



JOHNSON | PERKINS | GRIFFIN
REAL ESTATE APPRAISERS & CONSULTANTS

AN APPRAISAL
OF THE

MARKET RENT

OF A

TYPICAL NEVADA PIER SITE

AND

TYPICAL NEVADA BUOY SITE

OWNER OF BOTTOM OF LAKE TAHOE

STATE OF NEVADA

PREPARED FOR

NEVADA DIVISION OF STATE LANDS

FOR THE PURPOSE OF
ESTIMATING MARKET RENTS

AS OF
JULY 1, 2018



JOHNSON | PERKINS | GRIFFIN
REAL ESTATE APPRAISERS & CONSULTANTS

245 E. Liberty Street, Suite 100, Reno, NV 89501
775.322.1155 | Fax 775.322.1156 | jpgnv.com

Stephen R. Johnson, MAI, SREA
Reese Perkins, MAI, SRA
Scott Q. Griffin, MAI
Cindy Lund Fogel, MAI
Sarah K. Fye, MBA

August 8, 2018

Via Email: cdonohue@lands.nv.gov

State of Nevada
Department of Conservation and Natural Resources
Division of State Lands
Charlie C. Donohue, Administrator
901 South Stewart Street, Suite 5003
Carson City, Nevada 89701

Re: An Appraisal of the Market Rent of a typical Pier Site and Buoy Site located on the Nevada Side of the Lake Tahoe Basin

Dear Mr. Donohue:

This report is in response to your request for an appraisal of the Market Rent of a typical pier site and buoy site situated on the Nevada side of the Lake Tahoe Basin as of a current date of valuation. This analysis addresses the ownership interest of the State of Nevada relative to the bottom of Lake Tahoe. The State of Nevada owns the bottom of Lake Tahoe below the elevation of 6,223 feet.

The purpose of this appraisal is to estimate the Market Rent of the site of a typical pier and buoy located on the Nevada side of the Lake Tahoe Basin. The client of the appraisal report is Mr. Charlie C. Donohue, Administrator of the Nevada Division of State Lands. The intended users of this appraisal report include Mr. Donohue, representatives of the Nevada Division of State Lands and the appropriate committees and agencies who will be setting the Market Rents. The intended use of this appraisal is to assist the clients in establishing new rental rates for piers and buoys on the Nevada side of the Lake Tahoe Basin. This appraisal may also be used to assist in establishing the rental rates of other utilizations within the Lake Tahoe Basin. Any other use of the appraisal report requires the prior written authorization of these appraisers.



JOHNSON | PERKINS | GRIFFIN
REAL ESTATE APPRAISERS & CONSULTANTS

Please be advised that in accordance with the requirements of the *Uniform Standards of Professional Appraisal Practice*, we have not performed services as an appraiser or in any other capacity regarding the property that is the subject of this appraisal, within the three year period immediately preceding the date of this appraisal.

This is an Appraisal Report and adheres to the reporting requirements set forth under Standards Rule 2-2(a) of the *Uniform Standards of Professional Appraisal Practice* for an Appraisal Report. As such, it presents summary discussions of the data, reasoning and analyses that are used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the subject data, reasoning and analyses will be retained in these appraisers' files. The depth of the discussion contained in the report is specific to the needs of the client and for the intended use as stated herein. This appraisal firm is not responsible for unauthorized use of the report.

After careful consideration of all data available, and based upon the personal investigation of the subject properties and comparable properties analyzed, it is our opinion that the Market Rent of the subject lease sites, assuming triple net lease terms, as of July 1, 2018, is as set out following:

FINAL TYPICAL PIER SITE RENTAL CONCLUSION

\$12,000 PER YEAR

TYPICAL BUOY SITE RENTAL CONCLUSION

\$ 525 PER YEAR

Respectfully Submitted,

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

Carson Cooke
Research Assistant



TABLE OF CONTENTS

SUMMARY OF SALIENT FACTS AND IMPORTANT CONCLUSIONS	1
PURPOSE OF APPRAISAL	2
SCOPE OF APPRAISAL	3
EXTRAORDINARY ASSUMPTIONS	4
REGIONAL MAP – LAKE TAHOE BASIN	5
LAKE TAHOE BASIN – NEVADA DIVIDE	6
LAKE TAHOE BASIN AREA DESCRIPTION	7
HIGHEST AND BEST USE ANALYSIS	29
INTRODUCTION TO VALUATION	30
PIER SITE RENTAL ANALYSIS	31
COMPARABLE LAKE TAHOE MARINA BUOY RATES	43
COMPARABLE MARINA PROFILE SHEET	44
BUOY RATE COMPARISON AND ANALYSIS	54
BUOY RENTAL RATE CORRELATION CONCLUSION	56
BUOY COST ANALYSIS	58
BUOY SITE RENTAL CONCLUSION	60
TEST OF REASONABLENESS	61
COMPARABLE LAKEFRONT SALES CHART	62
FINAL RENTAL CONCLUSION SUMMARY	64
APPRAISER'S CERTIFICATION	65
STANDARD ASSUMPTIONS AND LIMITING CONDITIONS	67
QUALIFICATIONS OF APPRAISER	74



SUMMARY OF SALIENT FACTS AND IMPORTANT CONCLUSIONS

Subject Properties

A Typical Pier Site
A Typical Buoy Site

Location

Nevada side of the Lake Tahoe Basin

Owners

State of Nevada, below 6,223 feet

Property Type

Recreation

Improvements

None

Property Rights Appraised

The rights to utilize the bottom of Lake Tahoe for the installation of piers and buoys

Highest and Best Use

Use for piers or buoys extending out into Lake Tahoe

Date of Inspection

June 26, 2018

Effective Date of Valuation

July 1, 2018

Completion Date of Appraisal

August 8, 2018

FINAL MARKET RENT CONCLUSIONS

TYPICAL PIER SITE

\$12,000 PER YEAR

TYPICAL BUOY SITE

\$ 525 PER YEAR



PURPOSE OF APPRAISAL

We have been requested to address the Market Rent of a typical pier site and buoy site situated on the Nevada side of the Lake Tahoe Basin. The State of Nevada owns the lake bottom of Lake Tahoe below the elevation of 6,223 feet. In the two rental scenarios addressed in this appraisal, the lake bottom would be utilized as the site for a pier or a buoy.

VALUE ADDRESSED

MARKET RENT

Definition of Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).¹

CLIENT

Nevada Division of State Lands

INTENDED USERS

State of Nevada and the committees and agencies which are tasked with setting the appropriate rents for the piers and buoys.

INTENDED USE

This report is intended to assist in establishing new lease rates for the lake bottom for pier and buoy utilizations on the Nevada side of the Lake Tahoe Basin.

DATES OF APPRAISAL

Date Description	Date
Dates of Inspection	June 26, 2018
Effective Date of Value	July 1, 2018
Completion Date of Appraisal	August 8, 2018

¹ Source: The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, 2015, page 140.



SCOPE OF APPRAISAL

The preparation of this appraisal included:

- Identification, inspection and analysis of the subject properties;
- Meetings with the representatives of the Nevada Division of State Lands;
- Reviewing all information gathered by the Nevada Division of State Lands;
- Completion of a Highest and Best Use Analysis for the subject property;
- Interviews with knowledgeable local Real Estate Brokers, Realtors, Buyers and Sellers with extensive knowledge of the Nevada lakefront (littoral) properties in the Lake Tahoe Basin;
- Interviews with individuals regarding the regulatory process of obtaining a new pier or buoy;
- Interviews with contractors, engineers and other consultants regarding the cost of constructing a lakefront pier or installing a buoy in Lake Tahoe;
- Surveying the current rental rates being charged by the major marinas located around the Lake Tahoe Basin;
- Completing a Land Residual Analysis to arrive at an estimate of the Market Rent of a typical Nevada pier;
- Completion of an Income Approach Residual Analysis resulting in an indication of the appropriate market rent for a typical buoy site on the Nevada side of the Lake Tahoe Basin;
- Preparation of the Appraisal report.



EXTRAORDINARY ASSUMPTIONS

An Extraordinary assumption is defined as “An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser’s opinions or conclusions.”²

In the preparation of this appraisal, no extraordinary assumptions were made.

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 purposes of analysis.”³

In the preparation of this appraisal assignment, no hypothetical conditions were utilized.

² Source: USPAP 2018-2019 Edition, Definitions; The Appraisal Foundation, Page 4.

³ Source: USPAP 2018-2019 Edition, Definitions; The Appraisal Foundation, Page 4.



JOHNSON | PERKINS | GRIFFIN
REAL ESTATE APPRAISERS & CONSULTANTS

REGIONAL MAP – LAKE TAHOE BASIN





JOHNSON | PERKINS | GRIFFIN
REAL ESTATE APPRAISERS & CONSULTANTS

LAKE TAHOE BASIN – NEVADA DIVIDE





LAKE TAHOE BASIN AREA DESCRIPTION

The Lake Tahoe Basin is situated in the Sierra Nevada's on the Nevada-California border, approximately 200 miles northeast of San Francisco and approximately 40 miles southwest of Reno.

An estimated two-thirds of Lake Tahoe lies within California and approximately one-third lies within Nevada. The maximum elevation of the lake level is legally regulated at 6,229.10 feet. Many of the surrounding mountain peaks exceed 10,000 feet. Lake Tahoe is 21½ miles long and 12 miles wide. It has a 71± mile shoreline and a maximum depth of 1,645 feet. The surface covers 190 square miles, and the lake contains more than 122 million acre-feet of water. Lake Tahoe is the tenth deepest lake in the world and the second clearest in the United States. The unique recreational amenity provided by the lake itself and the dramatic prospect offered by the surrounding mountains attract hundreds of thousands of tourists each year.

The U. S. Forest Service owns more than 70% of the land area within the Lake Tahoe Basin. Private ownerships are estimated to control less than 20% of the land within the Basin. Most of the remaining land is owned either by state or local governments. The lands within the Tahoe Basin which are under public ownership (sovereign lands) they are available for use by the general public. These public or sovereign lands provide numerous opportunities for outdoor recreational activities including hiking, biking, camping, water sports, beach recreation, and sightseeing. These public or sovereign lands are the foundation of the recreational market which drives the economy of the Lake Tahoe Basin. The public or sovereign lands provide access to the general public to Lake Tahoe, the local water ways, and the public lands.

Climate

The Lake Tahoe Basin enjoys an average of 273 fair days each year. It has an average annual precipitation of 31.47 inches at lake level and an average annual snowfall of 190.7 inches. During the winter months, the average temperature is approximately 22 degrees, while the average summer daytime temperature is around 78 degrees. Because of the relatively moderate weather patterns, the Lake Tahoe Basin is a popular year-round destination resort.

Access

Several major highways serve the Lake Tahoe area. U.S. Highway 50 provides direct access to the south shore from Sacramento, entering the Basin at Echo Summit. From the City of South Lake Tahoe, this highway runs north along the east shore of the lake to Spooner Summit,



and then descends the eastern slope of the Carson Range of the Sierra Nevada to its intersection with U.S. Highway 395, just south of Carson City, Nevada.

Interstate 80, which connects San Francisco to Reno and other points east, passes approximately 15 miles north of Lake Tahoe. Access to Lake Tahoe from Interstate 80 is by means of two state highways, both heading in a southerly direction from their intersection with Interstate 80 at Truckee, California. California State Route 89 provides direct access to Tahoe City and the west shore of Lake Tahoe. From Tahoe City, State Route 89 continues southerly along the west shore and joins U.S. Highway 50 in South Lake Tahoe. From the South Lake Tahoe/Meyers area, State Route 89 leaves U.S. Highway 50 and crosses Luther Pass to its intersection with California State Route 88 in Hope Valley and its intersection with U. S. Highway 395 near Coleville in Mono County, California. From Interstate 80, California State Route 267 provides direct access to Kings Beach on the north shore of Lake Tahoe near the Nevada state line.

The Mount Rose Highway provides direct access to Incline Village, Nevada and the north shore of Lake Tahoe from U.S. Highway 395, which lies to the east. U.S. Highway 395 runs along the western shelf of the Great Basin directly east of the Sierra Nevada Mountains. This highway connects the southern California area with the City of Reno, northern California, Oregon, and Washington. From Incline Village, Nevada, State Route 28 runs westerly and then southerly along the shoreline of Lake Tahoe, terminating at Tahoe City, California. Nevada State Route 28 also runs easterly and then southerly along the Eastern Shore of Lake Tahoe, until it connects with U.S. Highway 50 near Spooner Summit.

Finally, access to the south shore area is also available by way of Kingsbury Grade, which is a state-maintained road. It extends westerly from the Carson Valley over Daggett Pass and terminates at its intersection with U.S. Highway 50 in Stateline, Nevada just north of the California state line. In the Carson Valley, Kingsbury Grade is easily accessible from U.S. Highway 395 and from Nevada State Route 88.

All of the highways located within the Basin are two-lane, two-way, asphalt-paved roadways, with the exception of portions of U. S. Highway 50, which expands to a four-lane roadway. The winter maintenance of the roadways in the Lake Tahoe Basin is very good, with most highways remaining open throughout the winter months. The roadways most susceptible to



winter closures are State Route 89 through Emerald Bay, the Mount Rose Highway at Mount Rose Summit, and Kingsbury Grade.

In summary, the Lake Tahoe Basin is easily accessible by automobile, particularly from the major metropolitan areas of northern California and northern Nevada.

Commercial Transportation

While transportation into the Lake Tahoe Basin is primarily by private auto, it is also serviced by various bus lines and commercial airlines. The south shore is serviced by the Lake Tahoe Airport, which is located adjacent to U.S. Highway 50 at the south end of the City of South Lake Tahoe. This airport, which is operated by the City, offers an 8,542 foot runway, tie-down facilities, a terminal building and hangar storage. This airport has a modern instrumentation system to better facilitate landing in adverse weather. It does not currently offer commercial air service.

The west and north shores are served by the Truckee-Tahoe Airport. This airport is located adjacent to State Route 267, just southeast of the town of Truckee, California, and approximately 15 miles north of Kings Beach, California. Scheduled commercial air service is not available at this airport.

The entire Lake Tahoe Basin is also serviced by the Reno-Tahoe International Airport. Regularly scheduled bus and limousine service is available from this airport to various portions of the Lake Tahoe Basin.

Tahoe Regional Planning Agency (TRPA)⁴

Lake Tahoe and the surrounding land areas that comprise the lake's watershed are generally referred to as the Lake Tahoe Basin. Land use within the Lake Tahoe Basin is strictly regulated by the Tahoe Regional Planning Agency (TRPA). It is important that the reader have at least a basic understanding of the TRPA.

The popularity of the Lake Tahoe Basin has created an altered watershed. The positive economic effects of popularity are shadowed by conditions that have the potential to harm Lake

⁴ www.trpa.org



Tahoe water resources. Planning land uses to accommodate economic growth and vitality ensures that protective measures are taken to maintain a healthy watershed.

The TRPA was created initially in 1969 as a bi-state agency via concurrent legislation adopted by California and Nevada and by the Congress and signed by the President. The original legislation was dramatically modified when amended by the states and Congress in 1980. Under the 1980 amended statute, all activities with a potential for an impact on the environment of the Tahoe Region must be reviewed and approved by the TRPA based on a determination that there will be no negative impact or violation of adopted environmental threshold carrying capacities of the Region.

The *Tahoe Regional Planning Compact* calls for the Regional Plan to establish a balance between the natural environment and the human-made environment. The Plan emphasizes an improvement in the quality of development in the Region and in the quality of the natural environment.

