



CITY OF ELY

501 Mill Street Ely, Nevada 89301
City Hall (775) 289-2430 - Fax (775) 289-1463

SPECIAL MEETING OF THE ELY CITY COUNCIL

PLEASE NOTE: THE COUNCIL MEMBERS MAY ADDRESS AGENDA ITEMS OUT OF SEQUENCE, COMBINE TWO OR MORE AGENDA ITEMS FOR CONSIDERATION, REMOVE AN ITEM OR DELAY DISCUSSION AT ANY TIME TO ACCOMMODATE PERSONS APPEARING BEFORE THE COUNCIL OR TO AID IN THE EFFICIENCY AND EFFECTIVENESS OF THE MEETINGS.

June 25, 2018 5:00 p.m. – Ely Volunteer Fire Hall - 499 Mill Street-Ely, Nevada.

1. OPENING ACTIVITIES:

MEETING CALLED TO ORDER
PLEDGE OF ALLEGIANCE
ROLL CALL

2. PUBLIC COMMENT: Comments not exceeding three (3) minutes in length will be accepted from the general public in attendance. If any are made, there may be discussion upon those comments. No vote, decision, or action may be taken upon matters raised under this item until it is formally placed on the agenda. **Comments during Discussion Items will not be accepted from the General public.** “Section 7.05 of the Nevada Open Meeting Law Manual indicates that the Public Body may prohibit comment if the content of the comments is a topic that is not relevant to or within the authority of the Public Body or if the content of the comments is willfully disruptive of the meeting by being irrelevant, repetitious, slanderous, offensive, inflammatory, irrational or amounting to personal attacks or interfering with the rights of other speakers”.

3. ITEMS FOR DISCUSSION/POSSIBLE ACTION ONLY OF THE ELY CITY COUNCIL.

1. Mayor Van Camp – Discussion/For Possible Action – Consideration and possible Acceptance of *S & S Shortline's* settlement proposal.
2. Councilman Carson – Nevada Northern Railway President Mark Bassett – Discussion/For Possible Action – Status of the Nevada Northern Railway from McGill Junction, Nevada, to Cobre, Nevada.

4. PUBLIC COMMENT: Comments not exceeding three (3) minutes in length will be accepted from the general public in attendance. If any are made, there may be discussion upon those comments. No vote, decision, or action may be taken upon matters raised under this item until it is formally placed on the agenda. “Section 7.05, of the Nevada Open Meeting Law Manual indicates that the Public Body may prohibit comment if the content of the comments is a topic that is not relevant to or within the authority of the Public Body or if the content of the comments is willfully disruptive of the meeting by being irrelevant, repetitious, slanderous, offensive, inflammatory, irrational or amounting to personal attacks or interfering with the rights of other speakers”.

5. ADJOURNMENT: THE MEETING MAY BE ADJOURNED BY APPROPRIATE MOTION OF THE CITY COUNCIL.

* Open session – Action/Discussion – Personnel**

The meeting may be closed by appropriate motion for the purpose of discussion on any matter allowed under N.R.S. 241.031 and 241.033, (1) nothing contained in this chapter prevents a public body from holding a closed meeting to consider the character, alleged misconduct, professional competence or physical or mental health of a person/employee. (2) A public body may close a meeting upon a motion, which specifies the nature of the business to be considered. (3) This chapter does not: (a) Apply to judicial proceedings. (b) Prevent the removal of any person who willfully disrupts a meeting to the extent that its orderly conduct is made impractical. (c) Prevent the exclusion of witnesses from a public or private meeting during the examination of another witness. (d) Require that any meeting be closed to the public. (e) Permit a closed meeting for the discussion of the appointment of any person to public office or as a member of a public body. (4) The exception provided by this section, and electronic communication, must not be used to circumvent the spirit or letter of this chapter in order to discuss or act upon a matter over which the public body has supervision, control, jurisdiction or advisory powers.

In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident. Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English. To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at http://www.ascr.usda.gov/complaint_filing_cust.html and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: Mail: U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410; Fax: (202) 690-7442; or Email: program.intake@usda.gov. USDA is an equal opportunity provider, employer, and lender.

For access to the public packet, contact the City Administrator at 501 Mill Street, Ely, Nevada 89301 or call (775) 289-2430; all packet material is posted in the agenda's hyperlinks or under "Minutes" / "Other" on the City's website at <http://www.elycity.com/>

I, Jennifer Lee, Deputy City Clerk, did cause to be posted on **June 20, 2018 at 8:00 a.m.** five (5) notices of the June 25, 2018 Ely City Council Agenda in said City of Ely to wit: Posted at the doors or bulletin boards of City Hall located at 501 Mill Street, White Pine County Library located at 950 Campton Street, White Pine County Courthouse located at 801 Clark Street, the U.S. Post Office located at 2600 Bristlecone Avenue and the White Pine County Sheriff's Office located at 1785 Great Basin Boulevard. The meeting notice is also posted on the City of Ely's website at <http://www.elycity.com> and the State of Nevada Public Notices website at <http://notice.nv.gov>.

 _____

PLEASE PRINT YOUR NAME

Please print your FIRST & LAST name clearly for the
City Council attendance list. 6-25-18

Chris North

Gary North

Rakelade

Pat Robinson

Bill Sanford

Bill Hohlt

HARRY BAYNES

George Chachas

John C. GARDLI

Tamera Brown

Kay McMurley

Kelvin Martinez

Sally Jeanette

Gary Hansen

Chris Conner

Olden

MyCOSTER

Jeri Matthews

**AN APPRAISAL
PRESENTED IN A SUMMARY REPORT
OF APPROXIMATELY 3,115± ACRES OF
RAILROAD RIGHT-OF-WAY LAND
EXTENDING FROM NORTH OF INTERSTATE 80 AT
COBRE, ELKO COUNTY, NEVADA
SOUTHERLY TO THE ELY/MCGILL JUNCTION
WHITE PINE COUNTY, NEVADA
FOR THE NEVADA NORTHERN RAILWAY
AS OF JUNE 21, 2010**

June 21, 2010

Mark S. Bassett
Executive Director
Nevada Northern Railway Museum
National Historic Landmark
1100 Avenue A
Ely, NV 89315

Dear Mr. Bassett:

Pursuant to your request, I have prepared an appraisal of the existing railroad right of way extending from north of Interstate 80 at Cobre and north of Shafter in Elko County, Nevada, southerly to the junction with the Ely/McGill Railroad line in White Pine County, Nevada.

The purpose of the appraisal was to estimate the value of this right of way area, not including the railroad tracks or any railroad improvements. The length of this line is approximately 128.5 miles by approximately 200± feet in width. I have been directed to assume an area of approximately 3,115.15± acres, and to estimate the value of this existing right-of-way, not including any railroad improvements.

The intended user of this report is the Nevada Northern Railway and the White Pine Historical Railroad Foundation. The intended use is for internal decision making purposes including federal economic development authority grants.

As a result of my investigation and analysis contained within this report, it is my opinion that the value of the land encompassed by this railroad right-of-way, as of June 21, 2010, is \$1,869,000.

Sincerely,

William G. Kimmel, MAI, SREA
Certified General Appraiser
State of Nevada
Certification No. A.0000004-CG

WGK/mm

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SUMMARY OF SALIENT FACTS & CONCLUSIONS

LOCATION:	Existing railroad right-of-way from Cobre (north of Interstate 80 and Shafter) in Elko County, to the Ely/McGill junction in White Pine County, Nevada
ASSESSOR'S PARCEL NO.:	Not available
OWNER OF RECORD:	City of Ely and the White Pine Historical Railroad Foundation
DATE OF VALUE:	June 21, 2010
DATE OF REPORT:	June 21, 2010
INTEREST APPRAISED:	Fee simple, not including any railroad improvements but subject to any utility or roadway easements
LAND AREA:	3,115.15± acres
IMPROVEMENTS:	None Considered
INTENDED USER:	White Pine Historical Railroad Foundation, the City of Ely and the Federal Economic Development Authority
INTENDED USE:	For internal decision making purposes and a grant
ZONING:	Mostly open or general rural
FLOOD ZONE:	None
HIGHEST AND BEST USE:	A railroad right of way corridor
EXPOSURE/MARKETING TIME:	Approximately one year
FINAL VALUE CONCLUSION:	\$1,869,000

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

CLIENT: Mark S. Bassett
Executive Director
Nevada Northern Railway Museum
National Historic Landmark
1100 Avenue A
Ely, NV 89315

APPRAISER: William G. Kimmel, MAI, SREA
Certified General Appraiser
State of Nevada
Certification of No. A.0000004-CG

William G. Kimmel & Associates
1281 Terminal Way, Suite 205
Reno, NV 89502

SUBJECT: The existing railroad right of way extending from north of Interstate 80 at Cobre and north of Shafter in Elko County, Nevada, southerly to the junction with the Ely/McGill Railroad line in White Pine County, Nevada.

