421,800	\$7.22
NevDex Building 3	Reno, NV	1999	54,896 SF	2012	\$399,950	\$7.29
NevDex Building 4	Reno, NV	2006/07	64,829 SF	2012	\$406,809	\$6.28
Denali Building	Reno, NV	2001	63,635 SF	2014	\$599,476	\$9.42
Mt. Adams Building	Reno, NV	2005/06	47,860 SF	2014	\$514,293	\$10.75
1000 Bible Way	Reno, NV	1973	19,220 SF	2015	\$108,350	\$5.64

The following describes my operating expense projections for the subject property. It is noted that I have included an allowance for taxes, insurance and management, which are considered typical expenses for similar professional office buildings in the market.

### Projected Operating Expenses

Projected Stabilized Operating Expenses	Per SF*	% of EGI	Total
Real Property Taxes	\$0.59	5.05%	(\$33,000)
Insurance	\$0.18	1.53%	(\$10,000)
Management	\$0.53	4.59%	(\$30,000)
Electricity/Heating	\$1.51	13.00%	(\$85,000)
Sewer/Water/Trash	\$0.27	2.29%	(\$15,000)
Janitorial	\$1.16	9.94%	(\$65,000)
Repairs & Maintenance	\$1.33	11.47%	(\$75,000)
Administrative/Other	\$0.44	3.82%	(\$25,000)
<b>Total Operating Expenses</b>	<b>\$6.01*</b>	<b>51.70%</b>	<b>(\$338,000)</b>

\* Expenses Per Square Foot For Entire Building Including Basement (\$7.66 Based Upon Above Ground SF)

The projected operating expenses are based upon the subject's operating history, as well as through a comparison of other office buildings in the market. Overall, the projected stabilized operating expenses are felt to be reasonable. The following summarizes the projected Net Operating Income for the subject.

	Total
Effective Gross Annual Income	\$653,722
Total Operating Expenses	(\$338,000)
Net Operating Income	\$315,722

### CAPITALIZATION RATE ANALYSIS

Capitalization is the process in the appraisal analysis that converts anticipated future benefits (income) to be derived from the ownership of property into a value estimate. This approach to value is predicated on the assumption that value is typically viewed and measured as the present worth of anticipated future income to be derived from the possession of ownership rights in real estate.

I have analyzed recent sales of office buildings in the Reno market for which overall capitalization rates were available. The chart below summarizes a number of sales of office buildings which have recently sold, and for which overall capitalization rate data was available.

#### Comparable Office Building Capitalization Rates

Address	City	Recording Date	Sale Price	Building Area	Occupancy	Net Operating Income	Overall Cap Rate
6225 Neil Road	Reno	7/31/2015	\$3,000,000	19,372 SF	Single-100%	\$215,970	7.20%
885 Trademark Drive	Reno	10/2/2015	\$12,441,600	76,800 SF	Single-100%	\$1,336,320	10.74%
2301 Robb Drive	Reno	10/13/2015	\$1,680,000	18,120 SF	Single-100%	\$138,646	8.25%
10509 Professional Circle	Reno	10/19/2015	\$7,200,000	45,152 SF	Multi-100%	\$504,000	7.00%
980 Sandhill Road	Reno	12/21/2015	\$6,400,000	36,171 SF	Multi-84%	\$478,666	7.48%
590 Double Eagle Court	Reno	1/08/2016	\$2,400,000	13,440 SF	Single-100%	\$177,408	7.39%

The above sales occurred between July 2015 and January 2016. The comparable data indicates overall capitalization rates of between 7.00% and 10.74%.

#### National Indicators

The chart below summarizes the range in overall capitalization rates for various office uses, as reported by PwC and RealtyRates.com.

#### National Survey Overall Cap Rates

Source	Surveyed Rates			
	Date of Survey	Minimum	Maximum	Average
Realty Rates-All Office	1 <sup>st</sup> Quarter 2016 (Q4 2015 Data)	4.59%	13.35%	9.84%
Realty Rates-Central Business District (CBD)	1 <sup>st</sup> Quarter 2016 (Q4 2015 Data)	5.71%	13.35%	10.13%
Realty Rates-Suburban Office	1 <sup>st</sup> Quarter 2016 (Q4 2015 Data)	4.59%	12.03%	9.15%
PwC-National Central Business District (CBD)	1 <sup>st</sup> Quarter 2016	3.50%	7.50%	5.58%
PwC-National Suburban Office	1 <sup>st</sup> Quarter 2016	4.50%	9.50%	6.38%

#### Local Market Interviews

In interviews with persons involved in the sales utilized in this report, it was indicated that overall capitalization rates for older professional office properties generally range from 8%



to 12% within the northern Nevada area, depending on remaining lease terms, if the rents in-place are at market or above market, and the credit-worthiness of the tenants. A majority of those interviewed indicated that expectations for overall capitalization rates have lowered over the past two years.

**Conclusion**

In estimating an appropriate overall capitalization rate applicable to the subject property, particular consideration is given to the overall capitalization rates indicated by the recent sales of office properties in the area. Based upon a review of the available data, and with consideration given to the analysis as set forth above, we have projected an overall capitalization rate of 8.50%

**Overall Capitalization Rate (OAR) Conclusion**

Overall Capitalization Rate (OAR) Assumption	Property Rights Addressed	Effective Date Of Value	Overall Capitalization Rate Conclusion
Subject Property Operating at Stabilized Occupancy of 85%	Fee Simple Estate	05/10/2016	8.50%

**Income Approach (Direct Capitalization Analysis) Projections**

ITEM	PROJECTIONS & COMMENTS
Date Of Value	May 10, 2016
Market Rent Projection	\$1.35/SF/Month Full Service Gross (FSG)-Based Upon Comparable Rents
Vacancy & Credit Loss	15.00% of Potential Gross Income (Local Office Market)
Operating Expenses	\$338,000 Annually (\$6.01/SF/Year)-Based Upon Subject Operating History & Comps
Overall Capitalization Rate	8.50% (Based Upon Sales of Properties, Interviews, National Indicators & Subject Location)



**INCOME APPROACH TO VALUE SUMMARY AND CONCLUSION  
DIRECT CAPITALIZATION ANALYSIS**

<b>Floor</b>	<b>Square Feet</b>	<b>Rent Per Square Foot Per Month</b>	<b>Monthly Rent</b>	<b>Annual Totals</b>
First Floor	23,516	\$1.35	\$31,747	\$380,959
Second Floor	20,625	\$1.35	\$27,844	\$334,125
Basement-Rentable	9,000	\$0.50	\$4,500	\$54,000
Basement-Not Rentable	3,092	\$0.00	\$0	\$0
<b>Total Potential Gross Rental Income</b>	<b>56,233</b>	<b>\$1.14</b>	<b>\$64,090</b>	<b>\$769,084</b>
	<b>Per SF</b>	<b>% of PGI</b>	<b>Total</b>	
<b>Total Potential Gross Annual Income</b>	<b>\$13.68</b>	<b>100.00%</b>	<b>\$769,084</b>	<b>\$769,084</b>
<b>Less Vacancy &amp; Credit Loss</b>	<b>(\$2.05)</b>	<b>-15.00%</b>	<b>(\$115,363)</b>	<b>(\$115,363)</b>
<b>Effective Gross Annual Income</b>	<b>\$11.63</b>	<b>85.00%</b>	<b>\$653,722</b>	<b>\$653,722</b>
<b>Projected Stabilized Operating Expenses</b>	<b>Per SF</b>	<b>% of EGI</b>	<b>Total</b>	
Real Property Taxes	\$0.59	5.05%	(\$33,000)	
Insurance	\$0.18	1.53%	(\$10,000)	
Management	\$0.53	4.59%	(\$30,000)	
Electricity/Heating	\$1.51	13.00%	(\$85,000)	
Sewer/Water/Trash	\$0.27	2.29%	(\$15,000)	
Janitorial	\$1.16	9.94%	(\$65,000)	
Repairs & Maintenance	\$1.33	11.47%	(\$75,000)	
Administrative/Other	\$0.44	3.82%	(\$25,000)	
<b>Total Operating Expenses</b>	<b>\$6.01</b>	<b>51.70%</b>	<b>(\$338,000)</b>	<b>(\$338,000)</b>
<b>Net Operating Income</b>	<b>\$5.61</b>	<b>48.30%</b>	<b>\$315,722</b>	<b>\$315,722</b>
<b>Overall Capitalization Rate</b>				<b>8.50%</b>
	<b>Per SF</b>	<b>EGIM</b>	<b>Total</b>	
<b>Indicated Value-Not Rounded</b>	<b>\$66.05</b>	<b>5.68</b>	<b>\$3,714,371</b>	<b>\$3,714,371</b>

<b>Property Description</b>	<b>Value Addressed</b>	<b>Property Rights Appraised</b>	<b>Date Of Value</b>	<b>Income Approach Conclusion</b>
Warren Nelson Building Property, 401 West Second Street, Reno, Washoe County, Nevada (A.P.N.s 011-026-04, 011-023-01 & 011-023-02)	"As-Is" Market Value	Fee Simple Interest	May 10, 2016	\$3,700,000



### **SALES COMPARISON APPROACH TO VALUE**

To estimate the market value of the subject property utilizing the Sales Comparison Approach to Value, the Official Records of Washoe County were searched for recent sales of similar properties. The chart on the following page summarizes the most comparable office building sales in the market which have occurred. The chart is followed by profile sheets discussing the sales. This is followed by a correlation of the sales to the subject. Due to a lack of paired sales, adjustments made to the sales are qualitative.



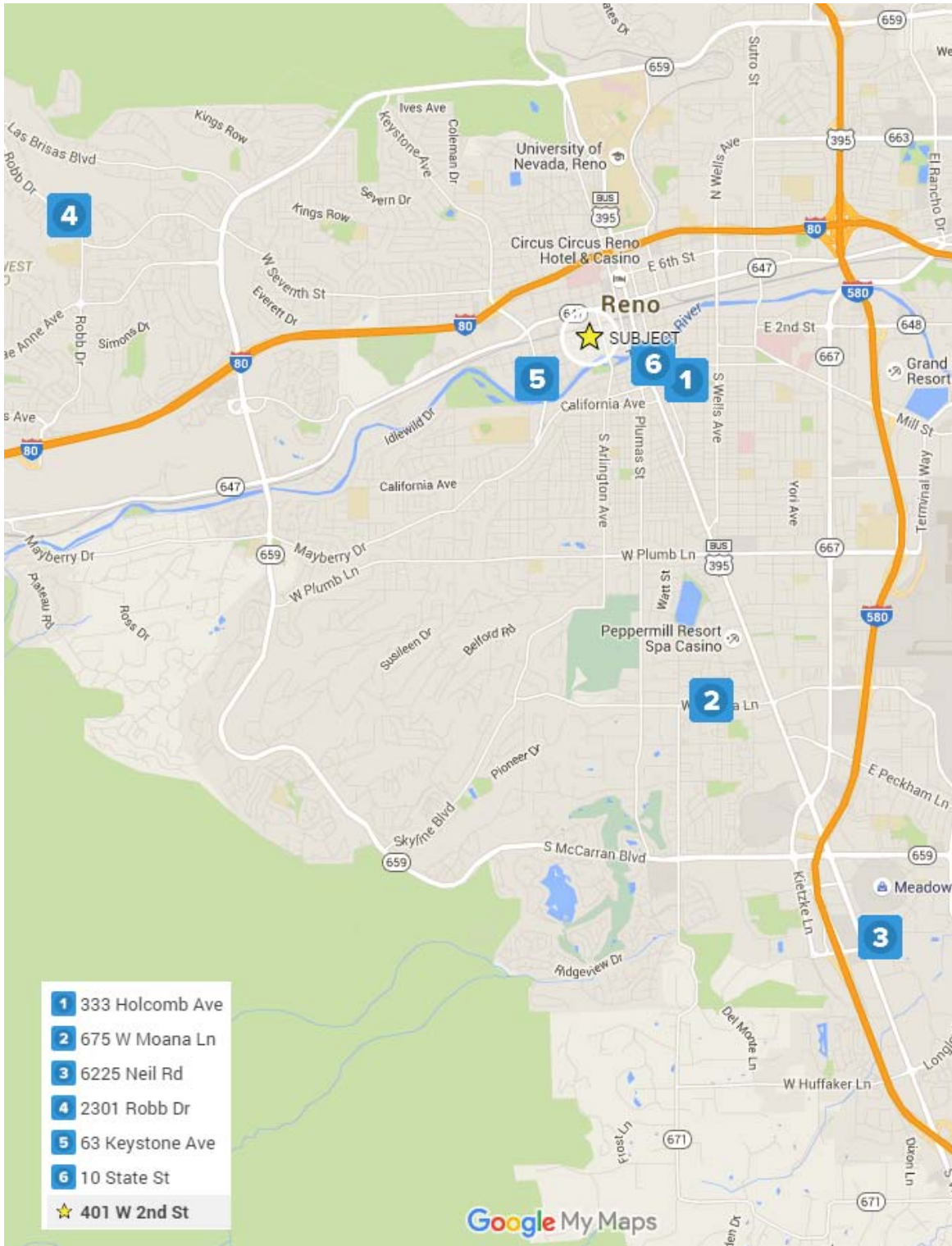
**COMPARABLE BUILDING SALES CHART**

Sale Number	A.P.N. Building Name Address	Recording Date Sale Price	Year Built Quality Condition	Office Type Tenancy Occupied/Vacant	Gross Building Area Gross Land Area Building Coverage	Total Price Price Per SF	Net Operating Income NOI/SF Overall Cap Rate
OBS-1	011-501-09 Dickson Realty Office 333 Holcomb Avenue Reno, NV	6/23/2014 \$900,000	1986 Average+ Average	Professional Multi-Tenant Partially Occupied (Not Stabilized)	14,017 SF 0.55 Acres 58.40%	\$900,000 \$64.21	N/A N/A N/A (Not Stabilized)
OBS-2	019-341-03 675 West Moana Building 675 West Moana Lane Reno, NV	9/29/2014 \$1,550,000	1991 Good Average+	Professional Multi-Tenant Partially Occupied (Not Stabilized)	24,330 SF 1.25 Acres 44.80%	\$1,550,000 \$63.71	N/A N/A N/A (Not Stabilized)
OBS-3	025-460-25 Ormat Office Building 6225 Neil Road Reno, NV	7/31/2015 \$3,000,000	1999 Good Average+	Professional Single-Tenant 100% Occupied	19,372 SF 1.12 Acres 39.60%	\$3,000,000 \$154.86	\$215,970 \$11.15/SF 7.20%
OBS-4	204-010-19 Microflex Building 2301 Robb Drive Reno, NV	10/13/2015 \$1,680,000	1986 Average Average	Professional Single-Tenant 100% Occupied	18,120 SF 3.60 Acres 11.55%	\$1,680,000 \$92.72	\$138,646 \$7.65/SF 8.25%
OBS-5	011-081-21 63 Keystone Building 63 Keystone Avenue Reno, NV	1/15/2016 \$725,000	1972 Average Fair	Professional Multi-Tenant Vacant- Buyer Renovated	12,990 SF 0.47 Acres 63.55%	\$725,000 \$55.81	N/A N/A N/A (Not Stabilized)
OBS-6	011-603-03 & 05 10 State Street Building 10 State Street Reno, NV	1/21/2016 \$1,380,000	1950 Average Fair-Average	Professional Multi-Tenant Partially Occupied (Not Stabilized)	18,883 SF 0.36 Acres 121.43%	\$1,380,000 \$73.08	N/A N/A N/A (Not Stabilized)
<b>Subject Property</b>	<b>011-026-04; 011-023-01 &amp; 02 Warren Nelson Building 401 West Second Street Reno, NV</b>	<b>Date of Valuation 5/10/2016</b>	<b>1960 Average Average</b>	<b>Professional Single-Tenant 100% Occupied</b>	<b>56,233 SF 1.55 Acres 83.12%</b>	<b>---</b>	<b>---</b>