Environmental Thresholds Carrying Capacities set environmental goals and standards for the Lake Tahoe Basin and indirectly define the capacity of the Region to accommodate additional land development. Land development may negatively affect attainment of an environmental threshold. Special efforts, such as mitigation measures, must be taken to reduce impacts.

The Regional Plan Goals and Policies document presents the overall approach to meeting the thresholds. A key component of the Plan is the land use element. The land use element of the Plan identifies the fundamental philosophies directing land use and development in the Lake Tahoe Basin. It addresses topics like suitable development locations; maintenance of the environmental, social, physical, and economic well being of the region; and coordination with local, state, and federal requirements.

The Land Use Element of the Lake Tahoe Regional Plan includes the following sub-elements: land use, housing, noise, natural hazards, air quality, water quality, and community design. The Land Use sub-elements intend to establish land use goals and policies that will ensure the desired equilibrium and attain and maintain the environmental thresholds within a specific time schedule.



A number of regulations are needed to implement and enforce policies identified in the Plan. The TRPA Regulatory Code compiles all of the laws and ordinances needed to implement the Goals and Policies.

Related to the Code are Plan Area Statements and Community Plans. Plan Area Statements provide a description of land use for particular areas in the Basin. The Lake Tahoe Region is divided into more than 175 separate Plan Areas. For each Plan Area, a “statement” is made as to how that particular area should be regulated to achieve environmental and land use objectives. Community Plans are similar to Plan Area Statements, but focus on specific areas where humans dwell.

In implementing its Regional Plan and Ordinances which regulate the nature, types, and amount of land uses which may be permitted on lands within the Tahoe Basin, the TRPA limits the amount of Commercial Floor Area, Tourist Accommodation Units and impervious land coverage which may exist within the Lake Tahoe Basin.

Commercial Floor Area (CFA) is gross building area of any commercial building located within the Lake Tahoe Basin. In order to construct a new commercial building, a property owner must have the rights to an amount of CFA equal to the gross building area of the building. Chapter 33, Section 3 of the TRPA Code of Ordinances States, “No person shall construct a project or commence a use, which creates additional commercial floor area, without first receiving an allocation approved by the TRPA.” After this remaining allocation is dispensed, no additional CFA will be allowed under present ordinances.

Much like CFA, the amount of impervious ground coverage, more commonly referred to as land coverage, allowed within the Lake Tahoe Basin is strictly regulated. Land coverage is defined by the TRPA as “a man-made structure, improvement or covering, either created before February 10, 1972 or created after February 10, 1972 pursuant to either TRPA Ordinance No. 4, as amended, or other TRPA approval, that prevents normal precipitation from directly reaching the surface of the land underlying the structure, improvement or covering. Such structures, improvements and coverings include but are not limited to roofs, decks, surfaces that are paved with asphalt, concrete or stone, roads, streets, sidewalks, driveways, parking lots, tennis courts, and patios. A structure, improvement or covering shall not be considered as land coverage if it permits at least 75 percent of normal precipitation directly to reach the ground and permits growth of vegetation on the approved species list.”



The maximum amount of land coverage allowed on a parcel is determined by the TRPA. Land coverage is a marketable development right that can be sold within the Lake Tahoe Basin under a complex set of rules and regulations.

Like CFA and land coverage, the number of Tourist Accommodation Units (TAUs) allowed within the Lake Tahoe Basin is strictly regulated. A TAU is defined by Chapter 2 of the TRPA Code of Ordinances as “One bedroom, or a group of two or more rooms with a bedroom, with or without cooking facilities, primarily designed to be rented by the day or week and occupied on a temporary basis.” TAUs are a marketable development right and can be sold within the Lake Tahoe Basin.

It should be noted that the Lake Tahoe Regional Plan Update to the 1987 Regional Plan was approved by the TRPA Board on December 12, 2012. A lawsuit was subsequently filed by environmental groups that are opposed to the Regional Plan Update. This litigation has now been resolved and the new Regional Plan is moving forward. The update retains the regulatory framework from the existing 1987 Regional Plan, while making targeted amendments to accelerate threshold attainment and respond to current conditions. One of the many goals in the Regional Plan Update is to streamline the planning and permitting process by implementation of Area Plans. Through the establishment of Area Plans, local government agencies will be more active in the permitting process on a parcel level basis, while the TRPA will focus their efforts on regional priorities.

Overall, TRPA’s rules and regulations greatly restrict the development potential of properties located within the Lake Tahoe Basin.

Tourism

Tourism is the basic industry of the Lake Tahoe Basin, with most visitors drawn to the area by the numerous outdoor recreational opportunities available, the gaming and the natural scenic beauty. The outdoor recreational opportunities are possible as 80% of the Lake Tahoe Basin is public or sovereign lands which provide access to the public for the numerous outdoor recreational opportunities.

The outdoor recreational opportunities include fishing, water skiing, bicycling, swimming, horseback riding, golfing, river rafting, hiking and backpacking, hunting, boating,



snow skiing, snowboarding, ice skating, and sightseeing. The Lake Tahoe area has the largest concentration of ski resorts in the world, including 14 resorts with more than 175 lift facilities.

The following is a table of the ski resorts in the Lake Tahoe region, including ski runs, lifts, base elevation, etc.

LAKE TAHOE SKI RESORTS					
Resort	Location	Lifts	Ski Runs	Longest Run (mi.)	Skiable Area (Ac.)
Alpine Meadows	North Shore, Lake Tahoe	13	100	3.4	2,400
Boreal Ski Resort	Just west of Truckee, California	8	41	1	380
Diamond Peak Ski Resort	Incline Village, Nevada	6	30	2.5	655
Donner Ski Ranch	Just west of Truckee, California	6	52	1.5	505
Heavenly Mountain Resort	South Shore, Lake Tahoe	30	97	5.5	4,800
Homewood Mountain Resort	West Shore, Lake Tahoe	7	60	2.0	1,260
Kirkwood Mountain Resort	35 miles S. of South Lake Tahoe	15	65	2.5	2,300
Mt. Rose Ski Tahoe	30 miles west of Reno, Nevada	8	60	2.5	1,200
Northstar At Tahoe	Between Truckee and North Shore Lake Tahoe	19	93	1.4	2,904
Sierra At Tahoe	12 miles south of South Lake Tahoe	11	46	2.5	2,000
Soda Springs	Just west of Truckee, California	4	12	N/A	200
Squaw Valley Ski Resort	North Shore, Lake Tahoe	33	177	3.2	4,000
Sugar Bowl Ski Resort	10+- miles west of Truckee, California	13	94	3	1,500
Tahoe Donner	Truckee, California	5	14	N/A	120
Totals		178	941		24,224

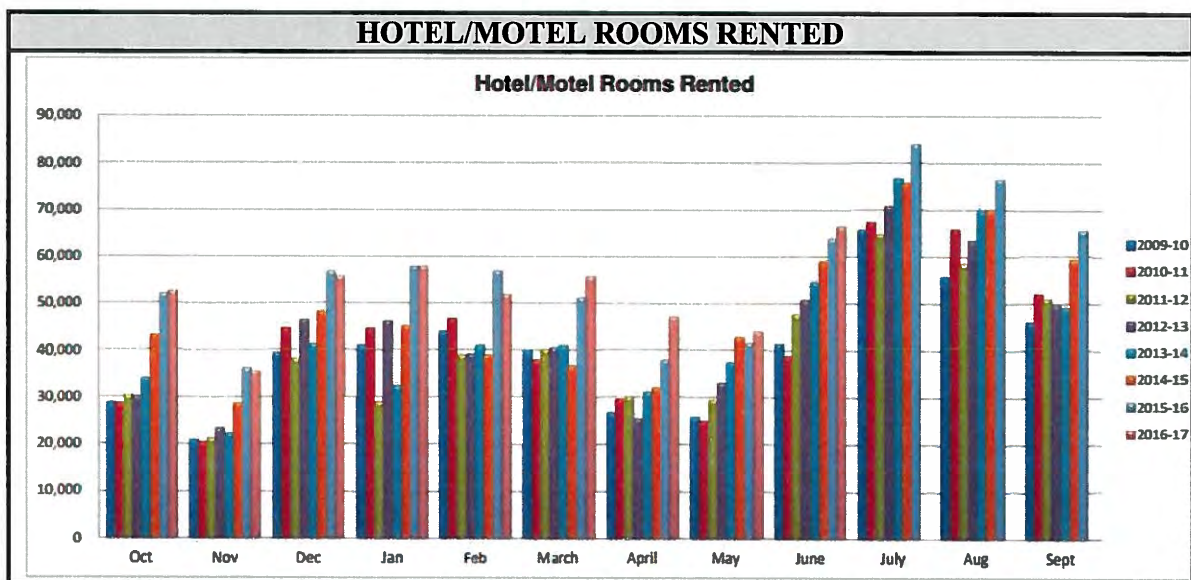
As indicated from the table, the largest ski resorts in the Lake Tahoe region are Heavenly Mountain Resort and Squaw Valley Ski Resort. While Squaw Valley features the largest ski resort in the region in terms of number of runs and lifts, Heavenly Mountain Resort offers the most skiable terrain. Heavenly Mountain Resort, Kirkwood, and Northstar at Tahoe are owned by Vail Resorts. Alpine Meadows, Homewood Ski Resort, and Squaw Valley have been merged into one ownership. The acquisitions of Northstar and Kirkwood by Vail Resorts and the merger of the three resorts on the west and north shores of Lake Tahoe are indicative of the competition to capture the skier demand within the Tahoe region. In addition, all six of these ski resorts have master plans either approved or in the approval process for major enhancements of the existing ski areas, as well as major real estate projects that involve hotels, single family residential, multi-family condominiums, specialty retail, etc.

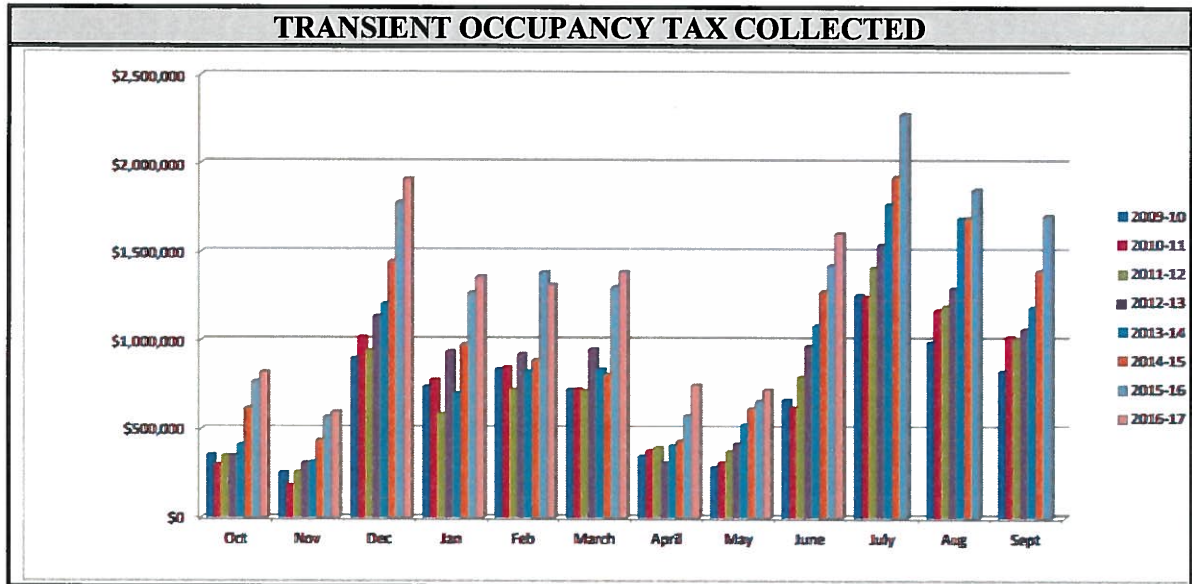


Winter weather patterns are extremely important to the economy of the Lake Tahoe Basin. The resorts are able to mitigate dry winters to some extent with sophisticated snowmaking equipment. However, the equipment essentially is only a hedge against a slow start for the winter season months of November through mid-December. By January, the resorts typically have ample natural snow to open the majority of ski runs.

The lodging market within the Tahoe Basin is very seasonal. The summer season is the busiest time of year due to the cool summer temperatures, numerous outdoor activities, and the casinos. Occupancy levels in the overall market during July and August are approximately 80% to 90%. The winter months are also a busy time of year, with the highest occupancy levels on the weekends and holiday weekends. However, during the shoulder months of October, November, most of December, part of April, May, and the first half of June, occupancy levels typically drop significantly.

In general, older motels in the Basin are most affected by the seasonal demand base. These facilities have been achieving occupancy levels as low as 30% to 35% annually, or less. On the other hand, the higher quality lodging properties that are well managed apparently are somewhat less affected by the seasonal demand base. The following table contains historical utilization levels among lodging facilities in South Lake Tahoe.





The demand for lodging is driven almost exclusively from tourism. In addition to ski resorts, there are numerous public beaches, campgrounds, and picnic areas around the perimeter of the lake. These are generally operated by local governments, state governments or the U.S. Forest Service. In several areas of the Lake Tahoe Basin, paved scenic bike paths have been developed, and others are planned for the future. Public golf courses are located at Tahoe City, Kings Beach, Incline Village, and in the South Lake Tahoe area.

There are also numerous marinas along the shores of Lake Tahoe, most of which offer a complete line of power and sailboat rentals, as well as water skis and equipment. Several of these marinas operate regularly scheduled or charter boat cruises around the lake, including dinner, sunset, and cocktail cruises.

Due to strict environmental standards, it is highly unlikely that a new marina would be approved within the Lake Tahoe Basin. Accordingly, the existing marinas operate with low vacancy factors during the summer months. During the winter months, Tahoe marinas either cease or greatly scale back operations. A list of the Marinas and their services is presented as follows:



LAKE TAHOE MARINAS							
Location	Marina	Number of Boat Slips	Buoy	Fuel	Launch Facility	Pump Facility	Boat Storage
North Shore	North Tahoe Marina	17	Yes	Yes	Yes	Yes	Yes
	Sierra Boat Company	118	Yes	Yes	Yes	Yes	Yes
	Tahoe City Marina	240	Yes	Yes	Yes	Yes	Yes
West Shore	Sunnyside	25	Yes	Yes	Yes	Yes	Yes
	Homewood	0	Yes	Yes	Yes	Yes	Yes
	Obexer's Boat Company	40	Yes	Yes	Yes	Yes	Yes
	Meeks Bay	110	No	No	Yes	Yes	No
South Shore	Camp Richardson	0	Yes	Yes	Yes	No	No
	Tahoe Keys	239	No	Yes	Yes	Yes	Yes
	Lakeside Marina	60	Yes	Yes	Yes	No	No
	Ski Run Marina	25	Yes	No	No	No	No
East Shore	Round Hill Pines	0	Yes	No	No	No	Yes
	Zephyr Cove	0	Yes	Yes	No	No	No
Total		874					

Adjacent to the western perimeter of the Lake Tahoe Basin is Desolation Wilderness. This pristine backcountry encompasses more than 100 square miles and 80 separate lakes, most of which offer excellent seasonal fishing. Desolation Wilderness is one of the most popular wilderness areas in the United States.

