



**PES**

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August 8, 2012  
Jeffery W. Crockett, Esq.  
Brownstein Hyatt Farber Schreck LLP  
One East Washington Street, Suite 2400  
Phoenix, Arizona 85004

Re: Wendover Gas, Wendover Propane Appraisal  
Dear Mr. Crockett,

I have grown up in the propane industry and have installed in excess of 100 propane installations of this size and complexity in the Forty Two plus years of my carrier. I hold several state contractor licenses along with many state required propane gas fitter licenses. Because of my time in the industry and my experience with projects of this type and size I believe that my qualifications allow me to provide an accurate assessment of the current replacement value of propane distribution systems located in Wendover Utah and West Wendover Nevada.

I have used a current replacement formula to appraise all of the underground pipe distribution systems located in West Wendover Nevada and Wendover Utah along with my best estimate of labor and other experiences to complete the installations. In formulating this estimate I also factored in used tanks at current replacement cost. With respect to all of the other equipment I have used current replacement values including labor.

Current replacement: **\$1,833,610.00.**

Having reviewed the provided equipment list for portable storage tanks, leased customer tanks, all of the service trucks and equipment inventory I would include an additional value of:  
**\$336,080.00**

**Total Replacement Value \$2,169,690.00**

During my experience of owning and operating a propane business with eleven locations and having purchased several propane businesses, my liquidation value is based upon experience and the current market value of ongoing propane businesses. I did use a formula but first I removed some assets I considered to be of little or no value if the business were to be liquidated such as engineering \$60,000.00, a percent of legal fees \$45,000.00 and then applied a multiplier of 75%.

**Liquidation value: \$1,550,000.00**

I must take some time to explain the current state of the propane industry!

The propane industry has been going through a long period of consolidation. Because of this pressure the valuations of propane companies have risen to historic highs.

To compound the upward pressures the cost of propane tanks and supplies such as pipe, regulators and labor have risen significantly.

I am not aware of a propane company declaring bankruptcy in recent memory and because of that stability, propane businesses are highly prized enterprises.

The figure of 25% was arrived at by my experience dealing with companies (not in the propane industry) that for one reason or another dispose of propane storage tanks and equipment.

Companies are able to sell surplus propane tanks and equipment when they discount their sales price by 25% of replacement value with little effort or time.

The market for used propane tanks and equipment is very large and active with substantial sales volumes.

I am not aware of any bankruptcy activity in our geographical region; the deduction of 25% was made because of my experience buying and selling used propane equipment throughout the United States.

The underground portion of this business will retain a very high value throughout its life time because of the quality of the materials used and the ever present inflation of materials and labor. This system is not only capable of distributing propane gas but can be an excellent distribution system for natural gas should the opportunity present itself.

All of the assets of Propane of Wendover should be considered very desirable and easy to sell to a third party.

In my opinion the liquidation value I offered was very aggressive and should be considered easily obtainable if need be.

In closing I would like to thank you for this opportunity to be of service to you and I hope that you will contact me if further needs arise.

Respectfully,



Paul Eardley

Vice President

Propane Equipment and Supply

SUMMARY APPRAISAL REPORT OF THE  
SUBJECT PROPANE OF WENDOVER, INC., ET AL,  
IMPROVED PROPERTY LOCATED ON THE EASTERLY  
SIDE OF (430-460) MESA STREET,  
AT ITS "T" INTERSECTION WITH FLORENCE WAY,  
IN A SOUTHWESTERLY PORTION OF WEST WENDOVER,  
ELKO COUNTY, NEVADA  
AS OF APRIL 26, 2012

**William M. Tessler**  
Real Estate Appraiser & Consultant  
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Reno, Nevada 89509

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State of Nevada  
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April 30, 2012

City of West Wendover  
Mr. Chris J. Melville, City Manager/  
Director of Community Development  
1111 North Gene L. Jones Way  
P.O. Box 2825  
West Wendover, Nevada 89883  
(775/664-3081; FAX 775/664-3991;  
e-mail [cmelville@westwendovercity.com](mailto:cmelville@westwendovercity.com))

RE: Summary Appraisal Report Of  
The Subject Propane Of  
Wendover, Inc., Et Al, Im-  
proved Property Located On  
The Easterly Side Of (430-  
460) Mesa Street, At Its "T"  
Intersection With Florence  
Way, In A Southwesterly Por-  
tion Of West Wendover, Elko  
County, Nevada

Dear Mr. Melville:

Pursuant to your request, I have made a personal inspection of the above captioned subject Propane of Wendover, Inc., et al, property which consists of four adjoining Elko County Assessor's Parcels (A.P.N. 010-701-011, 010-701-051, 010-701-052 and 010-740-132. The assembled adjoining parcels create a fairly regular rectangular shaped corner site that contains 99,709± square feet (2.289± acres) of gross land area with the most northerly parcel (A.P.N. 010-701-011) zoned General Industrial and the other three subject parcels (A.P.N. 010-701-051, 010-701-052 and 010-740-132) are zoned Commercial. Said assembled site has fairly level/slightly sloping topography with a very gentle overall downward slope in a southwesterly fashion which appears ensure adequate drainage in that direction. The assembled subject site has concrete curbs/gutters/sidewalks in place along its two street frontages and all the normal utilities are available/serve this improved subject property.

City of West Wendover  
Mr. Chris J. Melville, City Manager,  
Director of Community Development  
April 30, 2012

After inspecting the subject Propane of Wendover, Inc., et al, property that is located in a southwesterly portion of the city of West Wendover, I conducted a market investigation which included a search for sales of comparable improved light industrial properties within the subject rural West Wendover neighborhood/area and in the comparable rural Elko area of northeastern Nevada. I also included in my market investigation a search for other pertinent/factual market data that will also be used in this appraisal assignment.

The purpose of this appraisal assignment was to estimate the current "as is" market value of the fee simple interest in the subject Propane of Wendover, Inc., et al, property as of a current date. As a result of my market investigation and analysis contained in this Summary Appraisal Report, it is the opinion of this appraiser that the market value of the fee simple interest in the subject Propane of Wendover, Inc., et al, property on the easterly side of (430-460) Mesa Street, in a southwesterly portion of West Wendover, Elko County, Nevada (under the specified Limiting Conditions contained herein), as of the current date of April 26, 2012, was:

TWO HUNDRED FIFTY THOUSAND DOLLARS

(\$250,000.00).

If you have any questions or if I can be of any further assistance in this appraisal assignment, please do not hesitate to contact me at my office.

Very truly yours,



William M. Tessler  
Certified General Appraiser  
State Of Nevada  
Certification No. A.0000077-CG  
(Expiration 4/30/13)

WMT:nt  
File E12-016

T A B L E O F C O N T E N T S

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SUMMARY OF SALIENT FACTS AND CONCLUSIONS:

Location Description: Along the easterly side of (430-460) Mesa Street, at its "T" intersection with Florence Way, in a southwesterly portion of West Wendover, Elko County, Nevada 89883.

Site Shape/Size/Zoning: The assembled subject corner site has a fairly regular rectangular shape, contains 99,709± square feet (2.289± acres) of gross land area with three of the parcels zoned Commercial and one parcel zoned General Industrial.

Improvements: The subject assembled site has several commercial/industrial improvements scattered on it which include the subject 528± square foot office structure built in 1991, the subject 2,400± square foot storage garage built in 1995, and the 2,280± square foot Quonset hut built in 1995. The other commercial/industrial improvements which are considered personal property are not included in this valuation assignment. The perimeter of the entire subject assembled site is fenced and its access is from the easterly side of Mesa Street with no access onto Florence Way.

Record Owner: Propane of Wendover, Inc., et al, with the principal being Nancy J. Green who deeded the subject property into her company name March 24, 2006 (Document No. 2006-550324). There has not been an arm's length transaction involving said property.

Type Of Report: Summary Appraisal Report.

Property Rights Appraised: Fee simple ownership in the established subject improved property located in a southwesterly portion of the city of West Wendover.

SUMMARY OF SALIENT FACTS AND CONCLUSIONS (Contd.):

Date Of Report: April 30, 2012.

Effective Date Of Value: The effective date of value is the current date of April 26, 2012 (which was the latest date of inspection of the subject improved property).

Valuation Conclusions:

Cost Approach: Not applicable.

Comparable Sales Approach- Whole Property Comparison: \$275,000.

Income Approach: \$250,000.

The Reconciled "As Is" Market Value Of The Fee Simple Interest In The Subject Improved Propane Of Wendover, Inc., et al, Property Located On The Easterly Side Of (430-460) Mesa Street, At Its "T" Intersection With Florence Way, In A Southwesterly Portion Of West Wendover, Elko County, Nevada (Under The Specified Limiting Conditions Contained Herein), As Of The Current Date Of April 26, 2012, Was:

\$250,000.

Marketing Time: Approximately two years or more.



TYPE OF REPORT:

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

INTENDED USER/CLIENT: City of West Wendover, Mr. Chris J. Melville, City Manager/Director Of Community Development with the user/client being interested in acquiring the subject improved property at its current market value.

SUBJECT PROPERTY:

The subject property consists of an assembled subject site that contains 99,709± square feet (2.289± acres) of gross land area, most of which is zoned Commercial with one parcel being zoned General Industrial. Said site is made up of the Elko County

Assessor's Parcels 010-701-011, 010-701-051, 010-701-052 and 010-740-132 with the resulting shape being fairly rectangular in shape with flat/level topography having a very gentle overall downward slope in a southwesterly fashion which appears to ensure adequate drainage in that direction. The subject site has a 528± square foot metal office building constructed in 1991 being in fair/average condition; a 2,400± square foot storage garage of metal construction built in 1995 and in fair/average condition; and, a Quonset hut containing 2,280± square feet built in 1995 being in only fair/average condition. The subject assembled site has considerable frontage/access along the easterly side of (430-460) Mesa Street at its "T" intersection with Florence Way upon which the property has frontage but no access.

PURPOSE OF APPRAISAL:

The purpose of this appraisal was to estimate the "as is" market value of the fee simple interest in the subject improved property as of a current date.

According to the Federal Financial Institute's Regulatory Agencies, *market value* is defined as the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the

price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (1) buyer and seller are typically motivated;
- (2) both parties are well informed or well advised, and acting in what they consider their own best interests;
- (3) a reasonable time is allowed for exposure in the open market;
- (4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and,
- (5) the sale represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

(Source: Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions [f].)

FEE SIMPLE ESTATE DEFINED:

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.

(Source: The Dictionary of Real Estate Appraisal [Third Edition], Page 140.)

LEASED FEE ESTATE DEFINED:

An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the

lessor (the leased fee owner) and the leased fee are specified by contract terms contained within the lease.

(Source: The Dictionary of Real Estate Appraisal [Third Edition], Page 204.)

INTENDED USE OF REPORT:

The intended use of this report is to assist the user/client in acquiring the subject improved property at its current market value.

INTEREST APPRAISED:

The interest appraised is the fee simple interest in the subject improved property.

According to the records of the Elko County Assessor's Office, as of the date of this appraisal assignment, title to the subject improved property is in the name of Propane of Wendover, Inc., et al, and has been in that corporate name since the principal, Nancy J. Green, deeded said property March 24, 2006 (Document No. 2006-550342). This was not an arm's length transaction and merely puts said improved property in the company name.

EFFECTIVE DATE OF VALUE:

The effective date of value is the current date of April 26, 2012 (which was the latest date of inspection of said subject property).

DATE OF REPORT: April 30, 2012.

SCOPE OF APPRAISAL - APPRAISAL DEVELOPMENT AND REPORTING PROCESS:

In preparing this Summary Appraisal Report, this appraiser:

- (a) Inspected the subject improved property and the rural subject West Wendover neighborhood/area;
- (b) Gathered market evidence including sales of comparable improved properties along with other pertinent/factual market data within the subject rural West Wendover neighborhood/area and in the comparable rural Elko area of northern Nevada;
- (c) Analyzed the market evidence to the best of this appraiser's ability and applied the appropriate units, methods and techniques of comparison;
- (d) Estimated the market value of the fee simple interest in the subject improved property as of the current date; and,
- (e) Prepared this Summary Appraisal Report as of the current date of April 26, 2012, and under the specified Limiting Conditions contained herein.

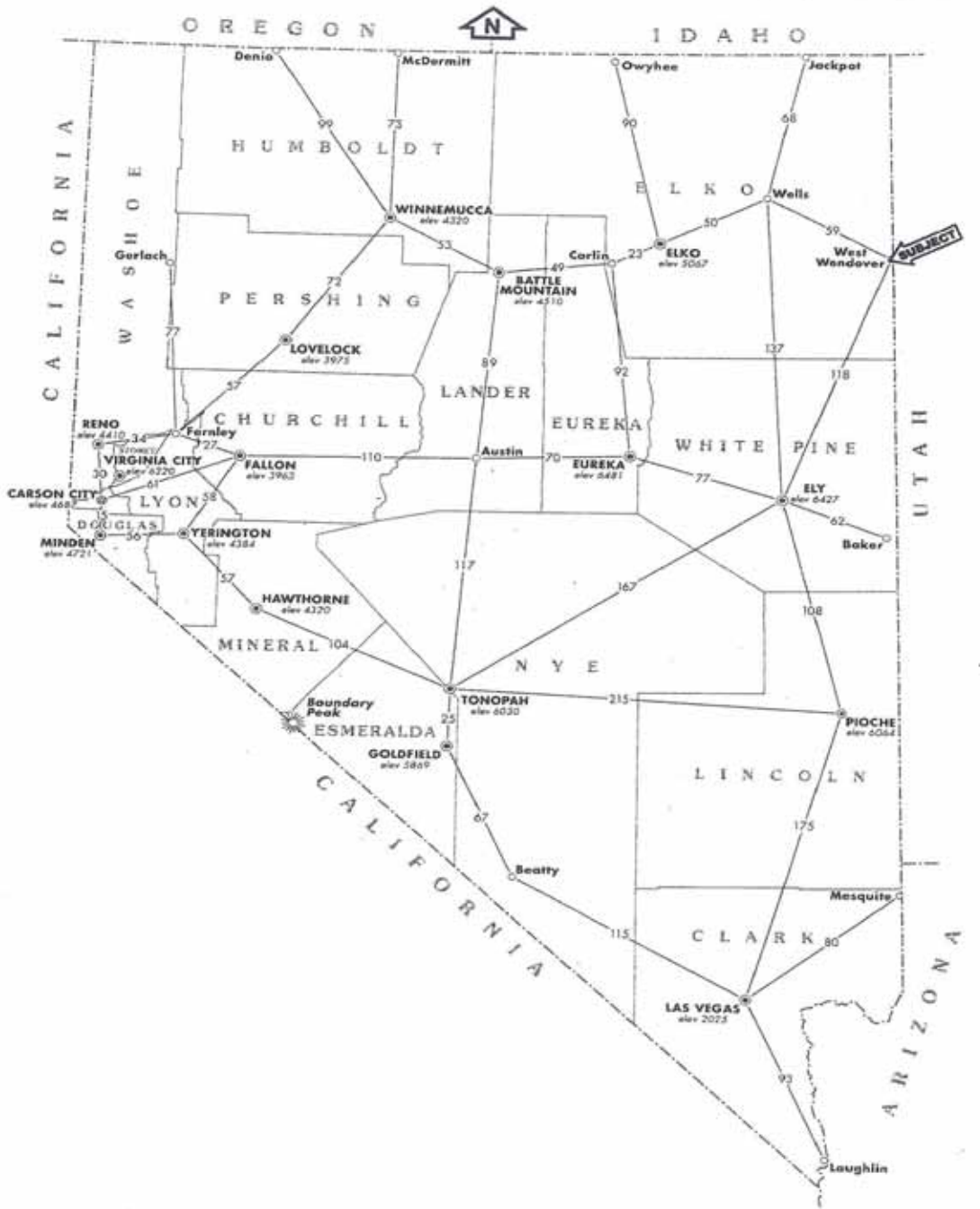
In order to develop the opinions of value contained in this report, I performed a Summary Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice. The Cost

Approach, the Comparable Sales Approach and the Income Approach were considered but, because of the age/condition of the minimal subject improvements, the Cost Approach was not deemed applicable. The Comparable Sales Approach - Whole Property Comparison and the Income Approach were used and the value indications produced by these two approaches will be reconciled into a final estimate of the current market value of the fee simple interest in the subject improved property. This Summary Appraisal Report is a brief recapitulation of this appraiser's data, analyses and conclusions with the supporting documentation retained in the work file for this assignment.

MARKETING TIME:

Approximately two years or more.

AREA / LOCATION MAP



DESCRIPTION OF REAL ESTATE APPRAISED:

Location Description:

West Wendover, Nevada, was incorporated July 1, 1991, and is located in northeastern Nevada, adjacent to Wendover, Utah, and the Nevada-Utah state line, on Interstate 80.

The Wendover area is actually split between Nevada and Utah with the majority of the more recent development located on the Nevada side. The West Wendover, Nevada, area is situated in an easterly mid-portion of Elko County, in a northeasterly portion of the state, and is approximately 59 miles easterly of Wells, Nevada, and 109 miles easterly of Elko, Nevada. Salt Lake City, Utah, is approximately 127 miles easterly of Wendover on Interstate 80. West Wendover is the first gaming center westerly of Salt Lake City and is approximately two to two-and-one-half hours driving time from the Greater Salt Lake City area.

In addition to being a "border town", Wendover, Utah, was quite important as an Army Air Force training site for the bombers which dropped the atomic bomb near the end of World War II. This base is at an elevation of approximately 4,300 feet (above sea level) and has a 9,000 foot lighted runway with numerous hangar spaces. Said facility is now owned by Wendover, Utah, and it serves quite nicely as a general aviation airport and certainly



could accommodate scheduled air service if the demand was warranted. The runways and taxiways of said facility are in good condition and a potential exists for expanded general aviation service as the Wendover area expands in the foreseeable future. The Air Force does use said facility on occasion for training exercises. Recently, Runway 30/12 was upgraded and re-paved, reflecting a recent trend toward upgrading at least portions of the airport facility.

Wendover is also the gateway to the Bonneville Salt Flats where numerous land speed records have been broken. Within approximately a two to three hour drive from Wendover is an area known as the "Wasatch Front", which extends from Provo through Salt Lake City to Ogden, and consists of a population in excess of 1,500,000± residents.

Wendover, Utah, is an incorporated town and has had a complete water and sewer master plant since approximately 1975. There is a five-member cooperative board between Utah and Nevada which administers the water system for the area; and, this board does indicate that water is more than adequate for typical developmental purposes now and in the foreseeable future.

In 1979, Interstate 80 was completed through the Wendover area

with a major interchange in Nevada at the westerly end of the Wendover area (West Wendover), a second interchange at the easterly end of the Wendover area in Utah and a third "half" interchange has recently been constructed (2009-2010) near the "central" Wendover area. Interstate 80 is the major east-west transcontinental highway/freeway facility that carries a heavy volume of traffic across a northerly portion of the state of Nevada and to/from California on the west and Utah on the east.

The permanent population of West Wendover, Nevada, as of the 2010 census, was 4,410 persons and there are 1,500± residents in Wendover, Utah.

The West Wendover school system includes both primary and secondary education. A state of the art kindergarten through sixth grade school facility was completed in the mid-1990's along with West Wendover's junior/senior state of the art facility in the late 1990's.