### COMPARABLE OFFICE BUILDING SALES MAP





**COMPARABLE BUILDING SALE PHOTOGRAPH AND DISCUSSION  
 SALE OBS-1**



<b>Property ID:</b>	Dickson Realty Office	<b>City:</b>	Reno
<b>Address:</b>	333 Holcomb Avenue	<b>County:</b>	Washoe
<b>A.P.N.:</b>	011-501-09	<b>State:</b>	Nevada
<b>Year Built:</b>	1986	<b>Gross Building Area:</b>	14,017± Square Feet
<b>Construction Type:</b>	Concrete & Wood Frame	<b>Additional Space:</b>	None
<b># of Stories:</b>	3	<b>Parcel Size:</b>	24,000± Square Feet
<b>Quality/Condition:</b>	Average+/Average	<b>Building Coverage:</b>	58.40%
<b>Building Class in Market:</b>	B	<b>Parking:</b>	Surface
<b>Recording Date:</b>	June 23, 2014	<b>Grantor:</b>	Holcomb, LLC
<b>Sale Price:</b>	\$900,000	<b>Grantee:</b>	333 Holcomb, LLC
<b>Document #:</b>	4365761	<b>Terms Of Sale:</b>	Cash to Seller
<b>Time On Market:</b>	On & Off-2 Years	<b>Conditions of Sale:</b>	None
<b>Price/Gross Square Feet:</b>	\$64.21	<b>Verified By:</b>	Tom Fennell-Dickson Commercial
<b>Income Based On:</b>	N/A	<b>NOI Per Gross SF:</b>	N/A
<b>Effective Gross Income:</b>	N/A	<b>E.G.I.M.:</b>	N/A
<b>Expenses:</b>	N/A	<b>Expense Percentage:</b>	N/A
<b>Net Operating Income:</b>	N/A	<b>Overall Cap Rate:</b>	N/A

This comparable is the sale of a professional office building located at 333 Holcomb Avenue just southeast of the Reno Financial District. The property is improved with an average quality wood frame and masonry three story professional office building which was built in 1986. The building was in average condition at the time of sale. The purchaser, Dickson Realty, occupied half of the first floor and the entire second floor of the building; at the time of sale half of the first floor was occupied. The third floor was listed for lease. The new owners intend on spending \$400,000 for remodeling the interior and exterior of the building. This building has an elevator, new boilers, and a three year old roof at the time of sale.



**COMPARABLE BUILDING SALE PHOTOGRAPH AND DISCUSSION  
 SALE OBS-2**



<b>Property ID:</b>	Multi-Tenant Office	<b>City:</b>	Reno
<b>Address:</b>	675 West Moana Lane	<b>County:</b>	Washoe
<b>A.P.N.:</b>	019-341-03	<b>State:</b>	Nevada
<b>Year Built:</b>	1991	<b>Gross Building Area:</b>	24,330± Square Feet
<b>Construction Type:</b>	Wood & Steel Frame	<b>Additional Space:</b>	None
<b># of Stories:</b>	2	<b>Parcel Size:</b>	54,310± Square Feet
<b>Quality/Condition:</b>	Good/Average+	<b>Building Coverage:</b>	44.80%
<b>Building Class in Market:</b>	B+	<b>Parking:</b>	Surface
<b>Recording Date:</b>	September 29, 2014	<b>Grantor:</b>	Western Alliance Bank
<b>Sale Price:</b>	\$1,550,000	<b>Grantee:</b>	DLS Partners LLC
<b>Document #:</b>	4396128	<b>Terms Of Sale:</b>	Cash to Seller
<b>Time On Market:</b>	2+ Years	<b>Conditions of Sale:</b>	REO (Bank Owned)
<b>Price/Gross Square Feet:</b>	\$63.71	<b>Verified By:</b>	John Pinjuv-Western Alliance Comm.
<b>Income Based On:</b>	N/A	<b>NOI Per Gross SF:</b>	N/A
<b>Effective Gross Income:</b>	N/A	<b>E.G.I.M.:</b>	N/A
<b>Expenses:</b>	N/A	<b>Expense Percentage:</b>	N/A
<b>Net Operating Income:</b>	N/A	<b>Overall Cap Rate:</b>	N/A
<p>This comparable is the sale of a multi-tenant professional office building located at 675 West Moana Lane in west-central Reno. The property is improved with a good quality wood and steel frame two story professional office building which was built in 1991. The building was in above average condition at the time of sale. The building was not stabilized as of the date of sale, and most space within the building was vacant. The sale involved an REO sale.</p>			



**COMPARABLE BUILDING SALE PHOTOGRAPH AND DISCUSSION  
 SALE OBS-3**



<b>Property ID:</b>	Ormat Office Building	<b>City:</b>	Reno
<b>Address:</b>	6225 Neil Road	<b>County:</b>	Washoe
<b>A.P.N.:</b>	025-460-25	<b>State:</b>	Nevada
<b>Year Built:</b>	1999	<b>Gross Building Area:</b>	19,372± Square Feet
<b>Construction Type:</b>	Steel (Curtain Walls)	<b>Additional Space:</b>	None
<b># of Stories:</b>	3	<b>Parcel Size:</b>	1.123± Acres
<b>Quality/Condition:</b>	Good/Average+	<b>Building Coverage:</b>	39.60%
<b>Building Class in Market:</b>	B+	<b>Parking:</b>	Surface
<b>Recording Date:</b>	July 31, 2015	<b>Grantor:</b>	Neil Road LLC
<b>Sale Price:</b>	\$3,000,000	<b>Grantee:</b>	David B. & Sharon Lynn Davis, Trustees
<b>Document #:</b>	4498723	<b>Terms Of Sale:</b>	Cash to Seller
<b>Time On Market:</b>	6+ Months	<b>Conditions of Sale:</b>	None Noted
<b>Price/Gross Square Feet:</b>	\$154.86	<b>Verified By:</b>	NAI Alliance; Loopnet; Assessor
<b>Income Based On:</b>	Actual In-Place Lease	<b>NOI Per Gross SF:</b>	\$11.15
<b>Effective Gross Income:</b>	N/A	<b>E.G.I.M.:</b>	N/A
<b>Expenses:</b>	N/A	<b>Expense Percentage:</b>	N/A
<b>Net Operating Income:</b>	\$215,970	<b>Overall Cap Rate:</b>	7.20%
<p>This comparable is the sale of a three-story professional office building located in south Reno, near Meadowood Mall. This building was 100% occupied by Ormat Technologies, Inc., which had a lease in place thru June 2019. The property was listed for \$3,250,000 at the time of sale. The building had recently been partially renovated.</p>			



## COMPARABLE BUILDING SALE PHOTOGRAPH AND DISCUSSION SALE OBS-4



<b>Property ID:</b>	Microflex Building	<b>City:</b>	Reno
<b>Address:</b>	2301 Robb Drive	<b>County:</b>	Washoe
<b>A.P.N.:</b>	204-010-19	<b>State:</b>	Nevada
<b>Year Built:</b>	1986	<b>Gross Building Area:</b>	18,120± Square Feet
<b>Construction Type:</b>	Concrete Tilt-Up	<b>Additional Space:</b>	None
<b># of Stories:</b>	1	<b>Parcel Size:</b>	3.60± Acres
<b>Quality/Condition:</b>	Average/Average	<b>Building Coverage:</b>	11.55%
<b>Building Class in Market:</b>	B	<b>Parking:</b>	Surface
<b>Recording Date:</b>	October 13, 2015	<b>Grantor:</b>	Robb Drive, LLC
<b>Sale Price:</b>	\$1,680,000	<b>Grantee:</b>	CNM McQueen, LLC
<b>Document #:</b>	4522968	<b>Terms Of Sale:</b>	Cash to Seller
<b>Time On Market:</b>	2 Months	<b>Conditions of Sale:</b>	None Noted
<b>Price/Gross Square Feet:</b>	\$92.72	<b>Verified By:</b>	Loopnet Listing; Assessor's Data
<b>Income Based On:</b>	Actual In-Place Lease	<b>NOI Per Gross SF:</b>	\$7.65
<b>Effective Gross Income:</b>	N/A	<b>E.G.I.M.:</b>	N/A
<b>Expenses:</b>	N/A	<b>Expense Percentage:</b>	N/A
<b>Net Operating Income:</b>	\$138,646	<b>Overall Cap Rate:</b>	8.25%
<p>This comparable is the sale of a one-story office building located in northwest Reno, near McQueen High School. This building was 100% occupied by Microflex, Inc., which had a lease in place thru April 2020. The lease rate increases 4.50% on May 1, 2017 and 2.25% on May 1, 2019. Microflex has utilized the building as a corporate headquarters in the building since 1995. The property was listed for \$1,680,000 at the time of sale.</p>			



**COMPARABLE BUILDING SALE PHOTOGRAPH AND DISCUSSION  
 SALE OBS-5**



<b>Property ID:</b>	63 Keystone Building	<b>City:</b>	Reno
<b>Address:</b>	63 Keystone Avenue	<b>County:</b>	Washoe
<b>A.P.N.:</b>	011-081-21	<b>State:</b>	Nevada
<b>Year Built:</b>	1972	<b>Gross Building Area:</b>	12,990± Square Feet
<b>Construction Type:</b>	Concrete Block	<b>Additional Space:</b>	GBA Includes 4,330± SF Basement
<b># of Stories:</b>	2 + Basement (Finished)	<b>Parcel Size:</b>	20,440± Square Feet
<b>Quality/Condition:</b>	Average/Fair	<b>Building Coverage:</b>	63.55%
<b>Building Class in Market:</b>	B to C	<b>Parking:</b>	Surface (36 Spaces)
<b>Recording Date:</b>	January 15, 2016	<b>Grantor:</b>	3KC, LLC
<b>Sale Price:</b>	\$725,000	<b>Grantee:</b>	63 Keystone Partners, LLC
<b>Document #:</b>	4551073	<b>Terms Of Sale:</b>	Cash to Seller
<b>Time On Market:</b>	6± Months	<b>Conditions of Sale:</b>	None Noted
<b>Price/Gross Square Feet:</b>	\$55.81	<b>Verified By:</b>	Tomi Jo Lynch, Listing Agent
<b>Income Based On:</b>	N/A	<b>NOI Per Gross SF:</b>	N/A
<b>Effective Gross Income:</b>	N/A	<b>E.G.I.M.:</b>	N/A
<b>Expenses:</b>	N/A	<b>Expense Percentage:</b>	N/A
<b>Net Operating Income:</b>	N/A	<b>Overall Cap Rate:</b>	N/A
<p>This comparable is the sale of a two-story office with a fully finished basement located along Keystone Avenue in west-central Reno. This building was mainly vacant at the time of sale. The buyer purchased the building as an investment, and extensively renovated the building. The property was listed for \$795,000 at the time of sale.</p>			



**COMPARABLE BUILDING SALE PHOTOGRAPH AND DISCUSSION  
 SALE OBS-6**



<b>Property ID:</b>	10 State Street Building	<b>City:</b>	Reno
<b>Address:</b>	10 State Street	<b>County:</b>	Washoe
<b>A.P.N.:</b>	011-603-03 & 05	<b>State:</b>	Nevada
<b>Year Built:</b>	1950	<b>Gross Building Area:</b>	18,883± Square Feet
<b>Construction Type:</b>	Masonry	<b>Additional Space:</b>	GBA Includes 2,494± SF Basement
<b># of Stories:</b>	4 + Basement (Finished)	<b>Parcel Size:</b>	15,550± Square Feet
<b>Quality/Condition:</b>	Average/Fair-Average	<b>Building Coverage:</b>	121.43%
<b>Building Class in Market:</b>	B to C	<b>Parking:</b>	Surface
<b>Recording Date:</b>	January 21, 2016	<b>Grantor:</b>	Archosaur III, LLC
<b>Sale Price:</b>	\$1,380,000	<b>Grantee:</b>	Ten State Street LLC
<b>Document #:</b>	4552419	<b>Terms Of Sale:</b>	Cash to Seller
<b>Time On Market:</b>	8± Months	<b>Conditions of Sale:</b>	None Noted
<b>Price/Gross Square Feet:</b>	\$73.08	<b>Verified By:</b>	Loopnet Listing; Richard Johnson-Broker
<b>Income Based On:</b>	N/A	<b>NOI Per Gross SF:</b>	N/A
<b>Effective Gross Income:</b>	N/A	<b>E.G.I.M.:</b>	N/A
<b>Expenses:</b>	N/A	<b>Expense Percentage:</b>	N/A
<b>Net Operating Income:</b>	N/A	<b>Overall Cap Rate:</b>	N/A
<p>This comparable is the sale of a three-story office with a fully finished basement located along State Street in the eastern portion of downtown Reno. This building was partially owner-occupied at the time of sale. The property has limited parking due to the small land area associated with the project. The property was listed for \$1,395,000 at the time of sale.</p>			

## SALES COMPARISON APPROACH SUMMARY AND CONCLUSION

In this portion of the Sales Comparison Approach, each of the sales will be compared to the subject property based upon a sale price per square foot of gross building area. The chart below summarizes the six sales analyzed in the Sales Comparison Approach.

### Summary Of Sales Analyzed

Sale #	Property ID	Sale Date	Sale Price	Building Size	Price/SF/Building
OBS-1	Dickson Realty Office	6/23/2014	\$900,000	14,017 SF	\$64.21
OBS-2	675 West Moana Building	9/29/2014	\$1,550,000	24,330 SF	\$63.71
OBS-3	Ormat Office Building	7/31/2015	\$3,000,000	19,372 SF	\$154.86
OBS-4	Microflex Building	10/13/2015	\$1,680,000	18,120 SF	\$92.72
OBS-5	63 Keystone Building	1/15/2016	\$725,000	12,990 SF	\$55.81
OBS-6	10 State Street Building	1/21/2016	\$1,380,000	18,883 SF	\$73.08
	<b>LOW</b>	<b>6/23/2014</b>	<b>\$725,000</b>	<b>12,990 SF</b>	<b>\$55.81</b>
	<b>HIGH</b>	<b>1/21/2016</b>	<b>\$3,000,000</b>	<b>24,330 SF</b>	<b>\$154.86</b>
	<b>AVERAGE</b>	<b>6/12/2015</b>	<b>\$1,539,167</b>	<b>17,952 SF</b>	<b>\$84.06</b>
	<b>MEDIAN</b>	<b>9/6/2015</b>	<b>\$1,465,000</b>	<b>18,502 SF</b>	<b>\$68.64</b>

### Discussion of Adjustments

The comparable properties utilized in this analysis will be compared and correlated to the subject property based upon several adjustment criteria. These include property rights conveyed, financing terms, conditions of sale, market conditions, location, size, construction, condition and economic characteristics.

### Adjustment Summary

The chart on the following page summarizes the adjustments considered in the valuation of the subject property. Due to a lack of paired sales, qualitative adjustments have been made for most categories.

A minus sign (-) indicates that in comparison to the subject, the comparable property is superior, and the price per square foot requires downward adjustment to achieve comparability with the subject for a particular criterion. Conversely, a plus sign (+) indicates that in comparison to the subject, the comparable property is inferior, and the price per square foot requires upward adjustment to achieve comparability with the subject for a particular criterion. An equal (=) sign indicates that the comparable is similar to the subject for a particular adjustment criterion.