Legalized gaming also attracts thousands of tourists each year. The major concentration of hotel/casinos is located at the southeast end of the lake at Stateline, Nevada. The four major hotel/casinos at this location include Harrah's, Harvey's, Hard Rock, and MontBleu. The total number of guestrooms in these four facilities is 2,248. A smaller casino also located at Stateline is the Lakeside Inn with 124 guestrooms. Until 2010, Bill's Casino was owned by Harrah's. Harrah's sold it to an investor that has since remodeled it for a CVS Pharmacy and other smaller tenants. The former casino building is adjacent to Harrah's. The Horizon casino has also closed and has been remodeled and rebranded as a Hard Rock Casino. Gaming revenue on the south shore of Lake Tahoe was on the decline each year between 2006 and 2013, except in 2012 where a slight increase was seen. Revenues increased by 6.67% in 2016 and, through August of 2017, have increased by 2.83%. This is evidenced in the following table.



GAMING REVENUES-SOUTH LAKE TAHOE (DOLLARS IN MILLIONS)														
YEAR	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTALS	% Δ
1996	\$24,089	\$21,053	\$25,585	\$20,885	\$24,001	\$28,125	\$33,437	\$37,215	\$27,057	\$22,301	\$19,995	\$20,751	\$304,494	-7.90%
1997	\$18,780	\$19,102	\$22,953	\$20,948	\$25,792	\$27,336	\$34,588	\$33,441	\$25,949	\$23,624	\$21,399	\$22,003	\$295,915	-2.82%
1998	\$21,830	\$16,398	\$23,363	\$19,302	\$27,403	\$22,828	\$39,683	\$36,814	\$30,618	\$25,659	\$18,861	\$22,130	\$304,889	3.03%
1999	\$24,092	\$21,037	\$25,575	\$19,562	\$24,827	\$29,948	\$39,839	\$34,605	\$28,037	\$27,692	\$20,694	\$25,335	\$321,243	5.36%
2000	\$24,796	\$20,262	\$27,059	\$24,756	\$26,164	\$32,979	\$41,958	\$44,515	\$32,115	\$24,768	\$25,251	\$28,118	\$352,741	9.81%
2001	\$24,454	\$21,538	\$26,205	\$22,496	\$25,782	\$27,827	\$41,769	\$36,047	\$32,042	\$25,464	\$20,132	\$25,319	\$329,075	-6.71%
2002	\$19,614	\$25,334	\$25,012	\$27,840	\$26,706	\$28,662	\$42,136	\$34,011	\$33,474	\$25,790	\$21,664	\$26,159	\$336,402	2.23%
2003	\$24,204	\$26,165	\$25,429	\$22,191	\$24,500	\$27,603	\$39,868	\$37,062	\$32,088	\$26,765	\$20,570	\$29,052	\$335,497	-0.27%
2004	\$25,368	\$25,620	\$26,690	\$24,882	\$28,986	\$25,260	\$31,168	\$40,878	\$36,101	\$22,361	\$21,617	\$29,136	\$338,067	0.77%
2005	\$15,017	\$22,410	\$34,318	\$23,582	\$27,960	\$25,611	\$42,464	\$37,323	\$31,080	\$28,454	\$24,249	\$23,005	\$335,473	-0.77%
2006	\$28,779	\$25,445	\$20,518	\$28,741	\$25,828	\$27,532	\$39,639	\$32,529	\$27,781	\$29,180	\$22,701	\$22,018	\$330,691	-1.43%
2007	\$31,122	\$24,512	\$19,320	\$21,690	\$32,079	\$26,986	\$36,763	\$30,469	\$29,348	\$27,319	\$22,018	\$24,300	\$325,926	-1.44%
2008	\$26,629	\$22,675	\$29,863	\$24,438	\$24,357	\$20,512	\$40,786	\$30,864	\$24,506	\$20,891	\$21,657	\$17,260	\$304,438	-6.59%
2009	\$20,306	\$16,595	\$19,690	\$15,783	\$18,146	\$17,419	\$27,257	\$21,939	\$21,839	\$15,850	\$15,881	\$15,314	\$226,019	-25.76%
2010	\$18,322	\$14,048	\$21,097	\$12,502	\$15,868	\$19,776	\$23,767	\$23,519	\$20,030	\$15,131	\$15,047	\$12,587	\$211,694	-6.34%
2011	\$16,883	\$13,702	\$14,810	\$14,376	\$18,254	\$14,129	\$29,809	\$27,332	\$17,153	\$15,739	\$14,006	\$13,345	\$209,538	-1.02%
2012	\$17,235	\$15,106	\$12,737	\$13,739	\$13,339	\$16,555	\$29,636	\$22,017	\$18,012	\$15,859	\$17,735	\$20,953	\$212,923	1.62%
2013	\$16,784	\$16,290	\$11,343	\$15,729	\$14,633	\$12,522	\$32,372	\$21,425	\$22,188	\$12,292	\$17,381	\$10,719	\$203,678	-4.34%
2014	\$17,248	\$11,878	\$14,344	\$10,058	\$14,882	\$12,230	\$25,079	\$28,419	\$21,782	\$18,776	\$12,104	\$15,948	\$202,748	-0.46%
2015	\$14,140	\$15,575	\$13,911	\$14,521	\$16,150	\$17,613	\$23,313	\$18,883	\$21,248	\$18,213	\$14,193	\$17,951	\$205,711	1.46%
2016	\$15,435	\$16,174	\$17,138	\$12,708	\$13,709	\$18,754	\$27,985	\$23,917	\$21,731	\$17,175	\$15,979	\$18,724	\$219,429	6.67%
2017	\$17,106	\$15,053	\$16,743	\$13,287	\$17,821	\$20,513	\$23,853	\$25,576					\$149,952	2.83%*

*Based on percent change over same period in prior year

(Source: Nevada Gaming Control Board)

At the north end of the lake, the Hyatt Lake Tahoe Hotel-Casino is located in Incline Village. There are additional casino facilities located in Crystal Bay, including the Cal-Neva Resort, which is the largest in the Crystal Bay area, the Biltmore, the Crystal Bay Club and Jim Kelly's Nugget. The Cal Neva Resort was in the process of being renovated into a luxury hotel when the previous owners filed bankruptcy. The redevelopment stopped at that point. On January 6, 2018, Larry Ellison purchased the property out of bankruptcy. Mr. Ellison is currently reviewing the permit status and considering alternative development scenario for the property. It is anticipated that in the near future this property will be renovated into a very desirable recreation resort property.

Additionally, at the north state line, there is a proposed development called Boulder Bay. The development would be at the current site of the Tahoe Biltmore, Sierra Park (also known as the former Tahoe Mariner site), and the Crystal Bay Motel. The proposed development is comprised of 50,000 square feet of retail space, 30,000 square feet of gaming area, 225 fractional share and whole ownership condominiums, and an upscale hotel. Condominiums are currently under construction on the Tahoe Mariner portion of the site. The timing of the balance of the project is currently unknown.



Gaming revenue since Fiscal Year July 1, 2003 is presented in the below chart.

GAMING REVENUE-ALL NON-RESTRICTED LOCATIONS			
NORTH SHORE PORTIONS OF WASHOE COUNTY			
Fiscal Year	Number of Reporting Locations	Total Revenue (000's)	% Change Versus Previous Year
2003	5	\$36,361	-11.32%
2004	5	\$38,902	6.99%
2005	5	\$41,899	7.70%
2006	5	\$42,712	1.94%
2007	5	\$43,460	1.75%
2008	5	\$37,862	-12.88%
2009	5	\$31,503	-16.80%
2010	5	\$27,956	-11.26%
2011	5	\$27,423	-1.91%
2012	5	\$25,862	-5.69%
2013	5	\$26,933	4.14%
2014	5	\$25,556	-5.11%
2015	5	\$25,457	-0.39%
2016	5	\$25,951	1.94%
2017	5	\$25,309	-2.47%
(Source: Nevada Gaming Control Board)			

Gaming revenue on the north shore of Lake Tahoe has been steadily declining since Fiscal Year 2007, with a modest exception in Fiscal Year 2013 where a 4.14% increase was seen. There was a slight increase in Fiscal Year 2016 revenues; however, Fiscal Year 2017 closed at a 2.47% decrease in revenues.

In summary, gaming revenue in the Tahoe Basin is down over the last decade. This is primarily attributable to three factors: Indian gaming in northern California, the recovering economy, and lack of capital expenditures for remodel or renovation. In discussions with gaming operators and developers, any redevelopment plans in the future will feature gaming as an amenity, but not the main attraction.



Gaming revenue since July 1, 2003 for all of Nevada is presented in the below chart.

GAMING REVENUE-ALL NON-RESTRICTED LOCATIONS			
STATEWIDE			
Fiscal Year	Number of Reporting Locations	Total Revenue (000's)	% Change Versus Previous Year
2003	352	\$9,563,761	2.83%
2004	358	\$10,109,954	5.71%
2005	351	\$11,005,538	8.86%
2006	354	\$12,193,540	10.79%
2007	346	\$12,739,131	4.47%
2008	347	\$12,500,948	-1.87%
2009	344	\$10,786,660	-13.71%
2010	343	\$10,327,446	-4.26%
2011	336	\$10,634,699	2.98%
2012	336	\$10,705,829	0.67%
2013	336	\$10,905,399	1.86%
2014	341	\$11,226,759	2.95%
2015	337	\$11,048,775	-1.59%
2016	336	\$11,121,415	0.66%
2017	334	\$11,444,388	2.90%
(Source: Nevada Gaming Control Board)			

Overall, gaming revenue in Nevada has decreased 10.16% between its \$12.74 billion peak in Fiscal Year 2007 and \$11.44 billion for Fiscal Year 2017, ending June 30, 2017.

Population and Employment

Lake Tahoe's principal recreation market is comprised of those Counties located within the San Francisco Bay Area and central California. Within these 16 Counties, there are nearly 11.4 million residents. The following table contains the population and median household income of the Bay Area and central California, broken down by County as of the 2010 Census.



POPULATION AND MEDIAN HOUSEHOLD INCOME		
BAY AREA AND CENTRAL CALIFORNIA COUNTIES		
<u>Bay Area County</u>	<u>Population</u>	<u>Median Household Income</u>
Alameda	1,510,271	\$ 70,821
Contra Costa	1,049,025	\$ 79,135
Marin	252,409	\$ 89,605
Napa	136,484	\$ 68,641
San Mateo	718,451	\$ 87,633
Santa Clara	1,781,642	\$ 89,064
Santa Cruz	262,382	\$ 66,030
San Francisco	805,235	\$ 72,947
Solano	413,344	\$ 69,914
Sonoma	483,878	\$ 64,343
Bay Area Population	7,413,121	
<u>Central California</u>	<u>Population</u>	<u>Median Household Income</u>
Fresno	930,450	\$ 46,903
Sacramento	1,418,788	\$ 56,553
Madera	150,865	\$ 47,724
Merced	255,793	\$ 43,945
San Joaquin	685,306	\$ 53,764
Stanislaus	514,453	\$ 50,671
Central California Population	3,955,655	
Total Population in Proximity to Tahoe Basin	11,368,776	
(Source: US Census)		

As indicated from the table, the Bay Area is a densely populated market. In addition to its population, there is a high degree of affluence, which is the primary reason why the Bay Area is such a major source of demand in the Tahoe Basin for second home ownership.

The median household income for the Bay Area Counties listed above ranges from approximately \$65,000 to \$90,000. In comparison, the median household income for the United States is \$52,762, and within the City of South Lake Tahoe, the median household income is only \$41,004.



The population of the Lake Tahoe Basin is greater than 65,000 during the peak summer employment periods, but is lower during the winter season. Year-round residents numbered approximately 500 in 1950. The year-round population of the Tahoe Basin, according to the 2010 Census, is 52,903. A breakdown of the population by area is set forth in the following table.

2010 TAHOE BASIN YEAR-ROUND POPULATION	
North Shore, CA	8,778
West Shore, Placer County, CA	1,670
South Shore and West Shore, El Dorado County, CA	28,024
South and East Shore, NV	5,344
North Shore, NV	9,087
Total	<u>52,903</u>
(Source: US Census)	

Population growth within the Tahoe Basin has been relatively flat since 1980. This is due in large part to comparatively rigid controls placed on new development within the Lake Tahoe Basin by the Tahoe Regional Planning Agency (TRPA).

The economy of the Lake Tahoe Basin is subject to seasonal fluctuations, with the heaviest tourist trade occurring during the summer and winter months. During the shoulder seasons, in the fall and early spring, there is a substantial decline in the number of visitors entering the Basin.

Historically, the overall employment rate has been approximately 50% to 55% of the resident population during the busier seasons. Tourism has been the chief force in the economy, with the gaming industry providing the greatest direct source of employment at approximately 30% of all jobs. The retail trade industry traditionally has employed approximately 17%. Other major employers in the Basin include governmental agencies and tourism services.



Employment

The following table and graphs contain the historical labor market statistics for the City of South Lake Tahoe, which is the only incorporated town in the Tahoe Basin.

CITY OF SOUTH LAKE TAHOE EMPLOYMENT DATA				
Year	Labor Force	Employment	Unemployment	Unemployment Rate
2010	11,900	10,300	1,600	13.45%
2011	11,800	10,200	1,500	12.71%
2012	11,600	10,300	1,300	11.21%
2013	11,600	10,500	1,100	9.48%
2014	11,500	10,600	900	7.83%
2015	11,500	10,800	700	6.09%
2016	11,700	11,000	700	5.98%
Jul-17	11,700	11,100	600	5.17%
(Source: California Employment Development Data)				

Development

Over the last approximate 20 years, government officials and the general public have recognized a need to rehabilitate many of the older commercial corridors within the Tahoe Basin, particularly in South Lake Tahoe. Since the early 1990s, there have been many new buildings constructed, some of which involved assistance from government Redevelopment Agencies. Some of these projects are set out as follows:

Embassy Suites Stateline

Located on the California/Nevada State Line and adjacent to Harrah's Hotel and Casino, this was the first redevelopment project in South Lake Tahoe. This 400-room upscale hotel was constructed in 1991 and has been maintained in excellent condition over the years. In 2013, this property ceased its association with Embassy Suites and presently operates independently.

Lake Tahoe Vacation Resort (formerly Embassy Vacation Resort)

This timeshare resort is located at the intersection of Ski Run Boulevard and U.S. Highway 50. The first two phases were completed in 1997 and 1999, respectively. The last phase was completed in 2007.



Ski Run Marina

Ski Run Marina has been in existence since at least the early 1960s. However, the marina was redeveloped in 1997 with a 30,000± square foot commercial-retail and restaurant building. In recent years, the owner has refurbished the harbor area with new boat slips, lighting, walkways, fuel tanks, and decking on the pier. It has been maintained in good condition. Long range plans call for the expansion of the marina and extension of the existing pier.

Park Avenue Redevelopment Project

The Park Avenue area is less than one mile from the Stateline casinos. It is generally bounded by Lake Tahoe Boulevard on the east, Heavenly Village Way (formerly Park Avenue) on the south, Embassy Suites to the north, and Lake Parkway to the east. This is the most significant redevelopment project to date that involved the City of South Lake Tahoe Redevelopment Agency. Some of the former improvements in this area consisted of an old motel called Lake Tahoe Inn, the Paul Kennedy Steak House building, a very old and tired retail center, and Cecil's Market (relocated to the Cecil's Plaza within the Park Avenue Redevelopment Project). The improvements were demolished in the late 1990s.