As throughout the state of Nevada, there is no personal income tax, corporate income tax, franchise tax, inventory tax, gift tax and no federal estate tax. The sale and use tax is at approximately 6.85%. The dollar tax rate for real estate property taxes in the city of West Wendover, Elko County, for the 2011-2012 tax

year is at \$3.4437 per \$100 of assessed valuation which is based upon 35% of the market values as estimated by appraisers from the various assessing agencies.

A new city administrative complex was constructed/completed in mid-2009. The West Wendover Police Department has been relocated from its location on Florence Way, just south of Wendover Boulevard, to said new city complex. The city has also constructed/developed an industrial park on the westerly side of U.S. Highway 93A, a short distance south of Wendover Boulevard.

A new 12,000± square foot retail commercial building and restaurant was constructed on the northerly side of the West Wendover/Interstate 80 Interchange (Exit 410) and was to be known as the Rusty Palm but was foreclosed on before its completion.

The city has also constructed and is developing an industrial park located on the westerly side of U.S. Highway 93A, a short distance southerly of Wendover Boulevard, in a southerly mid-portion of West Wendover, Elko County, Nevada. Said industrial park is zoned Industrial (M) as will be the proposed various sized established sites.

The subject improved property consists of a site that contains

99,709± square feet (2.289± acres) of gross land area which has Commercial and General Industrial zoning. The assembled site has a fairly regular rectangular shape with extensive frontage/access along the easterly side of Mesa Street and a smaller amount of frontage but no access on the northerly side of Florence Way. Said site has concrete curbs/gutters/sidewalks in place along both of its street frontages and it is just above street grade with fairly flat/level topography and a very gentle overall downward slope in a southwesterly fashion which appears to ensure adequate drainage in that direction. There are three older commercial/industrial improvements in place which include the subject 528± square foot metal office building constructed in 1991; the subject metal storage garage containing 2,400± square feet constructed in 1995; and, the subject Quonset hut containing 2,280± square feet constructed in 1995. The total gross building area of these three existing subject commercial/industrial structures is 5,208± square feet of gross building area with said improvements being of only fair/average quality construction/workmanship/materials and which were in fair/average condition as of the date of this valuation assignment.

The immediate subject neighborhood in which the subject improved property is located has various uses including light industrial, commercial and various types of residential. Access to said

property is rather circuitous with the most direct and easiest route being on Florence Way which intersects Wendover Boulevard and extends southwesterly eventually getting to the subject improved property where that arterial intersects Mesa Street. Mesa Street is a two-lane, asphaltic paved neighborhood facility that extends in a northerly fashion from its "T" intersection with Florence Way through a portion of the residential development within the southwesterly portion of West Wendover.

NEIGHBORHOOD PHOTOGRAPHS



General view of immediate subject neighborhood looking northerly up Mesa Street from near the subject improved property's northwesterly limits



General view of immediate subject neighborhood looking northerly up Mesa Street from its "T" intersection with Florence Way

NEIGHBORHOOD PHOTOGRAPHS



General view of immediate subject neighborhood  
looking northeasterly along Florence Way from  
its "T" intersection with Mesa Street



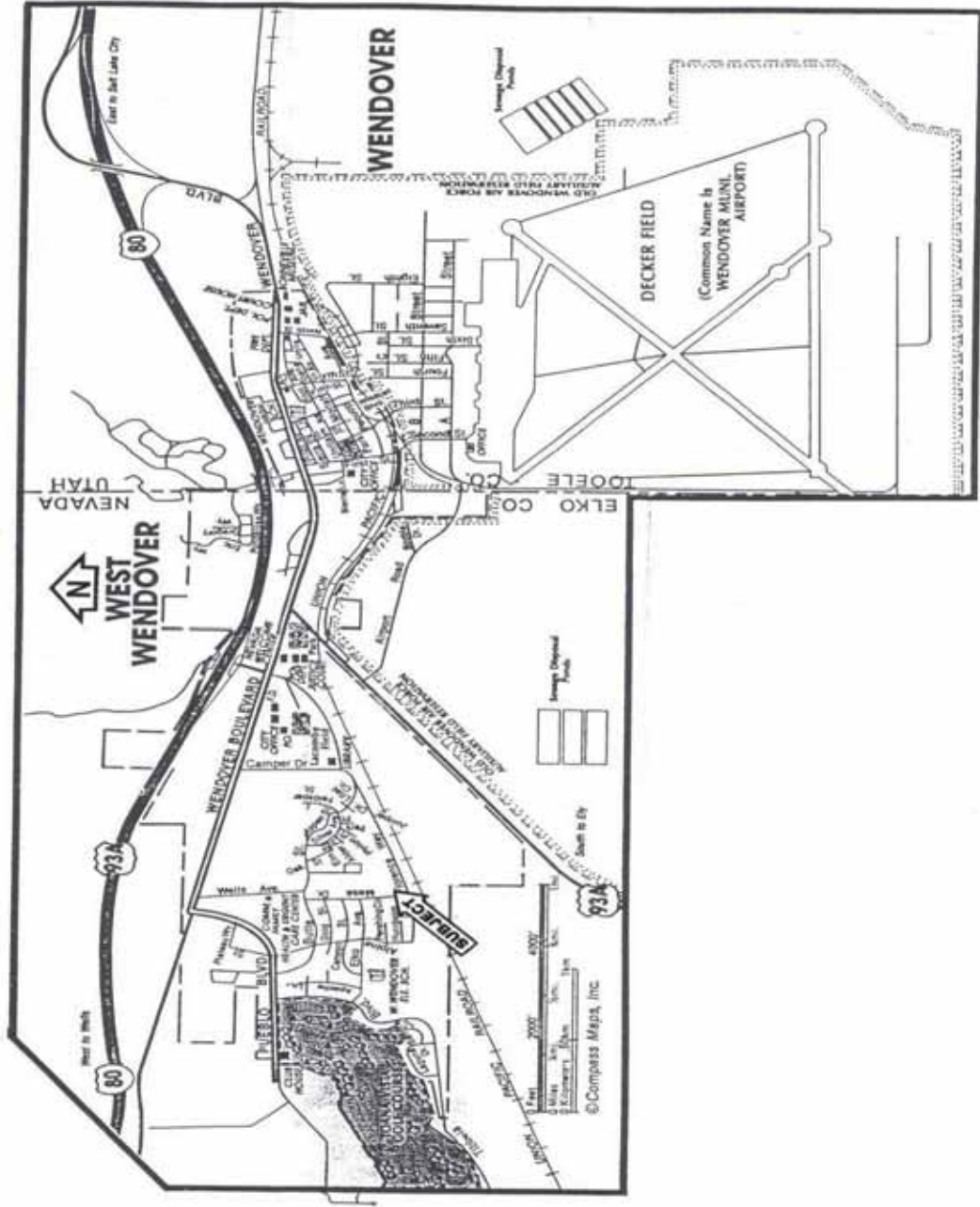
General view of immediate subject neighborhood  
looking westerly along Florence Way from  
its "T" intersection with Mesa Street

NEIGHBORHOOD AERIAL

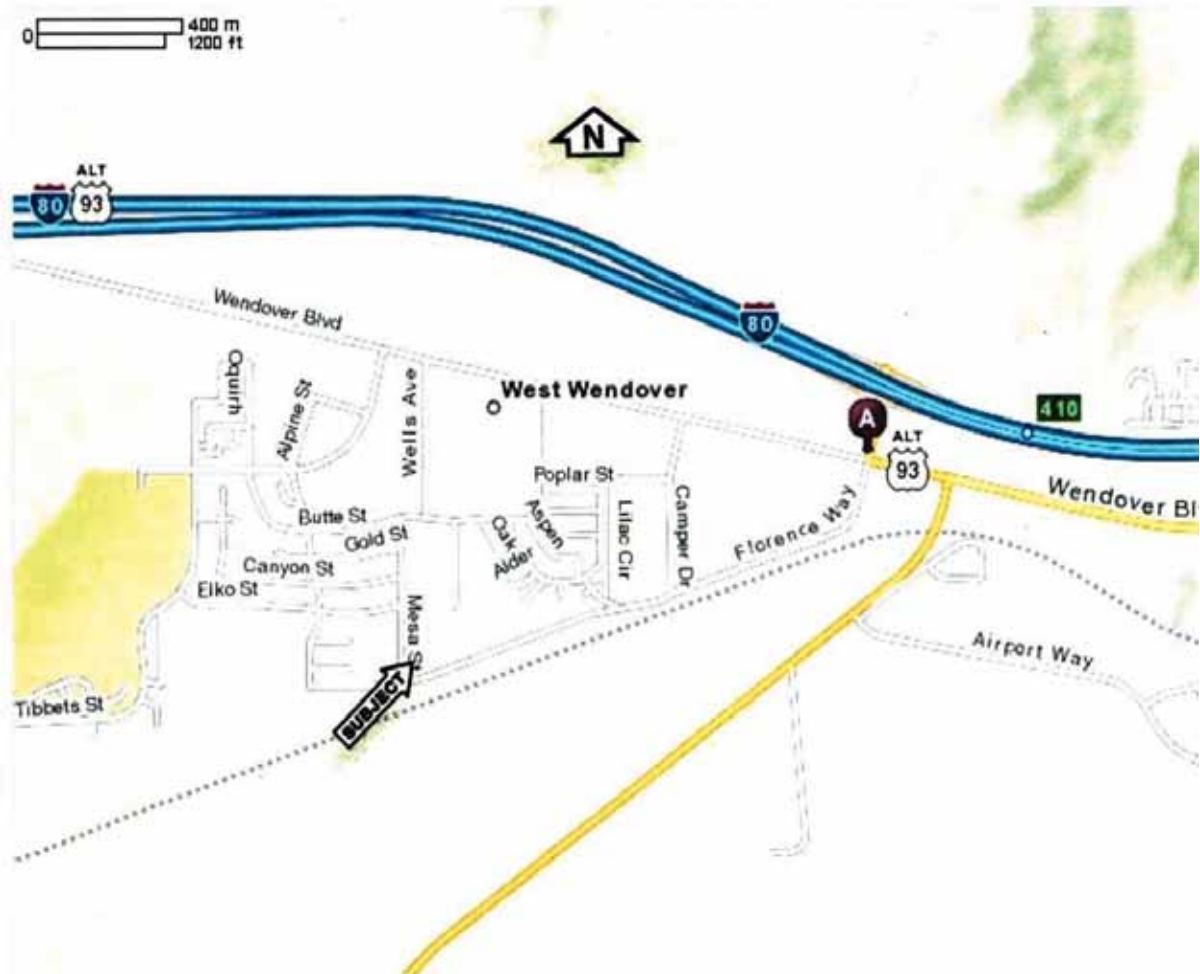




NEIGHBORHOOD MAP



NEIGHBORHOOD MAP



DESCRIPTION OF REAL ESTATE APPRAISED (Contd.):

Neighborhood Description:

The subject neighborhood is considered to be the entire rural West Wendover area which is located in an easterly mid-portion of Elko County and a northeasterly portion of the state of Nevada. West Wendover is on the Nevada-Utah state line with Utah's Wendover area adjoining West Wendover to the east.

Interstate 80 is four lane, concrete/asphaltic paved major east-west freeway facility that provides access to the West Wendover, Nevada, and Wendover, Utah, areas and this facility carries a heavy volume of traffic across the northerly mid-portions of both Nevada and Utah. The subject improved property enjoys a good commercial/industrial location at the northeasterly corner of (430-460) Mesa Street and Florence Way, a short distance southerly of Wendover Boulevard and the Florence Way/Interstate 80 Interchange (Exit 410), in a southwesterly portion of West Wendover. Wendover Boulevard is a two-lane/four-lane, asphaltic paved facility which extends through the mid-portion of the city of West Wendover from the Nevada-Utah state line westerly to the existing westerly West Wendover city limits and to the newer Interstate 80 Interchange (Exit 407) 3± miles westerly of the main West Wendover/Interstate 80 Interchange (Exit 410). Other street facilities within West Wendover include two-lane,

asphaltic paved neighborhood facilities which extend/connect with Wendover Boulevard and provide access to all portions of the West Wendover, Nevada/Wendover, Utah area. U.S. Highway 93A, which is a two-lane, asphaltic paved facility, extends southerly from its intersection with Wendover Boulevard which is just a short distance easterly of that facility's intersection with the access road to the main West Wendover/Interstate 80 Interchange (Exit 410).

There is a heavy cluster of hotel casino facilities on both sides of Wendover Boulevard adjacent and near the Nevada-Utah state line. Then, extending westerly along Wendover Boulevard there is the recently constructed Peppermill Concert Hall facility and a couple of sizable undeveloped land parcels having frontage/access along the existing Wendover Boulevard right-of-way (that will be developed with the proposed 800± room hotel/casino by the Peppermill and which will require the re-alignment of said facility to the south adjacent to the northerly side of the Union Pacific right-of-way). Extending further westerly along Wendover Boulevard we come to its intersection with the Florence Way/Interstate 80 Interchange (Exit 410) where there is the sizable Peppermill Hotel Casino facility at the northeasterly corner, a large Chevron gas station/food-mart/car wash facility (acquired/operated by the Peppermill) at the northwesterly corner,

a city park and Chamber of Commerce facility at the southeasterly corner and the southwesterly corner (the most northwesterly portion of the 81.065± acre larger parcel acquired from BLM) and was currently encumbered with the city of West Wendover fire station and a modular city office building. Said corner parcel was just recently appraised and a public auction was held with the successful bidder being the Peppermill. Just westerly of that intersection on the southerly side of Wendover Boulevard and adjoining the sold parcel along its westerly limits is the Rainbow Hotel Casino which is owned/operated by the Peppermill and which is continually being expanded. Other smaller gaming facilities are scattered along Wendover Boulevard along with various other types of tourist oriented facilities including a large Pilot Oil Company gas/convenience store/truck stop facility, two national fast-food franchise facilities (a McDonald's and a Burger King) and a scattering of various other types of commercial outlets including a Smith's Food and Drug Center and a small neighborhood shopping center both located 1± miles westerly of the access road to the West Wendover/Interstate 80 Interchange (Exit 410) and 2± miles easterly of the newer most westerly Ola West Wendover/Interstate 80 Interchange (Exit 407).

In summary, the subject neighborhood is considered to be the rural West Wendover (Nevada) area as well as the Wendover (Utah)

area which are located adjacent to the Nevada-Utah state line, 110± miles easterly of Elko, 398± miles easterly of Reno on Interstate 80 and 127± miles westerly of Salt Lake City on Interstate 80. West Wendover is a growing "state line" area that primarily relies upon the expanding hotel casino operations which cater to the very substantial population base within the "Wasatch Front" area of western Utah that extends from Provo through Salt Lake City to Ogden and which has a continuing expanding population which is currently in excess of 1,500,000± residents.

The immediate subject neighborhood in which the subject Propane of Wendover, Inc., et al, property is considered to be the southwesterly portion of the city of West Wendover which is located southerly of Wendover Boulevard, between Tibbet's Boulevard and Florence Way as it extends in a southwesterly fashion from its intersection with Wendover Boulevard. The improved subject property is located within the mid-portion of the established immediate subject neighborhood at the northeasterly corner of (430-460) Mesa Street which is a two-lane, north-south, asphaltic paved neighborhood street that carries a reasonable volume of traffic and Florence Way which is a two-lane, asphaltic paved, north-south turning into an east-west neighborhood facility that carries a reasonable volume of traffic. The new U.S. Post Office facility is located at the

northeasterly corner of North Alpine Street and Pueblo Boulevard and there is a fairly heavy concentration of single family residential subdivision development and various types of residential development (multiple residential, manufactured/mobile home subdivisions, stick built subdivision, etc.) and a light scattering of various types of neighborhood commercial, office and light industrial development/uses southerly of Pueblo Boulevard. Said neighborhood enjoys close proximity to the entire West Wendover area and to the highway and freeway systems that serve this portion of northeastern Nevada and the surrounding states.

SUBJECT PHOTOGRAPHS



General view of subject improved property looking southeasterly along its Mesa Street frontage from near its northwesterly limits



General view of subject improved property looking easterly from near its northwesterly limits and Mesa Street



SUBJECT PHOTOGRAPHS



General view of a northerly portion of the subject improved property looking northeasterly from near its westerly mid-limits and Mesa Street



General view of a mid-portion of the subject improved property looking southeasterly from near its westerly mid-limits and Mesa Street

SUBJECT PHOTOGRAPHS



General view of a mid-portion of the subject improved property looking southeasterly from near its westerly mid-limits and Mesa Street



General view of a southerly portion of the subject improved property looking southeasterly from near its westerly mid-limits and Mesa Street

SUBJECT PHOTOGRAPHS



General view of a southerly mid-portion of the subject improved property looking northeasterly from near its southwesterly limits



General view of a westerly mid-portion of the subject improved property looking northerly from near its westerly mid-limits

SUBJECT PHOTOGRAPHS



General front view of the subject 2,400± square foot storage garage looking northerly



Front/side view of the subject 528± square foot office looking northwesterly

SUBJECT PHOTOGRAPHS



General front/side view of the 2,280± square foot Quonset hut looking southeasterly

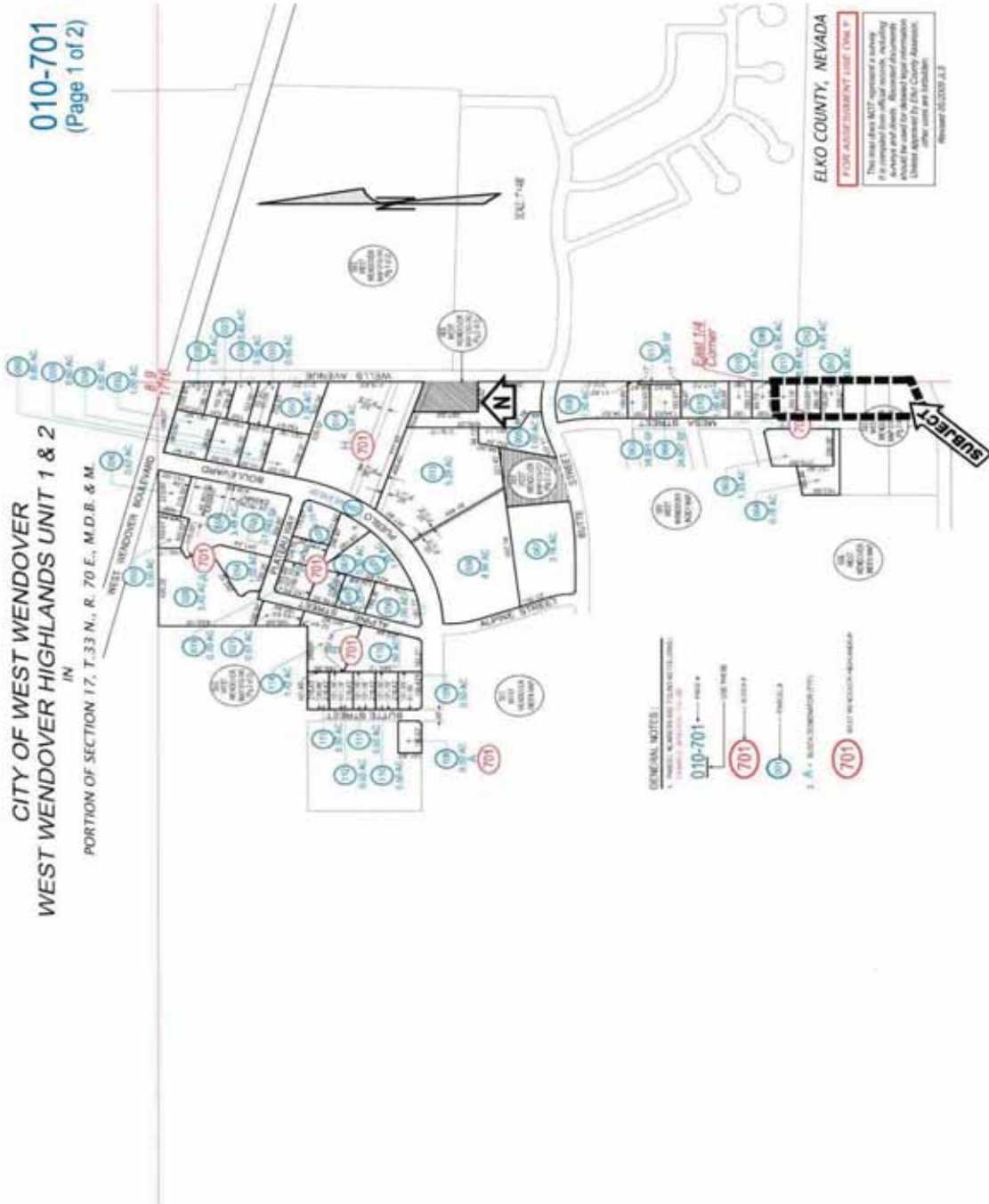


General rear view of the subject 2,280± square foot Quonset hut looking southeasterly

S I T E   D A T A   A E R I A L



S I T E D A T A M A P







DESCRIPTION OF REAL ESTATE APPRAISED (Contd.):

Subject Property Description:

Location: The subject improved property is located on the easterly side of (430-460) Mesa Street at its "T" intersection with Florence Way, in a southwesterly portion of West Wendover, Elko County, Nevada. Said site/property is also identified as the Elko County Assessor's Parcel Numbers 010-701-011, 010-701-051, 010-701-052 and 010-740-132. The assembled subject site can be described by a metes and bounds description as a Portion of Section 17, Township 33 North, Range 70 East, M.D.B. & M., West Wendover, Elko County, Nevada.