### Comparable Building Sales Adjustment Grid Summary

Sale Number	Subject	OBS-1	OBS-2	OBS-3	OBS-4	OBS-5	OBS-6
Price Per SF	---	\$64.21	\$63.71	\$154.86	\$92.72	\$55.81	\$73.08
Market Conditions	5/10/2016	6/23/2014 ++	9/29/2014 ++	7/31/2015 +	10/13/2015 +	1/15/2016 =	1/21/2016 =
Property Rights	Fee Simple	Leased Fee =	Fee Simple =	Leased Fee =	Leased Fee =	Leased Fee =	Leased Fee =
Occupancy at Sale	85% (Assumes)	15% +	0% +	100% =	100% =	Limited +	40% +
Financing/Cash Equ.	Assumes Cash	Cash to Seller =	Cash to Seller =	Cash to Seller =	Cash to Seller =	Cash to Seller =	Cash to Seller =
Conditions of Sale	None	None =	REO +	None =	None =	None =	None =
Buyer Expenditures	None	None =	None =	None =	None =	Renovations +	None =
Zoning/Use	Allowed	Allowed =	Allowed =	Allowed =	Allowed =	Allowed =	Allowed =
Location	West Downtown	East Down. +	Moana +	South Reno -	NW Reno +	West-Cent. +	East Down. +
Size	56,233 SF	14,017 SF -	24,330 SF -	19,372 SF -	18,120 SF -	12,990 SF -	18,883 SF -
% Basement	21.50%	0.00% -	0.00% -	0.00% -	0.00% -	33.33% =	13.00% -
Coverage/Parking	83.12%	58.40% -	44.80% -	39.60% -	11.55% -	63.55% -	121.43% +
Quality	Average	Average+ -	Good -	Good -	Average =	Average =	Average =
Condition	Average	Average =	Average+ -	Average+ -	Average =	Fair +	Fair-Average +
Other	N/A	N/A =	N/A =	N/A =	N/A =	N/A =	N/A =

### Sales Adjustment Analysis

The six sales indicate a range of prices per square foot between \$55.81 and \$154.86 based upon gross square footage.

Sale OBS-1 is the June 2014 sale of a professional office building located at 333 Holcomb Avenue which sold for \$64.21 per square foot. This property required upward adjustments for market conditions, occupancy and location. Additionally, an upward adjustment was warranted to account for the subject’s basement space. On the other hand, downward adjustments were warranted due to this building’s much smaller building area, the subject’s basement area, as well as its superior parking/lower building coverage. Overall, this sale’s price per square foot of \$64.21 is considered a reasonable indicator of value for the subject.

Sale OBS-2 is the September 2014 sale of a professional office building located at 675 West Moana Lane which sold for \$63.71 per square foot. This property required upward adjustments for market conditions, occupancy and location. Additionally, an upward adjustment

was warranted for conditions of sale, as it was bank-owned. On the other hand, downward adjustments were warranted due to this building's smaller building area, the subject's basement area, superior parking/lower building coverage, and superior quality and condition. Overall, this sale's price per square foot of \$63.71 is considered a reasonable indicator of value for the subject.

Sale OBS-3 is the July 2015 sale of a single-tenant professional office building located at 6225 Neil Road in south Reno which sold for \$154.86 per square foot. This property required upward adjustments for market conditions. On the other hand, downward adjustments were warranted due to this building's smaller building area, superior parking/lower building coverage, the subject's basement area, superior location, and superior quality and condition. Overall, this sale's price per square foot of \$154.86 is considered a high indicator of value for the subject.

Sale OBS-4 is the October 2015 sale of a single-tenant professional office building located at 2301 Robb Drive in northwest Reno which sold for \$92.72 per square foot. This property required upward adjustments for market conditions and location. On the other hand, downward adjustments were warranted due to this building's smaller building area, superior parking/lower building coverage, and the subject's basement area. Overall, this sale's price per square foot of \$92.72 is considered a high indicator of value for the subject.

Sale OBS-5 is the January 2016 sale of a professional office building located at 63 Keystone Avenue which sold for \$55.81 per square foot. This property required upward adjustments for occupancy, buyer expenditures, location and condition. Although this property has basement space, it has better finish than the subject's basement finish. On the other hand, downward adjustments were warranted due to this building's much smaller building area and its superior parking/lower building coverage. Overall, this sale's price per square foot of \$55.81 is considered a low indicator of value for the subject.

Sale OBS-6 is the January 2016 sale of a professional office building located at 10 State Street which sold for \$73.08 per square foot. This property required upward adjustments for occupancy, location, inferior parking/higher building coverage and condition. Although this property has basement space, it has less as a percentage of total building area as the subject, which requires downward adjustment. An additional downward adjustment is required for size. Overall this sale's price per square foot of \$73.08 is considered a reasonable to slightly high indicator of value for the subject.



**Comparable Listing Data**

In addition to the sales, I have analyzed properties currently listed for sale in the market. The chart below summarizes current listings of office buildings over 10,000± square feet in the Reno market.

**Comparable Listing Data**

Property Type	Address	Location	List Price	Building Size	Per SF/Building
Office Building	1140 Selmi Drive	Reno, NV	\$1,289,000	24,765 SF	\$52.05
Office Building	470 East Plumb Lane	Reno, NV	\$745,000	11,116 SF	\$67.02
Office Building	70 Linden Street	Reno, NV	\$949,000	14,000 SF	\$67.79
Office Building	615-625 Margrave;620 E. Plumb Lane	Reno, NV	\$800,000	10,964 SF	\$72.97
Office Building	1301 Cordone Avenue	Reno, NV	\$2,600,000	25,543 SF	\$101.79
Office Building	1030 Bible Way	Reno, NV	\$1,550,000	13,464 SF	\$115.12
Office Building	8565 Double R Boulevard	Reno, NV	\$1,300,000	10,544 SF	\$123.29
Office Building	1610 Meadow Wood	Reno, NV	\$1,845,000	14,016 SF	\$131.64
Office Building	1201 Corporate Boulevard	Reno, NV	\$2,750,000	20,000 SF	\$137.50
Office Building	100 & 140 Washington Street	Reno, NV	\$5,150,000	34,526 SF	\$149.16
Office Building	9480 Double Diamond Parkway	Reno, NV	\$4,950,000	32,630 SF	\$151.70
Office Building	7025 Longley Lane	Reno, NV	\$2,100,000	13,800 SF	\$152.17
Office Building	6140 Plumas Street	Reno, NV	\$4,428,160	27,676 SF	\$160.00
Office Building	9650 Gateway Drive	Reno, NV	\$3,500,000	21,233 SF	\$164.84
Office Building	10765 Double R Boulevard	Reno, NV	\$3,652,370	15,542 SF	\$235.00
Office Building	10459 Double R Boulevard	Reno, NV	\$5,185,000	15,134 SF	\$342.61
	<b>LOW</b>		<b>\$745,000</b>	<b>10,544 SF</b>	<b>\$52.05</b>
	<b>HIGH</b>		<b>\$5,185,000</b>	<b>34,526 SF</b>	<b>\$342.61</b>
	<b>AVERAGE</b>		<b>\$2,674,596</b>	<b>19,060 SF</b>	<b>\$139.04</b>
	<b>MEDIAN</b>		<b>\$2,350,000</b>	<b>15,338 SF</b>	<b>\$134.57</b>

The office building listings range in size between 10,544± and 34,526± square feet, and indicate asking prices ranging between \$52.05 and \$342.61 per square foot. Consideration is given to each of the physical characteristics of the listings, as well as their listing status.

In arriving at an indication of the per unit value applicable to the subject property, consideration is given to the physical characteristics of the subject property, as well as its current use. Consideration is also given to the assumed stabilized occupancy of the building as of the effective date of value, and the comparable data.



### Conclusion

Based upon a review of the available data, and with consideration given to the analysis as set forth above, it is my opinion that square foot value of \$65 is applicable to the subject's gross building area. Applying the indicated square foot value to the subject's 56,233± square feet of gross building area results in an indicated value of \$3,655,145, which is rounded to \$3,700,000.

### SALES COMPARISON APPROACH TO VALUE CONCLUSION

<b>Property Description</b>	<b>Value Addressed</b>	<b>Property Rights Appraised</b>	<b>Date Of Value</b>	<b>Sales Comparison Approach Conclusion</b>
<b>Warren Nelson Building Property, 401 West Second Street, Reno, Washoe County, Nevada (A.P.N.s 011-026-04, 011-023-01 &amp; 011-023-02)</b>	<b>"As-Is" Market Value</b>	<b>Fee Simple Interest</b>	<b>May 10, 2016</b>	<b>\$3,700,000</b>

## FINAL PROPERTY VALUE CORRELATION AND CONCLUSION

In this portion of the appraisal, the appraiser weighs the relative significance, applicability and defensibility of each of the indications of value derived from each of the approaches to value. The appraiser then places the most weight and reliance upon the method which, in his professional judgment, best approximates the value being sought in the appraisal. In this appraisal, the “As-Is” Market Value of the subject’s fee simple estate is being addressed.

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 appraisal, given all data analyzed in this report. In the preceding sections of this report we have valued the subject property using an Income Approach to Value, as well as a Sales Comparison Approach to Value.

### Indicated Values

Approach to Value	Value Addressed	Effective Date of Value	Indicated Value
Cost Approach	“As-Is” Fee Simple Market Value	May 10, 2016	Not Applicable
Income Approach	“As-Is” Fee Simple Market Value	May 10, 2016	\$3,700,000
Sales Comparison Approach	“As-Is” Fee Simple Market Value	May 10, 2016	\$3,700,000

Given the age of the subject improvements and the difficulty in accurately estimating accrued depreciation, the Cost Approach to Value was considered to be unreliable. In addition, it is our opinion that investors contemplating the purchase of a property such as the subject are more motivated with the income producing capabilities of the subject property, rather than replacement cost new, less depreciation. As a result, for the purposes of this analysis, the Cost Approach to Value has not been utilized.

In the Income Approach to Value, we utilized a Direct Capitalization Analysis. Overall, the Income Approach to Value has been well documented and typically reflects the subject’s income producing capability and the actions of investors in the marketplace. However, the subject is an owner-occupied building, and therefore, less weight has been placed on the Income Approach to Value.

In the Sales Comparison Approach, the sales of office building sales were analyzed. Typically within the market, the Sales Comparison Approach is relied upon for owner-occupied buildings like the subject, and is often also utilized as a check of reasonableness for the Income



Approach to Value. The Sales Comparison Approach is given the most weight in this analysis, although it is noted that both approaches indicate the same value.

Based upon a careful review of all information available, it is my opinion that the “As-Is” Market Value of the subject’s fee simple estate as May 10, 2016, is \$3,700,000.

### **FINAL MARKET VALUE CONCLUSION**

<b>Property Description</b>	<b>Value Addressed</b>	<b>Property Rights Appraised</b>	<b>Date Of Value</b>	<b>Value Conclusion</b>
<b>Warren Nelson Building Property, 401 West Second Street, Reno, Washoe County, Nevada (A.P.N.s 011-026-04, 011-023-01 &amp; 011-023-02)</b>	<b>“As-Is” Market Value</b>	<b>Fee Simple Interest</b>	<b>May 10, 2016</b>	<b>\$3,700,000</b>

**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 at 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 an appropriate exposure and marketing time for the subject property, consideration is given the subject property’s physical characteristics. Consideration is also given to the exposure and marketing times of other properties in the Reno area, particularly the comparable building sales, as well as on interviews with brokers and property managers familiar with similar properties.

Based upon a review of the available data, it is our opinion that an appropriate exposure and marketing time for the subject property, assuming it is marketed at its final property value conclusion, would be approximately one year.

**EXPOSURE & MARKETING TIME CONCLUSION**

Property Description	Exposure Time	Marketing Time
Warren Nelson Building Property, 401 West Second Street, Reno, Washoe County, Nevada (A.P.N.s 011-026-04, 011-023-01 & 011-023-02)	Approximately 1 Year	Approximately 1 Year

### APPRAISERS' CERTIFICATION

Each of the undersigned does hereby certify that, unless otherwise noted in this appraisal report, that they do certify to the best of their belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are 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 performed services as an appraiser 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*.
- I have not made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.
- The Appraisal Institute conducts a mandatory program of continuing education for its designated members. As of the date of this report, Scott Griffin has 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.





After careful consideration of all data available, and upon thorough personal investigation of the subject property and comparable properties analyzed, it is my opinion that the fee simple Market Value of the subject is:

<b>FINAL MARKET VALUE CONCLUSION</b>				
<b>Property Description</b>	<b>Value Addressed</b>	<b>Property Rights Appraised</b>	<b>Date Of Value</b>	<b>Value Conclusion</b>
<b>Warren Nelson Building Property, 401 West Second Street, Reno, Washoe County, Nevada (A.P.N.s 011-026-04, 011-023-01 &amp; 011-023-02)</b>	<b>"As-Is" Market Value</b>	<b>Fee Simple Interest</b>	<b>May 10, 2016</b>	<b>\$3,700,000</b>

Respectfully Submitted,

\_\_\_\_\_  
Scott Q. Griffin, MAI  
Nevada Certified General Appraiser  
License Number A.0003504-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 Griffin, LLC. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of Johnson-Perkins & Associates, as employees, not as individuals. The liability of Johnson Perkins Griffin, LLC 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 Griffin, LLC 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 SCOTT QUINN GRIFFIN

### Professional Designations

MAI-Member Appraisal Institute (MAI Designation Number 12359) 2005

### State Licensing and Certification

Certified General Appraiser – State of Nevada 2000  
License Number A.0003504-CG (Certified Through 03/31/2018)

### Offices Held

Board of Directors-Reno/Carson/Tahoe Chapter Appraisal Institute 2009-2013  
Treasurer-Reno/Carson/Tahoe Chapter Appraisal Institute 2002-2003  
President-University of Nevada Young Alumni Chapter 1999

### Appraisal Education and Technical Training

#### Appraisal Institute

Course 110-Appraisal Principles	1997
Course 120-Appraisal Procedures	1998
Course 310-Basic Income Capitalization	1998
Course 400-Uniform Standards of Professional Appraisal Practice Update	2004
Course 410-Standard of Professional Practice-Part A	1999
Course 420-Standard of Professional Practice-Part B	1999
Course 510-Advanced Income Capitalization	1999
Course 520-Highest & Best Use Analysis	2002
Course 530-Advanced Sales & Cost Approaches	2004
Course 540-Course Report Writing & Valuation Analysis	2003
Course 550-Advanced Applications	2003

#### Other Courses and Seminars

The High-Tech Appraisal Office	1997
GIS Applications for Appraisal	1997
Uniform Standard of Professional Appraisal Practice	2002
Comprehensive Appraisal Workshop	2004
Evaluating Commercial Construction	2006
Attacking & Defending An Appraisal In Litigation	2007
Analyzing Distressed Real Estate	2008
7-Hour National USPAP Update Course	2010/2012/2014/2016
Condemnation Appraising	2010
Appraising Convenience Stores	2010
Analyzing Distressed Real Estate	2012
Apartment Appraisal, Concepts & Applications	2012
Small Hotel/Motel Valuation	2012
Business Practice & Ethics	2014
Real Estate Finance Statistics and Valuation Modeling	2014
The Discounted Cash Flow Model: Concepts, Issues, and Apps	2014
Expert Witness for Commercial Appraisers	2016
Analyzing Operating Expenses	2016
Supervisor-Trainee Course (Nevada)	2016

### Formal Education

University of Nevada, Reno 1995  
Bachelor of Science in Business Administration; Major-Finance, Minor-Economics

### Occupational History

Johnson Perkins Griffin, LLC	03/2015-Present
Johnson-Perkins & Associates	03/1997-02/2015



**QUALIFICATIONS OF APPRAISER  
 SCOTT QUINN GRIFFIN**

**Types of Property Appraised**

- Single Family Residences
- Condominiums
- Vacant Residential Lots
- Subdivisions
- Vacant Commercial Land
- Industrial Buildings/Warehouses
- Shopping Centers
- Retail Buildings
- Professional/Medical Office Buildings
- Apartment Complexes
- Affordable Housing Apartment Complexes
- Hotels/Motels
- Casinos/Hotel-Casinos
- Farmland/Ranchland
- Various Special Use Properties
- Condemnation Appraisals

**Admitted as Expert Witness**

- United States District Court, District of Nevada
- United States Bankruptcy Court, District of Nevada
- United States District Court
- Superior Court-State of California
- Washoe County District Court
- Washoe County Board of Equalization
- Nevada State Board of Equalization

**APPRAISER CERTIFICATE**

**STATE OF NEVADA DEPARTMENT OF BUSINESS AND INDUSTRY**

NOT TRANSFERABLE      REAL ESTATE DIVISION      NOT TRANSFERABLE

This is to Certify That : SCOTT Q GRIFFIN      Certificate Number: A.0003504-CG


Is duly authorized to act as a CERTIFIED GENERAL APPRAISER from the issue date to the expiration date at the business address stated here in, unless the certificate is sooner revoked, cancelled, withdrawn, or invalidated.

