

TERM SHEET  
FOR  
OWNER PARTICIPATION AGREEMENT  
BY AND BETWEEN  
CITY OF RENO REDEVELOPMENT AGENCY  
AND  
POWER SPORTS DEVELOPMENT LLC

This Term Sheet summarizes the principal terms and conditions of a proposed Owner Participation Agreement (“OPA”) between the CITY OF RENO REDEVELOPMENT AGENCY (the “Agency”) and POWER SPORTS DEVELOPMENT LLC, a Nevada limited liability company (“PSD” or “Participant”) to support their proposed development project. This Term Sheet is subject to approval by the Agency Board, is intended to be the basis for negotiation of the OPA, and is non-binding.

I. PARTICIPANT & CATALYST PROJECT ASSISTANCE PROGRAM

- A. Participant. PSD is an affiliate of The Meruelo Group, LLC, a Nevada limited liability company, and its affiliated companies, including AM-GSA Holdings, LLC, a Nevada limited liability company (“AM-GSA Holdings”). AM-GSA Holdings and Gage Village Commercial Development, LLC, a California limited liability company, own the Grand Sierra Resort (“GSR”). PSD, as the “Participant” under the OPA, shall own or ground lease the Project site for at least 10 years after completion of the Project improvements, unless the Agency approves an assignment to an eligible owner.
- B. The Program. The Project shall meet the Agency’s Catalyst Project Assistance Program (“Program”) eligibility requirements and the requirements of the Agency’s Redevelopment Plan for Redevelopment Project Area No. 2 (the “Plan”). Pursuant to the OPA, the Agency will provide tax increment financing (“TIF”) for the Project through reimbursement of a portion of the tax increment generated by the Project and paid as ad valorem property tax. The Agency’s TIF obligation shall be evidenced by a promissory note (the “Agency Note”) payable to Participant. Upon the completion of each eligible Project improvement (each, an “Eligible Improvement”), Participant’s reimbursable costs to develop the Eligible Improvement shall be added to the balance of the Agency Note. *The sole source of payment of the Agency Note shall be the tax increment generated by the Project site (i.e., the additional property tax generated by the Project property due to the increase in its assessed value between the date Participant submitted its Program*

application and the date the Project improvements are completed), subject to all applicable laws. The Agency will not issue bonds or other debt instruments to repay the Agency Note.

II. THE PROJECT

- A. Project. Participant’s project (the “Project”) is an arena development project located adjacent to the existing GSR, and includes a 10,000+/- seat arena, a 50,000+/- square foot community ice rink, a 2,400+/- space parking garage, and a golf driving range on the approximately 140-acre site (the “Project Site”). The Project Site is located in Redevelopment Area 2. The total estimated Project cost is \$786 million dollars, and Participant must make a minimum investment of \$50 million to be eligible for TIF under the Program.
- B. Eligible Improvements. The OPA shall identify discrete improvements within the Project, the cost of which shall be subject to reimbursement and added to the balance of the Agency Note upon completion of such improvement (each, an “Eligible Improvement”) and Participant’s payment of the applicable development costs. To be eligible for TIF, an Eligible Improvement must be completed within five years of the OPA effective date.

III. FINANCIAL TERMS AND CONDITIONS

- A. Tax Increment Reimbursement. The Agency shall make biannual payments under the Note equal to the applicable tax increment received by the Agency, multiplied by the Tax Reimbursement Percentage (defined below).
- B. Maximum Tax Increment Reimbursement. The maximum tax increment financing available for the Project under the OPA, and the maximum amount of the Agency Note, is \$68.1 million (the “Maximum Tax Increment Reimbursement”).
- C. Agency Fee. Applicant will pay the Agency 1% of the Maximum Tax Increment Reimbursement as an Agency administration fee, which will be offset against the first tax increment payments otherwise payable to the Applicant pursuant to the Agency Note, until the Agency has received (retained) the entire Agency Fee.
- D. TIF Reimbursement Percentage & Related Conditions.

<b>OPTION 1.</b>	TIF Reimbursement Percentage = 100%
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	Fire Station 21 Condition: Participant shall cause the Fire Station 21 property currently leased to the City of Reno to be transferred to the Agency at no cost to the Agency by grant bargain sale deed, free and clear of monetary encumbrances, not later than the last day of the calendar month in which the OPA effective date occurs.
<b>OPTION 2.</b>	TIF Reimbursement Percentage = 90%  Fire Station 21 Condition: The Fire Station 21 lease between an affiliate of Participant and the City shall be amended to extend the term, at market rate, annually, and grant the Agency an option to purchase upon terms to be negotiated between Participant and the City and set forth in the lease amendment, which terms shall include the legal subdivision of the parcel upon which Fire Station 21 is located and access easements.
<b>OPTION 3.</b>	TIF Reimbursement Percentage = 90%  Riverfront Improvements Condition: The remaining 10% of the Tax Increment generated by the Project during the Term shall be used by the Agency to improve the riverfront area adjacent to GSR and to purchase the Fire Station 21 site for fair market value.

- E. OPA Term; Agency Note Forgiveness. The OPA term (the “OPA Term”) shall expire on the last day of the term of the Plan, which is August 24, 2035. The OPA Term and the Agency Note maturity date shall not be extended beyond such date, notwithstanding any amendment to extend the term of the Plan, if permitted by then-applicable law, unless otherwise agreed by the Agency Board, in its sole and absolute discretion. At the end of the OPA Term, any unpaid balance of the Agency Note will be forgiven.

IV. ADDITIONAL TERMS AND CONDITIONS

- A. Prevailing Wage. Applicant must pay prevailing wage rates as determined by the Nevada State Labor Commissioner for the Project improvements.
- B. Maintenance of Improvements. In accordance with Program requirements, Participant shall maintain the Project improvements for a minimum of five years following Project completion pursuant to a restrictive covenant to be recorded against the Project site, and the Agency shall conduct annual inspections to ensure that the improvements are maintained.

- C. Non-Binding Obligation. The OPA and Agency Note are subject to final approval by the Executive Director of the Agency. The final terms and conditions may vary from what is set forth in this Term Sheet if approved by the Agency Board.
- D. Representations, Warranties and Covenants. The OPA shall contain additional provisions to be negotiated between the parties, including customary representations and warranties, and covenants regarding the use of the Project property and improvements, non-discrimination, and insurance.
- E. Entitlement Approvals. The OPA does not grant any development or land use rights or constitute approval of any application or permit.