Record Owner: Title to the subject improved property is vested in the name of Propane of Wendover, Inc., et al (with the principal of said corporation being Nancy J. Green), who transferred title to the corporate name March 24, 2006 (Document No. 2006-550342). This is not an arm's length transaction.

Site Shape/Size/Zoning: According to the Elko County Assessor's Parcel Pages 010-701 (Page 1 of 2) and 010-740 (Page 2 of 2), the subject assembled site is a fairly regular shaped rectangle that contains 99,709± square feet (2.289± acres) of gross land area with the most northerly Elko County Assessor's Parcel being zoned General Industrial and the adjoining three parcels to the south

being zoned Commercial. Said assembled site is slightly above its Mesa Street frontage/access and Florence Way frontage, is fairly flat/level and has a very gentle overall downward slope in a southwesterly fashion which appears to ensure drainage in that direction. There does not appear to be any adverse soil or subsurface condition which will prevent the continued commercial/industrial use or further development of said site. However, I do not profess to have expertise in the fields of soils and engineering. Reference is made to Limiting Conditions 7, 8 and 9. To the best of this appraiser's knowledge, the assembled subject site is reported to be located in an Unshaded Flood Zone X (areas determined to be outside the 500 year flood plain).

Availability Of Utilities: The normal utilities presently serve the subject improved property and include electrical power, sewer/water and telephone service.

Street Improvements And Access: The subject improved site has considerable frontage/access along the easterly side of Mesa Street and less frontage but no access along the northerly side of Florence Way.

Assessments And Taxes: The subject improved property has taxable valuation for the 2011-2012 tax year as follows.

A.P.N. 010-701-011:

	<u>Assessed Valuation</u>	<u>Taxable Valuation</u>
Land	\$ 7,978±	\$ 22,794±
Improvements	951±	2,717±
Total	<u>\$ 8,929±</u>	<u>\$ 25,511±</u>

A.P.N. 010-701-051:

Land	\$ 8,690±	\$ 24,829±
Improvements	25,120±	71,771±
Total	<u>\$33,810±</u>	<u>\$ 96,600±</u>

A.P.N. 010-701-052:

Land	\$ 8,150±	\$ 23,286±
Improvements	634±	1,811±
Total	<u>\$ 8,784±</u>	<u>\$ 25,097±</u>

A.P.N. 010-740-132:

Land	\$14,812±	\$ 42,320±
Improvements	20,921±	59,774±
Total	<u>\$35,733±</u>	<u>\$102,094±</u>

In Nevada, the assessed value of a property is required by law to be at 35% of its appraised market value as estimated by appraisers from the various assessing agencies (Assessor's Offices, Tax Commission, etc.). The subject improved property is within the city of West Wendover (Tax District No. 23.0) and the 2011-2012 dollar tax rate is at \$3.4437 per \$100 of assessed valuation.

DESCRIPTION OF EXISTING SUBJECT IMPROVEMENTS:

As previously discussed, the subject commercial/industrial facility consists of a fairly regular rectangular shaped site that contains 99,709± square feet (2.289± acres) of gross land area with three of the four Elko County Assessor's Parcels that make up said site being zoned Commercial and the fourth being zoned General Industrial. The assembled site has concrete curbs/gutters/sidewalks in place along its two street frontages with access along its Mesa Street frontage but there is no access from Florence Way. The three permanent subject improvements/structures include the office, the storage garage and the Quonset hut which are scattered across the site with the balance having several above ground storage tanks in place which are considered personal property and not included in this valuation assignment. The value of the business as a going concern is also not considered in this valuation assignment. The land to building ratio at 18.71 to 1.0 is quite high but the present use of the subject site needs the space for tank storage and the coming and going of trucks and other equipment. The subject site is basically a graded/graveled site with areas of blacktopping and some concrete slab. The perimeter of the site has a six foot chain link fence in place with access gates on the easterly side of Mesa Street.

OFFICE BUILDING:

TYPE: Fair/average quality steel frame, metal sided light industrial structure.

SIZE: The subject office structure is 24± feet by 22± feet for a total gross building area of 528± square feet.

AGE: According to the Elko County Assessor's Records, this subject structure was constructed in 1991 and has a chronological age of 20± years.

CONSTRUCTION DETAILS:

Foundation: Reinforced concrete and a concrete slab floor.

Structural: Steel frame with metal siding and roof panels. This subject structure has a minimum of interior partitioning and that is for a bathroom.

Roof: Very low pitch gable roof with metal roof panels.

Exterior Finish: Metal siding panels.

Interior Finish: Interior walls are furred in, insulated and drywalled/painted. The minimum amount of interior partitioning, as previously stated, is sheetrocked/taped/painted. The floor covering in the office area is commercial grade carpet and the restroom has vinyl tile floor covering.

Heating And Air Conditioning: Heating is provided by a propane fired furnace and cooling is provided by an evaporative cooler.

STORAGE GARAGE:

TYPE: Fair/average quality steel frame metal sided light industrial structure.

SIZE: This subject structure is 40± feet by 60± feet or 2,400± feet of gross building area.

AGE: According to the Elko County Assessor's Office, this improvement was constructed in 1995 resulting in a chronological age of 17± years as of the date of this valuation assignment.

CONSTRUCTION DETAILS:

Foundation: Reinforced concrete and a concrete slab floor.

Structural: Steel frame with metal siding and metal roof panels. The subject structure is basically a shell with little or no partitioning and no bathroom.

Roof: Very low-pitch gable roof with reported tar/gravel finish.

Exterior Finish: Metal siding panels with a large metal roll-up door in the south end of this structure for equipment and there are pedestrian doors situated within each of the other three walls.

Interior Finish: The interior walls are unfinished and there are no partitions. Thus, this storage structure is basically a "shell."

Heating And Air Conditioning: Heating is provided by radiant heaters mounted from the ceiling and cooling is provided by a wall mounted evaporative cooler.

QUONSET HUT:

TYPE: Storage structure.

SIZE: This subject structure is 38± feet by 60± feet for a total gross building area of 2,280± square feet.

AGE: According to the Elko County Assessor's Office, this structure was constructed in 1995 and has a chronological age of 17± years as of the date of this valuation assignment.

CONSTRUCTION DETAILS:

Foundation: Concrete and concrete slab floor.

Structural: Metal frame.

Interior: Unfinished, no partitions.

Heating And Air Conditioning: None.

REMARKS:

The three subject permanent structures are all of fair/average construction/workmanship/materials and were in fair/average condition as of the date of inspection which is the date of this appraisal assignment (April 26, 2012). It is again noted that no consideration is given to any of the above ground storage tanks or other personal property located on the assembled subject site nor is there any value given to the value of the Propane of Wendover business as a going concern.

The size of the three subject permanent structures was derived from the Elko County Assessor's records and checked in the field for use in this appraisal assignment. As previously stated, the entire perimeter of the subject assembled site is fenced. The land area is 99,709± square feet (2.289± acres) according to the records of the Elko County Assessor's office and the total gross building area of the three subject structures is 5,208± square feet of gross building area (per Elko County Assessor's Records) with the resulting land to building ratio being 18.71 to 1.0.

The subject commercial/industrial facility enjoys a good location in a close-in portion of southwesterly West Wendover with close proximity and easy accessibility to all parts of the West Wendover/Wendover areas and to the highway/freeway systems which serve this portion of northeastern Nevada.



HIGHEST AND BEST USE:

Highest and best use may be defined as: "The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible and that results in the highest value."

In estimating the highest and best use, there are essentially four stages of analysis:

- 1) Permissible Use: What uses are permitted by zoning and deed restrictions on the site in question?
- 2) Possible Use: What uses of the site in question are physically possible?
- 3) Feasible Use: Which permissible and possible uses will produce a net return to the owner of the site?
- 4) Highest and Best Use: Among the feasible uses, which will produce the highest net return or the highest present worth?

The highest and best use of the land (or site) if vacant and available for use, may be different from the highest and best use of the improved property. This is true when the improvement is not an appropriate use, but it makes a contribution to the total property value in excess of the value of the site.

The following tests must be met in estimating the highest and best use. The use must be legal and the use must be probable,

not speculative or conjectural. There must be a profitable demand for such use and it must return to the land the highest net return for the longest period of time.

Legally Permissible Uses:

The existing Commercial and General Industrial zonings will permit various types of commercial and industrial uses and the present commercial/industrial facility use is certainly a permissible use.

Possible Uses:

The legally permissible uses would be the same as the possible uses but said uses would be limited physically by the size/shape of the subject Commercial and General Industrial zoned assembled site.

Feasible Uses:

Feasible uses would include the permissible and possible uses and, in the judgment of this appraiser, the existing commercial/industrial use is one of the feasible uses as of the date of this appraisal assignment.

Highest And Best Use:

After making a personal inspection of the subject property and the subject immediate rural West Wendover neighborhood/area as well as the comparable rural Elko area, in the opinion of this appraiser, a higher and more dense use would be its highest and best use as of the date of this appraisal assignment. The existing subject use is a reasonable use but the larger subject assembled subject site could be more densely developed and that would generate more income but this would require the construction of other commercial/industrial improvements/structures.

SUMMARY OF ANALYSIS AND VALUATION OF THE SUBJECT PROPANE OF WENDOVER, INC., ET AL, FACILITY (A.P.N. 010-701-011, 010-701-051, 010-701-052 and 010-740-132) LOCATED ON THE EASTERLY SIDE OF (430-460) MESA STREET AT ITS "T" INTERSECTION WITH FLORENCE WAY, IN A CLOSE-IN SOUTHWESTERLY PORTION OF WEST WENDOVER, ELKO COUNTY, NEVADA:

The purpose of this appraisal assignment was to estimate the "as is" market value of the fee simple interest in the subject commercial/industrial facility as of the current date of April 26, 2012, which was one of the last dates of inspection of the subject improved property and when the subject photographs and the immediate subject neighborhood photographs were taken.

In the valuation of said subject facility, the Cost Approach, the Comparable Sales Approach and the Income Approach were considered by this appraiser. The Cost Approach, although considered, is not deemed to be applicable because, in this appraiser's opinion, it would produce the least reliable indication of value for the subject commercial/industrial facility which consists of the three older subject structures which would make it more difficult to estimate the accrued depreciation from all causes (physical, functional, external - formerly economic). The Cost Approach also does not consider the income producing potential of this type of improved property (if it were not owner oc-

cupied/operated) and it does not reflect the current economic conditions within the subject rural West Wendover neighborhood/area. An investor/purchaser of this type of property would be more interested in its income producing potential than what the value of the subject site would be as if vacant/unimproved plus the depreciated replacement costs for the existing subject commercial/industrial improvements/structures.

The Comparable Sales Approach is considered to be a good indication of value for most types of property and for the subject commercial/industrial facility. This approach can usually be relied upon to produce a good/reliable indication of value based upon an overall comparison of the most comparable improved property sales available to the subject improved property. Thus, this appraiser's market investigation included a search for sales of comparable improved income producing properties within the subject rural West Wendover neighborhood/area (which produces virtually no comparable improved property sales) and the comparable rural Elko neighborhood/area where there was ample comparable sales data available. In the opinion of this appraiser, said comparable Elko sales when properly adjusted and by relying more on this appraiser's past appraisal experience in the subject rural Wendover area and the comparable rural Elko area can and will be used to establish

certain units, methods and techniques of comparison which include price per square foot of gross building area and overall capitalization rates (OAR) or rates of return. Although said rates are established from the comparable improved income producing property sales, they are actually used/relied upon in the Income Approach.

The Income Approach, in this appraiser's opinion, will produce the best and most reliable indication of the "as is" market value for most types of improved income producing properties. The subject commercial/industrial facility is currently owner occupied/operated but said facility could be leased. The existing use is an example of an income producing use but, in the opinion of this appraiser, not necessarily the highest and best use of said subject improved property.

In the following text of this report is the application of the Comparable Sales Approach and the Income Approach with the resulting value indications being reconciled into a final estimate of the "as is" market value of the owner/lessor (leased fee) interest which will be the same as the fee simple interest in the subject commercial/industrial facility because the estimated/assigned income/expenses are within current market levels

as of April 26, 2012, and said values are subject to the Limiting Conditions contained herein.

Comparable Sales Approach:

The Comparable Sales Approach can usually be relied upon to produce a good indication of value for most types of subject properties and certainly for the subject commercial/industrial facility. My market investigation for this appraisal assignment was expanded to include a search for comparable improved properties within the comparable rural Elko neighborhood/area. Because of the rather limited number of more recent comparable improved property sales in said neighborhood/area, older and various other types of improved income producing property sales and potential income producing property sales were also investigated/analyzed and are used in the valuation of the subject improved property. In the judgment of this appraiser, when properly analyzed and compared on an overall basis, certain of the older improved income or potential income producing property sales (if owner occupied or vacant) can be used/relied with confidence in this appraisal assignment.

The following sales chart illustrates/summarizes in considerable detail comparable improved property sales which were revealed and inspected/analyzed by this appraiser and said sales are used in the application of the Comparable Sales Approach - Whole Property Comparison. The overall capitalization rates (OAR) or rates of return are abstracted from the comparable improved property sales



(that have the necessary income/expense data available) but said rates are used/applied in the following Income Approach.

COMPARABLE IMPROVED PROPERTY SALES CHART  
INDUSTRIAL OFFICE/SHOP/WAREHOUSE FACILITIES  
RURAL ELKO AREA

Sale No./ A.P.N.	Name/ Address/Location	Sale Date	Site Size/ Bldg. Size/ Land To Bldg. Ratio	Sale Price/ Per SF Bldg.	Remarks/ Documentation
1 001-380-004	Atlas Copco Office/Whse./Shop Facility, 355 W. River St., SW Elko	02/06	145,055± SF 16,600± SF 8.74 To 1.0	\$1,050,000± \$ 63.25±/SF	Average quality light industrial facility constructed in phases with a 6,600± SF office/shop, a 6,000± SF warehouse and a 4,000± SF office/warehouse. The balance of the site consists of paved driveway/parking areas, graded open storage areas and the perimeter is fenced. The sale produces an OAR at 9.05%. Grantor: Brown T. & J., TR. Grantee: Byington, D. & K. TR. Doc. #2006-548300 Verified: Grantor & Elko County Records (WMT)
2 039-002-004	Valley Rubber & Gasket Co. Office/Warehouse Facility 2155 Last Chance Rd., Just Beyond SE Elko City Limits	02/06	20,336± SF 6,400± SF 3.18 To 1.0	\$ 425,000± \$ 66.41±/SF	Average quality light industrial facility constructed in 1989 consisting of two 3,200± SF office/warehouse rental units with fenced side and rear storage yard areas. Each rental unit has two half-bathrooms. This sale produces an estimated OAR at 7.8%. Grantor: Howe, F.J. & B.N. Grantee: EMSC Holdings, LLC Doc. #2006-548819 Verified: Grantor & Elko County Records (WMT)