PURPOSE OF THE APPRAISAL

The purpose of this appraisal was to estimate the value of the railroad right-of-way, not including any railroad improvements such as tracks, railroad ties, etc.

MARKET VALUE DEFINED

Since railroads have the power of eminent domain within the state of Nevada, as well as the recognition that the appraisal report will be used by the Federal Economic Development Authority, I have utilized two definitions. The first is the definition by the State of Nevada for eminent domain purposes, and the second is utilized for all federal acquisitions as contained in the Uniform Appraisal Standards for Federal Land Acquisitions (the "Yellow Book").

Definition of market value by Nevada Revised Statutes for Eminent Domain Purposes:

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

which the entity that is condemning the property intends to put the property, if such use results in a higher value for the property.

(Source: NRS 37.009 (B))

Definition of market value in accordance with "Yellow Book" Standards:

Market value is the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of the appraisal, after a reasonable exposure time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property at the time of the appraisal.

In my opinion, these definitions are essentially the same without any major differences.

INTENDED USER

The intended user of this report is White Pine Historical Railroad Foundation, the City of Ely and the Federal Economic Development Authority.

INTENDED USE OF REPORT

This appraisal is intended for internal decision making purposes, including the filling of requirements for a grant.

INTEREST APPRAISED

Fee simple interest in the railroad right-of-way, not including any railroad improvements,
and subject to any roadway or utility easements within this right-of-way.

EFFECTIVE DATE OF VALUE

June 21, 2010

DATE OF REPORT

June 21, 2010

SCOPE OF THE APPRAISAL ASSIGNMENT

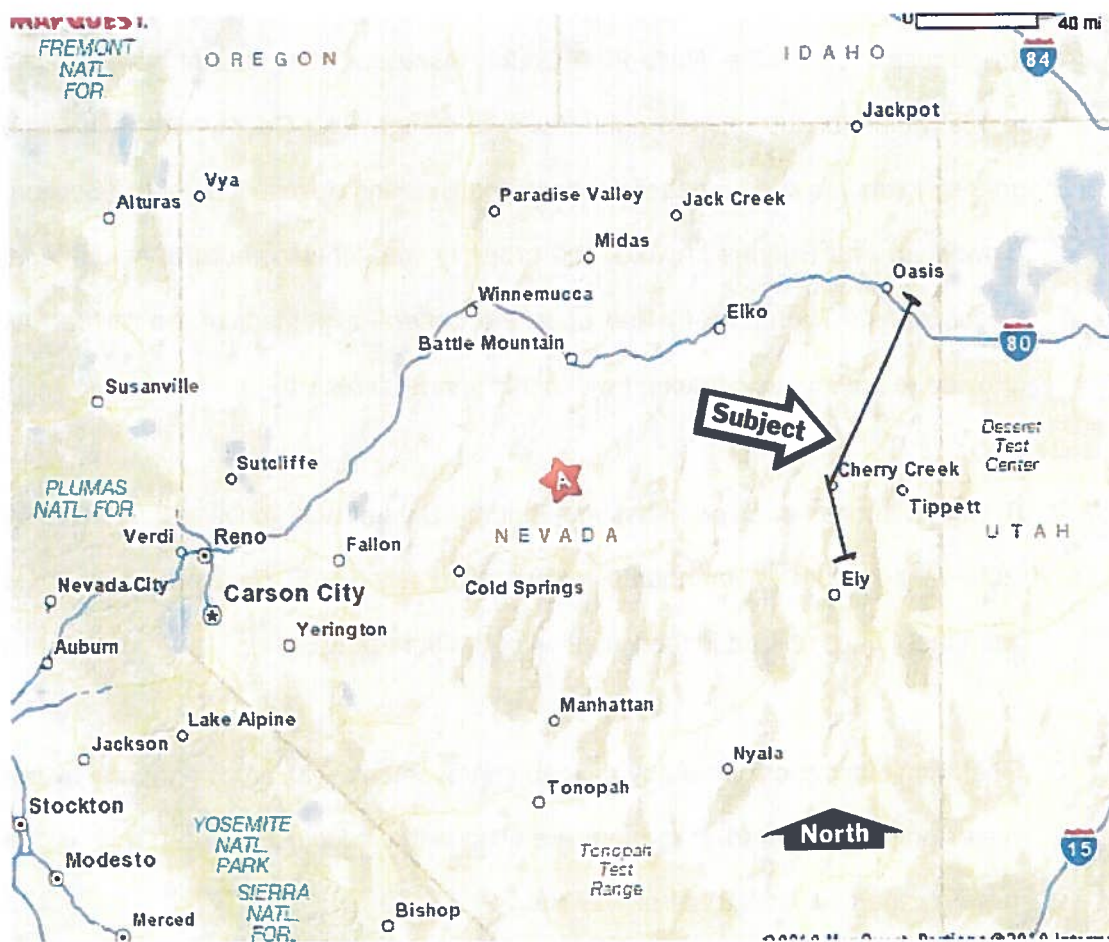
In order to complete an appraisal of the subject property, this appraiser:

- Considered the overall economics and demographics of this portion of Elko and White Pine County, Nevada;
- Because much of the area was not passable by vehicle, I inspected the site by air, and I considered topographical and area maps of the subject property;
- Since the right-of-way is considered to be only a land value estimate, I only considered sales of other land parcels, and utilized the comparable sales approach;
- from this prepared an appraisal presented in a summary report.