The first structure completed in the Park Avenue Redevelopment Area was the Heavenly Gondola in 2000. The Gondola is the main entrance into Heavenly Mountain Resort and it provides direct skier access from the Stateline casino core to the higher elevations of the ski resort. Heavenly Mountain Resort also received TRPA approval of its 10-year master plan in the summer of 2007. The master plan includes \$50 million in capital improvements over the next ten years to Heavenly Mountain. As part of Phase I of the master plan, Heavenly has installed the Olympic Express high-speed chairlift, and installation of "easy scan" RF technology that expedites access to the lifts for season pass holders, and re-graded Skyline Trail that leads from the California side at the top of Skychair to Nevada. Other new improvements that are presently being contemplated include 152 acres of new ski trails, a skier bridge that will allow skiers and riders to ski from the Gondola top station to Tamarack Express, a 1,000 seat on-mountain restaurant to be called "Powderbowl Lodge", and hiking/cross-country ski trails in the area between the Gondola top station and the Observation Deck.

Adjacent to the Heavenly Gondola building is the 261-unit Marriott's Timber Lodge, a four-star vacation ownership resort hotel, and the 199-unit Marriott Grand Residence Club, a quarter-share resort hotel. The Marriott quarter-share hotel contains 68,000± square feet of



specialty retail space. Both Marriott projects were completed in the fall of 2002. Marriott's Timber Lodge (the timeshare hotel) expanded with an additional 150± units.

The final component of the Park Avenue Redevelopment area was the completion of Cecil's Plaza in 2004. This specialty retail center is between the Marriott resorts and Embassy Suites. The structure contains 31,132± square feet and is occupied by tenants, such as The North Face, Cecil's Market, Body Essentials Spa, and the Brewery.

In addition to the Gondola, resort hotel projects, and specialty retail space, other components within the Park Avenue Redevelopment area include a six-screen movie theatre, an ice rink, and a four-level, 420-space parking structure.

Crescent V Shopping Center

The Crescent V shopping center completed a substantial renovation and expansion with 42,800± square feet of new retail space in 2004 and was renamed The Village Center. The center is located adjacent to the Gondola and Marriott resorts. Its anchor tenants are Raley's and Sports Ltd.

In addition to these redevelopment projects in South Lake Tahoe, there have been a number of smaller redevelopment projects constructed in Kings Beach, Tahoe Vista, and Tahoe City.

Proposed Projects

There are also several proposed redevelopment projects throughout the Basin, particularly in South Lake Tahoe, Kings Beach, and Crystal Bay.

The Chateau at Heavenly Village is an 11.53± acre site located adjacent to Harvey's Resort Hotel and Casino, on the south shore California side of the lake. The plans called for a convention center, two condominium hotels, specialty retail space, subterranean parking, nightclub, and a health spa. The project had been vacant (only the foundation installed) and on hold since late 2007 as the developer been unable to obtain financing and filed for Chapter 11 Bankruptcy in October of 2009. Phase A site obtained approvals and constructed a 30,000± square feet of specialty retail space. The balance of the project has been sold. The new buyer is planning to build a 387-room hotel. Construction is currently planned to begin in the summer of 2018.



Tahoe Shores Mobile Home Park is located at the terminus of Kahle Drive in Stateline, Nevada. The owners of this property are redeveloping the site which is to include 143 single family townhome units along the shores of Lake Tahoe. It is also to include a luxury clubhouse and fitness center of approximately 50,000 square feet.

Edgewood Tahoe recently constructed a 5-star resort hotel along the ninth hole of the Edgewood Golf Course, which is behind the casinos and extends along the lake shore. This resort contains 194 luxury lodging units and accessory amenities of a restaurant, lounge, etc.

In Crystal Bay, Nevada, developers were working on a major redevelopment of the Tahoe Biltmore, which would have involved demolition of the casino hotel building and construction of a condominium project with retail and restaurants. The final Environmental Impact Statement (EIS) was completed, and a final approval was granted by the TRPA in the spring of 2011. Currently the first phase of the project is underway including eight whole-ownership units.

Within Kings Beach, the downtown area has been proposed for redevelopment for many years. The project proposed consists of a mixed-use development of office, retail, and residential land uses. Several years ago, Placer County was considered to be a prospective tenant in this project as it had been researching locations on the north shore for a government center. It is no longer considering this project for a government center, nor is it still considering any other location in the Tahoe Basin at the present time. The redevelopment area is between Coon Street and Fox Street and North Lake Boulevard and Salmon Avenue. Due to financing and market conditions, this project is on an indefinite hold.

Homewood Ski Resort on the west shore is another major proposed redevelopment project. The project is owned by JMA Ventures, the developers of Ghirardelli Square in San Francisco. Plans call for resort hotels, residential condominiums, and specialty retail. The project is in the EIS stages, and in several years, will likely elapse before construction of Phase I begins. JMA Ventures also has an ownership interest in the Alpine/Squaw Valley Ski Resort partnership.



Residential Real Estate Market

From 2002 to mid-2006, the residential real estate market experienced significant appreciation. Between 2006 and 2007, the real estate market began to exhibit signs of softening. In 2008 through 2011, the market experienced a significant downturn, which paralleled trends throughout the country. Beginning in 2013 and continuing through the first half of 2017, residential prices have been appreciating.

Various Boards of Realtors have compiled annual statistics regarding sales of improved single-family residential properties in the Lake Tahoe Basin in recent years. The South Lake Tahoe Board of Realtors has collected the following data for the south shore area:

EL DORADO COUNTY PORTION OF LAKE TAHOE BASIN						
SINGLE FAMILY RESIDENTIAL SALES						
Year	Number of Sales	Median Sale Price	% Increase	Average Sale Price	% Increase	Average Marketing Time
2006	440	\$476,000	N/A	\$566,178	N/A	147
2007	337	\$450,000	-5.5%	\$584,287	3.2%	179
2008	356	\$405,000	-10.0%	\$492,988	-15.6%	170
2009	444	\$318,500	-21.4%	\$418,109	-15.2%	176
2010	509	\$319,000	0.2%	\$399,944	-4.3%	165
2011	547	\$265,000	-16.9%	\$352,538	-11.9%	175
2012	695	\$245,550	-7.3%	\$332,156	-5.8%	136
2013	647	\$330,000	34.4%	\$398,791	20.1%	121
2014	586	\$349,950	6.0%	\$446,404	11.9%	116
2015	620	\$368,750	5.4%	\$443,627	-0.6%	116
2016	686	\$420,000	13.9%	\$509,025	14.7%	118
2017	664	\$440,000	4.76%	\$532,693	4.65%	106

The median and average single-family residential sales price in South Lake Tahoe increased from 2003 through 2005. After 2005, there was a gradual decline through 2007, before a substantial decline each year through 2012.

In 2013, the median sales price was up 34.4% and the average sales price was up 20.1% from 2012. The upward trend has continued, though at a slower rate in 2014 and 2015. Overall, the market was stronger in 2016 with increases in both the median and average sale prices. In 2017, both the median and average sale prices have continued to increase.



JOHNSON | PERKINS | GRIFFIN
REAL ESTATE APPRAISERS & CONSULTANTS

The Tahoe-Sierra Board of Realtors, Inc. has compiled similar statistics for sales of improved residential properties on the west and north shores of Lake Tahoe in the following table:

PLACER COUNTY PORTION OF LAKE TAHOE BASIN						
SINGLE FAMILY RESIDENTIAL SALES						
Year	Number of Sales	Median Sale Price	% Increase	Average Sale Price	% Increase	Average Marketing Time
2005	243	\$735,000	N/A	\$1,049,670	N/A	94
2006	262	\$765,000	4.1%	\$1,105,060	5.3%	101
2007	185	\$749,000	-2.1%	\$1,150,232	4.1%	118
2008	152	\$650,000	-13.2%	\$1,098,704	-4.5%	154
2009	211	\$530,000	-18.5%	\$765,912	-30.3%	128
2010	250	\$445,750	-15.9%	\$906,291	18.3%	120
2011	257	\$432,000	-3.1%	\$705,195	-22.2%	116
2012	367	\$430,000	-0.5%	\$878,901	24.6%	127
2013	331	\$510,000	18.6%	\$778,793	-11.4%	94
2014	308	\$545,000	6.9%	\$964,033	23.8%	97
2015	349	\$557,500	2.3%	\$938,507	-2.6%	111
2016	328	\$590,000	5.8%	\$952,930	1.5%	100
2017	346	\$650,000	10.17%	\$1,012,415	6.24%	79

Though the average sales price in Placer County has fluctuated over the last several years, the median sales price has increased each year since 2012. Similar to other markets in the Lake Tahoe Basin, recovery in this market area began in approximately mid-2012. The increase continued in 2017.



The Northern Nevada Regional MLS has compiled statistics on improved residential sales in the Douglas County portion of the Lake Tahoe Basin, which are presented on the following table.

DOUGLAS COUNTY PORTION OF LAKE TAHOE BASIN						
SINGLE FAMILY RESIDENTIAL SALES						
Year	Number of Sales	Median Sale Price	% Increase	Average Sale Price	% Increase	Average Marketing Time
2006	89	\$915,000	N/A	\$1,737,310	N/A	194
2007	74	\$1,045,000	14.2%	\$2,179,786	25.5%	239
2008	71	\$625,000	-40.2%	\$1,178,702	-45.9%	238
2009	85	\$545,000	-12.8%	\$1,055,804	-10.4%	203
2010	91	\$570,000	4.6%	\$995,781	-5.7%	242
2011	86	\$575,000	0.9%	\$1,275,274	28.1%	228
2012	110	\$482,500	-16.1%	\$850,795	-33.3%	198
2013	135	\$687,500	42.5%	\$1,327,070	56.0%	206
2014	127	\$650,000	-5.5%	\$1,281,625	-3.4%	178
2015	97	\$745,000	14.6%	\$1,067,940	-16.7%	209
2016	122	\$811,807	9.0%	\$1,239,925	16.1%	219
2017	104	\$892,500	9.94%	\$1,442,933	16.37%	183

In summary, the residential market in 2013 and 2014 experienced a significant upturn in sales activity and average and median sales prices. In 2015, the median sale price continued to increase, though with a decreasing average sale price. In 2016 and 2017, the market has continued to increase.

Conclusion

In summary, the Lake Tahoe Basin is considered to be one of the most diversified year-round recreational resort areas in the western United States. Its dramatic setting, the pristine clarity of its waters, its favorable climate, and its many varied recreational attractions endow it with unique characteristics. The residential and commercial real estate markets, beginning in 2012, have seen recovery with increases in median sale prices and sales volume.



HIGHEST AND BEST USE ANALYSIS

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

“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 permissible, physical possible, financially feasible, and maximum productive.”

As the subject property involves the bottom of Lake Tahoe, the uses are rather limited. The two uses which are being addressed in this report include the site for construction of a lakefront (littoral) pier or the installation of the anchor for a buoy. The subject properties are considered to be well suited for this utilization. In this appraisal, it is being assumed that the subject sites are legally permissible for the utilizations which are being addressed herein. These utilizations are heavily regulated by the State of Nevada, the Nevada Department of Environmental Protection, the Tahoe Regional Planning Agency, the U.S. Army Corp of Engineers, and the Lahontan Water Quality Control Board. For the purposes of this appraisal, it is being assumed that the subject utilizations are legally permissible.

As there is a very limited supply and very strong demand, the subject's pier and buoy utilizations are considered to be financially feasible and maximally productive.

Based upon the above analysis and with consideration given to the subject property interest being appraised, and the strong demand and limited supply, it is our opinion that the highest and best use of the subject sites is for lakefront pier or buoy utilizations.



INTRODUCTION TO VALUATION

The purpose of this report is to estimate the Market Rent of a typical pier and buoy site situated on the Nevada side of the Lake Tahoe Basin.

To arrive and an estimate of the market rent of a typical pier site located on the Nevada side of the Lake Tahoe Basin, we will prepare a land residual analysis. The first step in this analysis is to establish an estimate of the amount that a pier enhances the value of a lakefront residential homesite. We will then investigate the cost of constructing a pier at Lake Tahoe. By deducting the cost of constructing the pier from the typical pier enhancement value, results in a residual site value for the typical pier. A rate of return will be analyzed and applied to the residual site value to arrive at the pier site rental conclusion. This analysis is set forth in the immediately following section.

A typical buoy site rent analysis will be set forth. This analysis will be based upon a Residual Income Approach. The rental potential of a buoy on the Nevada side of the Lake Tahoe Basin will be established based upon an analysis of the rental rates being charged at the various marinas in the Lake Tahoe Basin. We will then analyze the cost of installing a buoy and subtracting an allowance for the return of and recapture of the capital investment. We will then deduct the various costs associated with a buoy rental. The residual income will be the indication of the market rental rate applicable for a typical buoy site on the Nevada side of the Lake Tahoe Basin.

The buoy site rental analysis will be set out immediately following the pier site rental analysis.



PIER SITE RENTAL ANALYSIS

The existence of a pier on a lakefront property substantially enhances the value of the ownership. In this analysis, we will establish an enhancement value for the pier. We will then deduct the cost of constructing, permitting and approving a pier. These total costs will then be subtracted from the enhancement value to arrive at a residual value which is applicable to the lake bottom under the pier. An annual rate of return will then be applied to the residual value to arrive at an indication of the site rent applicable to a pier. Finally, an annual allowance will be made for maintenance and miscellaneous other expenses. Deducting the allowance for maintenance, results in an estimate for the annual rent for the pier site

Analysis of Pier Enhancement Value

Based upon interviews with knowledgeable lakefront real estate brokers, one of the most sought-after attributes of a lakefront property is a pier on Lake Tahoe. In order to determine the typical enhancement value associated with a pier, these appraisers have interviewed a number of real estate brokers in the Lake Tahoe Basin.

We first interviewed Susan Lowe, Senior Vice President and corporate broker for Chase International. Chase International has eleven offices in the region. Ms. Lowe is responsible for supervising several hundred agents. In addition, Ms. Lowe specializes in selling the high end, luxury properties which many times include lakefront properties. Susan is one of the most knowledgeable agents in the Lake Tahoe Basin.

It was Susan's opinion that a pier adds \$1,000,000 to the value of a lakefront property. She did state that there are a number of variations which might increase or decrease that average number.

Next, we interviewed Lexi Cerretti with Sierra Southerbys Realty in Incline Village, Nevada. Lexi has over 15 years of experience in the Lake Tahoe market and specializes in Lake Tahoe luxury and lakefront homes.

Lexi indicated that the vast majority of lakefront buyers desire sandy beaches and/or piers. It is her opinion that a pier substantially enhances the value of the property. Lexi indicated, that in her opinion, a pier typically adds \$1,000,000 to an average property in Incline Village and that for the larger lakefront estates the incremental value could actually be \$2,000,000.



Next, we interviewed Mr. Craig Zager of Coldwell Banker Realty in Zephyr Cove, Nevada. Mr. Zager began his career in real estate in 1989. In 2013, he was ranked in the top four Coldwell Banker agents nationwide and was named the number one Coldwell Banker agent in the State of Nevada for the past six years. Craig specializes in lakefront properties.

It was Mr. Zager's opinion that a serviceable pier would typically add \$1,000,000 to the value of a lakefront property. He did state that depending on a variety of factors the contribution of a pier could range from \$500,000 to \$1,500,000. He also discussed a sale which closed on June 19, 2018 at 1444 Pittman Terrace on the east shore of Lake Tahoe, which sold for \$6,095,000. This property had a boathouse with lift, a breakwater, a cribbage pier and buoy. In 1936 the property was improved with a single-family residence containing 4,780± square feet of living area. The residence had been remodeled and was in good condition at the date of sale. This property was situated on a site containing .53± acres of land area. Mr. Zager compared this sale, which included a number of lakefront amenities, to two properties which sold nearby without piers.