COMPARABLE IMPROVED PROPERTY SALES CHART (Contd.)  
INDUSTRIAL OFFICE/SHOP/WAREHOUSE FACILITIES  
RURAL ELKO AREA

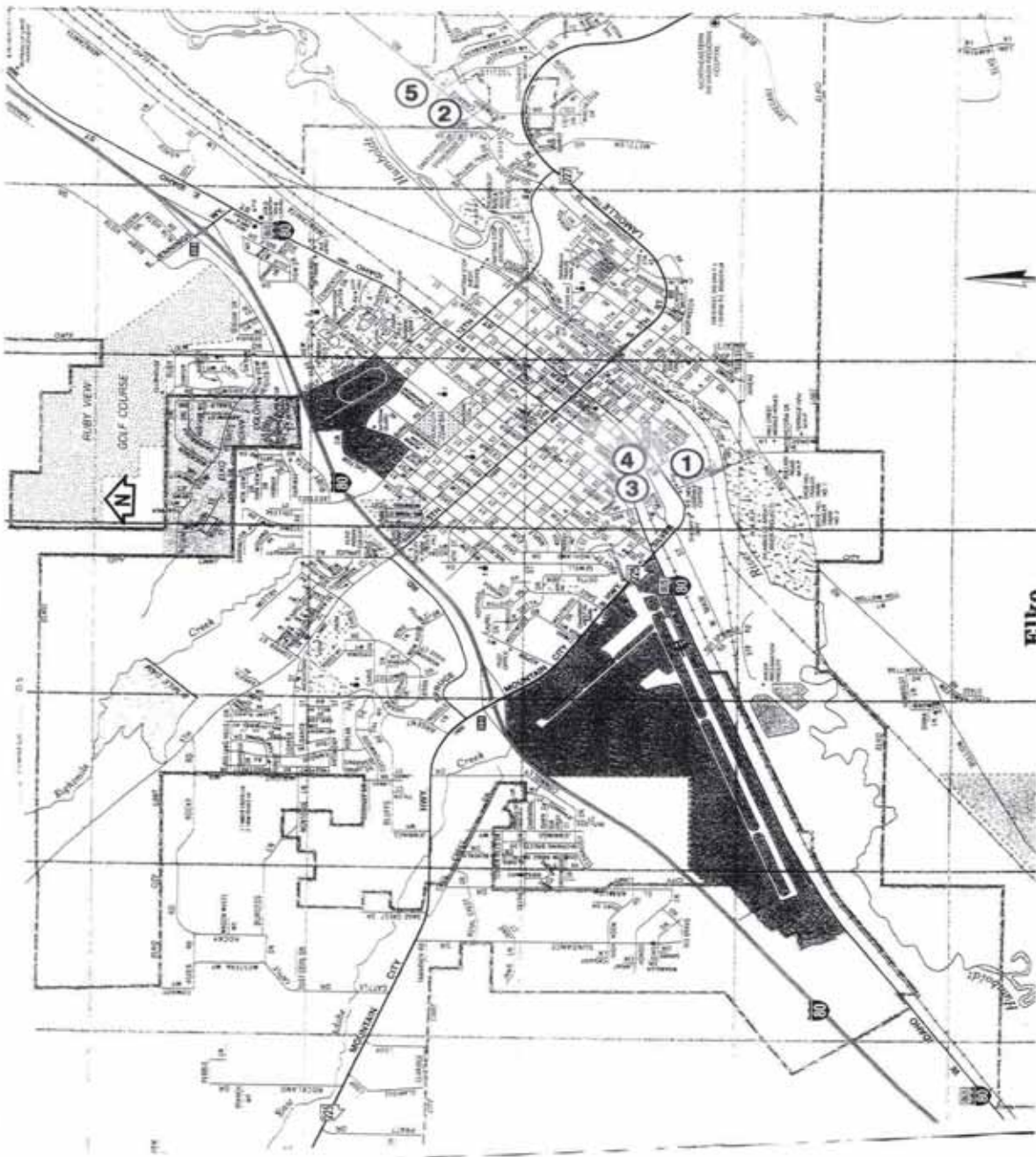
Sale No./ A.P.N.	Name/ Address/Location	Sale Date	Site Size/ Bldg. Size/ Land To Bldg. Ratio	Sale Price/ Per SF Bldg.	Remarks/ Documentation
3 001-322-002	Former Citadel Leasing Corp. Office/Whse./Shop Facility 449 Commercial St., SW Elko	07/06	25,000± SF 6,147± SF 4.07 To 1.0	\$ 375,000± \$ 61.01±/SF	Older 3-building complex with fenced storage yard. Main office building (with living quarters - Apt.) and the warehouse are of average quality construction/workmanship/materials and in average condition. The smaller older shop/warehouse is of fair quality construction/workmanship/materials and in rather poor condition. This sale property was owner occupied but would produce an OAR if it had been leased at market rent and with typical expenses at 8.8%. Grantor: Citadel Leasing Corp. Grantee: Rocking Chair Enterprises, LLC Doc. #2006-557313 Verified: Grantor & Elko County Records (WMT)

<u>COMPARABLE IMPROVED PROPERTY SALES CHART (Contd.)</u> <u>INDUSTRIAL OFFICE/SHOP/WAREHOUSE FACILITIES</u> <u>RURAL ELKO AREA</u>					
Sale No./ A.P.N.	Name/ Address/Location	Sale Date	Site Size/ Bldg. Size/ Land To Bldg. Ratio	Sale Price/ Per SF Bldg.	Remarks/ Documentation
4 001-691-006	Former Silver Street, LLC, Commercial/Office/ Light Industrial Complex 450 Silver St., SW Elko	10/07	86,684± SF 33,808± SF 2.56 To 1.0	\$2,825,000± \$ 83.56±/SF	In 1997 this good quality commercial/office/light industrial complex consisting of two "flex" buildings of concrete tilt-up construction were completed with each building being partitioned into several various sized rental bays/units. The balance of the site consists of asphaltic paved parking and landscaped areas. Complex was in good condition at the time of sale and was finally enjoying a good rate of occupancy. Land to building ratio 2.56 to 1.0. This sale produces an OAR at 10.81%. Grantor: Silver Street LLC Grantee: Kinsling, Ronald J. Doc. #2007-583435 Verified: Representatives Of Grantor \$ Elko County Records (WMT)

COMPARABLE IMPROVED PROPERTY SALES CHART (Contd.)  
INDUSTRIAL OFFICE/SHOP/WAREHOUSE FACILITIES  
RURAL ELKO AREA

Sale No./ A.P.N.	Name/ Address/location	Sale Date	Site Size/ Bldg. Size/ Land To Bldg. Ratio	Sale Price/ Per SF Bldg.	Remarks/ Documentation
5 032-001-019	Zillich/Huston Office/ Shop/Whse. Facility 2740 Last Chance Rd., Outside The SE Elko City Limits	01/10	79,715± SF 6,200± SF 12.86 To 1.0	\$ 250,000± \$ 40.32±/SF	Fair/average quality industrial office/ shop/warehouse facility constructed in 1984 with a 200± SF office addition resulting in a total gross building area of 6,200± SF. Steel frame building with metal siding/roof panels on a concrete slab floor. Has two bays with the westerly and easterly bays having minimum partitioned office areas and each having a half-bath. The majority of the perimeter is fenced and the site is fairly flat/level. Grantor: Huston, V.E. Tr., et al Grantee: Timberline Drilling, Inc. Doc. #2010-622408 Verified: Elko County Records (WMT)

COMPARABLE IMPROVED SALES MAP



The preceding charted comparable improved property sales are located within the comparable rural Elko neighborhood/area and occurred between February of 2006 and January of 2010 while the date of this appraisal assignment is the current date of April, 2012.

The charted improved property sales have sites ranging in size from 20,336± square feet (Sale No. 2) to 145,055± square feet (Sale No. 1) with the subject site containing 99,709± square feet (2.289± acres) of gross land area zoned Commercial/General Industrial. The total gross building areas for the charted sale buildings/structures ranges from 6,147± square feet (Sale No. 3) to 33,808± square feet (Sale No. 4) and the total gross building area of the subject commercial/industrial Propane of Wendover, Inc. facility is 5,208± square feet. These comparable improved property sales establish a range in land to building ratios from 2.56 to 1.0 (Sale No. 4) to 12.86 to 1.0 (Sale No. 5) with the subject improved commercial/industrial property having a land to building ratio considerably above the upper limit of said range at 18.71 to 1.0.

The preceding charted comparable improved sale properties are utilized for light industrial/commercial, light industrial/office and commercial/office uses while the subject improved property is

utilized as a commercial/industrial facility. Three of the five charted comparable improved income producing property sales that had the necessary income/expense information available to establish a range in overall capitalization rates (OAR) or rates of return from 7.8% (Sale No. 2) to 10.81% (Sale No. 4). In the opinion of this appraiser, after analyzing the OARs established by three of the five charted comparable improved sales along with my analysis of the OARs produced by several other comparable improved income producing property sales in the comparable rural Elko area, a range in OARs from 9.5% to 10.5% can be well supported and used in the application of the Income Approach in the following text of this report.

The charted comparable improved sale properties have buildings which are of various types of construction including masonry/concrete block, wood frame and steel frame with metal roofing/siding panels. The quality of construction/workmanship/materials for the sale buildings ranges from average-fair to good. The subject commercial/industrial facility has three subject buildings/structures that have been discussed in detail in a previous section of this report (steel frame, metal siding, slab floors, etc.). Said subject buildings/structures are of average/fair quality construction/workmanship/materials and were in average-fair condition both inside and out as of the current date of this



valuation assignment which is April 26, 2012, and under the specified Limiting Conditions contained herein.

The preceding charted comparable improved property sales establish an unadjusted range in prices per square foot of gross building/structure areas from \$40.32± per square foot (Sale No. 5) to \$83.56± per square foot (Sale No. 4). Where the sale prices per square foot of gross building areas fall within the unadjusted unit value range established by the charted comparable improved sales depends upon the time of sale, the location of the comparable improved sale properties, the size/type of the sale sites, the size/quality/type/condition of the sale buildings/structures, other onsite improvements/amenities, the supply/demand for these types of comparable improved property sales, the size/type/quality of the income streams produced by the comparable charted improved property sales which are (or could be if not owner occupied or vacant at the time these sales occurred) income producing properties and terms/conditions of sale.

An overall comparison of the comparable charted/summarized rural Elko neighborhood/area improved commercial/office/light industrial and industrial office/warehouse property sales was made to the subject commercial/industrial facility with adjustments/con-

siderations made for time, location, site size/type, size/quality/type/condition of sale buildings/structures, other onsite improvements, etc. A limited amount of weight/emphasis is placed on Sales Nos. 2 and 3 but the most weight/emphasis is placed on Sale No. 5.

Thus, in the judgment of this appraiser, a range in an adjusted price per square foot of gross building area from \$50± per square foot to \$60± per square foot can be supported. Application of this range in adjusted unit values to the subject commercial/industrial facility's 5,208± square feet of gross building area produces a range in value for said subject facility from \$260,000± to \$312,000±. Also in my judgment, this unit of comparison will support a value indication for the subject commercial/industrial facility within the mid-portion of the established value range or at approximately \$275,000.

Thus, in the opinion of this appraiser the Comparable Sales Approach will support an "as is" market value of the fee simple interest in the subject Propane of Wendover, Inc., et al, commercial/industrial facility (A.P.N. 010-701-011, 010-701-051, 010-701-052 and 010-740-132) located on the easterly side of (430-460) Mesa Street at its "T" intersection with Florence Way, in a close-in southwesterly portion of West Wendover, Elko

County, Nevada (under the specified Limiting Conditions contained herein), as of the current date of April 26, 2012, at:

TWO HUNDRED SEVENTY-FIVE THOUSAND DOLLARS

(\$275,000.00).

Income Approach:

The subject commercial/industrial facility (as of the current date of this appraisal assignment) is owner occupied/operated. Thus, this appraiser, in order to estimate/assign the current market rent and operating expenses for the subject commercial/industrial facility (since it is owner occupied/operated), conducted a rental survey for comparable commercial/industrial facilities within the comparable rural Elko neighborhood/area because no comparable rental facilities were available in the subject rural West Wendover neighborhood/area.

While conducting the rental survey, in addition to the current contract/market rents and operating expenses for the several various types of improved income producing rental properties/units that include commercial/industrial rental facilities/units, this appraiser also gathered other pertinent/factual market data concerning vacancy/occupancy, supply/demand and current/future economic conditions within the subject rural West Wendover neighborhood/area and the comparable rural Elko neighborhood/area.

Following the rental survey chart in the text of this report is the estimation/assignment of the current market rent for the subject commercial/industrial facility along with the operating

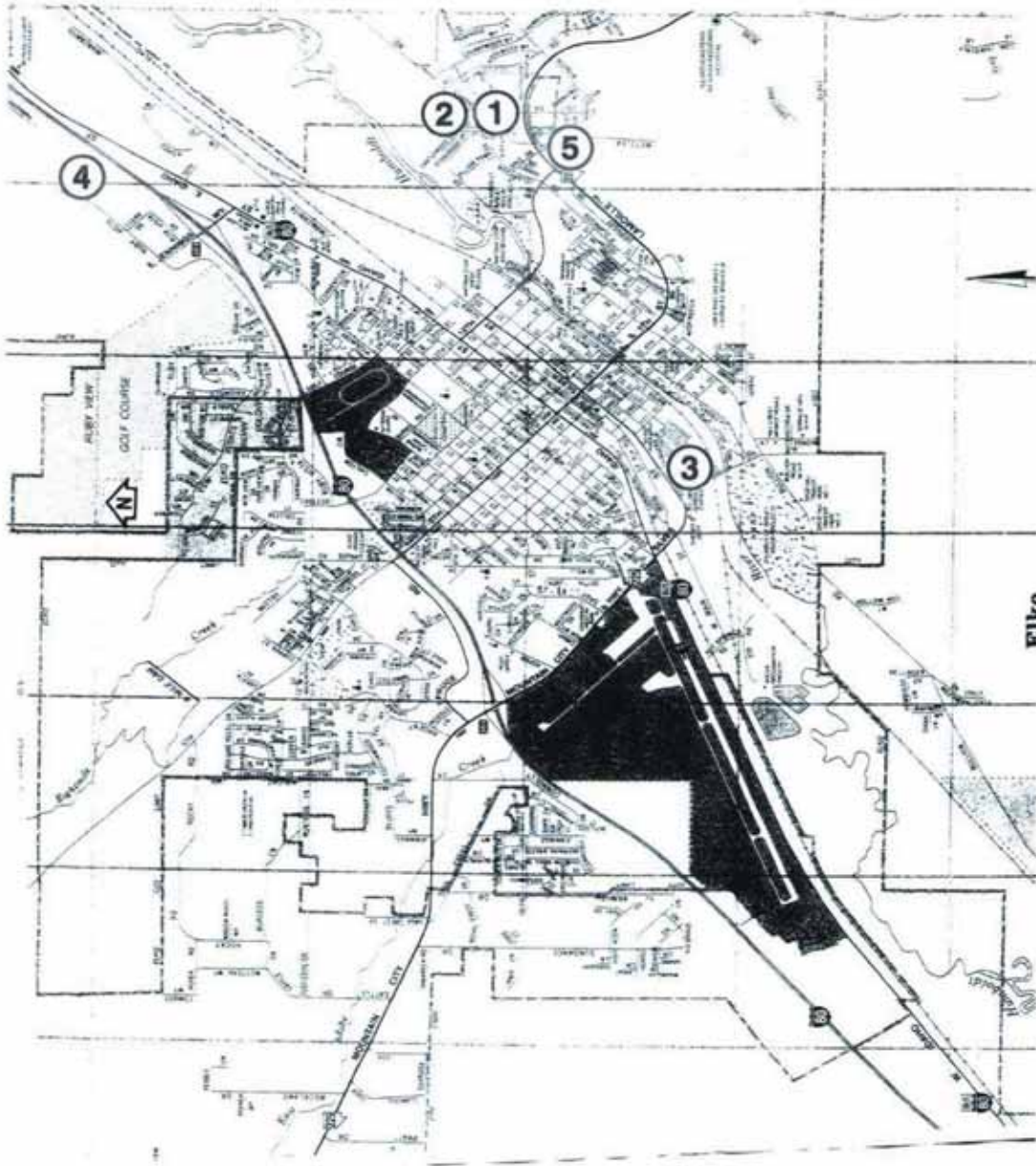
expenses to be paid by the tenant/lessee and those to be paid by the owner/lessor. Said rents/expenses are based on this appraiser's analysis of the pertinent/factual market data produced by the rental survey portion of my market investigation. The range in overall capitalization rates (OAR) or rates of return is established from the comparable improved income producing sale properties which were charted/analyzed/discussed in the preceding Comparable Sales Approach section of this report but said rates are used/applied here in the Income Approach.

Following the rental survey is the estimation/assignment of current market rent and operating expenses for the subject commercial/industrial facility along with a projected income/expense statement in which the annual net income (before debt service and depreciation for tax purposes) is arrived at and the established range in overall capitalization rates (OAR) or rates of return is applied to produce a range in value from which an estimate of the "as is" market value for said subject commercial/industrial facility is selected as a result of the application of the Income Approach.

<u>RENTAL SURVEY</u> <u>LIGHT INDUSTRIAL OFFICE/WAREHOUSE/SHOP FACILITIES</u> <u>ELKO AREA</u>				
Rental No./ A.P.N.	Facility/Lessee Address/Location	Rental Size	Monthly Rent Per SF	Remarks
1 039-003-001	ALS Chemex Off./Whse. Facility, S/S (2056 Last Chance Rd., Hi-Rita Industrial Park, Just Outside SE Elko City Limits	8,400± SF	\$4,525±/Mo. \$.54±/SF	Average quality steel frame office (1,200± SF)/warehouse (7,200± SF) building with metal roof/siding panels on concrete slab floor built in 1995 on interior 36,590± SF (0.84± Ac.) General Industrial (GI) zoned site. Facility was build-to-suit for present tenant/lessee (ALS USA, Inc. Mineral Division - ALS Chemex). Net lease with 1.5% annual rental increase each year for the remaining lease term.
2 039-002-010	Office/Warehouse Facility, N/S (2255) Last Chance Rd., Hi-Rita Industrial Park, Just Outside Elko City Limits	3,200± SF 3,200± SF	\$1,800±/Mo. \$.56±/SF \$1,900±/Mo. \$.59±/SF	Average quality steel frame office/warehouse building with metal roof/siding panels built in 1989 and in average condition. Rent on a semi-net basis with tenant/lessee paying their own utilities/services/interior maintenance and owner/lessor paying the balance of the operating expenses (R/E taxes, insurance, exterior maintenance and miscellaneous). Facility has enjoyed good occupancy. Site contains 0.46± acres. Land to building ratio 3.18 to 1.0.
3 001-380-004	Atlas Copco Office/Warehouse/Shop Facility, 355 W. River St., SW Elko	16,600± SF	\$10,700±/Mo. \$.64±/SF	Average quality light industrial facility expanded/added on to meet lessee's requirements. Five year lease 11/19/04 through 11/18/09 with five year option. Base rent remains same for lease term and increases to \$11,021±/Mo. (\$.66±/SF) for five year lease option. Contract rents on triple net basis at stated amounts for both lease and option periods.

RENTAL SURVEY (Contd.)					
LIGHT INDUSTRIAL OFFICE/WAREHOUSE/SHOP FACILITIES					
ELKO AREA					
Rental No./ A.P.N.	Facility/Lessee Address/Location	Rental Size	Monthly Rent Per SF	Remarks	
4 001-860-078	Sandvik Office/Warehouse 3710 Idaho St., Easterly Elko	9,850± SF	\$ 4,925±/Mo. \$ .50±/SF	Good quality steel frame metal building constructed in 1993. Original long term lease 3/1/02-3/24/17 with ten year option. Triple net lease/no rental increases.	
5 001-750-032	Fitness Zone Commercial "Shell" SWC (1500) Lamaille Hwy. & Metzler Rd., SE Elko	5,000± SF	\$ 3,000±/Mo. \$ .60±/SF	Fair/average quality steel frame structure with metal siding/roof panels, concrete slab floor and a minimum of interior partitioning (bathrooms). Former and current annual leases on a semi-gross basis.	

RENTAL SURVEY MAP





After analyzing the preceding charted comparable rental data located in the comparable rural Elko neighborhood/area, with the most weight/emphasis placed in Rentals Nos. 1, 2 and 5, in the judgment of this appraiser, the current market rent for the subject commercial/industrial facility's total 5,208± square feet of gross building area is at \$.40± per square foot which equates to \$2,100± per month. This estimated/assigned current market rent is on a net basis with the tenant/lessee paying all of their own utilities/services, interior/exterior/site maintenance, sewer/water, insurance and the owner/lessor only being responsible for any remaining minor miscellaneous expenses which are estimated/assigned at \$1,300± that equate to 5±% of the effective annual gross income.