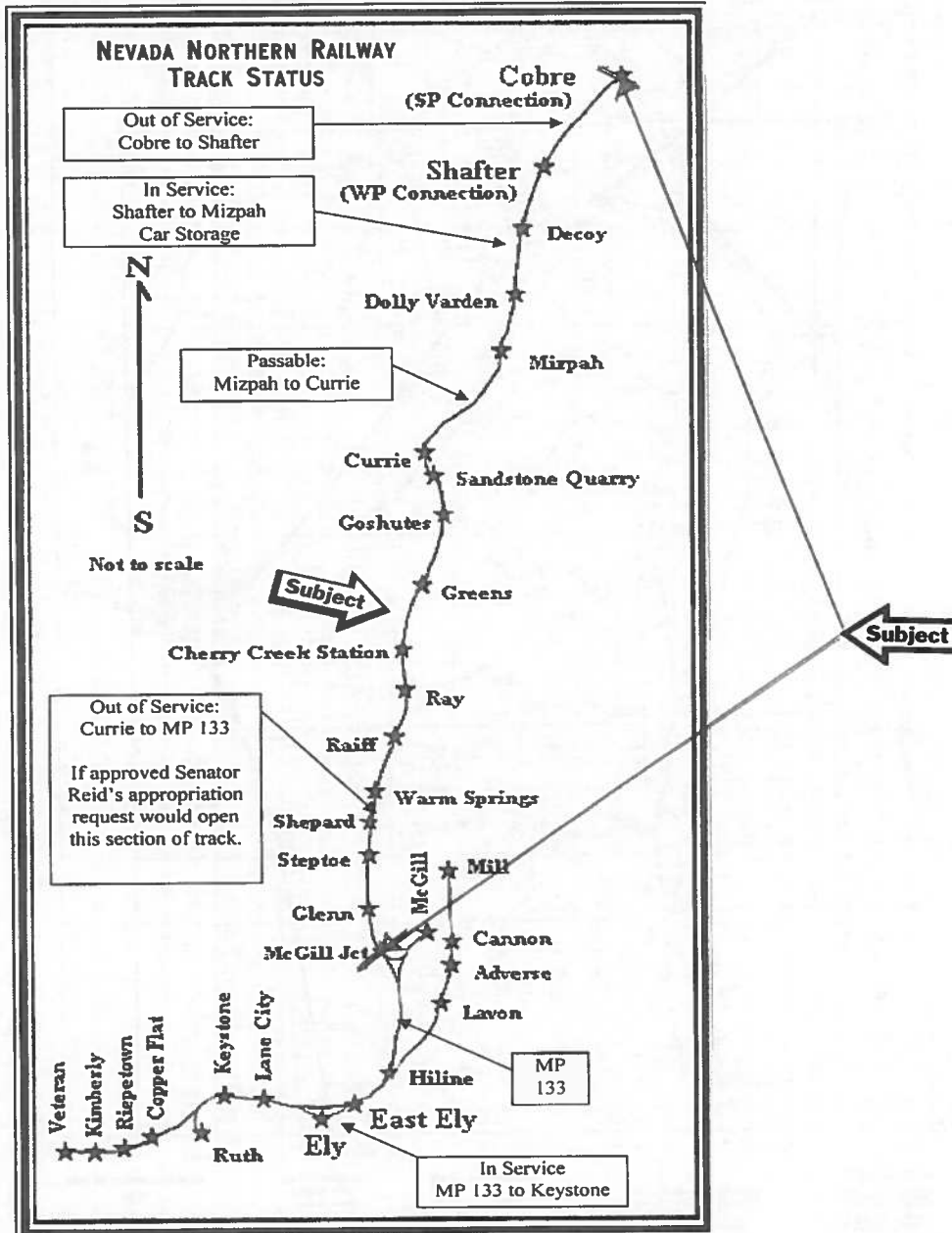
SPECIAL LIMITING CONDITIONS

1. In discussions with the White Pine County Assessor, they do not have specific parcel maps for the railroad right-of-way, although Elko County did have some maps. I was provided a general map of the line, and descriptions of the Section, Township, and Ranges in which the property was located, but not actual legal descriptions. Therefore, I relied upon the general alignment of the railroad as provide to me and as contained within this appraisal report.
2. That I have been directed to assume that this right-of-way line is 128.5± miles by 200± feet in width, which equates to approximately 3,115.15± acres. This is the area that I have utilized in the valuation of the right-of-way.
3. That I have not considered any railroad improvements within this right-of-way but have only considered the land area and the recognition that this is an assemblage of existing right-of-way line.