Issue Date: March 24, 2016      Expire Date: March 31, 2018

In witness whereof, THE DEPARTMENT OF BUSINESS AND INDUSTRY, REAL ESTATE DIVISION, by virtue of the authority vested in Chapter 645C of the Nevada Revised Statutes, has caused this Certificate to be issued with its Seal printed thereon. This certificate must be conspicuously displayed in place of business.

FOR: JOHNSON PERKINS GRIFFIN, LLC      REAL ESTATE DIVISION  
 245 E LIBERTY STREET, STE 100  
 RENO, NV 89501

JOSEPH (JD) DECKER  
*Administrator*



# EXHIBIT 6

## PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this "**Agreement**"), effective as of the date this Agreement is last executed by Seller or Purchaser (the "**Effective Date**"), is made by and between **Board of Regents of the Nevada System of Higher Education on behalf of the University of Nevada, Reno** ("**Seller**") and **Secundo Vita, LLC**, a Nevada limited liability company ("**Purchaser**").

### RECITALS:

**R-1.** Seller desires to sell certain improved real property parcels located at 401 W. 2<sup>nd</sup> Street, Reno, Nevada and Purchaser desires to purchase such real property from Seller.

**R-2.** Seller and Purchaser, intending to be bound by this Agreement, desire to set forth herein the terms, conditions and agreements under and by which Seller shall sell and Purchaser shall purchase the property described below.

### AGREEMENTS:

**NOW, THEREFORE**, in consideration of the mutual agreements and covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Purchaser agree (i) that the Recitals are true and correct and by this reference incorporated herein as if fully set forth and (ii) as follows:

#### 1. THE PROPERTY.

1.1 **Description.** Subject to the terms and conditions of this Agreement, and for the consideration set forth herein, Seller hereby agrees to sell, assign and convey, and Purchaser hereby agrees to purchase and acquire, all of Seller's right, title and interest, in and to the certain parcels of land located in Washoe County, Nevada, Assessor's Parcel Numbers 011-026-04, 011-023-02 and 011-023-01 having a street address of 401 W. 2<sup>nd</sup> Street, Reno, Nevada and being more specifically described on **Exhibit A**, attached hereto (the "**Land**") along with all buildings (the "**Building**") together with all other improvements, parking facilities and fixtures located on the Land (the Building and any and all other improvements located on the Land are hereinafter referred to collectively as the "**Improvements**") and all easements, hereditaments, appurtenances, development rights, and other benefits, if any, pertaining to or affecting the Land (collectively, the "**Easements**"). The Land, Building, Improvements and Easements are hereinafter collectively referred to as the "**Real Property**".

1.2 **Agreement to Convey.** Seller agrees to sell and convey, and Purchaser agrees to purchase and accept, on the Date of Closing (defined in **Section 2.4**, below) fee title to the Real Property by way of a grant bargain and sale deed, to be executed and delivered by Seller in respect to the Real Property, and which shall be subject only to the Permitted Exceptions (defined in **Section 3.7**, below) affecting or encumbering the Real Property.

2. PURCHASE PRICE AND PAYMENT.

2.1 Purchase Price. The purchase price for the Real Property (the "Purchase Price") is Seven Million Dollars (\$7,000,000.00).

2.2 Deposit.

2.2.1 Initial Deposit. On or before seven (7) Business Days after the Effective Date, Purchaser shall deposit the sum of Seven Hundred Thousand Dollars (\$700,000.00) (the "Initial Deposit") into the 'escrow account of the Title Company (defined in Section 2.4, below). If Purchaser shall fail to make the Initial Deposit in accordance with the foregoing, by 5:00 p.m., Pacific Time, on the third Business Day after the Effective Date, this Agreement shall automatically terminate and neither party shall thereafter have any further rights, obligations or liability hereunder, except as otherwise expressly set forth herein. Once paid, the Initial Deposit shall be refundable upon the demand of Purchaser, without any right by Seller to object or delay such refund, in the event that Purchaser terminates this Agreement in accordance with Section 3.6, below.

2.2.2 Maintenance of Deposit. The term "Deposit" as used herein shall mean the Initial Deposit and any additional deposits as are described herein, if any, and all interest earned thereon. Interest earned on the Deposit shall be deemed earned by Purchaser. Provided that Purchaser has not terminated this Agreement pursuant to Section 3.6 below, the Deposit shall become non-refundable, subject to, among other provisions, the operation and effect of Section 2.2.1, Section 3.1, Section 3.5, Section 3.6, Section 9, Section 12.1 and Section 12.4 hereof.

2.3 Payment. Purchaser shall pay to Seller the Purchase Price on the Date of Closing, by causing the Title Company to wire the Purchase Price in immediately available funds to such bank account(s) as Seller may designate. The Deposit shall be paid by the Title Company to Seller at Closing and credited against the Purchase Price. The Purchase Price shall also be subject to further adjustments for prorations and credits required to be made in accordance with Section 7, below.

2.4 Closing. The purchase and sale of the Real Property shall be consummated at closing (the "Closing") in escrow through the Title Company on the date (the "Date of Closing" or "Closing Date") which is mutually agreed to by the parties, but not later than fifteen (15) Business Days after the satisfactory approval of terms of the purchase and sale of the Real Property by the Board of Regents, pursuant to Section 3.1 below or May 15, 2017, whichever is later. Closing shall occur on the Date of Closing at the offices of Ticor Title Company, Attn: Rebecca Rich, (the "Title Company"), or at such other time and place as may be agreed to in writing by Seller and Purchaser.

2.5 Closing Instructions. This Agreement shall serve as escrow instructions to Title Company, and Title Company is hereby authorized and instructed to act in accordance with the terms of this Agreement. The parties shall execute any additional instructions to Title Company necessary to carry out the terms and conditions of this Agreement, provided such

escrow instructions shall be subject to approval by the parties hereto. The terms of the escrow instructions shall not supersede the terms of this Agreement; and in the event of conflict, the terms of this Agreement shall be controlling, unless a contrary intent is clearly indicated by the parties.

### 3. INSPECTIONS AND APPROVALS.

3.1 Contingent Upon Board of Regents Approval. Seller's obligation to consummate the Closing is contingent upon the approval of the terms of the sale by the Board of Regents of the Nevada System of Higher Education. If the Board of Regents, in its sole and absolute discretion, does not approve the terms of this Agreement, the Agreement shall be deemed null and void without the necessity of further documentation and shall be deemed to be of no binding effect whatsoever. Further, if the terms of this Agreement are not approved by the Board of Regents, the Deposit shall be refunded immediately upon demand.

3.2 Inspections. Purchaser acknowledges and agrees that it has conducted such inspections and tests of the Real Property, and reviewed the materials relating to the Real Property (the "**Property Documents**"), as Purchaser deemed necessary to determine the feasibility of the Land and Improvements for Purchaser's intended use. Purchaser therefore agrees that while it may, prior to Closing, request to preform additional inspections and tests of the Real Property or review additional materials relating to the Real Property, as described in Section 3.3 and Section 3.4, respectively, Purchaser shall not be entitled to terminate the Agreement or obtain a refund of the Deposit under Section 3.6 based upon the results of such additional inspections and tests of the Real Property, or such review of additional materials relating to the Real Property.

3.3 Additional Access to the Property and Indemnification by Purchaser. Prior to the Closing, Seller shall permit Purchaser, and Purchaser's agents, representatives, and consultants reasonable access to the Land and Improvements for the purpose of conducting such additional physical and environmental inspections and tests of the Land and Improvements (collectively, the "**Additional Inspections**") as Purchaser shall deem necessary. Before Purchaser enters the Land and Improvements to perform Additional Inspections, Purchaser shall give Seller reasonable advance written notice of at least 48 hours for Business Day access of the property and, at Seller's option, a representative of Seller may accompany Purchaser and/or Purchaser's representative. Purchaser agrees to be solely responsible for the conduct of Purchaser's representatives on and adjacent to the Land and Improvements and shall assume and pay for all expenses incurred in connection with the Additional Inspections. Purchaser agrees to return the Land and Improvements to substantially the same condition and cleanliness existing before entry by Purchaser's representatives, including, but not limited to, sealing wells or other similar subsurface investigations (restore the Real Property). Purchaser shall keep confidential the information resulting from the Additional Inspections. Purchaser may disclose confidential information to Purchaser's representatives to the extent each needs to know confidential information for the sole purpose of evaluating the Land and Improvements and Purchaser's acquisition thereof, provided Purchaser takes all reasonable measures to assure that Purchaser's representatives keep such information confidential. Purchaser shall indemnify, defend and hold Seller, its officers, directors and agents (collectively, "**Indemnified Parties**") harmless from any loss, injury, liability, damage or expense, including reasonable attorneys' fees and costs, caused

by Purchaser, which an Indemnified Party may incur as a result of any act or omission of Purchaser or its agents or representatives arising in connection with any Additional Inspections, however, that Purchaser shall not be required to indemnify Seller if and to the extent that any such loss, injury, liability, damage or expense was caused by the negligence or misconduct of Seller, its employees or its agents. The foregoing shall survive termination of this Agreement. No indemnification provision herein waives the provisions of NRS 41.031 *et seq.*, and all liability of Seller is limited by the provisions thereof.

3.4 Inspection of Additional Documents. Within seven (7) Business Days after Purchaser's request, Seller shall make available to Purchaser or its representative, for inspection and copying, at the Building or some other location mutually convenient to the parties, such additional materials relating to the Land and Improvements reasonably requested by Purchaser (the "Additional Property Documents"), to the extent such Additional Property Documents are within the possession or control of Seller or Seller's officers, or employees ("Seller's Agents").

### 3.5 Title Commitment.

3.5.1 Within five (5) calendar days after the Effective Date, Seller shall order from Title Company, a commitment for an ALTA policy of title insurance covering the Real Property, together with complete and legible copies of the documentation of record relating to all exceptions to title set forth therein (the "Title Commitment"). Purchaser shall, on or before the tenth (10th) Business Day after the receipt of the Title Commitment deliver to Seller, in writing any objections to matters shown in the Title Commitment (the "Objection Letter"). Purchaser's failure to timely object to any such matters shall be deemed to constitute Purchaser's approval of same, and such shall then become "Permitted Exceptions". If Purchaser timely objects to any item set forth in the Title Commitment, then Seller shall have the right, but not the obligation, to attempt to cure or cause to be cured before Closing such disapproved item. Seller shall have until 5:00 p.m. on the tenth (10<sup>th</sup>) Business Day after receipt of the Objection Letter to agree in writing to cure before Closing such disapproved item. Any "cure" of a title matter pursuant to this Agreement shall mean that the title matter at issue is "removed entirely" as a matter affecting the status or condition of title to the Real Property or, if not so removed entirely, then such other cure as is acceptable to Purchaser in its sole discretion, which discretion shall be exercised in a commercially reasonable manner. If Seller elects not to cure, or fails to timely respond to Purchaser's objections, Seller shall be deemed to have elected not to cure, in which event Purchaser shall, on or before the expiration of the Due Diligence Period, either (i) terminate this Agreement by delivering to Seller and Title Company a written notice of termination, whereupon Title Company shall release and return the Deposit to Purchaser, or (ii) waive in writing its objection to the disapproved items, which shall then become Permitted Exceptions. Purchaser's failure to timely deliver to Seller and Title Company a written notice of termination or waiver of its objection to the disapproved items shall be deemed to constitute Purchaser's waiver of its objection to said items, and such items shall become Permitted Exceptions. Notwithstanding the foregoing, Purchaser shall be deemed to have disapproved any exception which is a lien on the Real Property for a sum certain or a determinable sum, and Seller shall be obligated to cure such exception prior to Closing. Further, Seller

agrees that any title exception created by the Seller and placed on the Real Property after the date of the Title Commitment is likewise disapproved and Seller shall be obligated to cure the same prior to Closing.

3.5.2 Purchaser shall have five (5) Business Days after receipt of any updates to the Title Commitment (including receipt of any documents referenced in such update) to object to any material matters disclosed therein which were not disclosed in the original Title Commitment, and the procedure for objecting to such matters shall be as set forth in Section 3.5.1 above.

3.6 Purchaser's Acceptance or Rejection of the Title Commitment. Within the timeframes set forth in Section 3.5.1, if Purchaser, after its review of the Title Commitment (excluding any updates thereto) does not desire to purchase the Real Property, Purchaser will give Seller written notice of its termination of this Agreement. If the timeframes set forth in Section 3.5.1 expire without a notice of termination being received by Seller, then Purchaser will be deemed to have approved and accepted the Real Property and to have agreed to complete the transaction contemplated by this Agreement, and the Deposit will be nonrefundable, subject only to the provisions of Section 3.1, Section 9, Section 12.1 and Section 12.4 hereof. If Purchaser gives Seller a timely notice of termination under this Section 3.6, then this Agreement will automatically terminate, subject to the immediate return of all copies of all Additional Property Documents to Seller, the Deposit will be delivered immediately to Purchaser, and thereupon neither party will have any further obligation or liability to the other party hereunder, except as otherwise expressly provided herein.

3.7 Permitted Exceptions. Purchaser shall accept title to the Real Property, subject to the following exceptions (the "Permitted Exceptions"):

3.7.1 (a) Those matters affecting or relating to the title which are of record on the date of the Title Commitment and described therein and which were not included in an Objection Letter timely delivered by Purchaser; (b) which were included in an Objection Letter, but for which (i) Seller has completed the cure thereof; or (ii) Purchaser has waived or been deemed to have waived the cure thereof or (iii) Seller has elected to cure and which will be cured by the payment of money at Closing; or (c) which Purchaser has otherwise approved in writing.

3.7.2 The lien of non-delinquent real property taxes and assessments.

3.7.3 All matters disclosed by the Property Documents and any Additional Property Documents.

3.7.4 All building and zoning laws, codes and regulations affecting the Real Property, including without limitation all special exceptions, conditions, site plan approvals, and other similar matters, if any, relating to the zoning of the Real Property.