The first sale he discussed was the January 31, 2018 sale of 1468 Pittman Terrace. This property was improved in 1953 with a 2,278± square foot single-family residence. The site contains .36± acres of land area. This property did have a private breakwater and swimming area; however, it did not have a pier. This property sold for \$2,650,000. Next, Mr. Zager mentioned the January 20, 2016 sale of the residence located at 1458 Pittman Terrace. This property was improved in 1991 with a 3,632± square foot single-family residence. This property contains .23± acres of land area. The lakefront amenities included two buoys and a use easement for the adjoining sandy beach. This property sold for \$3,430,000. Mr. Zager acknowledged that the purchase price of the residence at 1444 Pittman Terrace was influenced by the larger 4,783± square foot residence. Mr. Zager then pointed out that the sale prices of the other two Pittman Terrace properties were at \$2,650,000 and \$3,430,000. It was Mr. Zager's opinion that the significant differences in sales prices between the property with a pier and the properties without a pier is attributable to the existence pier and boathouse. Even after considering the larger size of the residence with the pier, it was Mr. Zager's opinion that this data suggests that the value added by the existence by the pier and boathouse was as much as \$2,000,000.

Next, we interviewed Mr. Chris Plastiras, the owner and broker of the Lakeshore Realty in Incline Village, Nevada. Chris has over 20 years of real estate experience in the Lake Tahoe Basin. Chris handles many sales and listings of lakefront properties. It was Mr. Plastiras'



opinion that a pier typically adds over \$1,000,000 to the value of a lakefront property. He also stated that in some cases the enhancement value could be as much as \$2,000,000.

To provide additional documentation relative to the desirability and value of a pier, we have also included two paired sales comparisons from California.

The property located at 628 Olympic Drive in Tahoe City sold on May 15, 2016 for \$4,025,000. This property was improved with a 3,705± square foot single-family residence and was situated on a .4± acre site with 90.95 lineal feet of lake frontage. This property did have two buoys and the use of the homeowner's pier.

The property located at 656 Olympic Drive in Tahoe City sold on August 21, 2016 for \$4,900,000. The property was improved with a 3,293± square foot house which was situated on a .3± acre site having 85.71± lineal feet of lake frontage. This property included a private pier with boat lift and also, they had rights to the homeowner's pier.

The price differential between these two properties is \$875,000, which is mostly attributable to the pier. This indication is considered to be a somewhat low indicator as the sale without the pier included a larger residence and a larger site with greater amount of lake frontage. As a result, the \$875,000 price differential is felt to be a low indication of the contributory value of a pier.

The property located at 8535 Meeks Bay Avenue in Meeks Bay sold on May 17, 2017 for \$1,688,000. This property was improved with a 1,680± square foot single-family residence and was situated on a .27± acre site with 50.35 feet of frontage on Lake Tahoe. This property included a buoy.

The property located at 8569 Meeks Bay Avenue in Meeks Bay sold on October 13, 2017 for \$3,000,000. This property was improved with a 2,318± square foot single-family residence and was situated on a .53± acre site with 80 lineal feet of lake frontage. This property also included a private pier with boat lift and a buoy.

The comparison of the two Meeks Bay Avenue sales indicates a price differential of \$1,312,000. This price differential does require downward adjustment as the property improved



with the pier involved a larger residence and a larger site with greater frontage on Lake Tahoe. As a result, the \$1,312,000 price differential is felt to be a high indication of a pier value.

When analyzing both of these pairings in arriving at an indicated pier value for a Nevada pier, strong consideration must be given to the fact that Nevada lakefront properties are more desirable and sale at a higher price. As a result, the comparisons will require upward adjustment for the subject's Nevada location.

The brief analysis set forth above does indicate that a pier typically increases the value of a California lakefront property in the range of \$1,000,000.

In summary, all of the Realtors interviewed reported that a typical Nevada pier adds \$1,000,000 to a typical lakefront property. In some instances, the incremental value could be as high as \$2,000,000, while in some instances it could be as low as \$500,000.

Based upon a review of the Realtor interviews and an analysis of the Pittman Terrace sales, coupled with these appraisers' 40+ years of experience with lakefront properties in the Lake Tahoe Basin, it is our opinion that a typical enhancement in value due to the existence of a pier in Nevada, as of July 1, 2018, would be \$1,000,000.

PIER ENHANCEMENT VALUE CONCLUSION

\$1,000,000



ANALYSIS OF PIER COSTS

The next step in this analysis is to estimate the cost and expenses associated with establishing a pier on a lakefront property in Lake Tahoe.

We first conducted an extensive interview with Mr. Jon Krause of J. R. Krause Ltd. Mr. Krause has been building piers at Lake Tahoe for several decades and is generally considered to be one of the leading contractors. Mr. Krause first stated that in his opinion a pier typically adds \$1,000,000 to a property.

Mr. Krause indicated there are numerous factors that can influence the cost of a pier. Some of the items that influence the cost of a pier include the length, width, depth of the water, adjustable catwalks, boat hoists and lighting, to mention a few. Mr. Krause indicated that he had just recently completed a pier on Gonowabie Drive in the Crystal Bay area. It had an adjustable catwalk, a 12,000 lb. boat lift and lights. The actual cost of this pier was \$191,000.

Mr. Krause stated that a boat lift typically adds \$50,000 to the cost of a pier. He then discussed that a typical pier would be 8 feet wide and approximately 100 feet long. It was his opinion that the average cost of a pier would be in the range of \$150,000 to \$200,000. He further stated that the cost of a pier can be substantially higher with all of the bells and whistles added. Based upon this information, these appraisers have projected that the average cost of a typically pier at Lake Tahoe to be \$200,000.

To obtain the approval to build a pier on Lake Tahoe, most of the lakefront property owners find it necessary and appropriate to retain the services of a TRPA consultant to help facilitate the process. Based upon an interview with Mr. Gary Midkiff, one of the leading TRPA consultants in the Tahoe Basin, he felt that the consultant fees could be \$50,000.

In order to construct a new pier on Lake Tahoe, it would be necessary to incur TRPA permit and mitigation fees. The current application fee for TRPA is \$5,000, plus \$400 for review services, and an \$88 IT fee. In addition, the owner would have to pay a TRPA Pier Mitigation Fee based upon \$30 per linear foot of pier. A 100-foot long pier would result in a mitigation fee of \$3,000. For the purposes of this analysis, an allowance of \$10,000 has been made for permit and application fees.



In order to construct a pier on Lake Tahoe, it would also be necessary to have plans prepared and approved by an engineer. Mr. Krause felt an adequate allowance for this would be \$4,000. Mr. Gary Midkiff, on the other hand, felt that was far too low. It is these appraisers' opinion that an appropriate allowance for plans and engineering would be \$10,000.

In order to receive approval for construction of a new pier in the Lake Tahoe Basin, it would likely take several years to be approved. Based upon interviews with Mr. Midkiff, Mr. Krause and various other Realtors and knowledgeable parties in the Tahoe Basin, it is felt that a 5-year time delay would not be unrealistic. The present worth of the right to receive a \$1,000,000 pier in five years, discounted at an 8% return, indicates a net present value of \$678,110, which will be rounded to \$680,000. The difference between the \$1,000,000 pier and the net present value of \$680,000 indicates the effective cost of the time delay. Subtracting the \$680,000 from the \$1,000,000 results in a projection of the cost of the 5-year time delay of \$320,000.

A lakefront property owner undertaking the time and risk associated with designing, permitting and constructing a pier is entitled to receive entrepreneurial profit for their efforts. Typically, the entrepreneurial profits range between 15% and 25%. For the purposes of this analysis, a 20% entrepreneurial profit allowance will be made. Applying this to the \$1,000,000 cost estimate of the pier, results in an entrepreneurial profit allowance of \$200,000.

In addition to the costs set out above, there are also scenic mitigation fees which will be charged for the construction of a new pier, permit fees will need to be paid to the Nevada Division of State Lands, and it will be necessary to file an application with the Nevada Department of Environmental Protection. The Nevada Department of Environmental Protection will require that the water quality be monitored during the entire construction phase of the project. As a result, the subject owners would need to retain the services of an appropriate environmental engineering firm. With any lakefront development, there is the potential for other miscellaneous fees and expenses. For the purposes of this appraisal, an additional allowance of \$50,000 has been made for miscellaneous costs and expenses.

Totaling the costs and expenses discussed above, results in an estimate of the effective cost associated with constructing a new pier on Lake Tahoe of \$840,000. The residual site value of the pier is established by subtracting the \$840,000 of costs and expenses from the \$1,000,000 enhancement in value. This results in a residual site value of the pier of \$160,000.



To arrive at estimate of the market rent applicable to the subject's typical pier site, a rate of return will be selected and applied to the residual site value. In order to determine the appropriate rate of return, a market land rental rate analysis was completed.

Land Rental Rate of Return Analysis

In order to arrive at an estimate of the Market Rent which would be applicable to the subject's pier site, a rate of return must be selected. The selected rate of return will then be applied to the estimated residual value of the subject's pier site to arrive at an estimate of the appropriate market rent applicable to the subject site on an annual basis.

In order to estimate an appropriate rate of return, we have interviewed several brokers and property owners active in the Northern Nevada and Northern California real estate markets.

In discussions with officials of the Reno-Tahoe Airport Authority, it was indicated that the Airport Authority has leased several acres on the east side of the Reno airport which is referred to as the Airport East Property. Federal Express Ground and R Supply currently occupy two sites in the Airport East Property. It was indicated that both of these sites have each been leased for a 50-year period based upon NNN terms. The rental rates are adjusted every five years based on the Consumer Price Index (CPI). It was further indicated that these properties were leased at an 8% rate of return applied to the value of the land.

The Reno-Tahoe Airport Authority also negotiated a long-term land lease in 2005 for the new Hyatt Place hotel located on the west side of the airport. This lease involves a favorable commercial location near the freeway, and at the entrance to the airport. The appraised value in 2005 was \$18.00 per square foot of land area. The initial lease rate for the first two years was at a reduced rate of \$125,000 per year, while the project was under construction, equating to a rate of return of 6.13%. The current rental rate is \$176,462.28 per year, which based upon the 2005 value, equates to a rate of return of 8.66%.

Representatives of this appraisal firm have also spoken with Mr. Drew Mickel of Reynolds & Brown, a commercial real estate development and management company with offices in Concord and San Leandro, California. Mr. Mickel stated that an appropriate rate of return in the current market is 8%. Reynolds & Brown negotiates a number of ground leases, primarily in the East Bay and Truckee areas.



Mr. Frank Gallagher of Commercial Partners of Nevada has indicated that the land leases with which he has been involved have been based upon a rate of return in the range of 10%. He also pointed out that these leases generally involve retail-commercial properties and typically have a CPI adjustment every one to three years for long term lease.

This firm interviewed Bruce D. Storey, Director, Investment Committee & CFO Emeritus of Dermody Properties of Reno, Nevada. Mr. Storey indicated that Dermody Properties entered into a long-term land lease, as the Lessee, for a site in Allentown, Pennsylvania during the first week of 2006. The rate of return which Dermody Properties was willing to pay for the long-term land lease was based upon 7.50% of the market value of the property. Mr. Storey indicated that the land rent will be adjusted every 5 years during the 50 year term lease.

Mr. Storey also stated that Dermody Properties negotiated potential land leases in 2013 on two different properties for two different clients. One property involved a potential land lease in North Las Vegas. A prospective tenant of a Dermody warehouse building needed additional parking. They approached the adjacent land owner and negotiated a long-term land lease based upon a rate of return of 8%. The prospective tenant subsequently decided that the warehouse space did not suit their needs and therefore the ground lease was never executed.

The second potential land lease involved a prospective tenant who wanted Dermody Properties to build them a building in the Harry Reid Research Park, which is operated by the University of Nevada Las Vegas. Dermody Properties entered into negotiations with UNLV to lease the land. Both parties then agreed to a rate of return of 8% for the long-term ground lease. The prospective tenant subsequently determined that the cost to construct their desired improvements was too high and they therefore abandoned the project.

Mr. John Pinjuv, SIOR of Avison Young, indicated that the land leases which he has negotiated have been based on a rate of return of approximately 9% to 10%. Mr. Pinjuv did note that the properties he has been involved with are commercial sites and the lease terms are typically 30 years with options to extend the term. He further noted that rates of return may have softened due to the weakening economy and lower interest rates.

Mr. Bruce Robertson with NAI Alliance stated that he was involved with a ground lease in Carson City. This ground lease was for an Auto Zone store on South Carson Street. The ground lease was executed in November of 2011 with an initial term of 15 years, with four five-



year options to renew. The lease stipulates that the rate for the first three years is \$37,200 per year. The rate increases to \$42,000 per year for years 4 and 5. In years 6 through 10, the lease rate will be \$46,200 per year. The lease rate for the remaining five years of the initial lease term will be \$50,820 per year. The total land area of the site is 36,155± square feet. Based upon a land value of \$12.50 per square foot, the initial lease rate equates to a rate of return of 8.23%.

A long-term ground lease was negotiated for a new McDonald's restaurant located in Spanish Springs Valley, northeast of Reno, based upon a 7.5% rate of return.

The Union Pacific Railroad entered into a year-to-year ground lease with the Truckee Meadows Water Authority for a 27,500± square foot parcel located on Woodland Avenue at the Union Pacific Railroad right-of-way. This lease, which was executed in 2010, has an annual rent of \$2,926, NNN. The lease indicates an annual return of 7.33%, based upon the railroad's opinion of land value.

Anderson Towing holds a ground lease with Dermody Family Limited Partnership for a 144,162± square foot parcel located on North Virginia Street. This property sold for \$660,360 on July 7, 2017. The current rental rate is \$52,644 per year, which based upon the 2017 value, equates to a rate of return of 7.97%.

We have also interviewed a number of real estate brokers in the Reno-Sparks area familiar with land lease transactions. The interviewees included Pat Morrissey of Morrissey Real Estate, Gary Tremaine of the Dickson Commercial Group, Shawn Smith of CBRE, Bill Fleiner of Bill Fleiner Real Estate, LLC and Ron Boles, CCIM of Boles Realty. These brokers indicated that rates of return for land leases within the local marketplace are generally ranging from 7% to 10%. It was noted that the rate is typically negotiable and consideration is given to the credit worthiness of the tenant as well as the length of the lease term. The chart below summarizes our survey of these real estate professionals.



GROUND LEASE RATE OF RETURN SURVEY	
Interviewee	Rate of Return
Shawn Smith, CCIM - CBRE	8%-10%
Pat Morrissey - Morrissey Realty	10%
Bill Fleiner - Bill Fleiner Real Estate, LLC	7%
Ron Boles, CCIM - Boles Realty	7% Plus
Gary Tremaine - Dickson Commercial Group	10%
Survey Date: February 13, 2018	

The data and analysis set forth in the preceding section generally supports rates of return of between 7% and 10%. The majority of the more current data would suggest a rate of return of between 7% and 8%. It is acknowledged that the rates of return discussed above are based upon commercial properties. None of the data discussed previously is located specifically in the Lake Tahoe Basin. However, these rates of return are applied to local property values which do account for the locational influences involved. As a result, it is these appraiser's opinion that the rates of return discussed above are reflective of the appropriate rates of return which would be required for lakefront residential properties in the Lake Tahoe Basin. In analyzing the rates of return, consideration has been given to the fact that Nevada lakefront residential properties involve limited supply and a strong demand which drives down the required rate of return. With consideration given to the subject locations in the Lake Tahoe Basin, the fact that the subject properties involve the lake bottom under the pier, it is these appraisers' opinion that a rate of return of 7.5% would be appropriate.