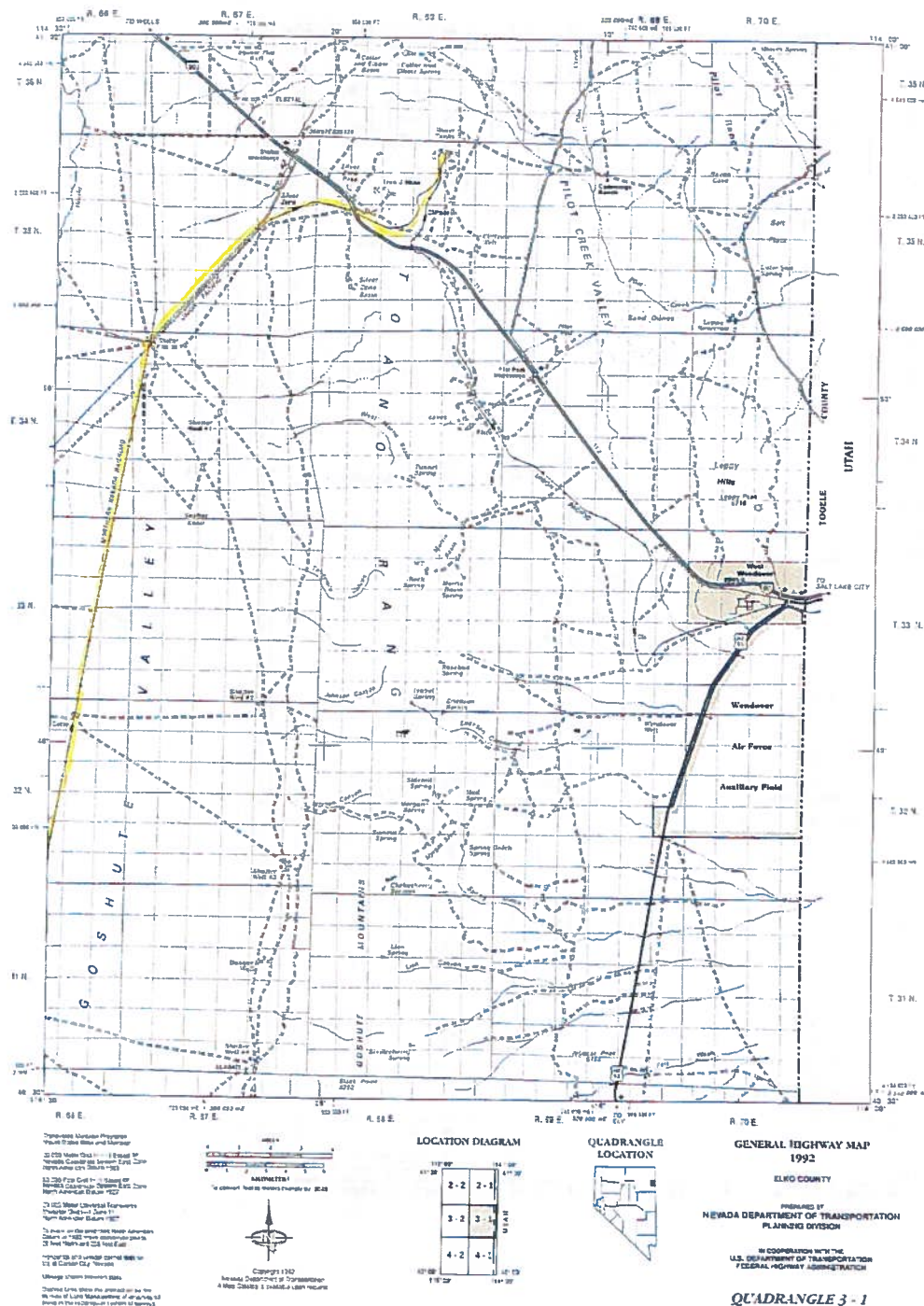
AREA MAP

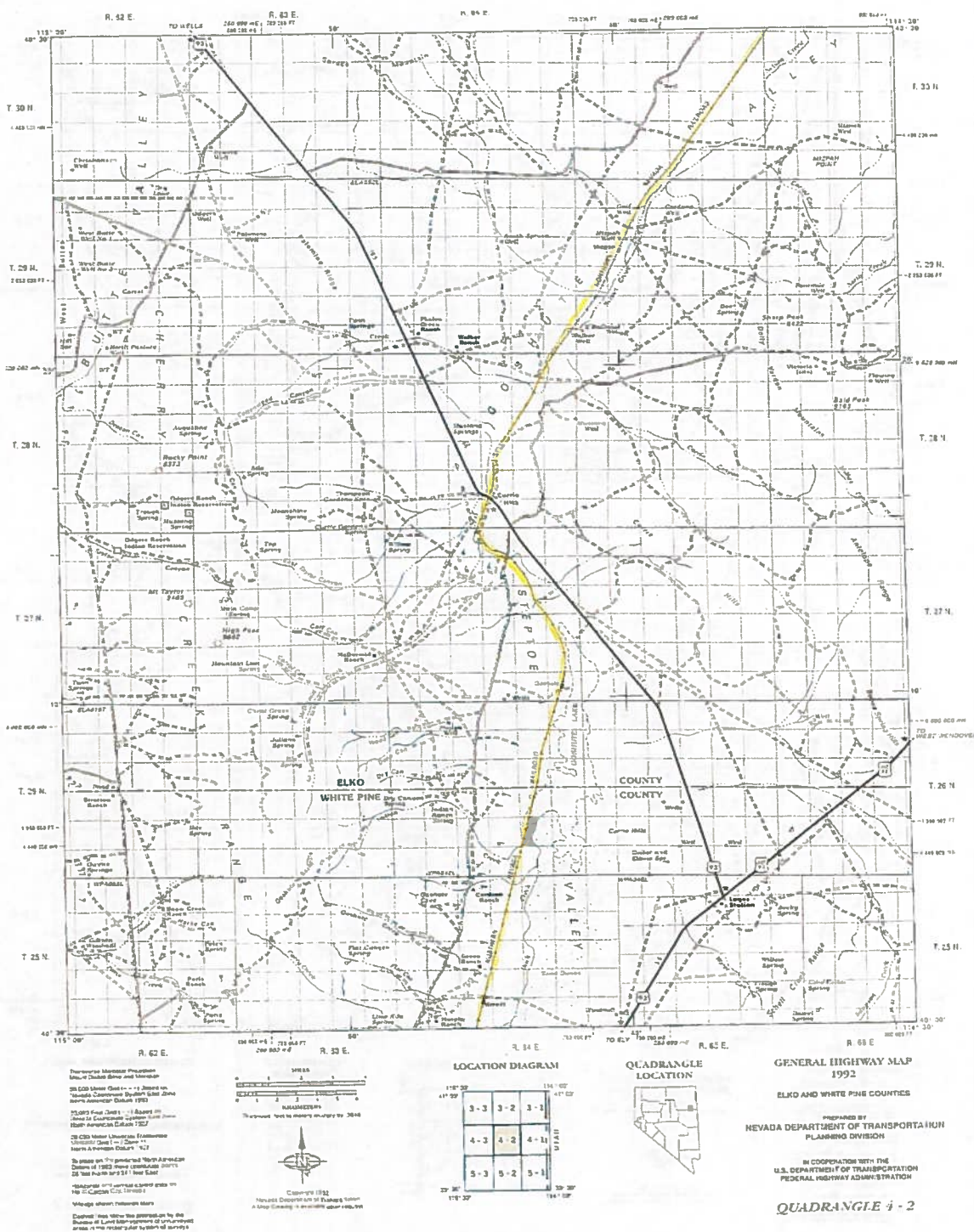


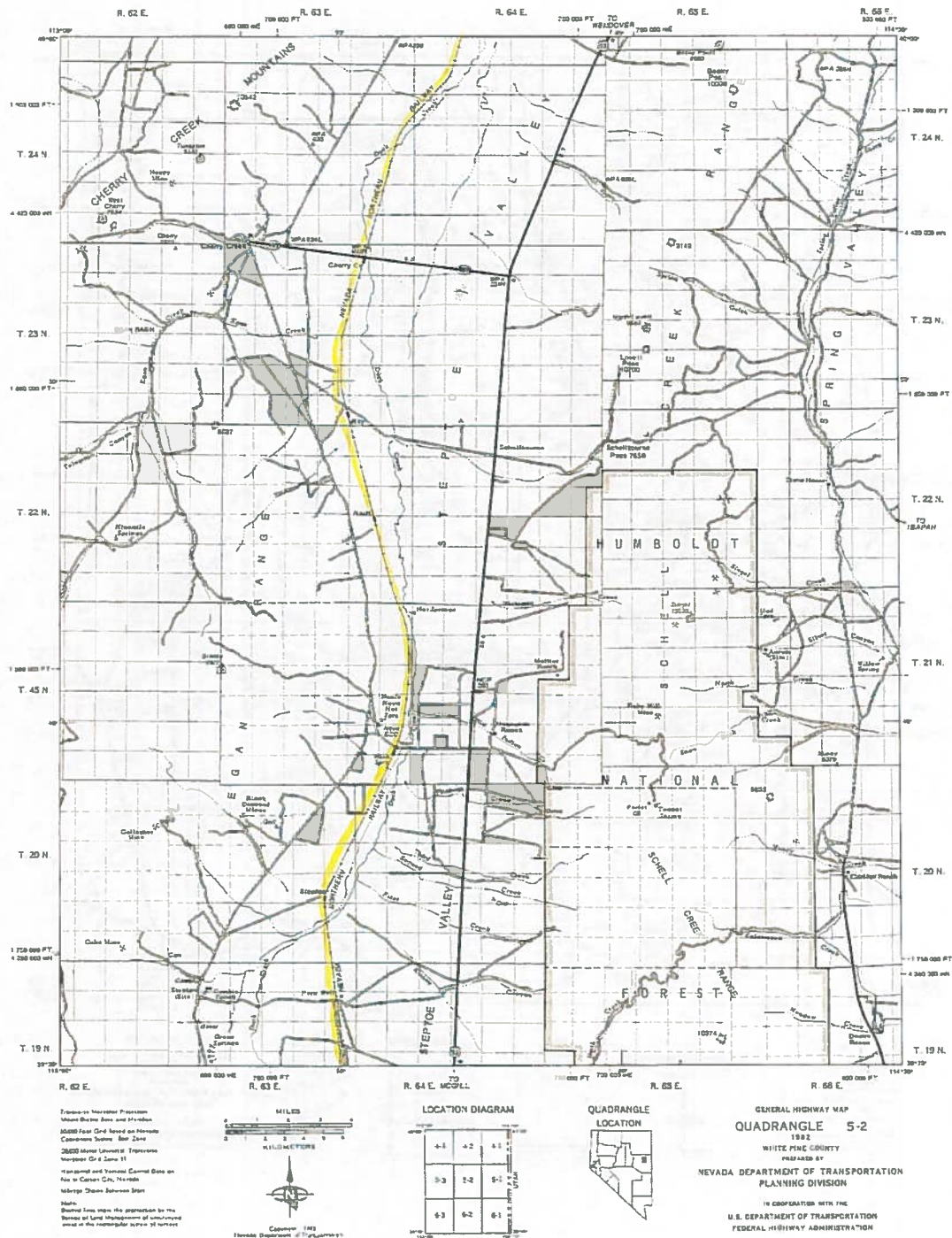
RAILWAY LOCATION MAP

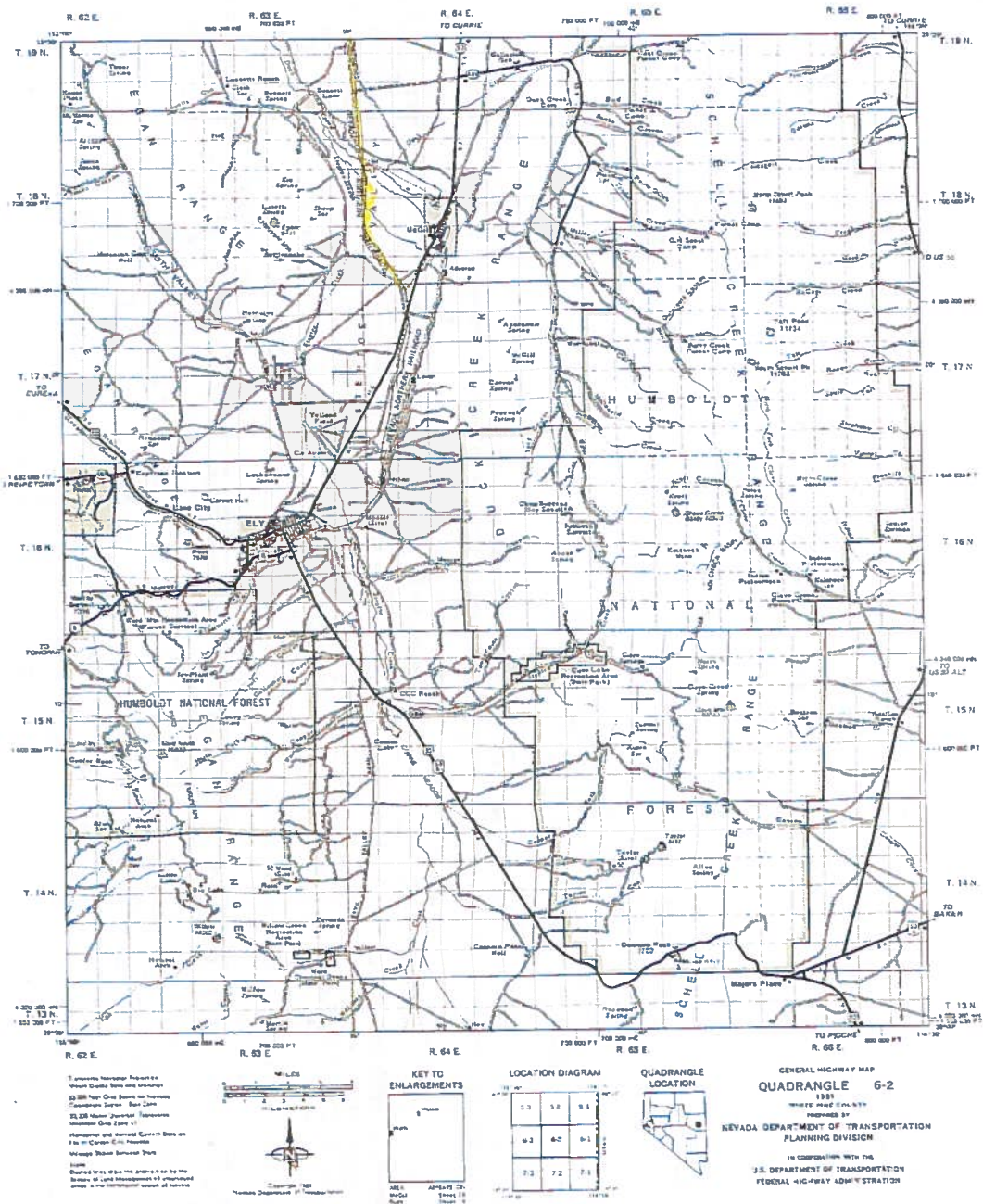


NEIGHBORHOOD MAPS









SUBJECT PHOTOGRAPHS



Photograph of railroad area just north of Ely



Photograph of railroad area just north of Ely



Photograph of railroad area just north of Ely



Photograph of railroad track area between Ely and Currie



Photograph of typical area northerly of Cherry Creek

AREA DESCRIPTION

The northerly portion of the subject property is located in Elko County, and the southerly portion in White Pine County, Nevada. The Elko-White Pine County line is located approximately four miles northwest of the intersection with U.S. Highway 93 and Alternate 93, and about 10 to 12 miles southerly of Currie and northerly of Cherry Creek.

Just north of the city of Ely, the area is more developed with ranches and farms as there is irrigation from wells as well as some of the creeks and streams out of the surrounding mountains. Likewise, these areas are relatively close to Ely, whereas the Elko County areas, for the most part, tend to be more desolate with minimum irrigation particularly northeast of Currie. There are some exceptions to this, but for the most part the area in Elko County tends to be more rangeland and sagebrush covered. Whereas, the area closer to Ely has greater development for ranches and farms.

Interstate 80 is the primary east-west arterial through the northerly portion of Elko County, with a small portion of the subject property railroad right-of-way lying northeasterly of Interstate 80. At Shafter, through which the right-of-way extends, there is a full interchange with Interstate 80. Westerly the next interchange is at Oasis, and easterly there are some interchanges into West Wendover, Nevada. The closest town along Interstate 80 westerly of Shafter and Oasis is Wells, and the closest town easterly is at the Nevada/Utah state line, West Wendover, Nevada and Wendover, Utah.

The town of wells is a small community at the intersection of U.S. Highway 93, which carries traffic north of Wells into Jackpot, Nevada and on into Twin Falls, Idaho. Southerly, U.S. Highway 93 extends to Ely and into the Las Vegas area. Although

Alternate 93 extends south of Wendover, connecting to primary 93 northerly of McGill and Ely.

Elko County has a total of approximately 51,000 people, with the city of Elko at 18,425 based upon the June 1, 2009 estimates by the Nevada State Demographer. West Wendover at the intersection of Interstate 80 and the Utah state line, has slightly less than 5,000 people. White Pine County has a total population of 9,570 people, with Ely at 4,291 and McGill at 1,109.

Ely is at the crossroads of U.S. Highway 50, which continues westerly across the center portion of the state of Nevada into Carson City, Lake Tahoe and over to the central California area around Sacramento. Easterly it continues into Utah and across the central portions of that state. At Ely is U.S. Highway 93, which as indicated continues northerly as the primary highway through Jackpot and up into Idaho, but easterly there is an Alternate 93 which connects to Interstate 80 at Wendover. Southerly, U.S. Highway 93 continues down to the Las Vegas area. Highway 6, just south of Ely, connects westerly over to Tonopah.

Ely has significant recreational facilities, including the gateway to the Great Basin Park with the Lehman Caves and a number of lakes and reservoirs in close proximity. Whereas the general Elko area has significant gold and silver mining, Ely has had a history of copper mining and some molybdenum. Currently, the main pit at Ruth is utilized for copper mining and shipping. The mines had closed in the past but are now open, and do provide a mining base for the community, although certainly not as significant as the Elko area.

The railroad line connects to the main line between Ruth, Ely and McGill. The beginning of the line at the southerly end is at the McGill junction where the subject railroad right-of-way continues essentially northerly through Cherry Creek, Currie, Shafter and crossing Interstate 80 to Cobre.

As I indicated, the area closer to Ely and west of McGill has more significant ranching and farming, primarily because of the available of water. The area northeasterly of Currie is more rough grazing type lands although there are some ranches in the area, but these are a greater distance from any towns than the area just north of Ely.

There has been very little new development in the area of the railroad right-of-way as most of the ranching was developed in the past and has continued through the present. No significant changes in the subject area are anticipated within the foreseeable future.

SITE DATA