3.7.5 All standard pre-printed exceptions set forth in the standard owners' policy of title insurance issued by the Title Company to Purchaser for the Real Property.



4. SELLER'S OBLIGATIONS PRIOR TO CLOSING. Prior to Closing, Seller and/or Seller's Agents or representatives shall:

4.1 Notices. Provide to Purchaser, immediately upon the receipt thereof, any and all written notices relating to the Real Property received by Seller from any governmental or quasi-governmental instrumentality, which notices are of a type not nominally received in the ordinary course of Seller's business, or which may have a material effect upon the Real Property or result in a material change in a representation or warranty made by Seller hereunder.

4.2 Compliance with Agreements. Take all actions necessary to comply with all agreements, covenants, encumbrances and obligations affecting or relating to the Real Property and the ownership, operation and maintenance thereof. Seller shall pay all utility bills, tax bills and other invoices and expenses relating to the Real Property, as and when the same become due, provided that such bills, invoices, and expenses may be paid out of Escrow at Closing.

5. REPRESENTATIONS AND WARRANTIES.

5.1 By Seller. Seller represents and warrants to Purchaser, as of the Effective Date and as of the Closing, that:

5.1.1 Subject to Section 3.1, Seller has the power, right and authority to enter into and perform all of the obligations required of Seller under this Agreement and the instruments and documents referenced herein, and to consummate the transaction contemplated hereby.

5.1.2 Seller is a constitutional entity of the State of Nevada, validly existing and in good standing under the laws of the State of Nevada and has taken all requisite action and obtained, or will obtain prior to the Closing, all requisite consents, releases and permissions in connection with entering into this Agreement and the instruments and documents referenced herein or required under any covenant, agreement, encumbrance, law or regulation with respect to the obligations required hereunder, and no consent of any, other party is required for the performance by Seller of its obligations hereunder except as provided for in Section 3.1.

5.1.3 This Agreement is, and all agreements, instruments and documents to be executed and delivered by Seller pursuant to this Agreement shall be duly authorized, executed and delivered by Seller. This Agreement is, and all agreements, instruments and documents to be executed and delivered by Seller pursuant to this Agreement shall be valid and legally binding upon Seller and enforceable against Seller in accordance with their respective terms.

5.1.4 Neither the execution of this Agreement nor the consummation of the transactions contemplated hereby does now constitute or shall result in a breach of, or a default under, any agreement, document, instrument or other obligation to which Seller is a party or by which Seller or the Real Property may be bound, or any law, statute, ordinance, rule, governmental regulation or any writ, injunction, order or decree of any court or governmental body, applicable to Seller or to the Real Property.

5.2 By Purchaser. Purchaser represents and warrants to Seller, as of the Effective Date and as of the Closing, that:

5.2.1 This Agreement is, and all agreements, instruments and documents to be executed and delivered by Purchaser pursuant to this Agreement shall be duly authorized, executed and delivered by Purchaser. This Agreement is, and all agreements, instruments and documents to be executed and delivered by Purchaser pursuant to this Agreement shall be valid and legally binding upon Purchaser and enforceable against Purchaser in accordance with their respective terms.

5.2.2 Neither the execution of this Agreement nor the consummation of the transactions contemplated hereby does now constitute or shall result in a breach of, or a default under, any agreement, document, instrument or other obligation to which Purchaser is a party or by which Purchaser may be bound, or any law, statute, ordinance, rule, governmental regulation or any writ, injunction, order or decree of any court or governmental body, applicable to Purchaser or to the Real Property.

5.2.3 No petition in bankruptcy (voluntary or otherwise), assignment for the benefit of creditors, or petition seeking reorganization or arrangement or other action under Federal or state bankruptcy law is pending against or, to the best of Purchaser's knowledge, contemplated by Purchaser.

5.2.4 There are no actions, suits, claims or other proceedings (collectively, "Litigation") pending or, to the best of the Purchaser's knowledge, contemplated or threatened against Purchaser that could affect the Purchaser's ability to perform its obligations when and as required under the terms of this Agreement.

5.3 Broker. Seller and Purchaser each represents to the other that it has had no dealings, negotiations, or consultations with any broker, representative, employee, agent or other intermediary in connection with the sale of the Real Property for which the other party is to be or would be obligated to pay any commission or other compensation.

5.4 Property Condition.

5.4.1 Disclaimer. THE REAL PROPERTY IS BEING SOLD "AS IS", "WHERE IS" AND "WITH ALL FAULTS" AS OF CLOSING, WITHOUT ANY REPRESENTATION OR WARRANTY WHATSOEVER AS TO ITS CONDITION, FITNESS FOR ANY PARTICULAR PURPOSE, MERCHANTABILITY OR ANY OTHER WARRANTY, EXPRESS OR IMPLIED. SELLER SPECIFICALLY DISCLAIMS ANY WARRANTY, GUARANTY OR REPRESENTATION, ORAL OR WRITTEN, PAST OR PRESENT, EXPRESS OR IMPLIED, CONCERNING THE REAL PROPERTY, EXCEPT AS SPECIFICALLY SET FORTH IN THIS AGREEMENT. PURCHASER ACKNOWLEDGES THAT PURCHASER IS PURCHASING THE REAL PROPERTY BASED SOLELY UPON PURCHASER'S OWN INDEPENDENT INVESTIGATIONS AND FINDINGS AND NOT IN RELIANCE UPON ANY INFORMATION PROVIDED BY SELLER OR SELLER'S

AGENTS OR CONTRACTORS, EXCEPT AS SPECIFICALLY SET FORTH IN THIS AGREEMENT.

5.4.2 Release of Claims. Without limiting the provisions of Section 5.4.1, Purchaser releases Seller from any and all claims, demands, costs, expenses, damages, and rights to compensation whatsoever (whether known or unknown, and whether contingent or liquidated) arising from or related to (a) any defects, errors or omissions in the design or construction of the Real Property, whether the same are a result of negligence or otherwise; or (b) other conditions (including environmental conditions) affecting the Real Property, whether the same are a result of negligence or otherwise. The release set forth in this Section specifically includes but is not limited to any claims under any Environmental Laws, under the Americans with Disabilities Act of 1990, 42 U.S.C. §§12101 et seq., or with respect to any environmental risk. “Environmental Laws” includes, but is not limited to, the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act (42 U.S.C. §§6901 et seq.), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. §§9601 et seq.), the Emergency Planning and Community Right to Know Act (42 U.S.C. §§11001 et seq.), the Clean Air Act (42 U.S.C. §§7401 et seq.), the Clean Water Act (33 U.S.C. §§1251 et seq.), the Toxic Substances Control Act (15 U.S.C. §§2601 et seq.), the Hazardous Materials Transportation Act (49 U.S.C. §§1801 et seq.), the Occupational Safety and Health Act (29 U.S.C. §§651 et seq.), the Federal Insecticide, Fungicide and Rodenticide Act (7 U.S.C. §§136 et seq.), and the Safe Drinking Water Act (42 U.S.C. §§300f et seq.), as any of the same as may be amended from time to time, and any state or local law dealing with environmental matters, and any regulations, orders, rules, procedures, guidelines and the like promulgated in connection therewith, regardless of whether the same are in existence on the date of this Agreement.

5.4.3 Acknowledgment of Inspection. Purchaser acknowledges and agrees that (a) prior to entering into this Agreement Purchaser was given the opportunity to inspect the Real Property and its operation, (b) this Agreement gives Purchaser the opportunity to conduct additional inspections of the Real Property and its operation, (c) if this transaction is consummated, Purchaser will be purchasing the Real Property pursuant to Purchaser’s independent examination, study, inspection and knowledge of the Real Property, and (d) Purchaser is relying upon its own determination of the value and condition of the Real Property and not on any information provided or to be provided by Seller. Purchaser is relying solely upon its own inspections, investigations, research and analyses in entering into this Agreement and is not relying in any way upon any representations or warranties (except those expressly provided in Section 5.1), statements, plans, specifications, cost estimates, studies, reports, descriptions, guidelines or other information or material furnished by Seller or its representatives to Purchaser or its representatives, whether oral or written, express or implied, of any nature whatsoever regarding any such matters.

## 6. CONDITIONS PRECEDENT TO CLOSING.

6.1 Conditions for the Benefit of Purchaser. The obligation of Purchaser to consummate the conveyance of the Real Property hereunder is subject to the full and complete

satisfaction, or waiver by Purchaser pursuant to Section 6.2, of each of the following conditions precedent:

6.1.1 The representations and warranties of Seller contained in this Agreement shall be true, complete and accurate in all material respects, on and as of the date hereof and the Date of Closing as if the same were made on and as of each such date.

6.1.2 Seller shall have performed all material obligations and covenants of Seller to be performed hereunder.

6.1.3 There has been no material and adverse change to the condition of the Real Property, normal wear and tear excepted, since the last day of the Due Diligence Period, provided that any change in condition due to casualty or condemnation shall be controlled by the provisions of Section 9.

6.1.4 Title Company shall be irrevocably committed to issue an ALTA Policy of title insurance to Purchaser, insuring Purchaser as the fee estate owner of the Real Property in the amount of the Purchase Price, subject only to the Permitted Exceptions (the "Title Policy").

6.2 Waiver of Conditions. Purchaser shall have the right to waive some or all of the conditions specified in Section 6.1 in its sole and absolute discretion; provided, however, that no such waiver shall be effective or binding on Purchaser unless it is in writing and executed by an authorized officer of Purchaser.

6.3 Conditions for the Benefit of Seller. The obligation of Seller to consummate the conveyance of the Real Property hereunder is subject to the full and complete satisfaction or waiver of each of the following conditions precedent:

6.3.1 Receipt by Seller of all requisite internal approvals, including but not limited to those contained the approval, set forth in Section 3.1.

6.3.2 Purchaser shall have performed each and every material obligation and covenant of Purchaser to be performed hereunder.

6.4 Waiver of Conditions. Seller shall have the right to waive some or all of the conditions specified in Section 6.3 provided, however, that no such waiver shall be effective or binding on Seller unless it is in writing and executed by the Chancellor of Nevada System of Higher Education.

## 7. CLOSING COSTS AND PRORATIONS.

7.1 Purchaser's Costs. Purchaser will pay the following costs of closing this transaction:

7.1.1 One-half (1/2) of all recording fees and any and all state and county recordation, documentary or transfer taxes.

7.1.2 The incremental premium amount for extended coverage required by Purchaser with respect to the Title Policy and premiums, fees and costs associated with the issuance of endorsements to the Title Policy (except endorsements obtained by Seller (and approved by Purchaser) to cure objections contained in Seller's Objection Letter as referred to in Section 3) as well as for all premiums, fees and costs associated with the issuance of a mortgagee title insurance policy. Seller to pay the portion of the Title Policy premium attributable to a Standard Coverage policy, and the Purchaser shall pay for any increased or extended coverage required.

7.1.3 One-half (1/2) of the settlement fees and other charges of the Title Company due in connection with the closing of this transaction.

7.1.4 The fees and disbursements of Purchaser's counsel and any other expense(s) incurred by Purchaser or its representative(s) in inspecting or evaluating the Real Property or closing this transaction.

7.2 Seller's Costs. Seller will pay the following costs of closing this transaction:

7.2.1 One-half (1/2) of all recording fees and any and all state and county recordation, documentary or transfer taxes.

7.2.2 The portion of the Title Policy premium attributable to a Standard Coverage policy, and the Purchaser shall pay for any increased or extended coverage required.

7.2.3 One-half (1/2) of the settlement fees and charges of the Title Company due in connection with the closing of this transaction; and

7.2.4 All release fees and other charges required to be paid in order to release from the Real Property the lien of any mortgage or other security interest which Seller is obligated to remove pursuant to the terms of this Agreement.

7.3 Prorations. All revenues and expenses, personal property taxes, installment payments of special assessment liens, vault charges, sewer charges, utility charges, reimbursement of maintenance and repair expenses and normally prorated operating expenses billed or paid as of the Date of Closing shall be prorated as of 11:59 p.m., Pacific time (the "Adjustment Time"), on the day before the Date of Closing and shall be adjusted against the Purchase Price due at Closing. No post-closing re-prorations shall occur. Seller and Purchaser shall in good faith attempt to have all that affect the Real Property and for which the charges are based upon usage (including utilities) billed or read as of a time as close to the Adjustment Time as is reasonable, provided that Purchaser shall not be liable for any charges which accrue or became payable prior to the date of Purchaser's ownership. If a precise billing or reading as of the Adjustment Time is not available at Closing with respect to such contract, then the foregoing adjustment shall be made, by payment or credit at Closing, by pro-rating to the Adjustment Time from the latest billing or reading then available. No post-closing re-prorations shall occur. Seller shall close out any accounts with utility companies and shall have the right to receive any and all deposits held on behalf of Seller by utility companies with respect to the Real Property.

Seller shall cancel all service contracts applicable to the Real Property at no expense to Purchaser, unless otherwise agreed to by Purchaser in writing.

7.4 Taxes. General real estate taxes and special assessments relating to the Real Property payable during the year in which Closing occurs shall be prorated with respect to the Real Property as of the Date of Closing, with Seller being responsible for any applicable taxes attributable to Seller's period of ownership and Purchaser being responsible for taxes attributable to the period from and after the Date of Closing. If Closing shall occur before the actual taxes and special assessments payable during such year are known, the apportionment of taxes shall be upon the latest available information. If, as the result of an appeal of the assessed valuation of the Real Property for any real estate tax year prior to (or including) the Closing, there is issued after Closing an administrative ruling, judicial decision or settlement by which the assessed value of the Real Property for such tax year is reduced, and a real estate tax refund issued, Seller shall be entitled to all such refunds relating to the period prior to Closing. No post-closing re-prorations shall occur.

7.5 In General. Any other costs or charges of closing this transaction not specifically mentioned in this Agreement shall be paid and adjusted in accordance with local custom or ordinance in the jurisdiction in which the Real Property is located.

7.6 Purpose and Intent. Except as expressly provided herein, the purpose and intent as to the provisions of prorations and apportionments set forth in this Section 7 and elsewhere in this Agreement is that Seller shall bear all expenses of ownership and operation of the Real Property during its period of ownership and shall receive all income therefrom accruing through midnight of the day preceding the Closing, and Purchaser shall bear all such expenses and receive all such income accruing thereafter.

## 8. CLOSING AND ESCROW.

8.1 Seller's Deliveries. Seller shall deliver either at the Closing or by making available at the Real Property, as appropriate, the following original documents, each executed and, if required, acknowledged:

8.1.1 A grant bargain and sale deed ("Deed") conveying title to Purchaser of the Real Property, subject only to the Permitted Exceptions.

8.1.2 Originals (to the extent in Seller's or Seller's Agents possession or control) of all warranties then in effect, if any, with respect to the Real Property or to the Improvements or any repairs or renovations to such Improvements.

8.1.3 Appropriate evidence of authority, capacity and status of Seller as reasonably required by Title Company.

8.1.4 A settlement statement (the "Settlement Statement"), prepared by the Title Company.

8.1.5 A Declaration of Value as prepared by the Title Company.

8.1.6 Such other documents, certificates and other instruments as may be reasonably required to consummate the transaction contemplated hereby.

8.2 Purchaser's Deliveries. At the Closing, Purchaser shall (a) pay Seller the Purchase Price as required by, and in the manner described in, Section 2 hereof, and (b) execute and deliver the following documents:

8.2.1 Approved evidence of authority, capacity and status of Purchaser as reasonably required by the Title Company.

8.2.2 A Declaration of Value as prepared by the Title Company.

8.2.3 Such other documents, certificates and other instruments as may be reasonably required to consummate the transaction contemplated hereby.

