Comprehensive Amendment to the Disposition and Development Agreement with Resort Gaming Group, LLC

June 15, 2011

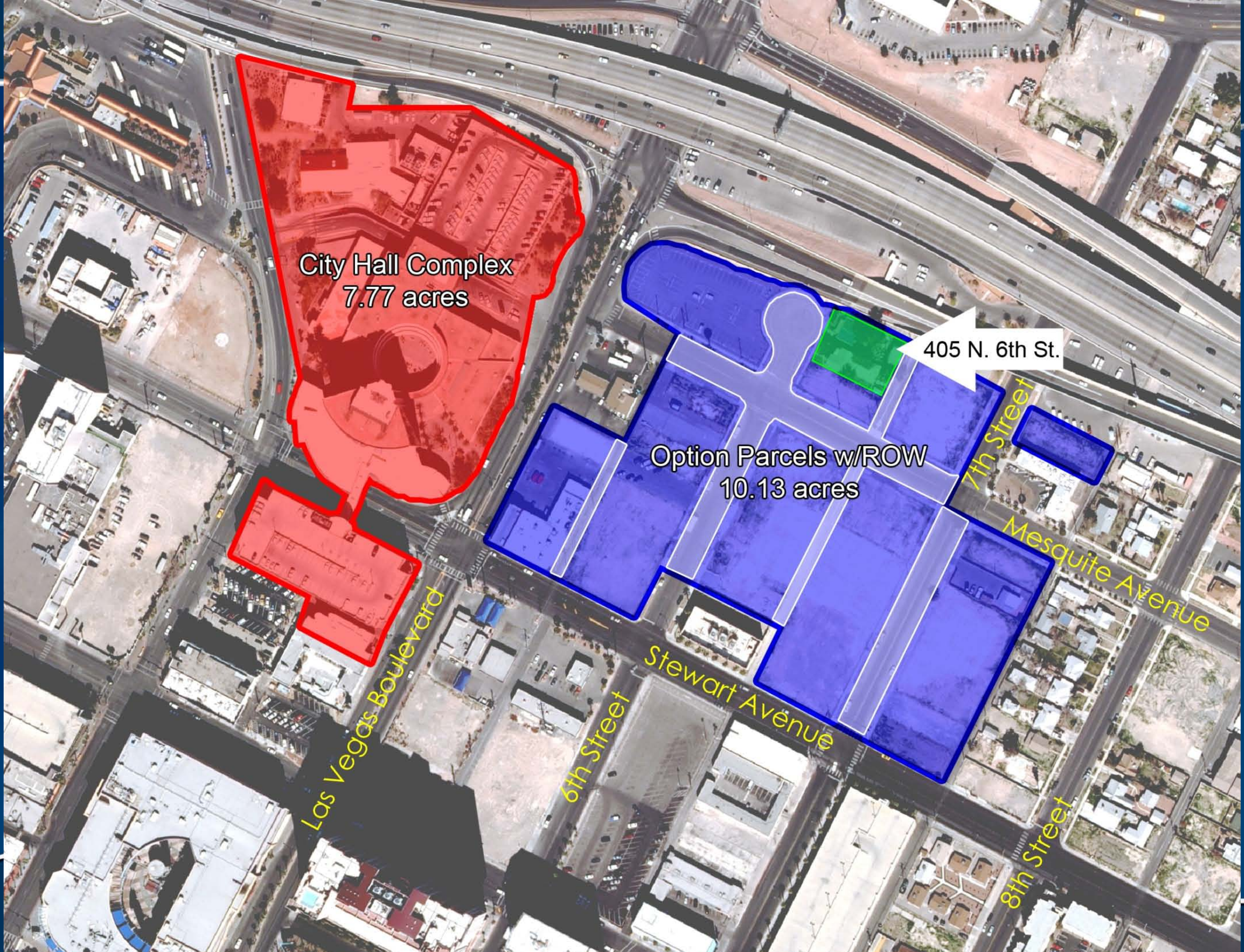
Item 73 and Item 74

Today's Presentation

- Project Overview, Developer Progress
- Revised Disposition Terms
- Revised City Financing Terms
- Terms for Option Site
- Risk Profile
- Fiscal Impact
- Economic Impact