Location: The subject property is located in both Elko County and White Pine County, Nevada. It extends just north of Interstate 80 north of Shafter at Cobre, then southerly through Currie, Cherry Creek, generally east of U.S. Highway 93 until Currie, and then westerly of Highway 93 down to the junction with the McGill railroad line about two miles southwest of McGill westerly of U.S. Highway 93 and about 10 miles northeast of the city of Ely.

Assessor's Parcel Number: The White Pine County Assessor has not separately set out and assessed the railroad right-of-way. Elko county has partially separated it, and for these reasons I have not been able to provide specific assessor's parcel numbers.

Record Owner: It is my understanding that title to the subject property is vested in the name of the City of Ely and the White Pine Historical Railroad Foundation. From the records, the property was purchased in 2006 from the Department of Water and Power of the City of Los Angeles, at what I understand to be a price of \$1,500,000. This sale included any contribution from the existing railroad improvements, such as the railroad tracks.

At some prior date, which I believe to be 1984, the City of Los Angeles purchased the property from Nevada Northern Railway. To the best of my knowledge, there have been no other transactions relating to the subject property.

Size and Shape: From the maps, as well as the description provided to me, the subject property encompasses a length of 128.5± miles by approximately 200± feet in width. Therefore, I have utilized an approximate area of 3,115.15± acres that is the subject of this appraisal assignment, which is a railroad right-of-way. Therefore, it is essentially a railroad corridor through the areas previously described.

Topography: The subject property passes through a variety of topography, but for the most part the railroad itself, while having some inclines, goes thru relatively flat land with no significant mountain passes. Much of the property is an area of sagebrush, range land but just north of Ely there are areas of farm and ranch on both sides of the railroad, as well as irrigated areas either from pivots or some streams and creeks flowing out of the surrounding mountains. Since the railroad was in existence, any ranching or farming development has been developed with the railroad in place. There are railroad crossings at various points, and there are maintenance dirt roads along the sides of the railroad tracks.

Flood Plain: Other than some potential for flash flooding from some creeks, the railroad itself appears to be outside of any flood zone. As such, because of the raised area for the railroad tracks, it does not appear to have any flooding problems

Earthquake Hazards: As is typical with most of Nevada, the subject is located generally within a Seismic Zone 3 which indicates areas having the potential for moderate to severe shaking.

Availability of Utilities: The railroad, of course, has its own line service, but generally most of the areas have some electrical power close by. There are, however, no public utilities such as water, sewer or natural gas to the railroad itself. Some areas are more remote from power and telephone, but others have closer proximity.

Accessibility: As indicated, there is a maintenance road running along the railroad, portions of which are not passable, but could be upgraded. Likewise, as indicated on the map, there is accessibility from U.S. Highway 93 and there are a number of smaller unimproved dirt roads that would provide general access to the subject areas. For railroad purposes, though, the maintenance road is the primary method of accessibility.

Zoning: Typically the subject areas are zoned either Open Space or General Rural. The counties generally indicate 40 acre minimum sites. The subject property itself is, as indicated, a railroad corridor and was built for this specific purpose.

Assessments and Taxes: As indicated, it was not possible to extract specific assessments from the counties, particularly White Pine County since they have not broken out the railroad area, and therefore this has not been included.

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 possible and permissible 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.

Physically Possible Uses: The total area of the subject property is of course quite large at 3,115.15± acres. This would be a typical size for larger, rural ranch areas in Nevada that would have a variety of uses. This could include primarily rough grazing, but also some cultivated areas or even irrigated from streams and wells in some cases. The specific width of the subject at an average of 200± feet, is for a utility corridor, or a

railroad right-of-way. Generally this type of width would not be typical of rural sites, but certainly for the subject use as a railroad corridor, it is more than adequate.