While conducting the market investigation for this appraisal assignment, it became apparent that there is a reasonable demand for rentals of most types of fair to good quality commercial/industrial facilities within the comparable rural Elko neighborhood/area. Vacancies range from approximately 0% to approximately 20% and even higher for less desirable structures/facilities that are situated in less desirable locations. The limited number of comparable commercial/industrial facilities in the subject rural West Wendover neighborhood area appear to be owner occupied/operated. In the judgment of this appraiser,

based on the location, type, size, quality, layout/floor plan, interior/exterior condition of the subject commercial/industrial facility, a 0±% vacancy/credit loss is deemed reasonable/applicable and can be supported with pertinent/factual market evidence.

The resulting annual net income (before debt service and depreciation for tax purposes) can be converted into a range in value by the application of the established range in overall capitalization rates (OAR) or rates of return which were abstracted from pertinent/factual market data in the preceding Comparable Sales Approach. When said range is applied to the annual net income, the result is a range in value from which an indication of the "as is" market value can be selected for the subject commercial/industrial facility.

Thus, after analyzing the most pertinent/factual market evidence and considering the type/size/quality and the location of the most comparable charted improved property sales in the comparable Elko neighborhood/area and making an overall comparison of each to the subject commercial/industrial facility, in the opinion of this appraiser, a narrowed range in overall capitalization rates (OAR) or rates of return from 9.5% to 10.5% can be supported and used in this portion of this appraisal assignment.

The last step in the Income Approach is the conversion of the projected annual net income (before debt service and depreciation for tax purposes) for the subject commercial/industrial facility into a range in value for the owner/lessor (leased fee) interest in said facility which, in this case, is the same as the fee simple interest because the estimated/projected contract rent and estimated operating expenses are within market levels with the resulting value indication being as of the current date of April 26, 2012.

The following projected income/expense statement illustrates the application of the estimated current market rent on a net basis for the subject commercial/industrial facility to arrive at an annual gross income from which the estimated vacancy/credit loss (which in this scenario is 0±%) is subtracted which produces the effective annual gross income estimate for said facility. The operating expenses to be paid by the owner/lessor were estimated based upon this appraiser's analysis of these types of operating expenses that are incurred by the owners/lessors of other commercial/industrial facilities and of other comparable improved income producing properties. The projected operating expenses to be paid by the owner/lessor estimated by this appraiser and the resulting expense to income ratio is judged to be adequately

supported with pertinent/factual market evidence for use in this portion of this appraisal assignment.

Following the projected income/expense statement is the application of the established range in overall capitalization rates (OAR) or rates of return which produces a range in value for the subject commercial/industrial facility from which an indication of its "as is" market value can be selected as a result of the application of the Income Approach as of the current date of April 26, 2012, and under the specified Limiting Conditions contained herein.

PROJECTED INCOME/EXPENSE STATEMENT  
PROPANE OF WENDOVER, INC., ET AL, FACILITY  
LOCATED ON THE EASTERLY SIDE OF (430-460) MESA STREET,  
AT ITS "T" INTERSECTION WITH FLORENCE WAY,  
IN A SOUTHWESTERLY PORTION OF WEST WENDOVER, ELKO COUNTY, NEVADA

Income:

5,208± SF @ \$.40±/SF = \$2,100±/Mo. X 12 Mos.	= \$25,200±
Vacancy & Credit Loss (Owner Occupied/Operated)	= <u>-0-</u>
Effective Annual Gross Income	= \$25,200±

Expenses:

Projected Contract Rent At A Market Level And On A Net Basis With The Lessee Paying All Of Their Own Utilities/Services, Interior/ Exterior/Site Maintenance, Sewer/Water, Insurance And The Lessor Being Responsible For Miscellaneous Expenses That Are Estimated/ Assigned At \$1,300±/Yr. (Which Equates To 5±% Of EAGI)	= <u>-1,300±</u>
Annual Net Income (Before Debt Service & Depreciation For Tax Purposes)	= <u>\$23,900</u>

The resulting annual net income (before debt service and depreciation for tax purposes) for the subject commercial/industrial facility can now be converted into a range in value by the application of the established range in overall capitalization rates (OAR) or rates of return. The established range in said rates is from 9.5% to 10.5% based upon this appraiser's analysis of comparable improved income producing property sales within the comparable rural Elko neighborhood/area as well as the analysis of sales of these types of improved income producing properties in other rural areas of northern Nevada.

The last step of the Income Approach is the application of the established range in overall capitalization rates (OAR) or rates of return to the projected annual net income (before debt service and depreciation for tax purposes) for the subject commercial/industrial facility which is as follows.

Annual Net Income \$23,900 ÷ 10.5% (OAR) = \$228,000±

Annual Net Income \$23,900 ÷ 9.5% (OAR) = \$252,000±

In the judgment of this appraiser, the "as is" market value for the subject commercial/industrial facility falls near the upper limits of the established value range or at approximately \$250,000.

Thus, in the opinion of this appraiser, the Income Approach will support an "as is" market value indication for the owner/lessor (leased fee) interest, which in this case is the same as the fee simple interest (because the projected contract/market rent and operating expenses are within current market levels), in the subject Propane of Wendover, Inc., et al, property on the easterly side of (430-460) Mesa Street, in a southwesterly portion of West Wendover, Elko County, Nevada (under the specified Limiting Conditions contained herein), as of the current date of April 26, 2012, was:

TWO HUNDRED FIFTY THOUSAND DOLLARS

(\$250,000.00).

Reconciliation Of Value:

Cost Approach .....	Not Applicable
Comparable Sales Approach .....	\$275,000
Income Approach .....	\$250,000

Thus, after careful consideration and reconciliation of the two applicable approaches to value with the most weight/emphasis placed on the Income Approach, it is the opinion of this appraiser that the "as is" market value of the fee simple interest in the subject Propane of Wendover, Inc., et al, property on the easterly side of (430-460) Mesa Street, in a southwesterly portion of West Wendover, Elko County, Nevada (under the specified Limiting Conditions contained herein), as of the current date of April 26, 2012, was:

TWO HUNDRED FIFTY THOUSAND DOLLARS

(\$250,000.00).

Marketing Time:

Approximately two years or more.



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A D D E N D A

L I M I T I N G   C O N D I T I O N S

In acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith, it has been assumed by this appraiser:

1. LIMIT OF LIABILITY:

The liability of William M. Tessler and his employees is limited to the client only and to the fee actually received by Appraiser(s). Further, there is no accountability, obligation, or liability to any third party. If this report is disseminated to anyone other than client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The Appraiser(s) is in no way to be responsible for any costs incurred to discover or correct any deficiencies of any type present in the property; physically, financially and/or legally. In the case of limited partnerships or syndication offerings or stock offerings in real estate, client agrees that if a legal action is initiated by any lender, partner, part owner in any form of ownership, tenant or any other party, the client will hold the Appraiser(s) completely harmless in any such action from any and all awards or settlements of any type, regardless of outcome.

2. COPIES, PUBLICATION, DISTRIBUTION, 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 other than its intended use; the physical report(s) remain the property of the Appraiser(s) for the use of the client, the fee being for the analytical services only.

Except as hereinafter provided, the client may distribute copies of this appraisal report in its entirety to such third parties as he may select; however, selected portions of this appraisal report shall not be given to third parties without the prior written consent of the signatories of this appraisal report.

Neither all nor any part of this appraisal report shall be disseminated to the general public by the use of advertising media, public relations, news, sales or other media for public communication without the prior written consent of the appraiser. (See last item in following list for client agreement/consent).

3. CONFIDENTIALITY:

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) appear on the appraisal report, unless indicated 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 firm shall have no responsibility if any such unauthorized change is made.

The Appraiser(s) may not divulge the material (evaluation) contents of the report, analytical findings, or conclusions or give a copy of the report to anyone other than the client or his designee as specified in writing except as may be required by the Appraisal Institute as they may request in confidence for ethics enforcement or by a court of law or body with the power of subpoena.

4. INFORMATION USED:

No responsibility is assumed for accuracy of information furnished by work of others, the client, his designee or public records. We are not liable for such information or the work of possible subcontractors. Be advised that some of the people associated with William M. Tessler and possibly signing the report are independent contractors. 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 source thought reasonable; all are considered appropriate for inclusion to the best of our factual judgment and knowledge. An impractical and uneconomic expenditure of time would be required in attempting to furnish unimpeachable verification in all instances, particularly as to engineering and market related information. It is suggested that the client consider independent verification as a prerequisite to any transaction involving sale, lease or other significant commitment of funds or subject property.

5. TESTIMONY, CONSULTATION, COMPLETION OF CONTRACT FOR APPRAISAL SERVICE:

\_\_\_\_\_ The contract for appraisal, consultation or analytical service is fulfilled and the total fee is payable upon completion of the report. The Appraiser(s) or those assisting in preparation of the report will not be asked or required to give testimony in court or hearing because of having made the appraisal, in full or in part, nor engage in post appraisal consultation with client or third parties except under separate and special arrangement and at additional fee. If testimony or deposition is required because of any subpoena, the client shall be responsible for any additional time, fees and charges regardless of issuing party.

6. EXHIBITS:

\_\_\_\_\_ Any sketches, maps and photographs in this report are included to assist the reader in visualizing the property and are not necessarily to scale. Site plans are not surveys unless indicated as such.

7. LEGAL, ENGINEERING, FINANCIAL, STRUCTURAL OR MECHANICAL COMPONENTS; SOIL QUALITY:

\_\_\_\_\_ No responsibility is assumed for matters, legal in character or nature, nor of any architectural, structural, mechanical or engineering nature. No opinion is rendered as to the title which 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 is assumed to be correct as used in this report as furnished by the client, their designee or as derived by the Appraiser(s).

Please note that no advice is given regarding mechanical equipment or structural integrity or adequacy, soils and potential for settlement or drainage, matters concerning liens, title status and legal marketability and similar matters. The client should seek assistance from qualified architectural, engineering or legal professionals regarding such matters. The lender and owner may wish to require mechanical or structural inspections by a qualified and licensed contractor, civil or structural engineer, architect or other expert.

The Appraiser(s) has inspected, as far as possible, by observation, the land and the improvements; however, it was not possible to personally observe conditions beneath the soil or hidden structural or other components. We have not critically inspected mechanical components within the improvements and no representations are made herein as to these matters unless specifically stated and considered in the report. The value estimate considers there being no such conditions that would cause a loss of value. The land or the soil of the area being appraised appears firm; however, subsidence in the area is unknown. The Appraiser(s) do not warrant against this condition or occurrence of problems arising from soil conditions.

Unless otherwise stated, it is assumed that there are no drainage problems relating to the land or the improvements.

The appraisal is based on there being no hidden, unapparent or apparent conditions of the property site, sub-soil or structures or toxic materials which would render it more or less valuable. 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 status standard for properties of the subject type. Conditions of heating, cooling, ventilating, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. No judgment may be made by us as to adequacy of insulation, type of insulation, or energy efficiency of the improvements or equipment which is assumed standard for the subject property's age and type.

If the Appraiser(s) has not been supplied with a termite inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representations or warranties are made concerning the above mentioned items.

The Appraiser(s) assumes no responsibility for any costs or consequences arising due to the need, or the 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.

8. INSULATION AND TOXIC MATERIALS:

Unless otherwise stated in this report, the Appraiser(s) signing this report have no knowledge concerning the presence or absence of toxic materials and/or urea-formaldehyde foam insulation in existing improvements. If such is present, the value of the property may be adversely affected and re-appraisal at additional cost will be necessary to estimate the effects of such.

9. HAZARDOUS SUBSTANCES OF MATERIALS:

Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, petroleum leakage or agricultural chemicals which may or may not be present on the property or other environmental conditions were not called to the attention of, nor did the appraiser become aware of such during the appraiser's inspection. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, is not qualified to test such substances or conditions. If the presence of such substances, such as asbestos, urea-formaldehyde foam insulation or other hazardous substances or environmental conditions, may affect the value of the property, the value estimated is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions nor for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in the field of environmental impact upon real estate if so desired.

10. LEGALITY OF USE:

The appraisal is based on the premise that there is full compliance with all applicable federal, state and local environmental regulations and laws unless otherwise stated in the report and that all applicable zoning, building, use regulations and restrictions of all types have been complied with unless otherwise stated in the report. It is further assumed that all required licenses, consents, permits or other legislative or administrative approvals from all applicable local, state, federal and/or private authorities have been or can be obtained or renewed for any use considered in the value estimate.

11. COMPONENT VALUES:

The allocation of the total valuation in this report between land and improvements, if included in this report, applies only under the use of the property which is assumed in this report. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.

12. AUXILIARY AND RELATED STUDIES:

No environmental or impact studies, special market study or analysis, special highest and best use study or feasibility study has been requested or made unless otherwise specified in an agreement for services or so stated in the report.

13. DOLLAR VALUES, PURCHASING POWER:

The market value estimated and the costs used are as of the date of the estimate of value. All dollar amounts are based on the purchasing power and value of the dollar as of the date of the value estimate.

14. VALUE CHANGE, DYNAMIC MARKET, INFLUENCES, ALTERATION OF ESTIMATE BY APPRAISER:

The estimated market value, which is defined in the report, is subject to change with market changes over time. Value is highly related to exposure, time, promotional effort, terms, motivation and conditions. The value estimate considers the productivity and relative attractiveness of the property physically and economically in the marketplace as of the date of value.

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

The "Estimate of Market Value" in the appraisal report is not based in whole or in part upon the race, color or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.

The appraisal report and value estimate are subject to change if the physical or legal entity or the terms of financing are different from what is set forth in this report.

15. INCLUSIONS:

Except as specifically indicated and typically considered as a part of the real estate, furnishings, equipment, other personal property or business operations have been disregarded with only the real estate being considered in the value estimate. In some property types, business and real estate interests and values are combined but only if so stated within this report.

16. PROPOSED IMPROVEMENTS, CONDITIONED VALUE:

Improvements proposed, if any, onsite or offsite, as well as any repairs required are considered, for purposes of this appraisal, to be completed in good and workmanlike manner according to information submitted and/or considered by the appraisers. In cases of proposed construction, the appraisal is subject to change upon inspection of the property after construction is completed. This estimate of market value is as of the date shown, as proposed, as if completed and operating at levels shown and projected, unless otherwise stated.

17. MANAGEMENT OF THE PROPERTY:

It is assumed that the property which is the subject of this report will be under typically prudent and competent management, neither inefficient or super-efficient.

18. FEE:

The Appraiser(s) certify that, to the best of my (our) knowledge and belief that my (our) compensation is not contingent upon the report of a predetermined value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result or the occurrence of a subsequent event or that the appraisal assignment was not based on a requested minimum valuation, a specific valuation or the approval of a loan.

19. AMERICANS WITH DISABILITIES ACT:

The Americans With Disabilities Act became effective January 26, 1992. Unless otherwise stated in this report, this appraisal firm did not conduct a compliance survey or audit nor was one provided to determine whether or not the subject property is in conformity with the numerous requirements of the Americans With Disabilities Act. If the subject property is found to not be in compliance with Americans With Disabilities Act, the cost to cure the lack of compliance may have a negative or adverse impact on the value of the subject property. No responsibility is assumed for any such conditions nor for any expertise or knowledge required to discover them. The client is urged to retain an expert in this field to ascertain the subject property's compliance with the Americans With Disabilities Act.

20. CHANGES, MODIFICATIONS:

The Appraiser(s) reserve the right to alter statements, analyses, conclusions or any value estimate in the appraisal if there becomes known to them facts pertinent to the appraisal process which were unknown when the report was finished.

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

22. This appraiser certifies that he is competent to complete this appraisal assignment and he also certifies that this appraisal assignment "is not based on a required minimum valuation, a specific valuation or the approval of a loan."

23. That the information/data concerning the subject property, comparable sales, rentals, listings, etc. obtained from public offices/records, real estate brokers/sales persons, real estate appraisers, owners, developers, contractors and other informed knowledgeable persons can be used and relied upon with confidence in this appraisal assignment.

24. ACCEPTANCE AND/OR USE OF THIS APPRAISAL REPORT BY THE CLIENT OR ANY THIRD PARTY CONSTITUTES ACCEPTANCE OF THE ABOVE CONDITIONS. APPRAISER LIABILITY EXTENDS ONLY TO THE STATED CLIENT AND NOT TO SUBSEQUENT PARTIES OR USERS AND THE LIABILITY IS LIMITED TO THE AMOUNT OF FEE RECEIVED BY THE APPRAISER(S).



C E R T I F I C A T I O N

I certify that, to the best of my knowledge and belief:

- \* I have not appraised the subject property in the three (3) years prior to accepting this appraisal assignment;
- \* The statements of fact contained in this report are true and correct;
- \* The reported analyses, opinions and conclusions are limited only by the reported assumptions and Limiting Conditions and are my personal, impartial and unbiased professional analyses, opinions and conclusions;
- \* I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved;
- \* I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- \* My engagement in this assignment was not contingent upon developing or reporting predetermined results;
- \* My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result or the occurrence of a subsequent event directly related to the intended use of this appraisal;
- \* My analyses, opinions and conclusions were developed and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice;
- \* I have made a personal inspection of the property that is the subject of this report;
- \* The appraiser's State Certification has not been revoked, suspended, canceled or restricted; and,
- \* No one has provided significant real property appraisal assistance to the person signing this report.



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William M. Tessler  
Certified General Appraiser  
State Of Nevada  
Certification No. A.0000077-CG  
(Expiration 4/30/13)

QUALIFICATIONS OF WILLIAM M. TESSLER

CERTIFIED GENERAL APPRAISER - STATE OF NEVADA, LICENSE #A.0000077-CG

Date Of Birth:

May 28, 1937, Reno, Nevada.

Professional Experience:

Independent Fee Appraiser - July, 1976, to date (Limited Fee Practice, January, 1965 through June, 1976).

Staff Specialist - Appraisal and Negotiations for Nevada State Highway Department, Right-of-Way Division Headquarters, Carson City, May, 1972 to July, 1976.

Journeyman Staff Appraiser for Nevada State Highway Department, Right-of-Way Division, Appraisal Section, January, 1964 to May, 1972.

Qualified as an expert witness on real estate appraisal in Nevada District Courts and U.S. Bankruptcy Courts.

Staff Appraiser for the Washoe County Assessor's Office for approximately two years prior to January, 1964.

Real Estate Broker, holder of an inactive Broker's License since 1964.

Professional Training:

Real Estate Appraisal Course No. I, American Institute of Real Estate Appraisers at the University of San Francisco - August, 1964.

Real Estate Appraisal Course No. II, American Institute of Real Estate Appraisers, at the University of Washington - February, 1965.

Real Estate Appraisal Course No. IV, American Institute of Real Estate Appraisers, at the University of California at Berkeley - August, 1966.

Real Estate Appraisal Course No. V, American Institute of Real Estate Appraisers, at the University of Nevada at Reno - July, 1966.

All of the above courses were sponsored, instructed and accredited by the American Institute of Real Estate Appraisers.

Society of Real Estate Appraisers Course 201 - Principles of Income Property Appraising at California State Polytechnic University at Pomona, California - April, 1975.

Society of Real Estate Appraisers Residential Course I, at the University of Nevada at Reno - June, 1967.

Professional Seminars  
Conducted By:

American Institute of Real Estate Appraisers\*

Society of Real Estate Appraisers\*

Nevada State Board of Realtors

Nevada State Highway Department -Right-of-Way Division

\* These two professional organizations merged January 1, 1991.