8.3 Possession.

8.3.1 From the Date of Close and continuing for a period of one hundred twenty (120) days thereafter, Seller shall be permitted to remain in exclusive possession of the Building pursuant to the terms of a lease agreement between Purchaser, as landlord, and Seller, as tenant, the form of which shall be negotiated in good faith between the parties prior to Closing. The parties agree that the base rent payable from Seller under such lease shall be One Dollar (\$1.00) per month, and that Seller shall pay as additional rent all monthly utilities, insurance, and other costs of operating the Real Property during said period, exclusive of real property taxes and assessments (which shall be borne solely by Purchaser).

8.3.2 Purchaser shall be entitled to possession of the Real Property one hundred twenty-one (121) days after the conclusion of the Closing, at which time Seller shall deliver to Purchaser all keys, combinations and other devices and information enabling Purchaser complete access to the Building and Improvements.

8.4 Escrow Closing. On the Closing Date, Title Company shall effect the Closing by (i) filing for record the Seller's Deed and (ii) delivering funds and documents to the parties as appropriate WHEN AND ONLY WHEN each of the following conditions has been satisfied.

8.4.1 Deliveries. All funds and documents described in Section 8.1 and Section 8.2 have been delivered to Title Company.

8.4.2 Conditions Precedent. All of the conditions precedent in Section 6 have been satisfied or waived, or deemed satisfied or waived, in the manner set forth therein.

8.4.3 Closing Statement. Title Company has delivered to the parties, and the parties have approved, the Settlement Statement.

9. DAMAGE, DESTRUCTION AND CONDEMNATION.

9.1 Casualty. Except as provided herein, Seller assumes all risk of loss or damage to the Real Property by fire or other casualty until the Closing is consummated. If at any time on or prior to Closing any portion of the Real Property is destroyed or damaged as a result of fire or any other cause whatsoever, Seller shall promptly give written notice to Purchaser of the nature and extent of the damage caused by such casualty. Seller shall then prepare a reasonable estimate of the cost to repair and the amount of insurance proceeds payable as a result thereof. If the estimated cost to repair the damage or destruction exceeds \$1,000.00 as reasonably estimated by Seller, Purchaser shall have the right to terminate this Agreement by written notice to Seller within ten (10) calendar days following the date upon which Purchaser receives Seller's written notice of the destruction or damage. If Purchaser does not elect to so terminate this Agreement within said ten (10) day period, or if the cost of repair is equal to or less than \$1,000.00, this Agreement shall remain in full force and effect and the parties shall proceed to Closing.

9.2 Condemnation. In the event, at any time on or prior to the Date of Closing, any action or proceeding is filed, under which the Real Property, or any portion thereof, may be taken pursuant to any law, ordinance or regulation or by condemnation or the right of eminent domain, Seller shall promptly give written notice thereof (which notice shall describe the type of action being taken against the Real Property, and which portions of the Real Property will be affected thereby) to Purchaser. If the taking would substantially prevent the Purchaser from continuing the existing use of the Real Property, then the Purchaser shall have the right to terminate this Agreement by written notice to Seller within ten (10) calendar days following the date upon which Purchaser receives Seller's written notice of such action or proceeding. If Purchaser does not elect to so terminate this Agreement within said ten (10) day period, this Agreement shall remain in full force and effect and the parties shall proceed to closing without any reduction or adjustment in the Purchase Price, except that all condemnation proceeds will be assigned to Purchaser.

10. RELOCATION AND MOVING EXPENSES. Intentionally omitted.

11. ECONOMIC DEVELOPMENT ADMINISTRATION RESTRICTIONS. In order to obtain the Release of Restrictions and Property Interest attached hereto as Exhibit B from the Economic Development Administration of the United States of America, Seller has recorded in the chain of title to the Real Property the Covenant of Use attached hereto as Exhibit C. Purchaser stipulates and agrees that the restrictions contained in the Covenant of Use constitute a reasonable restraint on alienation of use, control, and possession of or title to the Real Property, and further acknowledges and agrees that said restrictive covenants shall run with the land and shall, upon Closing, bind Purchaser and its successors in title in and to the Real Property.

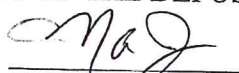
12. FAILURE OF CONDITIONS PRECEDENT.

12.1 Failure of Conditions Precedent. If any of the conditions precedent stated in Section 6 have not occurred or been satisfied or waived on or before the Closing Date, Purchaser or Seller, whomever is the beneficiary of the condition precedent, may: (a) terminate this Agreement by written notice to the other party on or before the Closing Date, in which event



the appropriate party shall be entitled to receive the Deposit, or (b) waive such conditions precedent and proceed to Closing.

12.2 Purchaser Default. If Purchaser is in default of one or more of Purchaser's obligations under this Agreement other than a failure to timely close (for which there shall be no notice and cure period), then Seller may give written notice to Purchaser (with a copy to Title Company) specifying the nature of the default. Purchaser shall have five (5) calendar days after receiving that notice, but in no event beyond the Closing Date, within which to cure that default. If Purchaser fails to cure that default within that period, then Seller's sole remedy for such default shall be to terminate this Agreement by giving written notice of such termination to Purchaser (with a copy to Title Company) and receive the Deposit as liquidated damages. If Seller does so terminate this Agreement, then Title Company shall pay the Deposit to Seller. PURCHASER AGREES THAT THE RETENTION OF THE DEPOSIT BY SELLER REPRESENTS A REASONABLE ESTIMATION AS OF THE EFFECTIVE DATE OF SELLER'S DAMAGES IN THE EVENT OF PURCHASER'S DEFAULT HEREUNDER, THAT ACTUAL DAMAGES WOULD BE IMPRACTICABLE OR EXTREMELY DIFFICULT TO ASCERTAIN, AND THAT THE PROVISION FOR LIQUIDATED DAMAGES HEREUNDER DOES NOT CONSTITUTE A PENALTY. THE PARTIES ACKNOWLEDGE THAT THESE DAMAGES HAVE BEEN SPECIFICALLY NEGOTIATED BETWEEN THEMSELVES AND ARE, AMONG OTHER THINGS, TO COMPENSATE SELLER FOR TAKING THE REAL PROPERTY OFF THE MARKET, FOR SELLER'S COSTS AND EXPENSES ASSOCIATED WITH THIS AGREEMENT AND FOR SELLER'S LOST OPPORTUNITY COSTS. PURCHASER HEREBY WAIVES THE RIGHTS AND BENEFITS OF ANY LAW, RULE, REGULATION, OR ORDER NOW OR HEREAFTER EXISTING THAT WOULD ALLOW PURCHASER TO CLAIM A REFUND OF THE DEPOSIT AS UNEARNED EARNEST MONEY, A PENALTY, OR FOR ANY OTHER REASON. THE PAYMENT OF SUCH AMOUNT AS LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY. IF, NOTWITHSTANDING THE PROVISIONS HEREIN, A COURT DETERMINES THAT SELLER IS NOT ENTITLED TO RETAIN THE DEPOSIT AS A RESULT OF PURCHASER'S DEFAULT HEREUNDER, SELLER SHALL BE ENTITLED TO SEEK ANY AND ALL DAMAGES PROVIDED BY LAW; PROVIDED, HOWEVER, THAT ANY RECOVERY THEREOF MAY NOT EXCEED THE AMOUNT OF THE DEPOSIT.

  
Seller's Initials

  
Purchaser's Initials

12.3 Seller Default. In the event Seller shall: (a) fail to sell, transfer and assign the Real Property to Purchaser in violation of the terms of this Agreement, (b) fail to perform any other material obligation of Seller hereunder, (c) intentionally breach any warranty made or granted by Seller under this Agreement, which breach is not cured by the Closing Date and/or (d) have intentionally misrepresented any fact, or any of the representations of Seller contained herein are not true, accurate or complete in any material respect, Purchaser shall be entitled to (i) waive such default and proceed to Closing; (ii) seek to specifically enforce its rights hereunder; or (iii) terminate this Agreement and receive the return of the Deposit. If the Purchaser does not duly notify Seller of the default, or does not give Seller a notice of termination hereunder within

a reasonable period of time after discovery of the default, then the default shall, be treated as waived by the Purchaser.

12.4 Termination. Upon any termination of this Agreement pursuant to any right of a party to terminate set forth in this Agreement, (a) the Deposit shall be paid over to the party entitled to the same, (b) all documents deposited by Purchaser and Seller into escrow shall be returned by the escrow agent to the party depositing the same, and (c) all copies of all Property Documents provided to Purchaser by Seller shall be returned to Seller, whereupon the parties will have no continuing liability to each other unless otherwise expressly stated in any provision of this Agreement.

13. NOTICES. Any notice required or permitted to be given hereunder may be served by a party or its attorney and must be in writing and shall be deemed to be given when (a) hand delivered, or (b) one (1) Business Day after pickup by Emery Air Freight, United Parcel Service (Overnight) or Federal Express, or another similar overnight express service, or (c) transmitted by electronic mail provided that confirmation of the receipt of same is noted upon transmission of same by the sender's e-mail records, and a counterpart of such notice is also delivered pursuant to one of the two manners specified in Sections 13(a) or 13(b), above, in any case addressed to the parties at their respective addresses set forth below:

If to Seller: University of Nevada, Reno  
General Counsel (0550)  
Reno Nevada 89557-0550  
Phone: 775.784.3493  
Fax: 775.327.2202

If to Purchaser: Secundo Vita, LLC  
250 Bell Street  
Reno Nevada 89503  
Attn: Donald J. Clark  
Phone: (775) 329-3341; #109  
Fax: (775) 329-3369

With a copy to: Fennemore Craig, P.C.  
300 E. Second Street, Suite 1510  
Reno Nevada 89501  
Attn: Dave Davis, Esq.  
Phone: (775) 788-2200  
Fax: (775) 786-1177

If to Title Company: Ticor Title Company  
5441 Kietzke Lane, Suite 100  
Reno Nevada 89511  
Attn: Rabecca Rich  
Phone: 775.824.3232  
Fax: 775.824.3233  
Email: [rabecca.rich@ticortitle.com](mailto:rabecca.rich@ticortitle.com)

or in each case to such other address as either party may from time to time designate by giving notice in writing pursuant to this Section 13 to the other party. Telephone numbers are for informational purposes only. Effective notice will be deemed given only as provided above, except as otherwise expressly provided in this Agreement.

#### 14. MISCELLANEOUS.

14.1 Entire Agreement. This Agreement, together with the Exhibits attached hereto, all of which are incorporated by reference as if fully set forth, is the entire agreement between the parties with respect to the subject matter hereof, and no alteration, modification or interpretation hereof shall be binding unless in an express writing and signed by both parties.

14.2 Severability. If any provision of this Agreement or its application to any party or circumstances shall be determined by any court of competent jurisdiction to be invalid and unenforceable to any extent, the remainder of this Agreement or the application of such provision to such person or circumstances, other than those as to which it is so determined invalid or unenforceable, shall not be affected thereby, and each provision hereof shall be valid and shall be enforced to the fullest extent permitted by law.

14.3 Applicable Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Nevada. The exclusive venue for any action to interpret or enforce any rights under this agreement shall be in the courts located in Washoe County, Nevada and the parties agree that, the respective obligations of the parties pursuant to the provisions of this Section are consideration for the other party's obligations under this Section and shall be enforceable regardless of any claim as to the invalidity of any other provision of this Agreement or of the entirety of this Agreement.

14.4 Assignability. Purchaser may not assign, transfer, or convey its rights and/or obligations under this Agreement without Seller's prior written consent, except Purchaser may assign and delegate its rights and obligations under this Agreement without Seller's consent (but with notice to Seller) to an entity owned or controlled (directly or indirectly) by Purchaser. Upon any such assignment or other transfer, Purchaser and such assignee or transferee shall be jointly and severally liable for the obligations of Purchaser under this Agreement, which liability shall survive the assignment or transfer and the Closing.

14.5 Successors Bound. This Agreement shall be binding upon and inure to the benefit of Purchaser and Seller and their respective successors and permitted assigns.

14.6 Captions; Interpretation. The captions in this Agreement are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of this Agreement or the scope or content of any of its provisions. Whenever the context may require, words used in this Agreement shall include the corresponding feminine, masculine, or neuter forms, and the singular shall include the plural and vice versa. Unless the context expressly indicates otherwise, all references to "Section" are to sections of this Agreement. The parties acknowledge and agree that they have both participated in the negotiation of the terms

and conditions of this Agreement and that both have been assisted by counsel in that process and that no provision hereof shall be interpreted against either party by virtue of its authorship.

14.7 No Partnership. Nothing contained in this Agreement shall be construed to create a partnership or joint venture between the parties or their successors in interest or permitted assigns.

14.8 Time of Essence. Time is of the essence with respect to the performance of the obligations of Seller and Purchaser under this Agreement.

14.9 Execution in Counterparts; Electronic Delivery. This Agreement can be executed in counterparts, each of which shall be an original and, upon the delivery to each party of one or more of the Agreement signed by all parties, together constitute a fully executed and binding contract. The exchange of executed signature pages by email transmission shall constitute effective delivery of such signature pages and may be used in lieu of the original signature pages for all purposes. In the event this Agreement is delivered by email, the parties agree to exchange ink-signed counterparts promptly after the execution and delivery of this Agreement at the request of either party.

14.10 Recordation. Purchaser and Seller agree not to record this Agreement.

14.11 Proper Execution. This Agreement shall have no binding force and effect on either party unless and until both Purchaser and Seller shall have executed and delivered this Agreement.

14.12 Waiver. No waiver of any breach of any agreement or provision contained herein shall be deemed a waiver of any preceding or succeeding breach of any other agreement or provision herein contained. No extension of time for the performance of any obligation or act shall be deemed an extension of time for the performance of any other obligation or act.

14.13 Business Days. If any date herein set forth for the performance of any obligations by Seller or Purchaser or for the delivery of any instrument or notice as herein provided should fall on a Saturday, Sunday or Legal Holiday (hereinafter defined), the compliance with such obligations or delivery shall be deemed acceptable on the next day (a "**Business Day**") following such Saturday, Sunday or Legal Holiday. As used herein, the term "**Legal Holiday**" shall mean any local or federal holiday on which the Courts of the Second Judicial District are closed in Reno, Nevada.

## 15. ESCROW AGREEMENT.

15.1 Deposit. Title Company agrees to deposit the Deposit in an interest bearing account, subject to the receipt from the Purchaser of a form W-9 for the purposes of investing said funds and to hold and disburse said funds, and any interest earned thereon, as hereinafter provided. Upon written notification from Seller or Purchaser in accordance with the terms of this Agreement, Title Company shall release the funds in accordance with and pursuant to the written instructions. In the event of a dispute between any of the parties hereto sufficient in the sole discretion of Title Company to justify its doing so, Title Company shall be entitled to

tender unto the registry or custody of any court of competent jurisdiction all money or property in its hands held under the terms of this Agreement, together with such legal pleading as it deems appropriate, and thereupon be discharged.