From a physical standpoint, the right-of-way corridor is not a limiting factor, but is an advantage because it is already in place. It is wide enough to allow for not only expansion but also maintenance.

Legally Permissible Uses: The railroad was approved and, the tracks are in place, but out of service. The zoning would not be a restrictive factor, but any new railroad lines would have to receive approvals by the various government agencies.

Conclusion of Financially Feasible Uses and Highest and Best Use: If the railroad were not in existence, then the land would be principally farm, ranch or speculation type land, as well as rough grazing. The current use as a railroad corridor for that type of development is an asset, and as will be discussed elsewhere in this appraisal report, the fact that the corridor is in place gives added value as opposed to a utility company or railroad having to acquire and assemble a corridor.

It is noted that the most financially feasible use of the subject would be its continuation as a railroad corridor. If it was not used for this purpose, then it would simply revert to acreage and to the adjoining properties. To remove the corridor and bring it down to the surrounding grade level for grazing purposes, or in some cases, closer to Ely, for ranching purposes, for the most part would not be feasible for a 200± foot wide strip. For these reasons, if the property were not to be utilized for a railroad corridor, in my judgment, it would tend to have a somewhat lesser value.

SUMMARY OF ANALYSIS AND VALUATION

In the analysis and valuation of the subject property, utilizing 3,115.15± acres, I considered sales of other parcels in rural Nevada, specifically Elko and White Pine counties, to assist in the valuation. The following chart and map summarizes the results if this investigation:

ELKO COUNTY LAND SALES CHART

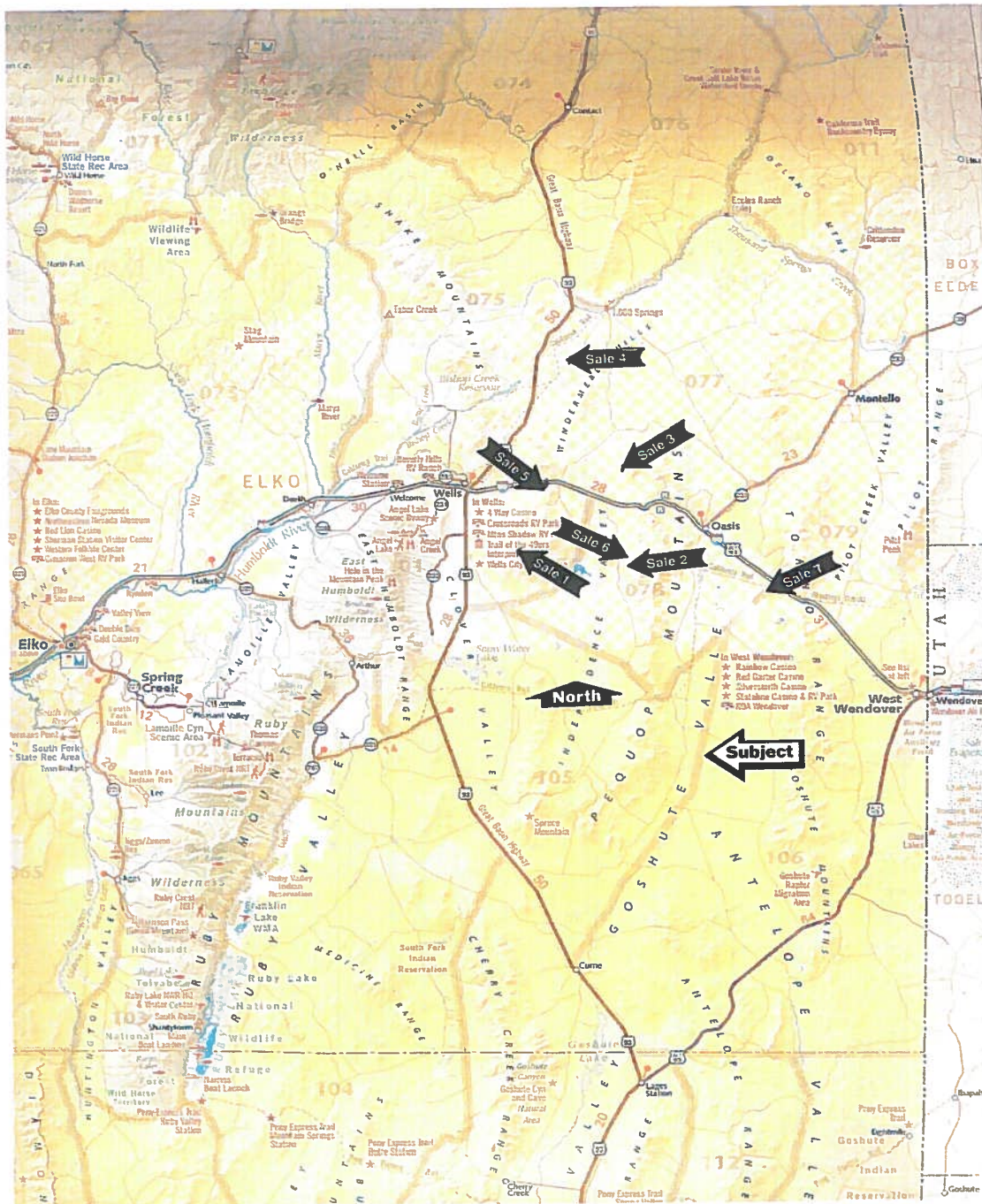
Sale No.	Location	Date	Size	Improvements	Price/Acre	Remarks
1	Wood Hills 10 mi. SE of Wells, Elko, County, Sec. 35 08-550-016	12/10/08	640± ac.	None	\$113,400 \$177	NV Land & Resource to ICI Cattle & Timber Co. Doc. #607099
2	Independence Valley, Elko County, 009-110-001	12/19/08	3,487.38± ac.	None	\$950,000 \$272	Newmont USA to Pequop Conservancy Doc. #LLC607769
3	Independence Valley North of I-80, Elko County 009-340-008	12/29/08	640± ac.	None	\$110,000 \$172	Daniel Egan to Pequop Conservancy Doc. #607978
4	16 mi. NE of Wells, Elko County 009-150-005, etc.	3/17/09	1,280± ac.	None	\$128,000 \$100	Newmont USA to Halter, Randy Doc. #610553
5	Independence Valley, Elko County, abuts I-80 009-120-008, etc.	4/6/09	6,880± ac.	None	\$743,600 \$108	Weinger Family Ltd. Ptn. To Pequop Conservancy Doc. #611242
6	Independence Valley, Elko County 009-330-02, etc.	4/14/09	1,920± ac.	None	\$200,000 \$104	Power Compactors to Pequop Conservancy Doc. #166460
7	Shafter Interchange at I-80, 16 mi. NW of West Wendover, Elko County	7/15/09	11,835.40± ac.	Inc. 1,682±ac. ft. of water; no mineral rights included	\$4,262,000 \$360	M & N Ranch to Frontier Development (USA), Inc.

Note: no mineral rights included in any of the above sales. According to the buyer of Sale No. 7, the water rights added about \$1,000,000 to the price. This would then indicate \$276.00 per acre for the land only.