Educational Background  
and Schooling:

Graduate of the University of Nevada - Reno, Class of 1960 Bachelor of Science Degree in Economics.

Graduate of the Reno School of Real Estate - Broker's Class of 1964.

Certified General  
Appraiser:

State of Nevada Certification No. A.0000077-CG (Expiration 4/30/13)

Clientele:

Clients for which various types of appraisal reports (Complete and Limited Appraisals presented in Self-Contained, Summary or Restricted Reports, oral reports and consultation) have been written and/or prepared by this appraiser include the following: properties located in Nevada, California and Idaho for private individuals, attorneys, certified public accountants, public accountants, real estate brokers/sales persons, private corporations/companies, public corporations/companies; financial institutions and various governmental agencies - a partial list is as follows.

Financial Institutions/  
Corporate Entities:

Nevada State Bank - Reno, Las Vegas,  
Nevada  
Great Basin Bank of Nevada - Elko,  
Winnemucca, Nevada  
Heritage Bank of Nevada - Reno, Nevada  
First Independent Bank of Nevada - Reno,  
Nevada  
Colonial Bank - Reno, Nevada  
First National Bank of Nevada - Reno,  
Las Vegas, Nevada  
Northern Nevada Bank - Reno, Nevada  
Financial Horizons Credit Union (For-  
merly Hawthorne Credit Union),  
Hawthorne, Winnemucca, Nevada  
Nevada Bank & Trust - Elko, Nevada  
Elko Federal Credit Union - Elko, Nevada  
U.S. Bank - Reno, Nevada, California &  
Portland, Oregon  
Silver State Bank - Las Vegas, Nevada  
Prime Alliance Bank - Woods Cross, Utah  
Harlow Capital Corporation - Littleton,  
Colorado  
National Bank of Alaska - Anchorage,  
Alaska  
California Bank and Trust - Sacramento,  
California  
Citibank - San Francisco, California  
Pacific Capital Bank - Santa Barbara,  
California  
Union Bank of California - Brea,  
California  
Plumas Bank - Susanville, California  
Intrust Bank - Wichita, Kansas  
Independence Bank - Havre, Montana  
Farmers National Bank - Twin Falls, Idaho  
Neighbors Mortgage, Inc., Salt Lake  
City, Utah  
Bonneville Mortgage Company, Salt Lake  
City, Utah  
Transportation Alliance Bank - Orem, Utah  
Barrick Gold of North America and Cortez  
Joint Venture - Elko, Nevada  
Newmont Mining Corporation - Elko, Nevada  
Cashman-CAT Equipment (Nevada Division)  
Converse County Bank - Douglas, Wyoming

Governmental Agencies:

Nevada Department of Transportation  
Nevada Department of Conservation &  
Natural Resources  
Nevada State Development Corporation -  
Reno, Nevada  
State of Nevada Public Works Board  
U.S. Department of Interior - BLM  
U.S. Department of Agriculture  
Great Basin College-Board Of Directors,  
Elko, Nevada  
Churchill County, Clark County, Douglas  
County, Elko County, Humboldt County,  
Lander County, Pershing County, Washoe  
County, White Pine County  
City/Town of Carlin, Elko, Ely, Fallon,  
Fernley, Reno, Sparks, West Wendover  
Winnemucca Convention & Visitors Author-  
ity - Winnemucca, Nevada  
First Colony Commercial & U.S. Small  
Business Administration - Orem, Utah

Types of Properties/  
Interests Appraised:

Improved commercial (all types including  
motels, hotel/casinos and casinos),  
industrial, residential, special use;  
also air rights, subsurface rights, all  
types of vacant urban land (commercial,  
industrial and residential) and all  
types of vacant rural land (residential  
and agricultural). Interests appraised  
include fee simple, lessor's/leased fee,  
lessee's, etc.

**INVENTORY**

DISCRPTION		NOTES
2" TO 8" VALVE BOX	2	COMPLETE
6" VALVE BOX	3	COMPLETE
2" VALVE BOX	2	BOTTOM ONLY
6" VALVE BOX	1	BOTTOM ONLY
3/4 ADNODLESS RISERS	19	NEW
6" TEE	1	NEW
6" 90 ELBOW	1	NEW
6" CAP	1	NEW
6" 45 ELBOW	1	NEW
6"X 2" ELECTROFUSION SIDE TAP	2	NEW
6" EF COUPLINGS	9	NEW
6"X 1" HOT TAPS	7	NEW
4" CAPS	3	NEW
4" POLY VALVE	1	NEW
4" 45 ELBOWS	2	NEW
4" TEES	3	NEW
4" EF COUPLINGS	4	NEW
4" X 3/4" SADDLES	33	NEW
4" X 2" 45 SADDLES	2	NEW
4" X 2" 90 SADDLES	1	NEW
4"X 2" EF SIDE TAP	1	NEW
2" POLY VALVE	1	NEW
2" X 2" 90 SADDLES	2	NEW
2" 90 ELBOWS	11	1 ON TRK NEW
2" TEES	10	NEW
2" CAPS	13	NEW
2" X 2" EF HOT TAP SADDLES	6	NEW
2" X 2" EF SIDE TAPS	1	NEW
2" EF COUPLINGS	16	5 ON SERVICE TRK NEW
2" X 3/4 EF HOT TAP SADDLES	5	NEW
3" EF COUPLINGS	4	NEW
3" X 2" EF SADDLE	1	NEW
1 1/4 EF COUPLING	3	NEW
1" TEES	6	1 ON TRK NEW
1" 90 ELBOWS	3	NEW
1" CAP	3	1 ON TRK NEW
1" EF COUPLINGS	13	NEW
1" X 3/4" EF COUPLING REDUCERS	9	4 ON TRK NEW
3/4 90SOCKET ELBOWS	141	NEW
3/4 SOCKET TEE'S	113	NEW
3/4" SOCKET CAPS	70	NEW
3/4" EF COUPLINGS	11	11 ON TRK NEW
3/4 90 ELBOWS	19	2 ON TRK NEW
3/4 CAPS	22	2 ON TRK NEW
3/4 TEES	73	1 ON TRK NEW
800' 6" PIPE	800	
40' 6" PRE-TESTED PIPE	40	
200' 4" PIPE	200	
20 4" PRE-TESTED PIPE	20	
500' 2" PIPE	500	
20' 2" PRE-TESTED PIPE	20	
120' 1" PIPE	120	
450' 3/4" PIPE	450	
80' 3/4" PRE-TESTED PIPE	80	
500' 2" CONDUIT	500	
2000' 16 GUAGE TRACER WIRE	2000	
4000' CAUTION TAPE	4000	
CHAIN LINK FENCE		3 SIDES
4 GATES		

<b>City of West Wendover</b>				
<b>Schedule of New Rates for Water (3% Increase)</b>				
<b>Effective July 1, 2012</b>				
<b>Description</b>	<b>Old Rate</b>		<b>New Rate</b>	
Water Connection Fees Residential & Commercial	3,301.24	Minimum, based on 20 fixture units	3,400.28	Minimum, based on 20 fixture units
	165.08	Per Unit Over 20	170.03	Per Unit Over 20
Meter Fees Residential & Commercial	330.13	Minimum, based on 20 fixture units	340.03	Minimum, based on 20 fixture units
	16.97	Per Unit Over 20	17.48	Per Unit Over 20
Deposits and Fees Residential	20.00	Processing fee, non-refundable	20.00	Processing fee, non-refundable
	36.00	Deposit, two months rate	36.00	Deposit, two months rate
Deposits and Fees Commercial	20.00	Processing fee, non-refundable	20.00	Processing fee, non-refundable
	100.00	Deposit	100.00	Deposit
Water Rates: Residential & Commercial	18.00	Minimum for 0-8000 gallons	18.00	Minimum for 0-8000 gallons
	2.47	Per one thousand gallons over 8000	2.54	Per one thousand gallons over 8000
Rec District	1.12	Per one thousand gallons over 8000	1.15	Per one thousand gallons over 8000
Hydrant Meter: Set Up Fee	15.00	Non-refundable	15.00	Non-refundable
	100.00	Deposit - refundable	100.00	Deposit - refundable
Water Rates	25.00	Minimum for 0-8000 gallons	25.00	Minimum for 0-8000 gallons
	4.47	Per one thousand gallons over 8000	4.60	Per one thousand gallons over 8000
Reconnection Fees: Residential & Commercial	25.00		25.00	

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In the Matter of the Application )	<u>DOCKET NO. 96-2217-01</u>
of WENDOVER GAS CO. for a Certifi- )	
cate of Public Convenience and )	<u>REPORT AND ORDER</u>
Necessity to Operate a Gaseous )	
Utility in Wendover, Utah; Request )	<u>CERTIFICATE NO. 2217</u>
for Approval of Initial Tariff; and )	and
Request for Approval of Financing. )	<u>CERTIFICATE NO. 343</u>

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ISSUED: February 6, 1997

SYNOPSIS

The Commission having found that: no gas corporation currently serves Applicant's proposed service area; no existing gas corporation opposes the application; applicant possesses sufficient resources, financial and otherwise to serve the proposed area; and that the public convenience and necessity would be served by granting the application, the Commission therefore grants the application.

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Appearances:

Jeffrey W. Crockett	For	Wendover Gas Co., Applicant
Thomas M. Zarr	"	Utah Gas Service Co., Intervenor
Colleen Larkin Bell	"	Mountain Fuel Supply Co., Intervenor
Laurie L. Noda, Assistant Attorney General	"	Division of Public Util- ities, Utah Department of Commerce, Intervenor



By the Commission:

PROCEDURAL HISTORY

Pursuant to notice duly served, this matter came on regularly for hearing the thirteenth day of January, 1997, before A. Robert Thurman, Administrative Law Judge for the Commission, at the Commission Offices, 160 East 300 South, Salt Lake City, Utah. Pursuant to a stipulation presented at the hearing, the Application was restrictively amended as more particularly detailed hereafter. Evidence was offered and received, and the Administrative Law Judge, having been fully advised in the matter, now enters the following Report, containing proposed Findings of Fact, Conclusions of Law, and the Order based thereon.

FINDINGS OF FACT

1. Wendover Gas Co. (hereafter "Applicant") is a wholly-owned subsidiary of Propane of Wendover, Inc., a firm which has sold liquid propane gas (LPG) to customers in the proposed service area for some time. Utah Gas Service Co. (hereafter "Utah Gas") is a gas corporation certificated by this Commission serving an area in the eastern part of the State. Mountain Fuel Supply Co. (hereafter "MFS") is a gas corporation certificated by this Commission serving the Wasatch Front and certain other areas of the state. The Division of Public Utilities (hereafter "DPU") is an agency of Utah State

Government charged, *inter alia*, with aiding the Commission in evaluating applications such as this.

2. Since 1969, Propane of Wendover, Applicant's parent, has been the primary supplier of liquified petroleum gas ("LPG") in Wendover and what is now West Wendover, currently serving approximately 165 businesses and residences in Wendover and approximately 335 businesses and residences in West Wendover. Propane of Wendover hauls LPG to its customers where it is then stored in free-standing tanks located on the customers' properties. Natural gas is not currently available in the area, although other companies have been exploring the feasibility of constructing a natural gas transmission pipeline to supply Applicant from the nearest connecting point in Utah, which is approximately 70 miles away.

3. As restrictively amended pursuant to a stipulation, presented at the hearing, between Applicant and Utah Gas, Applicant seeks authority to serve the following area:

That portion of Tooele County, Utah, consisting of Sections 15, 16, 17, 18, 19, 20, 21, 22, 27, 28, 29, and 30, all in Township 1 South, Range 19 West, Salt Lake Base and Meridian.

4. With the current population and expected growth of the cities of Wendover and West Wendover, and with the possibility of the construction of a natural gas pipeline

to deliver natural gas to the two cities, Applicant has determined that it will be more efficient and economical to construct an underground system for distributing Gaseous Fuels within the requested certificated area. This Gaseous Fuels Distribution System would allow most customers of Propane of Wendover to remove the LPG storage tanks from their properties, thereby increasing the safety of the existing gas distribution system as well as improving the aesthetics and tax base of the community. Further, Applicant intends to construct the Gaseous Fuels Distribution System without increasing the rates per therm currently paid by customers of Propane of Wendover for LPG. Finally, Applicant's Gaseous Fuels Distribution System has been designed so that it can be converted from LPG or similar fuels to natural gas at a later date once Applicant gains access to an economical supply of natural gas.

5. Applicant proposes to construct the Gaseous Fuels Distribution System serving all populated portions within the city limits of Wendover. The existing customers of Propane of Wendover would be converted from their LPG tanks to Applicant's Gaseous Fuels Distribution System free of charge. New customers of Applicant would be assessed a connection charge in accordance with

Applicant's proposed tariff.

6. Applicant represents that construction of the Gaseous Fuels Distribution System will utilize a combination of steel and polyethylene pipe buried approximately three feet below the land surface. The system will incorporate appropriate safety technology and equipment, and will be constructed in a workmanlike manner in accordance with applicable building codes and sound engineering principles.
7. The Gaseous Fuels Distribution System will incorporate two existing bulk storage tanks owned by Propane of Wendover: one 15,000 gallon tank and one 18,000 gallon tank. No other storage facilities are planned at this time.
8. Applicant proposes an initial capital structure consisting in 20% equity and 80% debt, with a view toward moving to a 35% to 40% equity to debt ratio. DPU is willing to accede to Applicant's pro forma projections and considers its proposed initial tariff rates just and reasonable.
9. Applicant and Propane of Wendover share the same top management. Propane of Wendover has been in the LPG business for over 25 years. Propane of Wendover's financial condition is reported as "strong" and its

credit rating raised by Dun & Bradstreet, a leading business information service that tracks and rates the financial strength of business. This financial strength, combined with Propane of Wendover's demonstrated long-term stability, indicate that Applicant probably can succeed in adequately serving the proposed area.

10. A predecessor in interest of MFS, under Certificate No. 343, Granted in Docket No. 1061 (PSCU 1921), received authority to provide natural gas service to all of Tooele County, although MFS has never served Applicant's proposed service area. MFS does not oppose the instant application and agrees that to the extent Certificate No. 343 conflicts with the instant Application, Certificate No. 343 may be restrictively amended to except therefrom Applicant's proposed service area.

DISCUSSION

Applicant has demonstrated prima facie that the public convenience and necessity would be accommodated by the proposed service and that Applicant is fit, willing, and able to provide such service. There appearing to be no other outstanding impediments, legal or otherwise, and no public opposition to the Application, it should be granted. The proposed tariff rates appearing to be just and reasonable, the initial proposed tariff should be approved. Applicant's proposed financing appearing

reasonable under the circumstances, that likewise should be approved.

CONCLUSIONS OF LAW

The Application should be granted as prayed.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED that:

- Wendover Gas Co. be, and it is, granted Certificate of Convenience and Necessity No. 2217 as follows:

To operate as a gas corporation providing service via a gaseous fuels distribution system serving that portion of Tooele County, Utah, consisting of Sections 15, 16, 17, 18, 19, 20, 21, 22, 27, 28, 29, and 30, all in Township 1 South, Range 19 West, Salt Lake Base and Meridian.

- Applicant's initial tariff and its proposed financing method be, and they are, approved.
- To the extent that Commission Certificate of Convenience and Necessity No. 343 conflicts with Certificate 2217 granted above, said Certificate No. 343 be, and it is, amended to except therefrom the above-described service area; and that a copy of this Order be filed and made effective in Docket No. 1061.
- Any person aggrieved by this Order may petition the Commission for review within 20 days of the date of this Order. Failure so to do will forfeit the right to appeal to the Utah Supreme Court.

DATED at Salt Lake City, Utah, this 6th day of February,  
1997.

/s/ A. Robert Thurman  
Administrative Law Judge

Approved and Confirmed this 6th day of February, 1997, as  
the Report and Order of the Public Service Commission of Utah.

/s/ Stephen F. Meham, Chairman

(SEAL)

/s/ Constance B. White, Commissioner

/s/ Clark D. Jones, Commissioner

Attest:

/s/ Julie Orchard  
Commission Secretary

CITY OF WENDOVER ORDINANCE No. 97- 03.

SUMMARY: WENDOVER ORDINANCE NO. 97- 03, entitled "Gaseous Fuels Franchise"; grants a non-exclusive franchise to Wendover Gas Co., a Nevada corporation, and a wholly-owned subsidiary of Propane of Wendover, Inc. for the furnishing, selling and distributing of natural gas, artificial gas, liquefied natural gas, liquefied petroleum gas, manufactured gas or any mixture thereof to persons and entities in the City of Wendover, Utah; outlines standards for rates and services; outlines standards for use of City public ways; sets the franchise payments to be made to the City; and establishes procedures for termination.

**TITLE**

AN ORDINANCE, TO BE ENTITLED "GASEOUS FUELS FRANCHISE" WHICH GRANTS A NON-EXCLUSIVE FRANCHISE TO WENDOVER GAS CO., A NEVADA CORPORATION, AND A WHOLLY-OWNED SUBSIDIARY OF PROPANE OF WENDOVER, INC., TO FURNISH, SELL, AND DISTRIBUTE NATURAL GAS, ARTIFICIAL GAS, LIQUIFIED NATURAL GAS, LIQUEFIED PETROLEUM GAS, MANUFACTURED GAS OR ANY MIXTURE THEREOF TO THE CITY AND TO PERSONS, BUSINESSES AND INDUSTRIES WITHIN THE CORPORATE LIMITS OF THE CITY OF WENDOVER, UTAH.

WHEREAS, the supplying of natural gas, artificial gas, liquefied natural gas, liquefied petroleum gas, manufactured gas or any mixture thereof in the City of Wendover, Utah, is of substantial benefit to the health and welfare of the citizens and businesses of the City of Wendover, Utah;

WHEREAS, the City of Wendover believes that it would be in the best interest of the citizens of the City of Wendover, Utah, to grant a non-exclusive franchise to Wendover Gas Co., a Nevada corporation, and a wholly-owned subsidiary of Propane of Wendover, Inc., for the purpose of supplying natural gas, artificial gas, liquefied natural gas, liquefied petroleum gas, manufactured gas or any mixture thereof to the City, its residents and businesses; and

WHEREAS, Utah Code Annotated, Sections 10-1-203 and 10-1-301 et seq. enable the City of Wendover, Utah, to grant a non-exclusive franchise for natural gas, artificial gas, liquefied natural gas, liquefied petroleum gas, manufactured gas or any mixture thereof within the limits of the City of Wendover, Utah; and said provisions allow the City to collect a fee or tax, consistent with law, based on the value of the gaseous fuels consumed within the City.



NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF WENDOVER, TOOELE COUNTY, UTAH, ADOPTS AN ORDINANCE TO READ IN ITS ENTIRETY AS FOLLOWS:

**GASEOUS FUELS FRANCHISE**

1-101	Title
1-102	Definitions
1-103	Non-Exclusive Grant of Authority
1-104	Term of Franchise
1-105	Compliance with Applicable Laws and Ordinances
1-106	Service Standards
1-107	Conditions for Occupancy of Public Ways
1-108	Construction Standards
1-109	Indemnification and Insurance
1-110	Bond
1-111	Annexed or Consolidated Areas
1-112	Assignment
1-113	Franchise Fee
1-114	Nature of Gas Supplied
1-115	Conversion to Natural Gas
1-116	Rates
1-117	Records and Reports
1-118	Business Licenses
1-119	Remedies
1-120	Violation of Franchise
1-121	Procedure Upon Termination
1-122	Notices
1-123	Miscellaneous
1-124	Publication Costs
1-125	Adoption and Publication

1-101. Title. Ordinance no. 97-\_\_\_\_\_ of the City of Wendover is hereby enacted and may be cited as the "WENDOVER, UTAH GASEOUS FUELS FRANCHISE".