Applying the 7.5% rate of return to the \$160,000 residual site value for the pier results in an indicated annual pier site rent of \$12,000 per year.

Set out on the following chart is a summary of the analysis.



JOHNSON | PERKINS | GRIFFIN
REAL ESTATE APPRAISERS & CONSULTANTS

LAND RESIDUAL ANALYSIS AND CONCLUSION – NEVADA PIERS

Enhancement Value of Pier		\$1,000,000
Less:		
Cost of Pier	\$200,000	
TRPA Consultant	\$ 50,000	
Permit and Fees	\$ 10,000	
Plans and Engineering	\$ 10,000	
Time Delay / 5 Years @ 8%	\$320,000	
Entrepreneurial Profit / 20%	\$200,000	
Miscellaneous Cost & Fees	<u>\$ 50,000</u>	
Total Pier Costs		<u>\$840,000</u>
Residual Site Value of the Pier		\$160,000
Rate of Return		<u>7.5%</u>
<u>INDICATED ANNUAL PIER SITE RENT CONCLUSION</u>		<u>\$ 12,000</u>



BUOY SITE VALUATION ANALYSIS

To arrive an at estimate of the appropriate Market Rent for the site of a Lake Tahoe buoy, these appraisers have prepared a Residual Income Approach Analysis. In this analysis we will first estimate the Market Rent of a fully set up and established buoy on the Nevada side of Lake Tahoe. This will be based upon an analysis of the rental rates being charged at various marinas around Lake Tahoe. Next, we will analyze the cost of installing a buoy and subtract an allowance for a return and recapture of the capital investment. We will also analyze the cost associated with a buoy rental. After making an allowance for an entrepreneurial profit, the residual income will be an indication of the rental rate for a buoy site on the Nevada side of the Lake Tahoe basin.

Set out on the chart on the following page is a summary of the marina buoy rates currently being charged around the Lake Tahoe Basin. Following the chart will be a map locating the individual marinas. This will be followed by Comparable Marina Profile Sheets for each of the marinas.



COMPARABLE LAKE TAHOE MARINA BUOY RATES

RENTAL NO.	MARINA ADDRESS	BUOY RENTALS (1)	ANNUAL SLIP RATES
MR-1	No. Tahoe Marina 7360 N. Lake Blvd. Tahoe Vista, CA	\$7,000 (24-25 ft) \$10,000 (34-40 ft)	\$6,000 (23 ft boat) \$11,000 (40 ft boat)
MR-2	Sierra Boat Company 5146 N. Lake Blvd. Camelian Bay, CA	\$1,200/month (3-month min)	\$4,500 - \$8,000
MR-3	Tahoe City Marina 700 N. Lake Blvd. Tahoe City, CA	\$4,000 (21-27 ft) \$4,650 (28 ft. and over)	N/A
MR-4	Sunnyside Marina 1865 W. Lake Blvd. Sunnyside, CA	\$4,000 (summer season only)	\$240/foot
MR-5	Homewood High & Dry Marina 5190 W Lake Blvd., Homewood, CA	\$3,501 (18ft Boat) \$11,567 (35ft Boat)	\$3,915- \$11,704
MR-6	Obexer's Boat Co. 5355 W. Lake Blvd. Homewood, CA	\$4,000 (27 ft. and under) \$4,500 (28 ft. and over)	\$5,600 - \$11,700
MR-7	Camp Richardson Marina 1900 Jameson Beach Rd, South Lake Tahoe, CA	\$2,600 (21-27 ft) \$3,100 (28 ft. and over)	N/A
MR-8	Tahoe Keys Marina 2435 Venice Dr. So. Lake Tahoe, CA	N/A	\$3,672 - \$12,332
MR-9	Round Hill Pines Resort 300 US-50, Zephyr Cove, NV	\$2,600 (27 ft. and under) \$3,100 (28 ft. and over)	N/A
MR-10	Zephyr Cove Marina 760 US-50, Zephyr Cove, NV	\$3,600	N/A



COMPARABLE MARINA PROFILE SHEET
RENTAL MR-1
(North Tahoe Marina)



Rental MR-1 involves the North Tahoe Marina, located at 7360 North Lake Boulevard in Tahoe Vista, Placer County, California. This marina was extensively renovated in the early 1990s. It presently consists of a large freestanding building, a small harbor, and a buoy field. The site incorporates approximately 1.4 acres and enjoys 275± feet of lake frontage. Additionally, the marina offers a full line of boating services which include gasoline, marina repair and winter/summer boat storage.

The buoy field can accommodate 48 boats. There are also numerous boat slips. On-site outdoor boat storage facilities consist of steel racks which can accommodate 63 boats. Off-site indoor boat storage is also available with the boats being stored in a large warehouse in Kings Beach. Boat launching facilities include a steep cement ramp.

As indicated on the chart, the North Tahoe Marina's rates are among the highest of the marinas surveyed, with buoy rentals for the summer season ranging from \$7,000 for a 24-foot boat to \$10,000 for a 40-foot boat. Rack storage is available and ranges from \$4,200 for a 22-foot boat to \$7,800 for a 35-foot boat. Slip moorage is also available and ranges from \$6,000 for a 23-foot boat to \$11,000 for a 40-foot boat. Parking for the facility is adequate. Exposure and access from the highway is very good.



JOHNSON | PERKINS | GRIFFIN
REAL ESTATE APPRAISERS & CONSULTANTS

COMPARABLE MARINA PROFILE SHEET
RENTAL MR-2
(Sierra Boat Company)



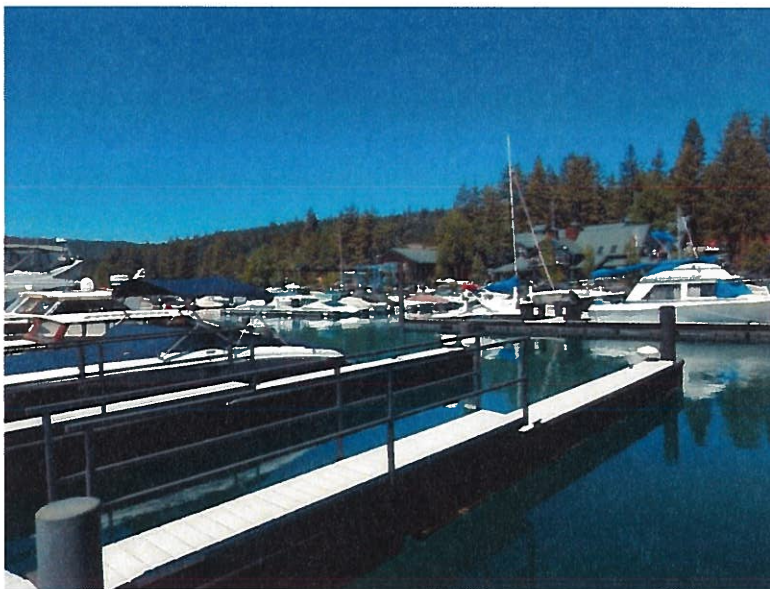
Rental MR-2 is the Sierra Boat Company located at 5146 North Lake Boulevard in Carnelian Bay, Placer County, California. This is one of the largest marinas on Lake Tahoe. The marina consists of a large concrete block and wood frame two story building, as well as a harbor area and a small buoy field.

The large marina building is built in an L-shaped configuration. Most of this building is utilized for boat storage, though portions of the first-floor level are utilized for office space, boat sales and marine repair. The roof is flat. The marina does not have a ramp launching facility but does provide launching capability by means of a large permanent overhead hoist. The hoist can be used for two purposes. The overhead hoist can be used to launch boats as needed. The hoist can also be used to lift boats from the harbor area and transport the boats to the large storage facility. The Sierra Boat Company can accommodate 500± boats in storage.

The harbor area includes berthing slips for smaller boats in flotation type piers. This harbor can accommodate up to 90 boats. The buoy field can accommodate 15 boats. The marina provides a full line of boating supplies and repair services. Exposure and access from the highway is considered good, but parking is limited to the street frontage. Dry storage rates are \$97.00 per foot (\$2,231 for a 23 foot boat). Buoy rentals are \$1,200 per month with a three-month minimum. Annual slips are available for and range from \$4,500 to \$8,000.



COMPARABLE MARINA PROFILE SHEET
RENTAL MR-3
(Tahoe City Marina)



Rental MR-3 involves the Tahoe City Marina located at 700 North Lake Boulevard in Tahoe City, California. The marina is located adjacent to the Boatworks Mall. The marina offers a full line of marine services, including boat storage, launching, boat slips, repairs and service, etc. In addition, the marina offers an array of activities, such as water-skiing lessons, para-sailing, and boat rentals. Tahoe City Marina also features a retail mall that contains over 27,000 square feet of gross building area. The mall includes a lakefront restaurant.

Launching at Tahoe City Marina is accomplished by means of a marine forklift or a motorized overhead hoist which can accommodate larger boats. Boats are lifted from trailers by either the forklift or hoist and lowered over a cement abutment. The marina also provides buoy and slip rentals. The buoy field can accommodate 41 boats. Slip rentals are on a limited basis as the majority of the slips are under private ownership.

Tahoe City Marina does offer winter storage, but the storage facilities are off-site. A large warehouse located in Kings Beach is used during the winter months and can accommodate approximately 400 boats.

The harbor area is a large enclosure surrounded by a rock cribbage pier. The mouth of the harbor is located on the southwest corner of the enclosure. The harbor can accommodate powerboats and sailboats.

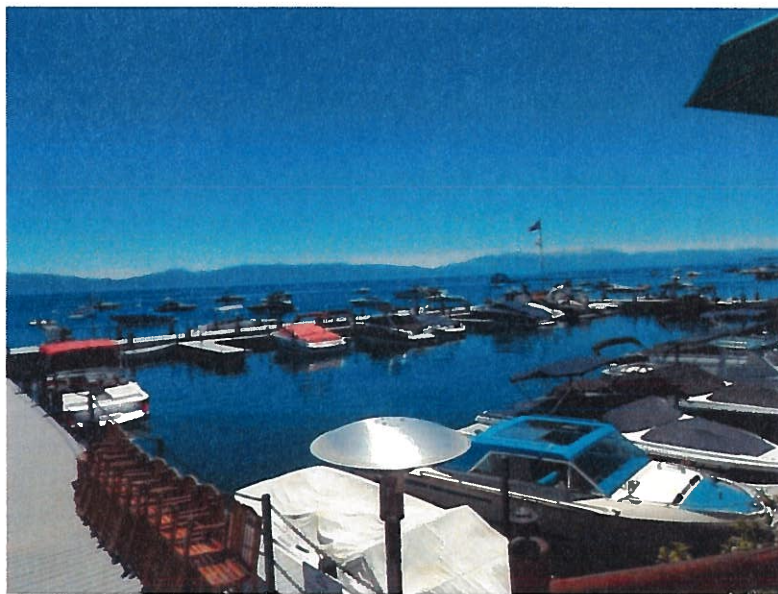
On-site buildings include a small kiosk used for boat sales and a large metal, rectangular building used for marine repair. The large building is accessed by a single overhead roll-type door. Limited space is available for on-site dry land storage on three-tiered boat racks.

The marina enjoys good exposure from the adjacent Boatworks Mall but is hampered by its somewhat limited access and exposure to the highway. Parking is available on the large parking lot that also serves the Boatworks Mall. However, trailers must be parked off-site.

Winter storage rates are \$1,840 for a 23-foot boat, or \$80 per foot. There are no summer season storage rates. Annual storage fees are \$5,090 for a 23-foot boat. Buoy rentals are \$4,000 during the summer season for a 21 to 27 foot boats and \$4,650 for boats 28 feet and above. Launching fees using a forklift are \$40 round trip self-launch, or \$75 round trip using a forklift.



COMPARABLE MARINA PROFILE SHEET
RENTAL MR-4
(Sunnyside Marina)



Rental MR-4 is the Sunnyside Marina which is located on Lake Tahoe's west shore, a short distance south of Tahoe City. The marina's address is 1865 West Lake Boulevard, Sunnyside, Placer County, California.

The Marina consists of an older rock cribbage pier that can accommodate 22 boats. The gangways are floating which enable the slips to rise or fall with the change of water level. The marina offers gas as well as marine supplies and repair. In addition, parasailing, boat rentals and water-skiing lessons are available.

The marina is adjacent to the very popular Sunnyside Bar and Restaurant. In addition to the bar and restaurant, there are 23 guest rooms available with full views of Lake Tahoe.

Dry land storage facilities are located across State Route 89 from the marina/Sunnyside Bar and Restaurant. The storage facility consists of a large corrugated metal building with a low pitch gable roof. The building is rectangular in shape. The building has a capacity for storing 90 boats in tiered cubicles. The site also involves large parking areas, portions of which are used for outdoor summer boat storage.

The Sunnyside Marina enjoys a buoy field that is limited to 24 boats. It also offers launching facilities that can only handle a maximum length boat of 21 feet. Boats are lifted from trailers by means of a forklift and lowered over a cement abutment to the water.

Another major drawback to the facility is having the boat storage facility on the opposite side of Highway 89. This arrangement requires boat launching forklifts to negotiate traffic on the highway. This poses a hazard during peak traffic hours.

Sunnyside Marina charges \$240 per foot for the four-month season (\$5,520 for a 23 foot boat). Buoy rental rates are \$4,000 for the summer season.



COMPARABLE MARINA PROFILE SHEET
RENTAL MR-5
(Homewood High & Dry Marina)



Rental MR-5: The marina consists of a protected harbor area and a large freestanding warehouse used for the storage of boats. Additional improvements on the property include a buoy field, boat sales and marine supply store, outside boat storage racks, a small manager's office, and asphalt paving.

The harbor area is bounded on the perimeter by vertically placed steel bulkheads. The enclosure created by the steel is rectangular in shape. The harbor is used primarily for boat launching and refueling purposes. The mouth of the harbor is located on the southeast corner and is approximately 30 feet wide.

Attached to the steel bulkheads is a series of walkways which are used for boarding, refueling and launching purposes. The walkways vary in width. Decking material consists of wooden planks or steel mesh. The walkways are at varying heights within the harbor. The northern and eastern portion of the corrugated steel acts as a main pier for the marina. Gasoline pumps are located on the eastern and western ends of the pier.

A buoy field is located a short distance to the east of the site. The total number of buoys in the field is 125. As we understand, the U.S. Army Corp of Engineers has issued permits for the total of 125 buoys. The California State Lands Commission and the Tahoe Regional Planning Agency recognize a total of 46 legally permitted buoys in the field. Therefore, the legal status of the remaining 79 buoys remains very uncertain.

Buoy rentals range from \$3,501 for an 18-foot boat to \$11,567 for a 35-foot boat. Annual slip rates range from \$3,915 for an 18-foot boat to \$11,704 for a 35-foot boat.



COMPARABLE MARINA PROFILE SHEET
RENTAL MR-6
(Obexer's Marina)



Rental MR-6 is Obexer's Boat Company, which is located at 5355 West Lake Boulevard in Homewood, Placer County, California. This is a full-service marina which was established in 1911 and consists of numerous older buildings.

The buildings on the property are either of wood frame or metal construction and are in fair condition. The wood frame buildings are used for boat storage, marine repairs and for the sale of marine supplies. Like Sunnyside Marina, Obexer's Boat Company is separated by Highway 89. The main storage building is located on the west side of Highway 89. Access to the buildings is poor due to a shared access by a service station and U.S. Post Office. The harbor area, which can accommodate up to 50 boats, is protected by an older rock cribbage pier which is in only fair condition. Gangways within the harbor area are elevated and affixed to permanent wooden posts. During periods of low water, a number of the slips are unusable. A small buoy field, can accommodate 16 boats.