Project Overview

- Zappos is expanding rapidly, and is looking for additional office space which provides:
  - *An urban, connected campus*
  - *A location to allow Zappos to be in one place*
  - *A location to allow Zappos to grow over time*
  - *A competitive cost structure*
- Zappos, through its development partner Resort Gaming Group (RGG), has selected the City Hall Site
- City Hall Site, when combined with option parcels and rights-of-way, provides an 18-acre corporate campus


City Hall Complex
7.77 acres
405 N. 6th St.
Option Parcels w/ROW
10.13 acres
7th Street
Mesquite Avenue
Las Vegas Boulevard
Stewart Avenue
6th Street
8th Street

Developer Progress

- Since last December, RGG has undertaken substantial physical due diligence
- Capital improvement costs and tenant improvement costs are now projected at $47 million
- Zappos has conducted extensive space planning to ensure that existing building is sufficient for initial move-in
- RGG and Zappos have reached conceptual agreement on economics of lease

Revised Disposition Terms – City Hall Site

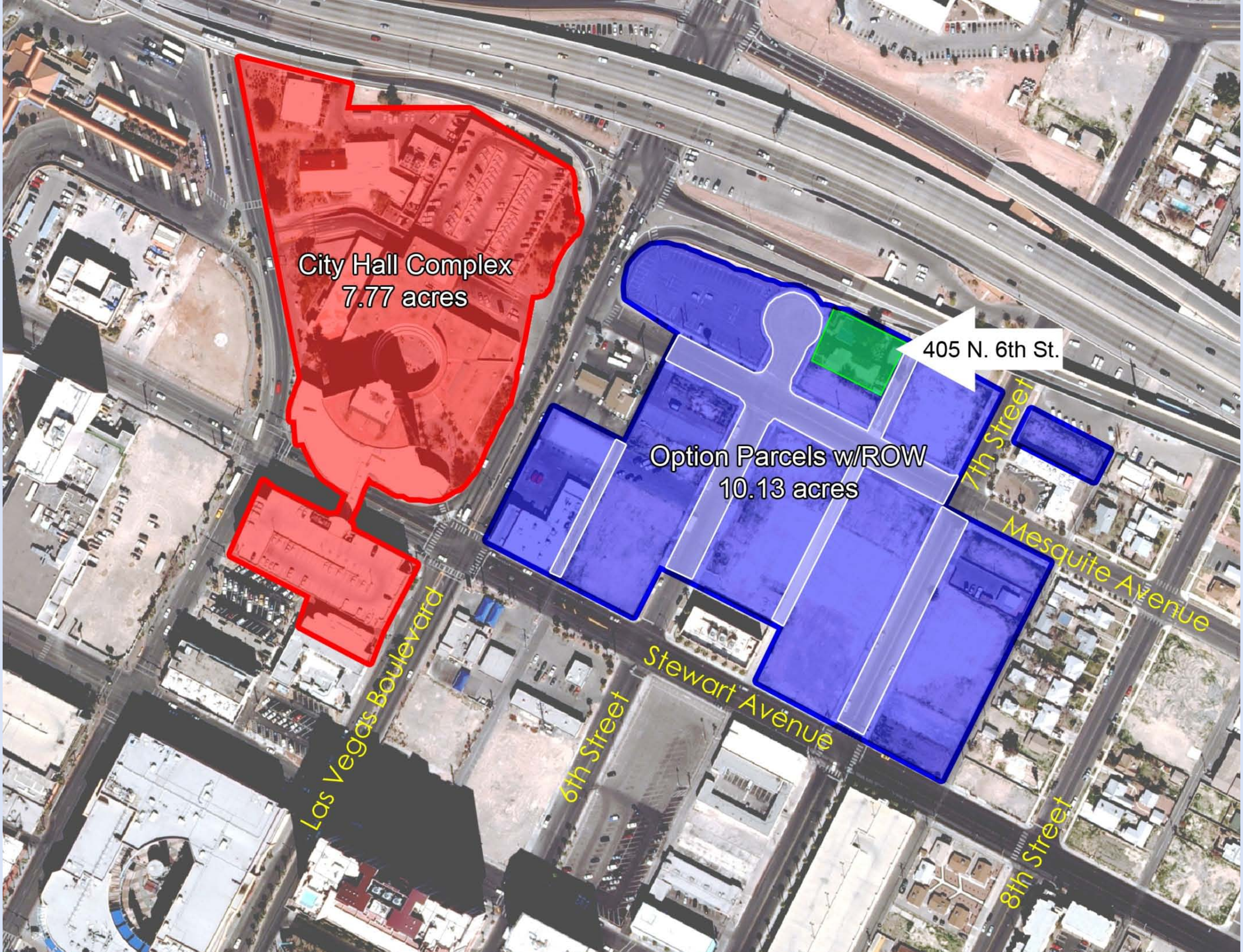
- City is revising purchase price from $25 million to $18 million, due to the following:
  - *Higher capital improvement costs of RGG and tenant improvement costs of Zappos*
  - *Because Zappos initial employee commitment is increasing from 750 to 1,200, new development will occur sooner*
- Purchase Price to be paid with $3 million at close of escrow, with City financing the remaining $15 million
- Close of Escrow extended to April 1, 2012 – joint occupancy (city and Zappos) deemed infeasible