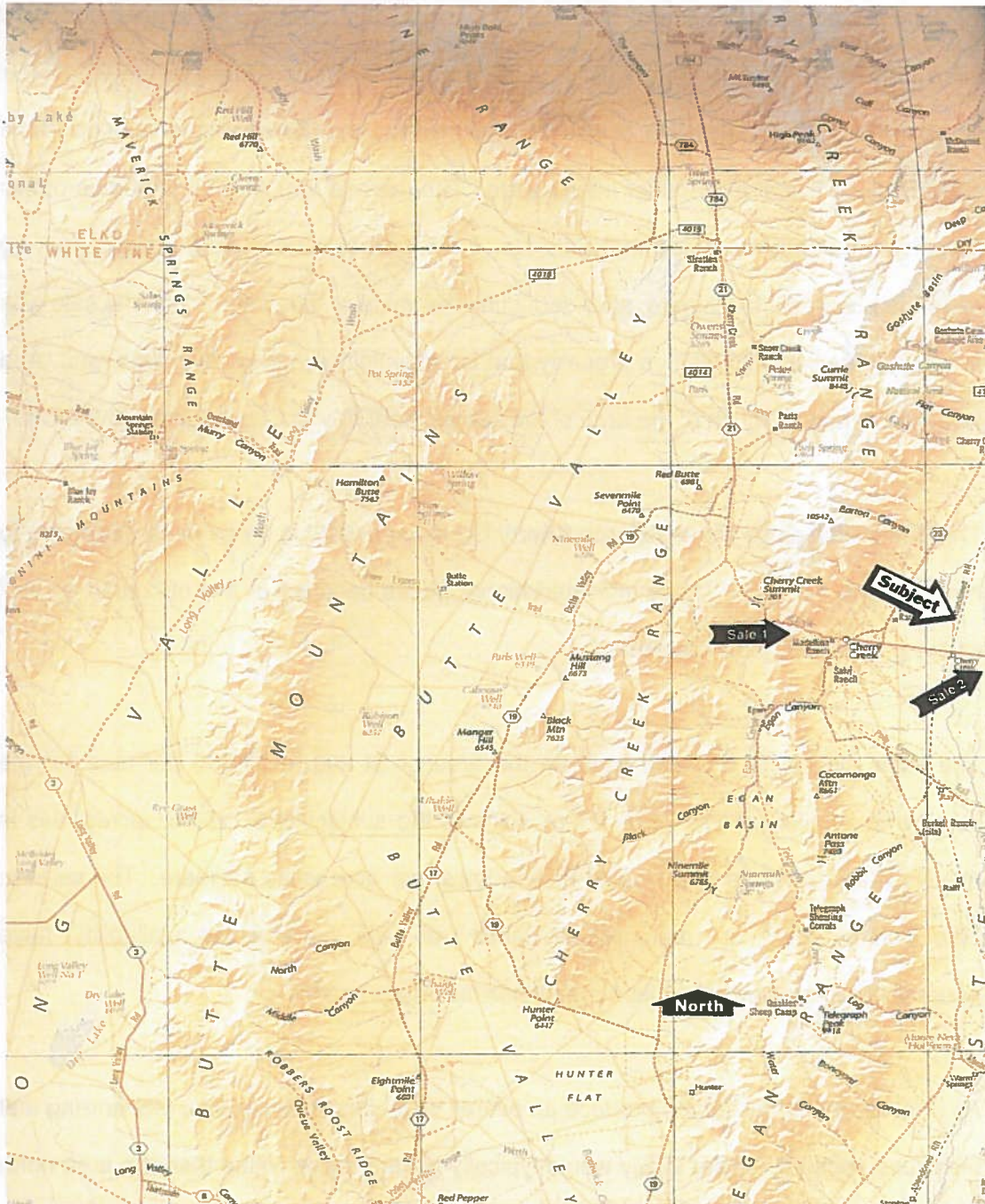
WHITE PINE COUNTY LAND SALES CHART

Sale No.	Location	Date	Size	Improvements	Price/Acre	Remarks
1	4 miles west of Cherry Creek, in Section 32, T24N, R63E White Pine County 08-100-01 08-026-05	2/26/08	955.71 ± ac.	Pastureland, paved & gravel road; utilities	\$1,100,000 \$1,150.98	S. Nye to D. Hoots Doc. #342248
2	3 miles southeast of Cherry Creek, in Section 7, T23N, R64E White Pine County 08-270-02	4/6/09	309.3 ± ac.	Pasture; no utilities; has BLM allotment	\$450,000 \$1,455	A. Kester to D. Hoots Doc. #346370 Note: Prior sale was 2/16/07 at \$349,000 or \$1,099/acre

ELKO COUNTY SALES MAP



WHITE PINE COUNTY SALES MAP



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The Elko County sales generally showed a range from \$100.00 per acre to a high of \$276.00 per acre in the case of Sale No. 7, without water rights. The larger sales were more helpful, particularly Sale Nos. 2, 4, 5, 6 and 7 when compared to the 3,115.15± acres of the subject. Sale No. 7 was the most recent and the closest in location to the subject, since it is at the Shafter interchange. The railroad runs through a portion of this property. It should be noted that Sale No. 7 did include water rights, however relying upon the purchaser's estimate, after deducting the value of the water rights, the sale was at \$276.00 per acre. This is a property that is essentially rough grazing type land. And would be similar to much of the area of the subject northerly of Cherry Creek and Currie.

The White Pine sales were closer to Cherry Creek, and were in areas more adaptable to ranching and farming. These indicated higher prices because of this utilization as well as the proximity to the Ely area.

The sales closest to Ely tend to be in the area of \$1,200 to \$1,500 per acre for the somewhat smaller parcels. For a size such as the subject at 3,115.15± acres, this is relatively large, and as such, would have a lower per acre value estimate. The sales in Elko County, which are more remote lands with little if any water availability, have generally lower values, and these are somewhat larger parcels.

As a result, it is necessary to produce an overall value for the entire site, recognizing that the areas southerly closer to Ely would typically have a higher value than the area north of Currie and some of the Cherry Creek area.

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Considering all of these factors, I have estimated the value of the subject land, preliminarily, at \$500.00 per acre, which would equal to \$1,557,575, rounded to \$1,558,000.

The \$1,558,000 value estimate does not give consideration to the fact that the subject property is an existing railroad corridor. I have discussed the cost of acquiring for a corridor with NV Energy, which is a major power company supplier throughout the state of Nevada. They have acquired right of way for a variety of purposes, as well as gas line companies which have done the same. The costs to provide the engineering, appraisals, acquisition costs with negotiators, title policies, etc., indicate that these costs are from 20% to 30% above actual right-of-way expenditures for the purchase of the land.

Since the subject is already an existing railroad corridor, in my judgment, a 20% increase would be applicable in the value conclusion. This would then give a value indication at \$1,869,000 for the value of this existing railroad right-of-way.

EXPOSURE/MARKETING TIME

This is a difficult aspect as utility corridors are typically not sold. But if a similar type property, as those that were utilized for the comparable sales were considered, the exposure time and the concluded marketing time has been estimated at approximately one year.

ADDENDA

LIMITING CONDITIONS

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

1. **LIMIT OF LIABILITY:**

The liability of Kimmel & Associates and 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.

The By-Laws and Regulations of the Appraisal Institute require each Member and Candidate to control the use and distribution of each appraisal report signed by such Member or Candidate. 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.

WILLIAM G. KIMMEL & ASSOCIATES

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 Kimmel & Associates 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.

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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.

WILLIAM G. KIMMEL & ASSOCIATES

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.

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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, on-site or off-site, 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

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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 superefficient.

18. **FEE:**

The Appraiser certifies that, my 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. This is a summary appraisal report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a summary appraisal report. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

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22. 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).

WILLIAM G. KIMMEL & ASSOCIATES

QUALIFICATIONS OF WILLIAM G. KIMMEL

CERTIFIED GENERAL APPRAISER
STATE OF NEVADA, CERTIFICATION #A.0000004-CG

Education: B.A. Degree in Economics from Stanford University.

Experience: From 1959 to 1961, employed as a real estate broker-salesman in Reno and Lake Tahoe, Nevada. From 1961 to 1968, employed by the Nevada State Highway Department as a real estate appraiser and Assistant Supervisor. From April 1968 to present, an independent fee appraiser.

Expert Witness: Qualified as an expert witness in District Court in Washoe, Clark, Carson City, Lander, Lyon, Humboldt, Elko and Douglas Counties, Nevada; Superior Court in Eldorado and Los Angeles Counties, California; United States Tax Court in Las Vegas and Reno, Nevada, New York City, and Seattle, Washington; Federal Bankruptcy Courts in Reno, Las Vegas, San Francisco, Los Angeles, Phoenix, Portland Oregon; U.S. District Court in Reno and Las Vegas, Nevada; State District Court, Salt Lake City, Utah; U.S. District Court, Boise, Idaho; Superior Court, Newton County, Kentland, Indiana; United States Court of Federal Claims in Washington D.C.; Second Judicial Court, Chancery Court of Harrison County, Biloxi, Mississippi.

Lecturer: Instructed at the University of Nevada, Reno; Truckee Meadows Community College; Educations Dynamics Institute (Reno School of Real Estate); and Graduate Realtor Institute courses in real estate appraisal and land economics.