15.2 Title Company. Seller and Purchaser covenant and agree that in performing any of its duties under this Agreement, Title Company shall not be liable for any loss, costs or damage which it may incur as a result of serving as Title Company hereunder, except for any loss, costs or damage arising out of its willful default or gross negligence. Accordingly, Title Company shall not incur any liability with respect to (i) any action taken or omitted to be taken in good faith upon advice of its counsel given with respect to any questions relating to its duties and responsibilities, or (ii) to any action taken or omitted to be taken in reliance upon any document, including any written notice of instruction provided for in this Agreement, not only as to its due execution and the validity and effectiveness of its provisions, but also to the truth and accuracy of any information contained therein, which Title Company shall in good faith believe to be genuine, to have been signed or presented by a proper person or persons and to conform with the provisions of this Agreement.

**Signature page to follow:**

IN WITNESS WHEREOF, Purchaser and Seller have executed this Agreement, effective as of the date first set forth above.

**SELLER:**

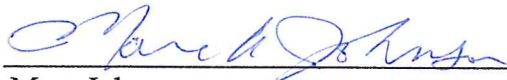
**Board of Regents of the Nevada System of Higher Education on behalf of the University of Nevada, Reno**

Date: \_\_\_\_\_

By: \_\_\_\_\_  
John V. White  
Chancellor, Nevada System of Higher Education

Recommended by,

Date: 10-25-16

By:   
Marc Johnson  
President University of Nevada, Reno

**PURCHASER:**

**Secundo Vita, LLC**

Date: 10.25.16

By: 

**EXHIBIT A**

**Real Property Description**

All that certain real property situate in the County of Washoe, State of Nevada, described as follows:

**PARCEL IA:**

Beginning at the intersection of the Northern Line of Church Lane with the Western line of the parcel of land described as Parcel 1 in the deed to the City of Reno, recorded December 28, 1950, in Book 270, Page 246, as Document No. 191237, Deed Records;

Thence along said Northern line of Church Lane the two following courses and distances:  
South 84°14' West 61.59 feet and South 84°29' West 162.38 feet;

Thence North 11°52'15" West 100:00 feet;

Thence South 76°11' West 50.85 feet to the Western line of the Lane property;

Thence North 11°53'20" West along the last mentioned line 64.51 feet, more or less, to the Southern right of way line of the Central Pacific Railroad;

Thence North 76°11' East along the last mentioned line 290.90 feet to said Western line of the City of Reno parcel;

Thence South 06°52' East along the last mentioned line 197.91 feet to the point of beginning.

Reference is made to License Survey Map of Lane Property, Record of Survey Map No. 188, according to the map thereof, filed in the office of the County Recorder of Washoe County, State of Nevada on May 6, 1952, as File No. 205716, Washoe County Records.

**PARCEL 1B:**

Beginning at the intersection of the Northern line of Church Lane with the Western line of the parcel of land described in the deed to RNI BUILDING CORPORATION, recorded June 1, 1956, in Book 414, Page 210, as Document No. 260556, Deed Records;

Thence along said RNI BUILDING CORPORATION parcel the two following courses and distances;

North 11°52'15" West 100.00 feet and South 76°11' West 50.85 feet to the Western Line of the Lane property;

Thence South 11°53'20" East along the last mentioned line 92.61 feet, more or less, to said Northern line of Church

Lane;

Thence North 84°29' East along the last mentioned line 51.10 feet to the point of beginning.

Reference is made to License Survey Map of Lane Property, Record of Survey Map No. 188, according to the map thereof, filed in the office of the County Recorder of Washoe County, State of Nevada on May 6, 1952, as File No. 205716, Washoe County Records.

APN: 011-026-04

PARCEL 2:

All that certain real property situate, lying and being in the City of Reno, County of Washoe, State of Nevada, and particularly described as follows, to-wit:

Beginning at the intersection of the North line of Second Street with the Easterly line of an alley running Northerly and Southerly through Block "G" as shown on the AMENDED MAP OF POWNINGS ADDITION TO THE TOWN, NOW CITY OF RENO, filed in the office of the County Recorder of Washoe County, State of Nevada, on April 10, 1891;

Thence Easterly along the North line of Second Street, 50 feet;

Thence Northerly, parallel with the East line of said alley, to the South line of Church Lane, formerly called Humboldt Road;

Thence Westerly along the South line of said Church Lane, to the Easterly line of said alley;

Thence Southerly, along the East line of said alley, to the point of beginning;

Said premises being the West 50 feet of Lot 5 and 6 and the West 50 feet of the fractional unnumbered lot adjoining said Lot 5 on the North, all in Block "G", as shown on the above mentioned map.

APN: 011-023-02

PARCEL 3:

All that certain real property situate in Reno, Washoe County, Nevada, more particularly described as follows, to-wit:

Commencing at a point on the Northerly line of Second Street 50 feet Easterly from the intersection of the Northerly line of Second Street with the Easterly line of an alley running Northerly and Southerly through Block "G" of Pownings Addition to Reno, Nevada;

Thence Northerly parallel with the Easterly line of said alley to the Southerly line of Church Lane, formerly known as the Humboldt Road;

Thence Easterly along the Southerly line of said Church Lane to its intersection with the Westerly line of Stevenson Street;

Thence Southerly along the Westerly line of Stevenson Street to its intersection with the Northerly line of Second Street;

Thence Westerly along the Northerly line of Second Street 90 feet, more or less, to the point of beginning.

Said premises being the Easterly 90 feet of Lot 5 and 6 and the Easterly portion of the fractional unnumbered lot adjoining said Lot 5 on the North, all in Block "G" of Pownings Addition to the Town, now the City of Reno, according to the official amended map thereof filed in the office of the County Recorder of Washoe County, Nevada, on April 10, 1891.

APN: 011-023-01

Document No. 1841322 is provided pursuant to the requirements of Section 6.NRS 111.312.



EXHIBIT B

DOC # 4630845

09/12/2016 02:31:41 PM  
Requested By  
UNIVERSITY OF NEVADA RENO  
Washoe County Recorder  
Laurence R. Burtness - Recorder  
Fee: \$21.00 RPTT: \$0.00  
Page 1 of 5

APN: 011-023-01  
011-023-02  
011-026-04



RECORDING REQUESTED BY:

Real Estate Office  
University of Nevada, Reno  
Mail Stop 243  
Reno, Nevada 89557-0243

WHEN RECORDED, MAIL TO:

Real Estate Office  
University of Nevada, Reno  
Mail Stop 243  
Reno, Nevada 89557-0243

SPACE ABOVE FOR RECORDER'S USE ONLY

**RELEASE OF RESTRICTIONS AND PROPERTY INTEREST**  
(Title of Document)

Please complete Affirmation Statement below:

I the undersigned hereby affirm that the attached document, including any exhibits, hereby submitted for recording does not contain the personal information of any person or persons.  
(Per NRS 239B.030)

-OR-

I the undersigned hereby affirm that the attached document, including any exhibits, hereby submitted for recording does contain the personal information of a person or persons as required by law: \_\_\_\_\_  
(State specific law)

\_\_\_\_\_  
Signature Director of Real Estate  
Title

Troy Miller  
Printed Name

This page added to provide additional information required by NRS 111.312 Sections 1-2 and NRS 239B.030 Section 4.

This cover page must be typed or printed in black ink. (Additional recording fee applies)

## RELEASE OF RESTRICTIONS AND PROPERTY INTEREST

WHEREAS, the BOARD OF REGENTS OF THE UNIVERSITY AND COMMUNITY COLLEGE SYSTEM OF NEVADA on behalf of the University of Nevada, Reno, now known as the BOARD OF REGENTS OF THE NEVADA SYSTEM OF HIGHER EDUCATION on behalf of the University of Nevada, Reno ("Owner") is the owner of certain real property (the "Property") situated in Reno, Washoe County, Nevada, commonly known as 401 East 2nd Street, and more particularly described in Exhibit A;

WHEREAS, the Property is subject to certain restrictive covenants contained in that certain Property Management Agreement (the "PMA") between the ECONOMIC DEVELOPMENT ADMINISTRATION, UNITED STATES OF AMERICA ("EDA") and Owner's predecessor in interest, Old College, recorded on November 27, 1984 at No. 963906 in the Official Records of Washoe County, Nevada;

WHEREAS, the PMA also grants the EDA certain property interests in the Property; and

WHEREAS, pursuant to 13 CFR § 314.10(d), Owner has requested, and EDA has agreed, to release the Property from EDA's property interests and the restrictive covenants contained in the PMA, except those stated in 13 CFR § 314.10(e)(3).

NOW, THEREFORE, the EDA hereby releases and terminates the PMA, all of the restrictive covenants contained therein, and any and all interest it may have in the Property thereunder, and directs that the same be cancelled of record.

{signatures on next page}

IN WITNESS WHEREOF, the EDA set their hand as of this 6 day of September in the year 2016.

ECONOMIC DEVELOPMENT ADMINISTRATION,  
UNITED STATES OF AMERICA

By: [Signature]  
A. Leonard Smith  
Regional Director  
For: Release of Restrictions and Property Interest,  
University of Nevada, Reno, 401 East 2nd Street

STATE OF  
WASHINGTON

ss.

COUNTY OF

On this 6 day of September, in the year 2016, before me, a notary Public in the State of Washington, personally appeared A. Leonard Smith, Regional Director for the UNITED STATES DEPARTMENT OF COMMERCE, ECONOMIC DEVELOPMENT ADMINISTRATION, known or identified to me, to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same.



[Signature]  
(Signature of Notary)

SHARICE JONES WATSON  
(Legibly Print or Stamp Name of Notary)

Notary public in and for the State of Washington,  
residing at KING COUNTY  
My appointment expires 12/19/16

**EXHIBIT A**

**LEGAL DESCRIPTION OF PROPERTY**

All that certain lot, piece or parcel of land situate in the City of Reno, County of Washoe, State of Nevada, described as follows:

PARCEL 1:

Beginning at the intersection of the Northern line of Church Lane with the Western line of the parcel of land described in the deed to the City of Reno, recorded in Book 270, File No. 191237, Deed Records; thence along said Northern line of Church Lane the two following courses and distances; thence South  $84^{\circ}14'$  West 61.59 feet and South  $84^{\circ}29'$  West 162.38 feet; thence North  $11^{\circ}52'15''$  West 100.00 feet; thence South  $76^{\circ}11'1''$  West 50.85 feet to the Western line of the Lane property thence Northerly  $11^{\circ}53'20''$  West along the last mentioned line 64.51 feet, more or less, to the Southern right of way line of the Central Pacific Railroad; thence North  $76^{\circ}11'$  East along the last mentioned line 290.90 feet to said Western line of the City of Reno parcel; thence South  $6^{\circ}52'$  East along the last mentioned line 197.91 feet to the point of beginning. Reference is made to License Survey No. 205716.

AND

Beginning at the intersection of the Northern line of Church Lane with The Western line of the parcel of land described in the deed to RNI BUILDING CORPORATION recorded in Book 414, File No. 260556, Deed Records; thence along said RNI BUILDING CORPORATION parcel the two following courses and distances; North  $11^{\circ}52'15''$  West 100.00 feet and South  $11^{\circ}53'20''$  East along the last mentioned line 92.61 feet, more or less, to said Northern line of Church Lane; thence North  $84^{\circ}29'$  East along the last mentioned line 51.10 feet to the point of beginning. Reference is made to License Survey No. 205716.

PARCEL 2:

All that certain real property situate, lying and being in the City of Reno, County of Washoe, State of Nevada, and particularly described as follows, to-wit:

Beginning at the intersection of the North line of Second Street with the Easterly line of an alley running Northerly and Southerly through Block "G" as shown on the AMENDED MAP OF POWNINGS ADDITION TO THE TOWN, NOW CITY OF RENO, filed in the office of the County Recorder of Washoe County, State of Nevada, on April 10, 1981; thence Easterly along the North line of Second Street, 50 feet; thence Northerly, parallel with the East line of said alley, to the South line of Church Lane, to the Easterly line of said alley; thence Southerly, along the East line of said alley, to the point of beginning; said premises being the West 50 feet of Lots 5 and 6 and the West 50 feet of the fractional unnumbered lot adjoining said Lot 5 on the North, all in Block "G", as shown on the above mentioned map.

[continued on next page]

PARCEL 3:

All that certain property situate in Reno, Washoe County, Nevada, more particularly described as follows, to-wit:

Commencing at a point on the Northerly line of Second Street 50 feet Easterly from the intersection of the Northerly line of Second Street with the Easterly line of an alley running Northerly and Southerly through Block "G" of Pownings Addition to Reno, Nevada; thence Northerly parallel with the Easterly line of said alley to the Southerly line of Church Lane, formerly known as the Humboldt Road thence Easterly along the Southerly line of said Church Lane to it's intersection with the Westerly line of Stevenson Street; thence Southerly along the Westerly line of Stevenson Street to it's intersection with the Northerly line of Second Street; thence Westerly along the Northerly line of Second Street 90 feet, more or less to the point of beginning; said premises being the Easterly 90 feet of Lots 5 and 6 and the Easterly portion of the fractional unnumbered lot adjoining said Lot 5 on the North; all in Block "G" Pownings Addition to the Town, now the City of Reno, according to the official amended map thereof filed in the office of the County Recorder of Washoe County, Nevada, on April 10, 1891.

APN: 011-023-01  
011-023-02  
011-026-04

Document No. 1841332 is provided pursuant to the requirements of NRS 111.312(6).

# EXHIBIT C

DOC # 4627892

28/31/2016 01:39:05 PM

Requested By  
UNIVERSITY OF NEVADA RENO  
Washoe County Recorder  
Lawrence R. Burtress - Recorder  
Fee: \$20.00 RPTT: \$0.00  
Page 1 of 4

APN: 011-023-01  
011-023-02  
011-026-04



## WHEN RECORDED, MAIL TO:

Real Estate Office  
University of Nevada, Reno  
Mail Stop 243  
Reno, Nevada 89557-0243

The undersigned hereby affirms that this document, including any exhibits, submitted for recording does not contain the social security number of any person or persons. (Per NRS 239B.030)

SPACE ABOVE FOR RECORDER'S USE ONLY

## COVENANT OF USE

This COVENANT OF USE is made this 30<sup>th</sup> day AUGUST, 2016, by the BOARD OF REGENTS OF THE UNIVERSITY AND COMMUNITY COLLEGE SYSTEM OF NEVADA on behalf of the University of Nevada, Reno, now known as the BOARD OF REGENTS OF THE NEVADA SYSTEM OF HIGHER EDUCATION on behalf of the University of Nevada, Reno ("Owner") as required by and in favor of the Economic Development Administration, United States of America ("EDA").

WHEREAS, Owner is the owner of certain real property (the "Property") situated in Reno, Washoe County, Nevada, commonly known as 401 East 2nd Street, and more particularly described in Exhibit A:

WHEREAS, EDA made an Offer of Grant dated August 16, 1984 to Owner's predecessor in interest, Old College, EDA Project No. 07-11-02747, to aid in the renovation and remodeling of a portion of an existing building located on the Property;

WHEREAS, as a condition to receiving the Offer of Grant, Old College entered into a certain Property Management Agreement (the "PMA") with the EDA, which PMA was recorded on November 27, 1984 at No. 963906 in the Official Records of Washoe County, Nevada;

WHEREAS, pursuant to 13 CFR § 314.10(d), Owner has requested, and EDA has agreed, to release the Property from EDA's property interests and the restrictive covenants contained in the PMA, except those stated in 13 CFR § 314.10(e)(3).

NOW, THEREFORE, in consideration of EDA's agreement to release the Property from the EDA's property interests and the restrictive covenants contained in the PMA, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Owner, for itself and its successors, covenants and agrees as follows:

1. Pursuant to 13 CFR § 314.10(e)(3), the Property is and shall henceforth be subject to and encumbered by the following covenants: (a) at no time shall the Property be used for inherently religious activities prohibited by applicable federal law; and (b) at no time shall the Property be used for any purpose that would violate the nondiscrimination requirements set forth in 13 CFR § 302.20.