1-102. Definitions. Unless the context otherwise requires, the following terms and their derivatives shall have the meaning herein given (and when not inconsistent with the context, words used in the present tense include the future, words in the plural number include the singular, words in the singular number include the plural; and words in the masculine gender include the feminine and neuter):

(a) "City" means the City of Wendover, Utah, or the lawful successor, transferee or assignee thereof.

(b) "Grantee" means Wendover Gas Co., a Nevada corporation, and a wholly-owned subsidiary of Propane of Wendover, Inc., and its successors and assigns as allowed within this Chapter.

(c) "Person" means any natural person, company or entity of any kind.

(d) "Franchise Area" means that geographical area within the incorporated City of Wendover, Utah, as now or hereinafter constituted.

(e) "Customer" means any person or entity receiving and paying for Gaseous Fuels services.

(f) "Gaseous Fuels" means natural gas, artificial gas, liquefied natural gas, liquefied petroleum gas, manufactured gas or any mixture thereof used for heating, cooking, cooling, power generation or other purposes.

(g) "Revenues" means all revenues as determined by generally accepted accounting principles consistently applied, derived directly or indirectly from revenues received by the Grantee, arising from or attributable to operation of the franchise within the territorial limits of the City.

(h) "Public Ways" means the surface of, and the space above and below, any public street, highway, freeway, bridge, land, path, alley, court, boulevard, sidewalk, parkway, way, lane, public utility easement, dedicated utility strip or right-of-way dedicated for compatible uses. "Public Ways" also means any Public Way now or hereafter held by the City for purposes of public travel, or for utility or public service use dedicated for compatible uses.

(I) "System" means all pipes, equipment and other property used by the Grantee in its gaseous fuels operations within the territorial boundaries of the City of Wendover, Utah.

1-103. Non-Exclusive Grant of Authority. Upon acceptance as provided in Section 1-104, below, a non-exclusive franchise and right is hereby granted by the City to Grantee to locate, build, construct, purchase, maintain, operate and extend into, within and through the City, pipelines and facilities for the purchase, manufacture, storage, transmission and distribution of Gaseous Fuels, as defined herein, for heating, cooking, cooling, power generation, or other purposes, with the right and privilege for the period and upon the terms and conditions hereinafter specified to furnish, sell and distribute said Gaseous Fuels to the City and the inhabitants thereof by means of pipes, mains, or otherwise, over, under, along, across and through any extension, connection with or continuation of the same and/or on, over, under, along, across and through any and all such new streets, alleys and public ways and places as may hereafter be laid out, opened, located or constructed within the territory now or hereafter included in the boundaries of the City.

1-104. Term of Franchise. The franchise herein granted shall take effect and be in force from and after the final passage and publication hereof as required by law and upon the filing of written acceptance by the Grantee within twenty (20) days after the effective date of this ordinance, and shall continue in force and effect for a term of twenty-five (25) years from and after such passage, unless otherwise terminated as provided herein; provided, however, (a) should the Grantee fail to file its acceptance within twenty (20) days after the effective date hereof, the City may terminate the franchise; (b) should the Grantee fail to begin to provide Gaseous Fuels service within the City to businesses and residents within two years from and after the date of final passage of this ordinance the City may terminate the franchise; and further, (c) that the City may elect, upon a majority vote of the governing body, to terminate this franchise if the City determines that the Grantee has failed to use reasonable, good faith efforts to substantially complete the Gaseous Fuels distribution system within two (2) years from and after the date of final passage of this ordinance.

1-105. Compliance With Laws and Ordinances. The Grantee shall, at all times during the life of this franchise, be subject to all lawful exercise of police and other powers of the City, and to such other regulations as the City shall hereafter by resolution or ordinance provide. Grantee shall further be responsible for compliance with any applicable state or federal statute, rules or regulations.

Grantee expressly acknowledges that the City has adopted an ordinance relating generally to public franchises granted by the City. Grantee agrees that this Ordinance and the franchise granted hereby, shall be subject to, and governed by, said public franchise ordinance, as the same has been adopted and may be amended from time to time. Grantee further acknowledges and agrees that the City may adopt a municipal energy and sales tax ordinance, consistent with law, and that this Ordinance and the franchise granted hereby shall be subject to said municipal energy and sales tax ordinance, as the same may be adopted and amended from time to time.

1-106. Service Standards. The Grantee shall maintain and operate its system and render efficient service in accordance with the provisions of this Chapter and in accordance with the rules, regulations and orders of the Public Service Commission of the State of Utah as they now exist and as they may hereafter be amended or changed.

1-107. Conditions for Occupancy of Public Ways. All distribution lines, pipes, structures and equipment installed or erected by the Grantee pursuant to the terms hereof shall be located so as to cause minimum interference with the proper use of Public Ways and to cause minimum interference with the rights or reasonable convenience of the City, other public utilities, and property owners who adjoin any of the said streets, alleys or other Public Ways and places. All distribution lines, pipes, structures and equipment installed or erected by the Grantee shall be installed, where practicable, parallel with existing underground utility lines and pipes. All

distribution lines, pipes, structures and equipment installed or erected by the Grantee shall be so located in the Public Ways of the City in a manner and at such depths so as not to obstruct or interfere with any pipes, sewers, drains, valves or other structures already installed or presently master planned by the City to be installed. The Grantee shall, when practicable, avoid interfering with the use of any public road where the paving or surface or such public road would be disturbed or would interfere with the grading or maintenance of the Public Ways.

(a) Pipes and Appurtenances. Subject to the conditions herein contained, Grantee shall have the right of installing, maintaining and using any or all of such distribution lines, pipes, structures and equipment from time to time as may be necessary or proper.

(b) Repair of Public Roads. Grantee shall promptly, but in no case later than fifteen (15) days after installing, maintaining, or using said distribution lines, pipes, structures and equipment or any part thereof, at its own cost and expense, place any Public Way in which it may install distribution lines, pipes, structures and equipment, or so much thereof as may have been damaged thereby, in as good order and condition as that in which such Public Ways were found before being disturbed or excavated by Grantee.

(c) Repair of Damage to Public Ways. If any Public Way, or portion thereof, shall be damaged by reason of defects in any of the pipes and appurtenances maintained or constructed under this grant, or by reason of any other cause arising from the Grantee's operations, or the existence of any pipes and appurtenances constructed or maintained under this grant, said Grantee shall, at its own cost and expense, and in a manner approved by the City, within fifteen (15) days repair any such damage and restore such Public Way, or portion thereof, to as good a condition as existed before such defect or other cause of damage occurred. Grantee shall maintain any repair or restoration in an approved condition for a period of not less than three (3) years.

(d) Relocation. The Grantee shall at its own expense and without expense to the City, relocate, protect, support, temporarily disconnect or remove from a Public Way any distribution lines, pipes, structures and equipment theretofore installed and then maintained or used under this franchise if and when made necessary by any lawful street construction, change of grade, alignment or width of any public road by the City, including the construction of any subway or viaduct, or otherwise necessitated by public safety, traffic conditions, installation or repair of any sewer or water facilities or other public utility facilities, or any other type of structure or improvement by the City. This provision shall cease to be applicable to any public road if and when the City shall cease to have jurisdiction over or shall cease to be obligated to maintain such public road, and nothing herein contained shall be construed as constituting a contractual obligation of the Grantee running to the authority assuming jurisdiction over or the obligation to maintain such public road.

(e) Placement and Inspections. Before the work of installing any pipes and appurtenances is commenced, the Grantee shall file with the City plans showing the location thereof, and the City may give such directions for the location of such pipes and appurtenances as may be reasonably necessary to avoid sewers, water pipes, conduits or other structures lawfully in or under the street, alleys and public roads of the City. All work of installing pipes and appurtenances shall be subject to the inspection of the City, and to the approval of the City, provided, however, that such approval will not be unreasonably withheld.

(f) Restoration. In case of any disturbance of pavement, sidewalk, driveway or other surfacing, the Grantee shall, at its own cost and expense, and in the manner approved by the City, replace and restore all such paving, sidewalk, driveway or surface disturbed, in as good a condition as before said work was commenced. Grantee shall maintain any repair or restoration in an approved condition for a period of not less than three (3) years.

(g) Repair of Water Pipes, Sewers, Drains and Other Structures. The Grantee shall, at its own cost and expense, immediately repair or replace as necessary any and all water pipes, mains, service lines, valves, meters, sewer lines, culverts, conduits, and all other materials and equipment utilized in connection with water service, sewer service and drainage damaged in any way by the Grantee.

(h) Membership in "Blue Stakes." Grantee shall, upon approval of this ordinance, immediately initiate steps to become a member of the "Blue Stakes" System, and shall obtain membership in said system prior to commencement of any construction or operations within the City. Grantee shall, throughout the term of the franchise granted hereunder, maintain its membership in good standing in the Blue Stakes System, or any successor system.

(i) Construction Drawings. Upon request, the City shall be furnished complete drawings of any construction performed by Grantee pursuant to the provisions of this ordinance. In the preparation of its final drawings, in the course of construction, Grantee shall note and identify the location of other existing public utility systems located within the Public Ways and elsewhere, including but not limited to sewer and water lines and related facilities. The Grantee shall keep and maintain permanent drawings and records of the locations and character of any underground facilities constructed by Grantee.

(j) Notice of Work. Except as required by emergency maintenance or repairs, the Grantee shall provide the City and all affected property owners and inhabitants seven (7) days advance written notice of work to be performed in any Public Way.

1-108. Safety and Construction Standards.

(a) Construction, installation and maintenance of the franchise system shall be performed in a safe, orderly and workmanlike manner.

(b) Grantee shall install and maintain its distribution lines, pipes, structures and equipment in accordance with applicable safety codes and technical requirements, including but not limited to, the National Plumbing Code, other applicable nationally recognized codes for the installation and maintenance of pipelines and related structures and materials used for the transmission of Gaseous Fuels, Federal and Utah State OSHA requirements, and other applicable Federal and Utah State statutes, rules and regulations, all in such a manner as Grantee will not interfere with any public utility or public service installations or those of any other provider of public utility services.

(c) All distribution lines, pipes, structures and equipment in, over, under, and upon the Public Ways of the City, wherever located, shall be kept and maintained in a safe and suitable condition and in good order and repair.

(d) All installations shall be made in such a manner so as to not impair or disturb the fire integrity of any building. The franchise system shall not endanger nor interfere with the safety of persons or property in the City.

(e) Grantee shall at all times maintain control over each of its subcontractors and their subcontractors to the extent that Grantee can respond to complaints and concerns of the City or other persons.

(f) All permits required for construction of the franchise system shall be issued to Grantee pursuant to applicable City ordinances and regulations.

1-109. Indemnification and Insurance.

(a) The City shall not be liable or responsible for any acts or damages that may occur in the construction, operation or maintenance by the Grantee of its distribution lines, pipes, structures and equipment hereunder, including liabilities arising under environmental statutes or regulations, and the acceptance of this franchise shall be deemed an agreement on the part of Grantee, its successors and assigns, to indemnify the City and hold it harmless against any and all liability, loss, cost, damage or expense sustained by the City on account of any suit, judgment, execution, claim or demand whatsoever, resulting from the negligence, default, misconduct or failure to act on the part of the Grantee in the construction, operation or maintenance of its pipes, appurtenances and Gaseous Fuels system hereunder. The City shall notify the Grantee promptly after the presentation of any claim or demand, either by suit or otherwise, made against the City.

(b) Grantee shall promptly compensate the City or other persons for damages caused by any negligence or operator error of the Grantee or its subcontractors in the construction, operation or maintenance of the franchise system, and shall at its own expense reasonably replace all landscaping or other damage as a result of any construction, operation or maintenance of the system. In any event, such replacement shall be completed within forty-five (45) days from the

time the damage was caused, weather permitting. This provision shall not preclude any person damaged by Grantee from exercising any right that person has under law.

(c) Prior to commencement or construction and continuously throughout the duration of this franchise and any extensions or renewals thereof, the Grantee, in addition to complying with the Utah Workers Compensation Act, and the Utah Employment Security Act shall maintain the following types and amounts of insurance, naming the City as an additional insured thereunder:

(i) General liability at least in the amounts of: \$5,000,000.00 for property damage per occurrence; \$20,000,000.00 for property damage aggregate; \$5,000,000.00 for personal bodily injury to any one person; and \$20,000,000.00 for personal bodily injury aggregate; and

(ii) Motor Vehicle liability insurance at least in the amounts of: \$1,000,000.00 for bodily injury or death per occurrence; and \$500,000.00 for property damage per occurrence.

In five (5) year intervals, the foregoing amounts of insurance shall be increased if requested by the City to compensate for inflation as measured by the Consumer Price Index, or to meet the advice or suggestions of the City's insurers or the City's insurance consultants. The Grantee shall furnish to the City Clerk certificates of insurance for this coverage prior to commencing its performance under this agreement and annually thereafter.

(d) Deductibles and Self-Insured Retentions. Any deductibles and self-insured retentions shall be declared to the City, and any deductibles above five percent (5%) must be approved by the City, conditioned upon the City's determination that Grantee has sufficient reserves to cover any such deductibles and self-insured retentions. Subject to the foregoing, the City may require that the Grantee's insurer reduce or eliminate the deductibles or self-insured retentions as respects the City, its officers, officials, consultants and employees, or the Grantee may be required to provide a bond guaranteeing payment of the City's losses and related investigation, claim distribution and defense expenses.

(e) Notice of Accident or Claim. The Grantee shall immediately disclose to the City all incidents or occurrences of accident, injury or property damage in or relating to the City, in which the City (or its officers, officials, employees, consultants or volunteers) has been named a party, or in which the plaintiff or any other party, or its counsel, has expressed (whether verbally or in writing) an intention to name the City (or its officers, officials, employees, consultants or volunteers) as a party to any litigation.

(f) Insurance Provisions. The policies of insurance to be maintained by Grantee shall contain, or be indorsed to contain, the following provisions:

(i) Any coverage obtained shall not be suspended, voided or canceled by any party, reduced in coverage or in limits, except upon thirty (30) days prior written notice, sent by certified mail, return receipt requested, to the City;

(ii) The City and its officials, officers, employees, consultants and volunteers shall be covered as additional insureds. The coverages shall contain no special limitations on the scope of protection afforded to the City, its officials, officers, employees and volunteers.

(iii) The Grantee's insurance shall be the primary insurance for the City, its officials, officers, employees, consultants and volunteers, but solely as respects the acts or omissions of the Grantee. Any insurance or self-insurance maintained by the City, its officials, officers, employees, consultants and volunteers shall be in excess of the Grantee's insurance and shall not contribute with it.

(iv) Any failure by Grantee to comply with reporting provisions of the policies shall not affect coverage provided to the City, its officials, officers, employees, consultants and volunteers.

(v) The Grantee's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

(vi) With respect to worker's compensation and employer's liability coverage, the insurer shall waive all rights of subrogation against the City, its officials, officers, employees and volunteers for losses arising from work performed by the Grantee for the City.

(g) Verification of Coverage. The Grantee shall provide the City with certificates of insurance and with original endorsements effecting the coverages required herein not less than thirty (30) days prior to the commencement of construction of the System, when Grantee's insurance company or coverage substantially changes, and at such other times as the City may request. The certificates and endorsements shall be signed by a person authorized by the insurer to bind coverage on its behalf.

(h) Acceptability of Insurers. The insurance placed by the Grantee shall be with insurers with a Best's (or equivalent) rating of no less than "A."

(i) Subcontractors. Grantee shall include all subcontractors as insureds under its policies or shall furnish separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to all of the requirements stated herein. The general liability and motor vehicle liability coverage for subcontractors shall be not less than the following amounts:



(i) General liability at least in the amounts of: \$2,500,000.00 for property damage per occurrence; \$10,000,000.00 for property damage aggregate; \$2,500,000.00 for personal bodily injury to any one person; and \$10,000,000.00 for personal bodily injury aggregate; and

(ii) Motor Vehicle liability insurance at least in the amounts of: \$1,000,000.00 for bodily injury or death per occurrence; and \$500,000.00 for property damage per occurrence.

1-110 Bond.

(a) Grantee shall, within twenty (20) days after the date of the granting of a franchise, file with the City Clerk and at all times thereafter maintain in full force and effect for the entire term of the franchise, at its expense, a faithful performance bond executed by a surety company, licensed to do business in the State of Utah, and approved by the City and in form satisfactory to the City, in an amount equal to ten percent (10%) of the estimated total construction cost of the system, renewable annually and conditioned on the faithful performance by the Grantee of all the terms, conditions and covenants contained in the franchise. If the Grantee fails to comply with any one or more of the provisions of the franchise, there shall be recoverable jointly and severally from the principal and surety of such bond any damages or losses suffered by the City as a result thereof. For purposes of this section, the term "performance bond" shall mean and include an irrevocable letter of credit from a federally insured financial institution licensed to do business in the State of Utah, and in a form acceptable to the City.

(b) Neither the provisions of any bond accepted by the City pursuant hereto, nor any damages recovered by the City thereunder, shall be construed to excuse faithful performance by Grantee or limit the liability of Grantee under the franchise or for damages or preclude the exercise of any other right or remedy given to the City by law.

1-111. Annexed or Consolidated Areas. This franchise and the provisions of this Chapter shall apply to any area which may hereafter be added to the City by annexation, consolidation or otherwise. Upon any such annexation, consolidation or other procedure whereby the City Limits are expanded or changed the Grantee shall, and by acceptance of this franchise agrees to waive, relinquish or abandon any and all franchise rights, privileges, easements and rights of way held by the Grantee by virtue of a franchise granted by another governmental entity, within the area which hereafter becomes part of the City and such additional area shall become subject to the franchise rights granted herein.

1-112. Assignment.

(a) The Grantee shall not sell, transfer or assign this franchise, or any rights or privileges under this franchise to any person, corporation, partnership or entity without prior City approval, which approval shall not be unreasonably withheld. No sale, transfer or assignment

shall be effective until the vendee, assignee or lessee has filed in the office of the City Clerk all documents required of other franchise applicants as required by the City's Franchise Ordinance. In addition to the foregoing, the proposed transferee must have the necessary operating authority and certificates of public convenience and necessity as are required by the Utah Public Service Commission or such other governmental department, agency or commission as may then be regulating or controlling the activities or services of the Grantee or the proposed transferee.

(b) The Grantee shall provide the City with thirty days advance notice of any proposed change in, or transfer of, or acquisition by any other party of, control of Grantee. As used herein, the word "control" is not limited to major stockholders but includes actual working control, in whatever manner, of Grantee.

(c) The transfer of the franchise shall not constitute a waiver or release of the rights of the City in and to the Public Ways, and any transfer shall by its terms, be expressly subordinate to the terms and conditions of this franchise and any franchise ordinance adopted by the City which further regulates or relates to the operation of a system for the sale of Gaseous Fuels within the City.