This facility enjoys some advantages in regards to launching capabilities. Launching is accomplished by means of a ramp, a motorized overhead hoist or a forklift. In addition to smaller boat storage, the marina can accommodate sailboats with a deeper draft.

Annual slip rates range from \$5,600 to \$11,700. Buoy rentals are \$4,000 for boats 27 feet and under and \$4,500 for boats 28 feet and over. Self-serve boat launching fees are \$25 round trip. Forklift launches at Obexer's are \$90 round trip.



JOHNSON | PERKINS | GRIFFIN
REAL ESTATE APPRAISERS & CONSULTANTS

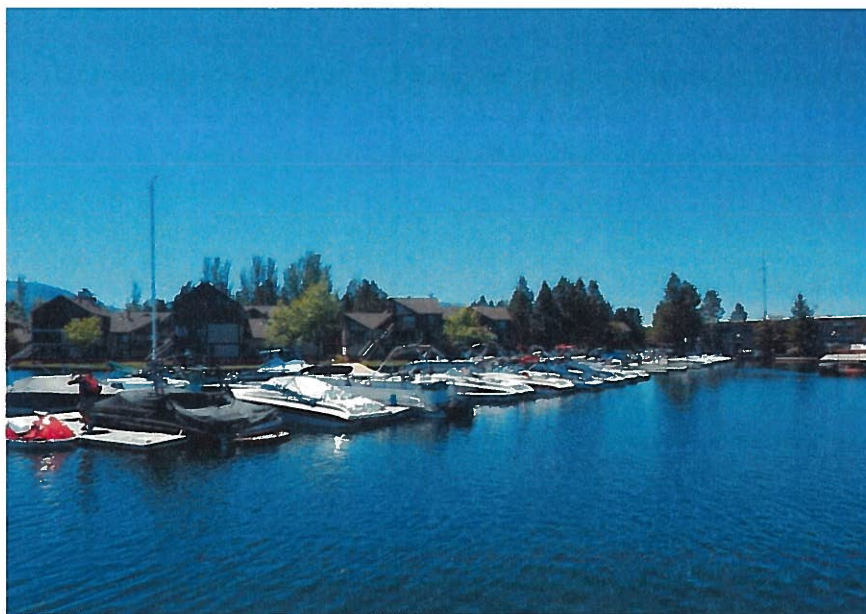
COMPARABLE MARINA PROFILE SHEET
RENTAL MR-7
(Camp Richardson Marina)



Rental MR-7 involves the Camp Richardson Marina located at 1900 Jameson Beach Road in the southwest portion of South Lake Tahoe. Access is through South Lake Tahoe and then by Emerald Bay Road heading towards Emerald Bay. This marina involves one of the more remote locations in the Lake Tahoe Basin. Access through South Lake Tahoe can be difficult due to heavy traffic congestion. The property is located at the Camp Richard Resort. The resort includes lodging and hotel rooms, rustic cabins, RV spaces and a large number of camping sites. The Beacon Restaurant is located immediately to the west of the marina and provides beach front dining. This is an old historic resort. The Camp Richardson Marina consists of a long commercial pier, gasoline facilities, pump out facilities, a small store at the marina, restrooms and a repair shop. The resort is open from May 15th through October 15th of each year. Camp Richardson accommodates a total of 110 buoys. The buoys at Camp Richardson rent for \$2,600 per season for boats under 28 feet and \$3,100 for boats over 28 feet in length. The buoy rentals do include free shuttle boat service during normal business hours. Also, there is some on-site parking available. The Camp Richardson Resort enjoys wide sandy beaches.



COMPARABLE MARINA PROFILE SHEET
RENTAL MR-8
(Tahoe Keys Marina)



Rental MR-8 is the Tahoe Keys Marina located at 2435 Venice Drive in South Lake Tahoe, El Dorado County, California. This is the south shore's largest marina facility and the only inland marina in the Tahoe Basin. The marina offers boat sales and charters, a pump out station, refueling capabilities, inside and outside storage and launching facilities, and the Fresh Ketch Restaurant. The marina was built in connection with the Tahoe Keys planned unit development.

The marina consists of three separate buildings. The first is leased to the operators of The Fresh Ketch, a full-service bar and restaurant. The second is the largest building on the premises which is used for boat storage, marine supply sales and some office space. A third building is used for marine repair and some boat storage. A large harbor area contains 239 individual boat slips which can accommodate a full range of boat sizes. Gangways fluctuate with the water level. The marina has no buoy moorings. The marina features a self-launch boat ramp, although launching by forklift is also available. The marina is considered to be in average to good condition.

Winter storage rates are \$3,207 for 23-foot boats for 6 months. Summer storage at the marina is \$4,932 for a 23-foot boat for 6 months. Boat forklift launching fees are \$22.00 per foot for medium vessels and \$27.00 per foot for large vessels. Boat slips are available for rent and range from \$3,672 to \$12,332. There are no buoys at Tahoe Keys Marina.



JOHNSON | PERKINS | GRIFFIN
REAL ESTATE APPRAISERS & CONSULTANTS

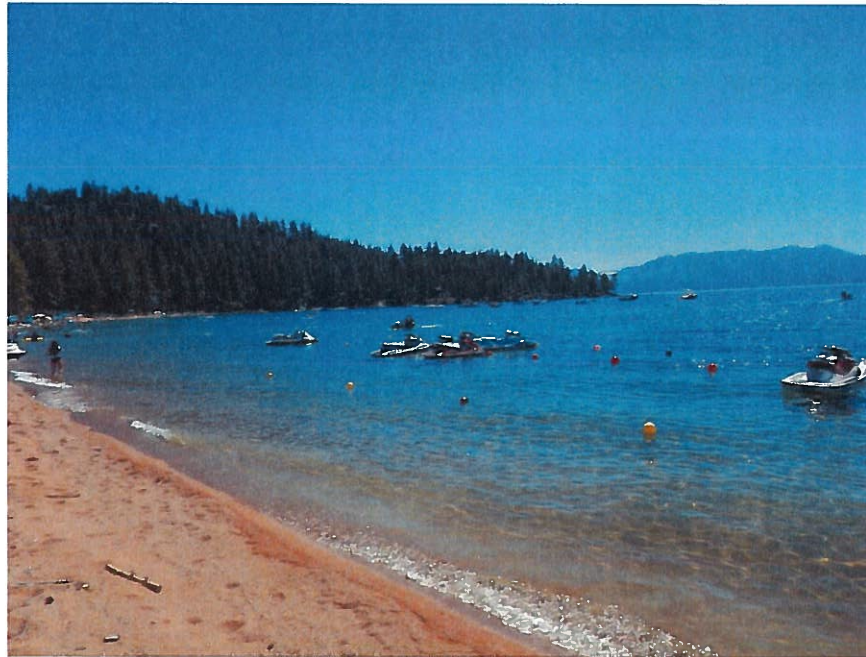
COMPARABLE MARINA PROFILE SHEET
RENTAL MR-9
(Round Hill Pines Resort)



Rental MR-9 involves the Round Hill Pines Resort which is located at 300 Highway 50, mid-way between State Line Nevada and Zephyr Cove. Due to the heavy traffic and speed of the traffic, exiting off of Highway 50 can be challenging. From Highway 50 access to the Round Hill Pines Resort involves and narrow to one to one and a half lane road down to the beach. The Round Hill Pines Resort offers a newly constructed café and restroom building along with a patio/bar area. The Resort offers a large commercial pier which does provide fuel service. There are a number of charter boats that utilize the pier. There is no boat launching available from his location. The boat must be launched at one of the other boat ramps. The Round Hill Pines Resort offers 70 buoys. The buoy rental rates are from \$2,600 per season for boats under 27 feet in length, and \$3,100 for boats 28 feet and longer. Marina Management reports that all of their buoys are currently leased and that they are maintaining a 31-person waiting list. Shuttle service is included during normal business hours. There are no boat slips available for rent at this resort.



COMPARABLE MARINA PROFILE SHEET
RENTAL MR-10
(Zephyr Cove Marina)



Rental MR-10 is located at the Zephyr Cove Resort in Zephyr Cove, Nevada. The property is located at 760 U.S. Highway 50, Zephyr Cove, Nevada. Highway 50, which passes through this resort, has a fully signalized intersection at the Resort to provide access to the lake front amenities to the west and the recreational vehicle park to the east. It is located on a level site along Highway 50 with extensive sandy beaches. The resort offers the Zephyr Cove Lodge, which includes a rustic dining restaurant, a convenience store and administrative offices. The resort also offers cabin rentals on the site. A full-service recreational vehicle park is located on the east side of the highway across from the Zephyr Cove Lodge. Adjacent to the lodge is a large asphalt paved parking lot and a large commercial pier. The M.S. Dixie Tour Cruise Boat leaves from this pier. In addition, there are a number of other commercial services available including boat charters, fishing charters, parasailing, etc. The resort also offers a variety of jet ski rental opportunities. The resort does not have boat launching facilities available. As a result, they refer their clientele to the Nevada State Park, Cave Rock boat launch, which is located approximately three miles to the north. The resort has approximately 30 buoys which are available for seasonal rental. The current price for these buoy rentals is \$3,600 per season. The rental rate does include shuttle service during normal business hours. Additionally, on-site parking is available. The operators of this resort reported that they have a 5-year waiting list for buoys.



BUOY RATE COMPARISON AND ANALYSIS

The ten comparable Lake Tahoe Marinas surveyed indicated buoy rental rates ranging from \$2,600 per season to a high of \$11,561 per season. Marina's MR-1 through MR-8 are located on the California side of the Lake Tahoe Basin, while Rentals MR-9 and MR-10 are located at the southeast portion of the Lake Tahoe Basin in Douglas County Nevada.

Rental MR-1 involves the North Tahoe Marina which is located in Tahoe Vista, California. There is a very limited supply of buoys available along the north shore of Lake Tahoe in this area. As a result, this resort is able to achieve very high buoy rental rates of between \$7,000 and \$10,000 per season.

Rental MR-2 involves the Sierra Boat Company Marina located in Carnelian Bay, California. The seasonal rental rate for buoys at this marina is \$1,200 per month with a three-month minimum. As a result, the minimum seasonal rate at this marina is \$3,600 per season. In the event the buoy is utilized longer, the rate would increase.

Rental MR-3 involves the Tahoe City Marina, which is located in Tahoe City adjacent to the Boat Works Mall Shopping Center. Although it does have very limited visibility from North Lake Boulevard, it is a very popular marina due to its location in Tahoe City. The buoy rental rate for boats between 21 feet and 27 feet is \$4,000 per season. The buoy rental rate for boats 28 feet and over is \$4,650 per season.

Rental MR-4, the Sunnyside Resort is located on the west shore of Lake Tahoe, a short distance south of Tahoe City. Buoy rentals are available at \$4,000 for the summer season.

Rental MR-5 involves the Homewood High and Dry Marina located in Homewood, California. This marina provides boat storage in a large warehouse adjacent to the shoreline. When a tenant desires to utilize his boat, the marina will transport the boat from the warehouse and launch is in the marina. Upon return, the marina will then return the boat to its storage rack. This marina has a large buoy field. The marina charges \$3,502 per season for an 18 foot boat. The rate escalates to \$11,567 for a 35 foot boat. The buoy rentals do include shuttle service during normal business hours.



Rental MR-6 involves Obexer's Boat Company located in Homewood, California. This along established marina is in fair condition. The current buoy rental rates are \$4,000 for boats 27 feet and under, and \$4,500 for boats 28 feet and over.

Rental MR-7 involves the Camp Richardson Marina, which is located off of Emerald Bay Road, a short distance northwest of South Lake Tahoe. This is a rustic marina which does involve somewhat remote access. The buoy rental rates for this marina are \$2,600 per season for boats under 27 feet and \$3,100 per season for boats over 28 feet in length.

Rental MR-8 involves the Tahoe Keys Marina which is one of the largest marinas in the Lake Tahoe Basin. This marina however, does not offer buoy rentals. This marina does offer a large variety of boat slip rentals.

Rental MR-9 is located at the Round Hill Pines Resort off of U.S. Highway 50 a short distance north of the Casino core area. There is no boat launching or boat storage facilities at this resort. Additionally, this resort is not visible from U.S. Highway 50. The buoy rental rates at the Round Hill Pines Resort are \$2,600 per season for boats 27' and under, and \$3,100 per season for boats 28 feet and over. The marina management reports that they currently have a waiting list of 31 individuals.

Rental MR-10 is located at the Zephyr Cove Resort. This is a very popular and heavily used resort located adjacent to U.S. Highway 50 in Zephyr Cove. The resort offers wide sandy beaches, asphalt paved parking and many other resort amenities. The current buoy rental rate at the Zephyr Cove Marina is \$3,600 per season. The marina operators reported to these appraiser's that they currently have a five-year waiting list.



BUOY RENTAL RATE CORRELATION CONCLUSION

In summary, the buoy rental rates reported by the ten marinas surveyed by these appraisers indicated seasonal buoy rental rates of between \$2,600 and \$11,567 per season. The higher buoy rental rates involve larger boats. For the purposes of this appraisal, it is being assumed that the typical boat length for a buoy on the Nevada side of the Lake Tahoe Basin would be 28' or under. It should be noted that many of the lakefront property owners have boats which are considerably larger.

Eliminating the large boat buoy rental rates, the comparable marina data indicates a range in buoy rental rates of between \$2,600 per season and \$7,000 per season. Most of the comparable California buoy rental rates are at \$4,000 per season for boats under 27 feet in length. The Zephyr Cove Marina buoy rental rate is \$3,600 per season with the marina maintaining a waiting list. The marinas with the lowest rental rates for buoys are the Camp Richardson Marina and the Round Hill Pines Resort. The Camp Richardson Resort involves somewhat remote access, while the Round Hill Pines Resort is not visible from U.S. Highway 50 and involves challenging access. All of the marinas surveyed indicated that their seasonal buoy rentals are 100% occupied and most of the marinas are maintaining waiting lists. This demonstrates that the demand far exceeds the supply.

The buoy rental rate projected in this analysis will assume basic marina amenities including parking, restrooms, shuttle service, security and general resort amenities.

In analyzing the buoy rental potential of a Nevada buoy, strongest consideration has been given to Rentals MR-9 and MR-10. Rental MR-9 involves the Round Hill Pines Resort at \$2,600 per season. As the current demand exceeds the available supply, the resort currently has a waiting list of 31 individuals. It is the appraiser's opinion that the buoy rental rate at this resort could be increased and not impact the overall occupancy. On the other hand, the Zephyr Cove Marina reports the buoy rental rates of \$3,600 per season. This resort has excellent visibility and accessibility from U. S. Highway 50. Additionally, it involves a very popular resort with extensive facilities and activities. For this reason, the \$3,600 per season buoy rental rate is felt to be a high indication of the appropriate rental rate applicable to the subject.

In analyzing the buoy rental potential on the Nevada side of the Lake Tahoe Basin, we will address the issue that the buoy is typically not located within a marina with marina services. On the other hand, the Nevada side buoys are littoral to lakefront properties, and as a result, do



provide mooring for lakefront property owners. These moorings allow their watercraft to be easily accessible for utilization at any time. As a result, the buoys are considered to provide a benefit which cannot be offered by commercial marina.

Considering the strong demand which is being demonstrated for buoys on Lake Tahoe, coupled with the limited supply, it is these appraiser's opinion that a typical buoy located on the Nevada side of the Lake Tahoe has been projected to have a rental potential, as of July 1, 2018, of \$3,000 per buoy per season.