Professional Organizations: MAI - Member Appraisal Institute
SREA - Senior Real Estate Analyst Member of the Appraisal Institute
Realtor - Reno/Sparks Association of Realtors
and Licensed Real Estate Broker, State of Nevada since 1958
Certified General Appraiser, State of Nevada, Certification Number A.0000004-CG

Offices Held: President - 1986 - Sierra Nevada Chapter 60, American Institute of Real Estate Appraisers

President - 1976-1977 - Reno-Carson-Tahoe Chapter 189 Society of Real Estate Appraisers

President - 1966 - Chapter 44, American Right-of-Way Association

President - 1996 - Reno-Carson-Tahoe Chap. 189 Appraisal Institute

Board of Directors - 1973-1976 -Reno Board of Realtors

Commissioner - 1989-1994 - State of Nevada, Nevada Commission of Appraisers

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Clients Served: Public Entities (partial list)

Internal Revenue Service
Nevada Industrial Commission
Nevada State Highway Department
Nevada State Division of Parks
Nevada State Planning Board
Nevada State Division of Real Estate
Nevada State Mental Health Institute
Clark County
Public Employees Retirement System
California Division of Highways
Carson City
City of Elko
City of Reno
City of Sparks
City of South Lake Tahoe
City of Las Vegas
City of Los Angeles
Incline Village General Improvement District
University of Nevada, Reno
Feather River College
Kingsbury Improvement District
Tahoe-Douglas Improvement District
Crystal Bay Improvement District
Douglas County
Washoe County
United States Forest Service
McCarran International Airport
Reno Redevelopment Agency
Las Vegas Redevelopment Agency
Sierra Pacific Power Company
Kern River Gas
Nevada Power Company
Washoe County Airport Authority

Lending Institutions & Mortgage Companies: (partial list)

American Bank
American Federal Savings Bank Lending Institutions
(Formerly First Federal Savings)
Bank of America
Bank of Nevada
Bank of Tokyo
Bank of the West
Bank West
Banker's Mortgage Co. of CA.
Business Bank
California Fed. Savings & Loan
Central California Bank

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Central Valley National Bank
Chase Manhattan Bank
Citibank
Colonial Bank
Coldwell Banker
Comerica Bank
Crocker-Citizens National Bank
Far West Mortgage Company
First Bank of Arizona
First Independent Bank of Nevada
First Interstate Bank of Nevada
First National Bank of Nevada
First Western Savings & Loan
Fleet Mortgage
Giddings Company
Great Basin Bank
Heritage Bank
Home Savings Association
Interwest Mortgage
Investor's Mortgage Service Co.
Irwin Union Bank
Manufacturer's Hanover Trust
Mason-McDuffie
Mortgage Guaranty Ins. Corp. (Hibernia Bank)
Nevada National Bank
Nevada Security Bank
Nevada State Bank
Northern Nevada Bank
Pioneer Citizen's Bank of Nevada
PriMerit Bank (Formerly Nevada Savings & Loan)
Security Bank of Nevada
Security Pacific Bank (Formerly Nevada National Bank)
The Stanwell Company
Sun West Bank
United Mortgage Company
U.S. Bank (Formerly Security Pacific Bank)
Valley Bank of Nevada
Wells Fargo Bank
Zion's Bank

Business Firms:

In addition to the above,
various accounting firms and law offices.

Types of Properties Appraised:

Gaming Casinos
Hotel/Casinos
Motels
Hotels

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Apartments
Condominiums
Time Share & Interval Ownerships
Mobile Home Park
Shopping Centers
Warehouses
Medical Buildings
Office Buildings
Hospital
Commercial Buildings
Planned Unit Developments
Brothels
Industrial Buildings
Single Family Residences
Ski Areas
Tennis Clubs
Airport Facilities
Feed Lots
Guest Ranches
Ranches
Unimproved Land
Forest Land
Churches
Schools
Cemeteries
Mortuaries
Marinas
Gravel Pits
Air Rights
Sub-Surface Rights
Value of Business as a Going Concern
Leasehold & Partial Interests

CERTIFICATION

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

- The statements of fact contained in this report are true and correct.*
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.*
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.*
- I have 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.*
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standard of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.*
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.*
- I have made a personal inspection of the property that is the subject of this report.*
- No one provided significant real property appraisal assistance to the person signing this certification.*
- The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.*
- The appraiser's state registration has not been revoked, suspended, canceled or restricted.*
- As of the date of this report, I have completed the continuing education program of the Appraisal Institute.*

William G. Kimmel, MAI, SREA
Certified General Appraiser
State of Nevada
Certification No. A.0000004-CG

June 18, 2018

Via United States Mail

City of Ely
c/o Mayor Melody Van Camp and City Council Members Flangas, Carson,
DeFelice, Jolene, and Hanson
501 Mill Street
Ely, Nevada 89301

Re: NRS 48.105 Offer of Compromise Regarding *City of Ely, Nevada, et al. v. S&S Shortline Leasing, LLC*, Case No. CV1506071, 7th Judicial District Court, White Pine, County

Dear Mayor Van Camp and Council Members,

On June 8, 2015, the City of Ely and the White Pine Historical Railroad Foundation, Inc. sued my company S&S Shortline Leasing, LLC. Three years later, this lawsuit has cost the City, Foundation, and my company a great deal of money. As you are aware, the lawsuit is currently scheduled for trial in January 2019 and considerable work must be done by each side's attorneys to prepare for trial. Without resolution, I will have no choice but to aggressively defend S&S from the claims made in the lawsuit.

Because the matter is currently in the discovery phase of the lawsuit, the parties will soon begin conducting a substantial round of depositions and document productions. Having been through lawsuits before, the money the parties have spent at this point will be far less than the amount we will spend moving forward to conduct these depositions, produce relevant documents, and prepare for and attend trial. There is also the time obligation of trial preparation and trial itself, each of which will be a considerable burden for the parties. Finally, there remains the risk of appeal even after trial, which could continue to cost the parties substantial money in attorney's fees and costs.

Additionally, the lease/joint development agreement between the parties contains a provision awarding the prevailing party its attorney's fees and cost. If S&S wins at trial, it will seek to recover its attorney's fees and costs, which I estimate may be over \$500,000.00 through trial. This would be in addition to the nearly \$500,000 account receivable that the City owes S&S pursuant to the lease/joint development agreement.

Although I am not fully aware of the City's finances, I suspect exposure of over \$1 million from a loss at trial would put considerable financial strain on the City's budget. Accordingly, and to avoid similar risk to S&S in going to trial, S&S would like to make this offer to settle the lawsuit through dismissal with prejudice. The settlement would cover the northern portion of the Nevada Northern Railway, which includes the portion from Cobre (MP 0) to McGill Junction (MP 128) (the "Northern Line"). It does not cover the southern portion from McGill Junction (MP 128) to Keystone (MP 146.5) (the "Historical Line"):

- 1) S&S will pay the City \$1.5 million in exchange for settlement avoiding the risk of trial.
- 2) The City will transfer its interest in the Northern Line, including the land and above-ground surface assets, to S&S in exchange for settlement avoiding the risk of trial.
- 3) S&S will forego the nearly \$500,000 account receivable it currently claims against the City and Foundation.
- 4) S&S will grant the City an easement for a future utility corridor on the Northern Line as applicable.

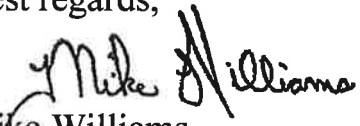
In anticipation of resolving this matter, I have had S&S's attorneys analyze the legality of such a settlement under Nevada and federal law and the relevant documents. S&S's position is nothing obstructs the parties from resolving this long-standing dispute in a way all parties can succeed.

Having grown up in a rural area, I understand the economic challenges such cities and towns face. Certain of you and I have communicated about these challenges during our discussions and in the previous mediation held in this case in Reno, Nevada. As I mentioned during those meetings, I will work hard to open the railroad to service the mine and develop any other economic opportunities to improve the overall well-being of the City. The opening of the railway can be a tremendous economic engine for the community, creating jobs and revenue for many of the City's residents.

But this can only happen once the railroad is open. As you know, I have a proven track record reinvigorating railroads like the Nevada Northern Railway into economic generators for the communities they serve. I am ready to make a substantial investment in the railroad.

I can come to Ely and meet with you and the City Council to get the lawsuit resolved. The alternative is continued and expensive time-consuming litigation, which I believe in good faith we all want to avoid.

Best regards,


Mike Williams
S&S Shortline Leasing, LLC