(d) The Grantee hereby provides to the City, and the City hereby reserves the right, of first refusal to purchase all or any part of the Grantee's franchise system, located within the City, Tooele County, Utah, West Wendover, Nevada and in Elko County, Nevada at the price and on the same terms agreed to by the Grantee. Upon receipt of a bona fide offer for the sale of all or any part of the Grantee's system, the Grantee shall give written notice of the proposed sale or disposition, including the proposed date of the sale or disposition and all of the detailed terms thereof to the City, all not less than 180 days prior to the effective date of the sale. In order to exercise its right of first refusal, the City shall provide Grantee a signed notice of its intent to meet all the terms of the sale not less than sixty days after receipt of the original notice of sale from Grantee. The right of first refusal granted herein shall inure to the benefit of, and be binding upon, the parties' successors and assigns. The failure of the City, in one or more instances, to exercise its right of first refusal shall not affect its right of exercise upon any subsequent sale.

1-113. Franchise Fee: Calculation, Reporting and Remedies.

(a) The Grantee shall, during the term of this franchise, or any renewal or extension hereof, pay to the City for the privilege of operating a Gaseous Fuels distribution system under this franchise the sum computed on the gross revenue taken in or received by the Grantee from all sales of Gaseous Fuels within the City received from the operation of the distribution system as follows:

An amount equivalent to that set forth in the City's Utility Franchise Ordinance, subject, however, to the maximum amount allowed by law as set forth in Utah Code Annotated Section 11-26-1, et seq., or any successor statute.

(b) Payment shall be made to the City in quarterly installments, the first installment payment to be paid within thirty (30) days after the expiration of the first calendar quarter (ending on the last day of the months of March, June, September and December) in which Grantee receives revenue from its operations under this franchise. Each installment shall be based upon the total gross revenue for the preceding three (3) months period. If such payments are not made within thirty (30) days after the expiration of the calendar quarter, the City may, in addition to any other remedy either at law or as otherwise provided within this agreement, assess a late penalty two percent (2%) per month on the delinquent amount.

(c) Each payment shall be accompanied by a report from the Grantee showing the basis for the computation and a written statement signed under penalty of perjury by an officer of the Grantee, which identifies the sources and amounts of Revenues received by the Grantee during the quarter for which payment is made. The receipt and deposit by the City of any payment tendered by Grantee shall not be construed as an accord, waiver or release by the City for payment in full of the true and correct amount due hereunder.

(d) The filing of a false report shall be unlawful. The Grantee, or an officer of the Grantee, is guilty of a Class B misdemeanor if he knowingly files or causes to be filed a false report with the City with a purpose of inducing the City to believe the report is accurate.

(e) The City shall be entitled, upon reasonable request, to review and audit the billing and financial records of the Grantee to ensure its compliance with the requirements hereof. In the event the results of an audit show an underpayment of greater than five percent (5%), the Grantee shall pay all costs associated with the performance of the audit and any review thereof. In the event the results of an audit show an underpayment of greater than ten percent (10%), the Grantee shall pay not only the costs associated with the performance of the audit and any review thereof, but shall also pay a civil penalty of fifty percent (50%) of the total error in addition to any additional amount owed as shown by the audit. Any amount determined due shall be paid by Grantee within thirty (30) days of notice thereof. If the results of the audit show a discrepancy of less than five percent (5%), the City shall pay its own costs associated with the audit. In the event the results of an audit are disputed, the matter shall be resolved by arbitration in Salt Lake County or Tooele County, Utah pursuant to the Commercial Rules of Arbitration of the American Arbitration Association. The costs of arbitration, including attorney's fees, shall be paid by the prevailing party, as determined by the arbitrator(s).

(f) If Grantee initiates any challenge to the City's right to collect the franchise fee provided herein, any relief requested by Grantee and awarded by virtue of such challenge shall be prospective only from and after the earlier of the date of: (a) any payment under protest which has not been resolved by the parties; or (b) the date of the filing of the initial pleading seeking such relief in a court of competent jurisdiction. Grantee shall waive any and all claims or rights to

collect back from the City or obtain credit against future payment obligations, any amounts collected by the City prior to the dates defined in the immediately preceding sentence. In the event Grantee's challenge to any franchise fee payments should result in an initial determination in its favor, Grantee shall continue to make all franchise fee payments to the City pending resolution of an appeal by the City to a court of last resort, provided however, that any such payment shall not constitute a waiver by Grantee of its right to reimbursement of excess payments should Grantee ultimately prevail on appeal.

1-114. Nature of Gas Supplied. The Gaseous Fuels to be supplied hereunder shall contain a monthly average gross heating value of not less than the heating value set forth in the policies filed with or fixed by the Utah Public Service Commission.

1-115. Conversion to Natural Gas. Grantee shall convert from liquefied petroleum gas or other form of gaseous fuel to natural gas upon the occurrence of both of the following conditions: (a) a delivered natural gas supply becomes available to Grantee for purchase via pipeline at the geographical boundaries of the City (as presently or hereinafter constituted) and (b) the natural gas supply can be purchased by Grantee at a price, inclusive of all necessary conversion costs (amortized over a period of twenty-five [25] years), below the average price paid by Grantee for liquefied petroleum gas or other gaseous fuel during the immediately preceding twelve (12) month period. The conversion to natural gas required hereunder shall be completed by Grantee within a reasonable period of time after the occurrence of the conditions set forth herein, which period shall not exceed one (1) year.

1-116. Rates. The Grantee shall furnish Gaseous Fuels to the City and its inhabitants for heating, cooking, cooling, power or any other lawful purposes under the policies and the rates as are from time to time filed with or fixed by the Utah Public Service Commission. Unless otherwise prohibited by law, notice of changes in rates and charges shall be filed with the City Clerk at least thirty (30) days in advance of the effective date thereof. Grantee further agrees that, in addition to any other notice required by law, it will advertise any application for an adjustment of rates in a newspaper of regular circulation within the City, including all newspapers in which the City's agendas of public meetings are published, at least two times, and thirty days prior to any hearing on Grantee's application.

1-117. Records and Reports. The City shall have access at all reasonable hours to all of the Grantee's books, records, reports, contracts and bookkeeping and accounting procedures relating to the property and the operations of the Grantee within the area covered by this franchise and all other records required to be kept by the Public Service Commission of the State of Utah or such other governmental department, agency or commission which may hereafter have the control or regulation of the Grantee. The parties agree that the Grantor shall be entitled to notice of any proceeding or documents relating to the rates charged by Grantee and relating to the safe operation

of the Grantee's system. Accordingly, the following records and reports shall be filed with the City Recorder by the Grantee:

(a) A true and correct conformed copy of the rates, rules, regulations, terms, tariffs and conditions adopted by the Grantee and approved by the Public Service Commission.

(b) A quarterly summary report showing gross revenues received by the Grantee from its operations within the City during the preceding three (3) month period and such other information as the City shall reasonably request with respect to properties and operations relating to the Grantee's service within the City.

(c) A description of all petitions, applications and reports submitted by Grantee to any State or Federal entity relating to the operation of the franchise system. On request, Grantee shall provide, at its own expense, true and correct copies of all such documents to the City.

(d) A current map or set of maps, drawn to scale, showing all equipment installed and in place in the system.

1-118. Business License. Grantee shall be required to obtain and maintain a City business license; however, the cost of such license may be deducted from the Franchise Fee required to be paid herein if such deduction is required by law to avoid payments by the Grantee in excess of the maximum franchise fee which may be imposed upon a franchisee.

1-119. Remedies. Anything in this ordinance to the contrary notwithstanding, acceptance of this franchise by Grantee shall result in this ordinance becoming a contract between the City and the Grantee and the parties hereby agree that each party shall have all remedies in law and in equity, including injunctive relief, for the enforcement of the provisions of this franchise.

1-120. Violation of Franchise. In the event that the City believes the Grantee, or subject to the restrictions on transfer, its vendees, successor or assigns, has not complied with the terms of this franchise, it shall notify the Grantee in writing of the exact nature of the alleged non-compliance. Grantee shall have thirty (30) days from the date of the notice to respond to the the assertion of noncompliance, or to cure such default, or, in the event that, by the nature of default, such default cannot be cured within thirty (30) days, initiate reasonable and substantial steps to remedy such default and notify the City of the steps being taken and the projected date that compliance will be met. In the event that such default is not cured within the thirty (30) day period, or within the projected date of compliance, which date shall be within a reasonable period of time, the City may terminate this agreement. The Grantee shall not be relieved of any of its obligations to comply promptly with any provision of this agreement by reason of any failure to the City to enforce prompt compliance. In addition, the City may elect to make a needed correction itself, and charge the cost thereof (plus an administrative fee equal to twenty percent of the total cost) to the Grantee, which shall promptly pay the same; provided however, that if the cost and administrative fee shall not be paid within thirty days of billing, the City may secure payment from

the proceeds of the Bond identified in paragraph 1-110. In the event the City is required to consult with or retain an attorney, including its City Attorney, relative to the remedy of any violation of this franchise, the City shall be entitled to recover its costs and expenses associated therewith.

1-121. Procedure Upon Termination. Upon expiration of the franchise, or upon termination as otherwise provided herein, if the Grantee shall not have perfected a renewal thereof, it may have, and it is hereby granted, the right to enter upon the streets or other property of the City for purposes of removing therefrom any or all of its property. In so removing said property, Grantee shall refill, at its expense, any excavation that it shall make, and shall leave said streets or other property in as good condition as that prevailing prior to the Grantee's removal of its property. Grantee may, in lieu of removal of such property, transfer its interest in such property to a third party provided such third party is approved by the City as a franchisee.

1-122. Notices. All notices required hereunder, or otherwise required by law, shall be in writing and shall be deemed served: (a) when hand delivered to the other; or (b) when deposited in the United States Mail, certified or registered, return receipt requested, postage prepaid, addressed to the City or the Grantee as identified herein, or at such other address specified in writing by the parties.

All notices from Grantee to the City shall be delivered or sent to:

City of Wendover  
P.O. Box 430  
100 South Ninth Street  
Wendover, Utah 84083

and also to the Wendover City Attorney, at the business address on file with the office of the City Recorder.

All notices from the City to the Grantee shall be delivered or sent to:

if by mail:  
Wendover Gas Co.  
P.O. 274  
Wendover, Utah 84083

or by hand delivery:  
Wendover Gas Co.  
460 South Mesa Street  
West Wendover, Nevada 89883

1-123. Miscellaneous Provisions.

(a) Compliance with Laws. Grantee shall comply with all Federal, State and local laws, rules, regulations and ordinances applicable to the operation of a public utility.

(b) Force Majeure. Grantee shall not be held in default for noncompliance with the provisions hereof, nor suffer and enforcement or penalty relating hereto, where such noncompliance is caused by acts of God or other events beyond Grantee's control.

(c) Periodic Review. This subsection is adopted to improve communications between the City and the Grantee.

(i) The City may require review sessions with the Grantee upon thirty (30) days written notice.

(ii) All review sessions shall be open to the public, except as allowed by the law of the State of Utah.

(iii) Topics which may be discussed at review sessions include, but are not limited to, legislation affecting the parties, rates, Grantee's financial statements, filings with the Utah Public Service Commission, customer service and support, expansion of the system, and potential purchases of the system.

(iv) During review sessions, Grantee shall fully participate and cooperate with the City and shall provide without cost information and documents which the City reasonably requests to perform its review.

(v) As a result of a review session, the parties may agree to modify or otherwise review the franchise.

(f) Severability. If any section, paragraph, clause or provision of this ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall in no way affect the validity and enforceability of the remaining provisions of this ordinance. In the event that any section, paragraph, clause or provision of this ordinance shall for any reason be held to be invalid or unenforceable, this ordinance shall be construed and enforced in a manner which will be in compliance with the requirements of all applicable laws, statutes, regulations and ordinances.

(g) Repeal. Except as may be provided in the City's public franchise ordinance, and as the same may be amended from time to time, all ordinances, parts of ordinances or chapters, sections, subsections or paragraphs or resolutions previously adopted by the City, which are in conflict with this ordinance, are hereby repealed.

(h) Applicable Law. This franchise ordinance shall be governed by the substantive and procedural laws of the State of Utah.

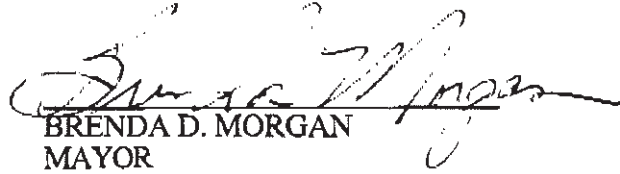
(i) Forum Selection. To the extent that a dispute is outside the exclusive jurisdiction of the Utah Public Service Commission, and except as expressly provided herein for arbitration of limited issues, any legal action to resolve a dispute under this agreement shall be filed in the Third District Court in and for Tooele County, Utah.

1-124. Publication Costs. The Grantee shall assume the costs of publication of this ordinance as such publication is required by law. A bill for publication costs shall be presented to the Grantee by the Clerk upon the Grantee's filing of acceptance of this franchise and such costs shall be paid at that time.

1-125. Adoption and Publication. Upon adoption, the City Clerk of the City is hereby directed to have notice of this ordinance published as required by law and to post notice of this ordinance as required by law. This ordinance becomes effective twenty (20) days after its publication or thirty (30) days after passage, whichever is earlier.

PASSED AND ADOPTED this 14<sup>th</sup> day of May, 1997, by the Wendover, Utah City Council:

CITY OF WENDOVER, UTAH

  
BREND A. MORGAN  
MAYOR

ATTEST:


  
MARGARET WHEELER  
CITY RECORDER

wendover/ordinances/gaseous fuels-draft 7





"owned by those we serve"

Your Touchstone Energy® Cooperative 

# WELLS RURAL ELECTRIC COMPANY

P.O. Box 365 Wells, Nevada 89835 •  
(775) 752-3328 x1633

Carlin, Nevada 89822 •  
(775) 754-6362 x1633

West Wendover, Nevada 89883  
(775) 664-2204 x1633

November 15, 2012

WENDOVER GAS COMPANY  
PROPANE OF WENDOVER, INC.  
P.O. BOX 3174  
WEST WENDOVER, NV 89883

Dear Nancy,

The Board of Director would like to thank you for your recent presentation. They found it very informative and intriguing. The points you raised concerning the synergy of owning a natural gas utility and the electric utility gave rise to an extensive discussion with the board.

The Board was very concerned about the due diligence needed to make this decision. It could take considerable time and investment and may not result in the best interest of our entire membership. As you are probably aware, WREC has been in the process of disposing all of its diversification assets, most recently our internet business and satellite business.

So at this time due to time constraint and the complexities associated with due diligence, the Board determined that it does not have an appetite for another diversification project.

We will be engaged in monitoring the situation and hope this issue will be resolved in a positive manner for everyone.

Regards,

Clay R. Fitch  
CEO, Wells Rural Electric Company

**Chris J. Melville**

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**From:** Nancy J Green <njgreen1956@yahoo.com>  
**Sent:** Wednesday, November 07, 2012 3:54 PM  
**To:** Chris Melville  
**Subject:** Fw: Southwest Gas Corporation

----- Forwarded Message -----

**From:** Nancy J Green <njg6@frontier.com>  
**To:** NJ <njgreen1956@yahoo.com>  
**Sent:** Tuesday, November 6, 2012 8:37 AM  
**Subject:** Fw: Southwest Gas Corporation

----- Original Message -----

**From:** Justin Brown  
**To:** njg6@frontier.com  
**Cc:** Haller, Karen  
**Sent:** Monday, November 05, 2012 16:17  
**Subject:** Southwest Gas Corporation

Good afternoon Nancy,

Thank you for your recent inquiry into whether Southwest Gas Corporation has any interest in discussing a potential acquisition/purchase of your propane company. At this time, Southwest Gas is not interested in discussing this concept. Thank you.

**Justin**

Justin Lee Brown | Assistant General Counsel & Director of Legal Affairs  
**Southwest Gas Corporation** | 5241 Spring Mountain Road | Las Vegas, NV 89150-0002;  
P.O. Box 98510 | Las Vegas, NV 89193-8510  
**Direct:** 702.876.7183| **Fax:** 702.252.7283| **Mailcode:** LVA-110|  
**E-mail:** justin.brown@swgas.com



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Southwest Gas Corporation does not guarantee the privacy or security of information transmitted by facsimile (fax) or other unsecure electronic means (including email). By choosing to send or receive information, including confidential or personal identifying

## Chris J. Melville

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**From:** Nancy J Green <njgreen1956@yahoo.com>  
**Sent:** Wednesday, November 07, 2012 3:55 PM  
**To:** Chris Melville  
**Subject:** Fw: Wendover Gas

----- Forwarded Message -----

**From:** Nancy J Green <njg6@frontier.com>  
**To:** NJ <njgreen1956@yahoo.com>  
**Sent:** Tuesday, October 30, 2012 3:42 PM  
**Subject:** Fw: Wendover Gas

----- Original Message -----

**From:** [mike eriksen](mailto:mike.eriksen)  
**To:** [njg6@frontier.com](mailto:njg6@frontier.com)  
**Sent:** Thursday, October 18, 2012 14:18  
**Subject:** Re: Wendover Gas

On Wed, Oct 17, 2012 at 1:48 PM, mike eriksen <[mikeerik@gmail.com](mailto:mikeerik@gmail.com)> wrote:  
Hi Nancy,

Just a note to confirm that at this time Wells Propane is not willing to pursue the purchase either your gas distribution system or the above ground operation.  
Of course we are more than ready to offer you as much help as possible in the way of a back-up supply source for your operations and wish you all the best in whatever happens. I know you've poured your heart and soul into your business and sincerely hope that everything will work out to your benefit.

Mike Eriksen

## Chris J. Melville

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**From:** Nancy J Green <njgreen1956@yahoo.com>  
**Sent:** Wednesday, November 07, 2012 3:56 PM  
**To:** Chris Melville  
**Subject:** Fw: Windover Gas & Propane

----- Forwarded Message -----

**From:** Nancy J Green <njg6@frontier.com>  
**To:** NJ <njgreen1956@yahoo.com>  
**Sent:** Tuesday, October 30, 2012 3:42 PM  
**Subject:** Fw: Windover Gas & Propane

----- Original Message -----

**From:** Shawn Coady  
**To:** njg6@frontier.com  
**Sent:** Monday, October 29, 2012 09:04  
**Subject:** Windover Gas & Propane

Nancy,

As we discussed, NGL Energy Partners LP would have some interest in a possible purchase of your residential customer base that have above ground tanks and the associated bulk storage, trucks and related assets. At this time we do not have interest in the metered gas pipeline system. As you are aware, the volume of regulations associated with a jurisdictional system with such a small customer base make it virtually impossible to be profitable.

Please feel free to contact me if you have additional questions or care to proceed with a review of the non-pipeline portion of your business.

Regards,

Shawn W. Coady, OD  
President & COO Retail



204 N. Route 54|Roberts, IL 60962  
Tel. 217-395-2281|Cell 217-369-8591|Fax 217-395-2572

[shawnc@hicksoffice.com](mailto:shawnc@hicksoffice.com)