NEVADA BUOY RENTAL CONCLUSION

\$3,000 PER SEASON



BUOY COST ANALYSIS

As the buoy site rent is being addressed in this appraisal, it is necessary to deduct the income attributable to the cost of the installation and maintenance of a buoy.

To determine the cost associated with a buoy, these appraisers interviewed Jeff at High Sierra Marine Incorporated in Tahoe City, California. High Sierra Marine installs and maintains a vast majority of the buoys in the Lake Tahoe Basin. Jeff indicated that the standard buoy set up would include the buoy, a 2,500 pound single-block anchor and the chain connecting the buoy to the anchor. He indicated that the typical cost of a buoy, including the cost of set up and installation, would be \$3,500. It was his opinion that a buoy would typically have a life of ten years. Next, a rate of return needs to be selected. As the subject involves a buoy with a relatively short life expectancy, a higher rate of return is appropriate. Considering these factors, a 12% rate of return would be appropriate when applied to the cost of a buoy. The annual allowance for the return of, and on, a buoy costs of \$3,500 over ten years at a 12% rate of return would be \$619 per year, which has been rounded to \$620 per year. Therefore, a \$620 per year allowance for the return on and the return of the cost of a buoy will be deducted.

Many of the buoy owners in the Lake Tahoe Basin find it appropriate to remove their buoys in the Fall and re-install the buoys at the beginning of the next season. Jeff indicated that they would provide the service of removing and re-installed the buoy for a fee of \$140 per year. In addition, the buoy and the line would need to be stored. High Sierra Marine will store both the buoy and the line for \$65 per year. Both of these expenses will be deducted from the buoy rental income projected previously.

An allowance must be deducted for management expenses which are involved with leasing the buoy and collecting the rent. For the purposes of this appraisal analysis, a 10% allowance has been deducted for management responsibilities.

As was previously indicated, the subject buoys are being assumed to be single locations not situated within a marina. As buoys located within marinas enjoy a number of benefits, some allowance must be deducted for this benefit. The benefits provided by a marina include parking, shuttle service, restrooms and other amenities. For the purposes of this valuation analysis, a 25% allowance has been deducted for the marina benefits.



Finally, an entity owning a buoy is entitled to an allowance for entrepreneurial profit. For the purposes for this analysis, a 20% allowance has been deducted for entrepreneurial profit.

The analysis set out in the preceding section of this report is summarized in the chart set out following:

INCOME APPROACH BUOY SITE RENT ANALYSIS AND CONCLUSION

Typical Nevada Buoy Rent		\$3,000/Season
Return on & of Buoy Cost		
\$3,500 over 10 years @ 12% (\$619)		\$620/Year
Cost of Maintenance		
Removal and Reinstallation	\$140/Year	
Storage of Buoy and Line	<u>\$ 65/Year</u>	
Total Maintenance Allowance		\$205/Year
Management Allowance	(10%)	\$300/Year
Marina Benefits	(25%)	\$750/Year
(Parking, Shuttle, Restrooms and other Amenities)		
Entrepreneurial Profit	(20%)	<u>\$600/Year</u>
<u>RESIDUAL INCOME ATTRIBUTABLE TO BUOY SITE</u>		<u>\$525/Year</u>



JOHNSON | PERKINS | GRIFFIN
REAL ESTATE APPRAISERS & CONSULTANTS

BUOY SITE RENTAL CONCLUSION

To arrive at an estimate of the appropriate buoy site rental rate applicable to a buoy site on the Nevada side of the Lake Tahoe Basin, these appraisers did prepare a Residual Income Analysis to arrive at an indicated buoy site rental rate of \$525 per year. This is felt to be a reasonable estimate of the buoy site rental rate applicable to the Nevada side of the Lake Tahoe Basin.

Based upon a careful review and analysis of all data available, it is these appraiser's opinion that the appropriate Market Rent for a buoy site on the Nevada side of the Lake Tahoe Basin as of July 1, 2018 is \$525 per year.

BUOY SITE RENT CONCLUSION
(Nevada Side of Lake Tahoe Basin)

\$525 PER YEAR



TEST OF REASONABLENESS

As a test of the reasonableness of the pier site rental conclusion and buoy rental conclusion set forth previously in this appraisal, the Market Rent Conclusion as established previously will be converted to an imputed value for the lake bottom. This will then be converted to an imputed price per square foot of land area which will then be compared to the value of unencumbered upland lakefront sales.

To convert the pier site rent and buoy site rent to an imputed value for the lake bottom below the pier or buoy, an overall capitalization rate must be applied to the projected rent. Set out in the analysis of the pier rents was a detailed discussion of the rates of return. For the purposes of this analysis, an 7.5% overall capitalization rate will be applied to the annual rent for each of the sites.

Applying a 7.5% capitalization rate to the pier site rent conclusion of \$12,000, results in an imputed value for the site of \$160,000. Applying the 7.5% capitalization rate to the buoy rent conclusion of \$525 results in an imputed value of the buoy site of \$7,000.

We have estimated that a typical pier requires a site of 5,600± square feet. Dividing the imputed value of \$160,000, results in an imputed price per square foot for the pier site of \$28.57.

We have estimated that a buoy with a 45-foot radius would encumber a total land area of 6,400± square feet. Dividing the imputed value of \$7,000 by the 6,400 square feet of land area results in an imputed buoy site value of \$1.09 per square foot.

In order to obtain an indication of the typical lakefront land values, ten comparable sales were analyzed. These sales are set out on the following chart.



COMPARABLE LAKEFRONT SALES CHART

Sale No.	A.P.N. Location	Sale Date Sale Price	Land Area	Frontage Length/ Quality	Lakefront Improvements	Improvements	Sale Price/ SF Land area
LFS-1	1318-16-810-002 450 Reno Avenue Elk Point, NV	04-01-13 \$3,500,000	10,019± sf 0.23± ac	72.2± lf Rocky	None	3,099± sf Residence	\$349.33
LFS-2	1318-09-180-001 660 Lake Shore Boulevard Zephyr Cove, NV	06-21-13 \$2,950,000	15,246± sf 0.35± ac	133.2± lf Rocky	None	1,666± sf Cabin	\$193.45
LFS-3	1418-34-110-024 1263 Lincoln Park Circle Cave Rock, NV	02-10-15 \$2,400,000	15,682± sf 0.36± ac	126.0± lf Mixed/ Community	None	915± sf Cabin	\$153.04
LFS-4	1318-16-710-011 468 Lakeview Avenue Elk Point, NV	01-05-16 \$3,900,000	8,276± sf 0.19± ac	59.64± lf Rocky	Potential Pier Right	1,117± sf Cabin	\$471.24
LFS-5	1418-34-201-006 1210 U.S. Highway 50 Zephyr Cove, NV	09-08-16 \$5,500,000	87,556± sf 2.01± ac	106.12± lf Rocky with Sand	Lakeside Dock	2,118± sf Residence	\$62.82
LFS-6	1318-03-110-018 1050 Skyland Drive Zephyr Cove, NV	06-08-18 \$3,550,000	12,197± sf 0.28± ac	70.45± lf Sandy	None	2,122± sf Residence	\$291.06
LFL-7	1318-09-810-003 656 Lake Shore Boulevard Zephyr Cove, NV	Current Listing \$3,600,000	13,504± sf 0.31± ac	110.02± lf Rocky	None	1,862± sf Cabin	\$266.59
LFL-8	1318-03-110-004 1100 Myron Court Zephyr Cove, NV	Current Listing \$4,980,500	18,731± sf 0.43± ac	134.14± lf Rocky	Breakwater/ Dock	4,217± sf Residence, fair condition	\$265.90
LFL-9	11418-27-210-037 1470 Flowers Avenue Cave Rock Nevada	Current Listing \$3,495,000	32,600± sf 0.748± ac	50.52± lf Rocky	1 Buoy Possible Pier Right	None	\$107.20
LFL-10	1318-10-310-002 746 Lincoln Highway Zephyr Cove, NV	Current Listing \$2,695,000	8,712± sf 0.20± ac	50.0± lf Sandy/ Community	None	1,528± sf Cabin	\$309.34

The ten lakefront sales set out on the preceding chart range from a low of \$62.82 per square foot to a high of \$471.24 per square foot of land area. The average sale price indicated by this data is \$247.00 per square foot of land area. For the purposes of this analysis, the upland lakefront land value will be concluded to be \$250.00 per square foot of land area.

Comparing the average upland lakefront value of \$250 per square foot to the imputed value of the pier site of \$28.57, results in an indication that the concluded value represents 11.4% of the upland land value. Comparing the \$1.09 per square foot imputed land value for the buoy site indicates that the buoy site rental equates .436% of the upland value.

To test the reasonableness of these ratios, these appraisers have considered the typical values associated with utility easements. It has been these appraisers experience and observation that underground utility easements typically represent 50% of the fee simple value of the property. In instances where the easement restricts the use of both the surface and subsurface



rights of a property, the easement value could approach 95% of the Fee Simple Value. This would indicate that the underlying fee interest would reflect a value of 5%.

We have also considered the impact of open space and conservation easements on properties in the Lake Tahoe Basin. Over the years, this firm has prepared a number of studies addressing this impact. It has been our conclusion and observation that open space and conservation easements typically leave a remaining value for the encumbered underlying fee interest of between 15% and 25%.

The market rental rates established previously in this report equate to 11.4% of the upland fee simple value for lakefront properties and .436% for buoy rents relative to upland fee simple values.

It is these appraiser's opinion that a 11.4% factor for a pier site is reasonable as the pier site does provide substantial physical utilization and economic benefit to the permittee. The .426% factor for the buoy site rental conclusion is also felt to be reasonable as the buoy sites typically involve locations offshore in deeper water. Furthermore, the swing of the boat from the buoy will only involve a small portion of the land area encompassed by the radius of the buoy.

Based upon a review of this analysis, it is these appraiser's opinion that the market rent conclusion for the pier site rent and the market rent conclusion for the buoy site rent are reasonable and appropriate.



JOHNSON | PERKINS | GRIFFIN
REAL ESTATE APPRAISERS & CONSULTANTS

FINAL RENTAL CONCLUSION SUMMARY

Based upon the analysis set forth previously in this report, it is these appraiser's opinion that the Market Rent applicable to a typical pier site on the Nevada side of the Lake Tahoe Basin as of July 1, 2018, is \$12,000 per year.

Based upon the analysis set forth in this report, it is these appraiser's opinion that the appropriate Market Rent conclusion applicable to the subject's Nevada side buoy sites as of July 1, 2018, is \$525.

FINAL RENTAL CONCLUSION SUMMARY EFFECTIVE DATE OF VALUATION JULY 1, 2018

FINAL TYPICAL PIER SITE RENTAL CONCLUSION

\$12,000 PER YEAR

FINAL TYPICAL BUOY SITE RENTAL CONCLUSION

\$525 YER YEAR



APPRAISER'S CERTIFICATION

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

- Stephen R. Johnson and Carson Cooke have made a personal inspection of the property that is the subject of this report.
- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and is 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 not preformed appraisal 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*.
- No one provided significant real property appraisal assistance to the person signing this certificate.
- The appraisal was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.



- The appraiser's state registration/certification has not been revoked, suspended, canceled or restricted.
- The Appraisal Institute conducts a mandatory program of continuing education for its designated members. As of the date of this report, Stephen R. Johnson 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 based upon the personal investigation of the subject properties and comparable properties analyzed, it is our opinion that the Market Rent of the subject lease sites, assuming triple net lease terms, as of July 1, 2018, is as set out following:

FINAL TYPICAL PIER SITE RENTAL CONCLUSION

\$12,000 PER YEAR

TYPICAL BUOY SITE RENTAL CONCLUSION

\$ 525 PER YEAR

Respectfully Submitted,

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

Carson Cooke
Research Assistant



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 Griffin, LLC, 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
STEPHEN R. JOHNSON**

Professional Designations

MAI - Member Appraisal Institute	1976
SREA - Senior Real Estate Analyst; Society of Real Estate Appraisers	1984

State Licensing and Certification

Certified General Appraiser-State of Nevada License #A.0000003-CG (Certified through 04/30/2019)	1991
Certified General Appraiser-State of California License #AG007038 (Certified through 06/18/2019)	1992

Association Memberships and Affiliations

Member Reno Board of Realtors	
Member Nevada Association of Realtors	
International Right-of-Way Association	
Member Nevada State Board of Equalization - (Appointed by Governor Richard Bryan, January 1984 & 1988)	1984-1991
(Appointed by Governor Kenny C. Guinn, March 2000 & 2004)	2000-2008
Member Nevada Commission of Appraisers of Real Estate - (Appointed by Governor Bob Miller, August 7, 1989)	1989-1994
Commissioner, Nevada Commission of Appraisers of Real Estate (Appointed by Governor Jim Gibbons, 2009)	2009-2015
(Appointed by Governor Sandoval, 2012)	
President, Nevada Commission of Appraisers of Real Estate	2012-2015

Offices Held

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



**QUALIFICATIONS OF APPRAISER
STEPHEN R. JOHNSON**

Offices Held (continued)

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

Appraisal Experience

Independent Fee Appraiser	1976 to present
Johnson Perkins Griffin, LLC	2015 to Present
President, Johnson - Perkins & Associates	1994-2015
President, Johnson - Wright & Associates	1992-1994
President, Stephen R. Johnson & Associates	1976-1992
Alves Appraisal Associates	1972-1976
Alves-Kent Appraisal Associates	1970-1972

Qualified as an Expert Witness

Nevada District Courts:
Washoe County, Carson City, Douglas County,
and Elko County
U.S. Bankruptcy Courts:
Reno, Las Vegas, Sacramento, and Los Angeles
U.S. District Court, San Francisco, California
United States Tax Court
Arizona Superior Court, Maricopa County, Phoenix
Douglas County Board of Equalization
Washoe County Board of Equalization
Nevada State Board of Equalization
King County Superior Court, Seattle, Washington



**QUALIFICATIONS OF APPRAISER
STEPHEN R. JOHNSON**

Formal Education

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

Appraisal Education

University of Nevada:	
B.A. 430 Real Estate Evaluation	1970
B.A. 432 Real Estate Appraisal Problems	1971
American Institute of Real Estate Appraisers:	
Course 1A Basic Appraisal Principles, Methods & Techniques, San Francisco, CA	1972
Course 1B Capitalization Theory & Techniques, San Francisco, California	1973
Course 2 Urban Properties, San Francisco, California	
Course 6 Investment Analysis, Memphis, Tennessee	1976
Society of Real Estate Appraisers:	
Course 301 Special Applications of Appraisal Analysis, Pomona, California	1974
Uniform Appraisal Standards for Federal Land Acquisitions	June 2009
Numerous Continuing Education Seminars and Courses	

Appraisal Instructor

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



JOHNSON | PERKINS | GRIFFIN
REAL ESTATE APPRAISERS & CONSULTANTS

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

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

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



JOHNSON | PERKINS | GRIFFIN
REAL ESTATE APPRAISERS & CONSULTANTS

**QUALIFICATIONS OF DATA ANALYST
CARSON TAYLOR COOKE**

Appraisal Education and Technical Training

Appraisal Institute

Appraisal Principles

2018

Formal Education

University of Nevada, Reno

Bachelor of Marketing

Minor in Economics

2016

Occupational History

Johnson Perkins Griffin, LLC

Horizon Realty Advisors

United Parcel Service

05/2018-Present

08/2017-/2018

08/2011-/2016