2. Owner stipulates and agrees that the foregoing restrictive covenants constitute a reasonable restraint on alienation of use, control, and possession of or title to the Property given the federal interest expressed herein.

3. The foregoing restrictive covenants shall run with the land and shall bind Owner and its successors in title in and to the Property.

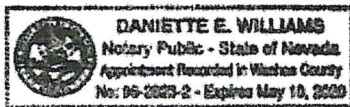
IN WITNESS WHEREOF, Owner has caused this instrument to be executed by its official(s) duly authorized to take such actions on behalf of and binding upon the Owner.


BOARD OF REGENTS OF THE NEVADA SYSTEM  
OF HIGHER EDUCATION on behalf of the University  
of Nevada, Reno

By:   
John V. White  
Chancellor

STATE OF NEVADA )  
COUNTY OF Washoe )

The above instrument was acknowledged before me on this 30th day of August, 2016, by John V. White, Chancellor, acting for the BOARD OF REGENTS OF THE NEVADA SYSTEM OF HIGHER EDUCATION on behalf of the University of Nevada, Reno, who is personally known to me, or proved to me on the basis of satisfactory evidence, to be the person whose name is subscribed to this instrument, and acknowledged that he executed the same on the date hereof as his free and voluntary act in his said capacity and with the full authority and as the free act of the BOARD OF REGENTS OF THE NEVADA SYSTEM OF HIGHER EDUCATION on behalf of the University of Nevada, Reno. I declare under penalty of perjury that the person whose name is ascribed to this instrument appears to be of sound mind and under no duress, fraud or undue influence.



  
Notary Public  
Commission Expires May 10, 2020

## EXHIBIT A

### LEGAL DESCRIPTION OF PROPERTY

All that certain lot, piece or parcel of land situate in the City of Reno, County of Washoe, State of Nevada, described as follows:

#### PARCEL 1:

Beginning at the intersection of the Northern line of Church Lane with the Western line of the parcel of land described in the deed to the City of Reno, recorded in Book 270, File No. 191237, Deed Records; thence along said Northern line of Church Lane the two following courses and distances; thence South 84°14' West 61.59 feet and South 84°29' West 162.38 feet; thence North 11°52'15" West 100.00 feet; thence South 76°11' 1 West 50.85 feet to the Western line of the Lane property thence Northerly 11°53'20" West along the last mentioned line 64.51 feet, more or less, to the Southern right of way line of the Central Pacific Railroad; thence North 76°11' East along the last mentioned line 290.90 feet to said Western line of the City of Reno parcel; thence South 6°52' East along the last mentioned line 197.91 feet to the point of beginning. Reference is made to License Survey No. 205716.

AND

Beginning at the intersection of the Northern line of Church Lane with The Western line of the parcel of land described in the deed to RNI BUILDING CORPORATION recorded in Book 414, File No. 260556, Deed Records; thence along said RNI BUILDING CORPORATION parcel the two following courses and distances; North 11°52'15" West 100.00 feet and South 11°53'20" East along the last mentioned line 92.61 feet, more or less, to said Northern line of Church Lane; thence North 84°29' East along the last mentioned line 51.10 feet to the point of beginning. Reference is made to License Survey No. 205716.

#### PARCEL 2:

All that certain real property situate, lying and being in the City of Reno, County of Washoe, State of Nevada, and particularly described as follows, to-wit:

Beginning at the intersection of the North line of Second Street with the Easterly line of an alley running Northerly and Southerly through Block "G" as shown on the AMENDED MAP OF POWNINGS ADDITION TO THE TOWN, NOW CITY OF RENO, filed in the office of the County Recorder of Washoe County, State of Nevada, on April 10, 1981; thence Easterly along the North line of Second Street, 50 feet; thence Northerly, parallel with the East line of said alley, to the South line of Church Lane, to the Easterly line of said alley; thence Southerly, along the East line of said alley, to the point of beginning; said premises being the West 50 feet of Lots 5 and 6 and the West 50 feet of the fractional unnumbered lot adjoining said Lot 5 on the North, all in Block "G", as shown on the above mentioned map.

[continued on next page]



PARCEL 3:

All that certain property situate in Reno, Washoe County, Nevada, more particularly described as follows, to-wit:

Commencing at a point on the Northerly line of Second Street 50 feet Easterly from the intersection of the Northerly line of Second Street with the Easterly line of an alley running Northerly and Southerly through Block "G" of Pownings Addition to Reno, Nevada; thence Northerly parallel with the Easterly line of said alley to the Southerly line of Church Lane, formerly known as the Humboldt Road thence Easterly along the Southerly line of said Church Lane to it's intersection with the Westerly line of Stevenson Street; thence Southerly along the Westerly line of Stevenson Street to it's intersection with the Northerly line of Second Street; thence Westerly along the Northerly line of Second Street 90 feet, more or less to the point of beginning; said premises being the Easterly 90 feet of Lots 5 and 6 and the Easterly portion of the fractional unnumbered lot adjoining said Lot 5 on the North; all in Block "G" Pownings Addition to the Town, now the City of Reno, according to the official amended map thereof filed in the office of the County Recorder of Washoe County, Nevada, on April 10, 1891.

APN: 011-023-01  
011-023-02  
011-026-04

Document No. 1841322 is provided pursuant to the requirements of NRS 111.312(6).



COURTESY DON J CLARK GROUP

A skyline view rendering of the \$1.28 billion project proposed for downtown Reno.

# \$1.28 billion development unveiled

*West 2nd District project would change downtown skyline*

By Annie Conway  
aconway@nnbw.biz

The Don J Clark Group (DJCG) recently unveiled its proposal for a \$1.28 billion downtown development called the West 2nd District.

The development as presented to the Reno City Council and northern Nevada community in late April, consists of 30 new mixed-use buildings, a new park, plazas and walkable streets as well as 1,900 residential units, 450,000 square feet of office space and 250,000 square feet of retail space. The proposed development also includes an on-site central plant and wastewater treatment infrastructure. The 17-acre proposed development would be located in the City's Redevelopment Agency District 1.

The area would include gigabyte fiber connectivity and the buildings will be built to seismic standards to help create a downtown with economic, environmental and community sustainability, according to a press release.

DJCG projects that the development will create more than 6,500 construction and permanent jobs. The developers plan to build the development in a series of phases over the course of the next six- to 10-years.

The developers are using their own capital to fund the project through a mix of capital investors and individual investors who will take on the debt.

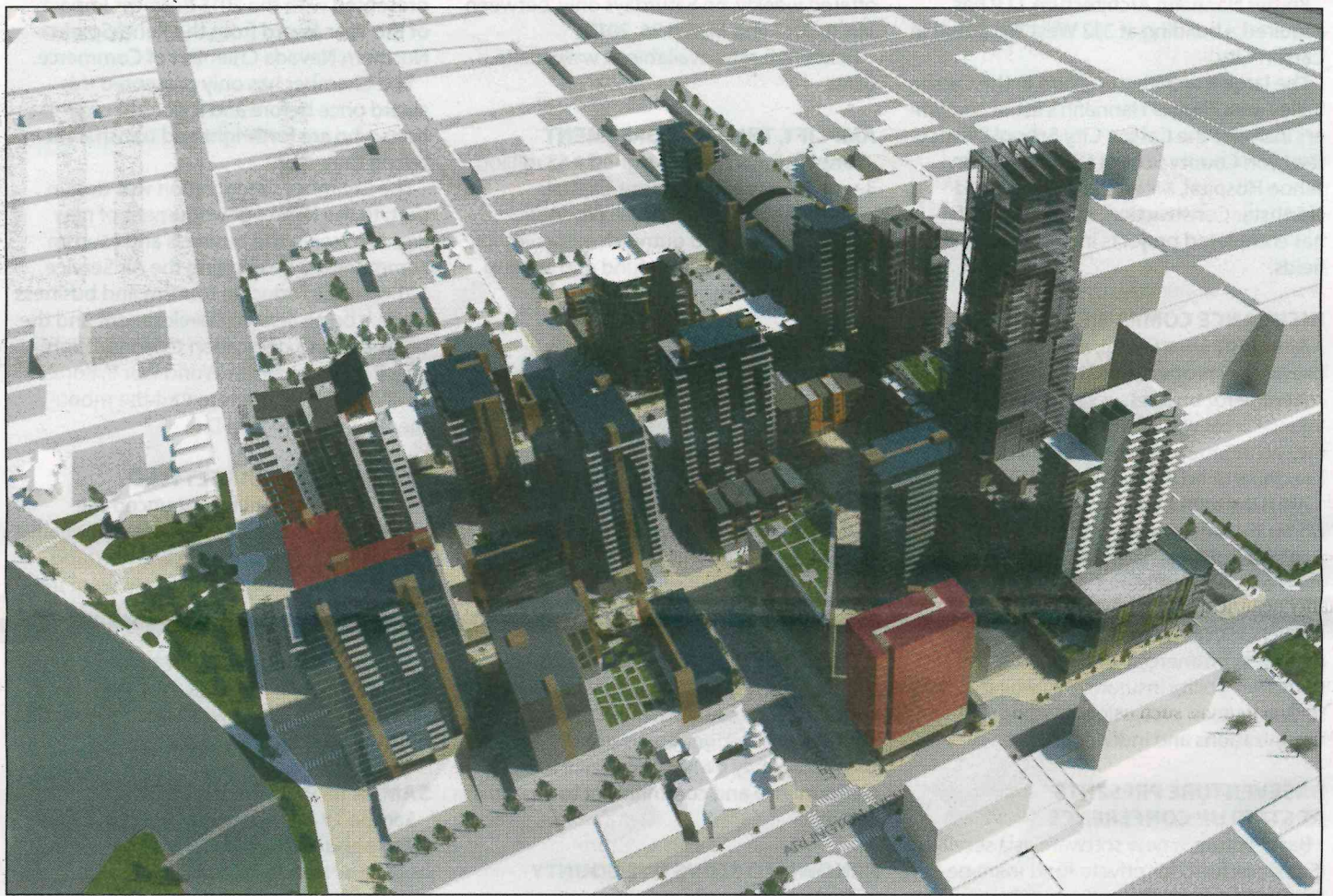
In a phone interview with NNBW, Colin Robertson, partner at DJCG and the director of communications and strategy, explained that if all the buildings are built according to their master plan then it will cost a net of \$97 million. They estimate that the development will be worth \$1.28 billion dollars at the end of the 10 years.

Unlike many other developments, they are not asking the city for a bond to pay for the infrastructure.

"We will take on the risk and spend (the money for the infrastructure) up front," Robertson said.

However, since the property tax value on the properties will increase in value by a wide margin after the development of the area, DJGC is asking the City to reimburse them for the infrastructure. If approved, the increase of property tax values will first go toward paying off the \$23.5 million of debt in the Redevelopment Agency District 1 and then after that is paid down, DJGC will start getting reimbursed. If the development is not successful the City would not have to reimburse the money.

DJCG has created a team of local and national architects, developers, engineers



COURTESY DON J CLARK GROUP

A rendering of the West 2nd District project proposed by Don J Clark Group.

and contractors many of which spoke at the April 27 city council meeting.

Robertson called the project a "community built by a community," during the presentation to the city council.

Several members of the business community spoke in favor of the project during the public comment period of the meeting.

"I am truly excited about the timeline of this project because the city needs to change sooner rather than later," Jens Peter Clausen, vice president of the Tesla Gigafactory, said at the meeting.

"This project really has vision," Doug Erwin, vice president of entrepreneurial development for EDAWN, said. "It has solid core values and resonates with entrepreneurs and Millennials."

Other business members who spoke in support of the development included Jennifer Cunningham, interim managing director for the Reno-Sparks Convention and Visitors Authority (RSCVA), Mike Kazmierski, CEO and president of EDAWN and Mark Anderson, head of general affairs for Panasonic.

However, the project is not without concern and skepticism from the council and the community.

Chris Harper, a downtown apartment owner within the 17-acres DJCG is planning to develop, expressed concerns about his property and effects the development

will have on his own personal plans to develop his property.

According to Don Clark, founder of DJCG and founder of Cathexes Architecture, DJCG already owns or is in control of many of the properties within the 17-acres where the West 2nd District will be developed. They are working with other property owners to acquire the rest of the properties.

However, it is not an all or nothing deal. According to Clark, even if they do not acquire all of the properties they will still go ahead with as much of the development as they can.

They are already preparing to break ground on their first building within the next two- to three weeks. The building is designed to be a 28-unit upscale condominium building located at 235 Ralston St., with retail space on the first floor. Since each building in the development will be its own LLC, they will not need approval for the full development before starting on their first building.

"We are in full stride," Clark said.

For the public to learn more about the project, the DJCG staff will host a series of open houses every Thursday through June 2 from noon to 1 p.m. at their offices at 250 Bell Street. DJCG will also host walking tours Saturdays, April 30-June 4 with the exception of Saturday, May 28.

With many failed developments in

Reno's history, Mayor Hillary Schieve and the council members are approaching the project with cautiousness before agreeing to a legal agreement with the developers. The council said it was important to fully understand the exposure to both the City of Reno and the developers as well as the exposure to the public.

"I still have a healthy amount of skepticism about it as everyone in this room should have," Councilman David Bobzien said after the presentation.

The council members said they expect the presentation to be the first of many discussions about the development at future Reno City Council meetings.

"I would like to see this process very transparent," Councilwoman Jenny Brekhus said.

At the April 27 meeting, the City Council passed a motion with a 4-to-2 vote directing staff to come back at the next Redevelopment meeting on May 25 with more information from the project team to help move staff through the due diligence period and better inform the city's decision of whether or not to move forward with drafting a Disposition and Development Agreement (DDA).

For more information, visit <http://dj-clarkgroup.com> or visit <http://www.reno.gov/home/showdocument?id=59315> to see DJCG's PowerPoint presentation from the city council meeting.

# EXHIBIT 8

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION PERTAINING TO THE APPROVAL OF THE SALE OF REAL PROPERTY, LOCATED AT 401 WEST SECOND STREET, RENO NEVADA, WASHOE COUNTY ASSESOR #'S 011-026-04, 011-023-02, 011-023-01 TO SECUNDO VITA, LLC FOR THE PURCHASE PRICE OF \$7,000,000, AND TO THE AUTHORIZATION OF CHANCELLOR JOHN WHITE OR HIS DESIGNEE, TO APPROVE AND SIGN THE CORRESPONDING ESCROW AND TITLE DOCUMENTS ASSOCIATED WITH THE TRANSFER OF THE PROPERTY DEED AFTER CONSULTATION WITH AND REVIEW BY THE VICE CHANCELLOR OF LEGAL AFFAIRS.**

**BE IT RESOLVED** that the Board of Regents approves the request to sell real property identified as Washoe County, NV APN #' 011-026-04, 011-023-02, 011-023-02 to Secundo Vita, LLC for the Purchase price of \$7,000,000.

**BE IT FURTHER RESOLVED** that the Board of Regents hereby authorizes Chancellor John White, or his Designee, after consultation with and review by the Vice Chancellor of Legal Affairs, to approve and sign the corresponding escrow and title documents associated with the sale of real property.

PASSED AND ADOPTED on \_\_\_\_\_, 2016.

\_\_\_\_\_  
Chairman  
Board of Regents of the  
Nevada System of Higher Education

(SEAL)  
Attest:

\_\_\_\_\_  
Chief Executive Officer to the  
Board of Regents