Revised City Financing Terms

- City's seller financing amortized at 4% interest-only payments for years 1-15; simple-interest, years 16-30
- City's financing subordinate to a Senior Loan which:
  - *May not exceed $18 million, provided that this may be modified by City Council at a later date*
  - *Must be paid off by year 15, leaving City in a 1st lien position upon payoff*
- Developer providing "lockbox" commitment to pay City and Senior Lender using net income from Zappos Lease
- Zappos lease payments to be guaranteed by Amazon

Terms for Option Site

- Joint appraisal process set FMV at $25 per square foot, which is $1,089,000 per acre
- Purchase price set at $21.25 per square foot, which is 85% of FMV; subject to 1.5% quarterly escalator
- Developer may purchase Option Site in multiple phases, provided each phase is 3 acres or larger
- Between Stewart and Mesquite, City will be vacating 7th Street and alley between 6th and 7th
- Developer is responsible for all development costs of Zappos corporate campus and complimentary uses



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Purchase of 405 North 6th Street

- Developer negotiated a private purchase of the property at 405 North 6th Street
- Property is important for long-term development of Option Site
- City agreeing to accept assignment of purchase agreement from RPG, with purchase price of $1,750,000, plus $10,000 for closing costs
- Property increases value of city’s land assemblage
- When developing the Option Site, RGG to purchase the Property back from City for sale price + 4% escalator

Risk Profile – Original Terms vs. New Terms

Business Term	Original DDA	New DDA
Development Risk – delivering space to Zappos on budget and on schedule	Developer absorbs risk	Same; escrow extension from November 2011 to April 2012 mitigates risk for the city
Repayment risk for city's seller financing of $15 million	Lockbox provision traps rents for Senior Lender and for City; Amazon guarantee	Same
City's lien position at year 15 on its seller financing note	Second Position behind Senior Loan	**Improved** – City in a 1st Lien Position
Damages payable by City for failure to vacate building	Net $12 million	**Improved** – reduced to $5 million

Fiscal Impact

Revenue	Gross Revenue	Revenue (NPV)
Cash at Closing	$3,000,000	$3,000,000
City Note Payments, Year 1-15	$9,000,000	$6,322,762
City Note Payments, Year 16-30	$21,351,420	$7,096,545
Total Sale Revenue	$33,351,420	$16,419,307
+ Option Land Sale Revenue	$13,840,001	$9,500,502
+ Tax Increment Revenue, Year 1-30	$14,396,123	$6,372,469
Total Revenue	$61,587,544	$32,292,278

Notes: NPV is calculated at 5.0% discount rate. Tax increment revenue is based on $186 million of new construction and a Taxable Value of $93 million, which includes the city hall renovation and new construction on the option parcels. Revenue calculation does not include new indirect revenue received from new spending (such as C-tax) and new business formations resulting from transaction.

Economic Impact

- For every 1,000 Zappos employees, there is the following economic impact:

	Output	Total Employment*	Labor Income
Direct	$184,208,682	1,000	$70,891,553
Indirect	$37,954,484	295	$14,650,484
Induced	$51,196,433	423	$18,089,379
Total Benefit	$273,359,599	1,717	$103,631,416
Multiplier	1.48	1.72	1.46

** IMPLAN jobs include all full-time, part time, and temporary positions. IMPLAN analysis provided by RCG Consulting.*

Summary

- Modified sale terms to reflect higher than expected costs to prepare for up to 2,000 employees
- Deal is projected to create a positive fiscal impact through sale proceeds and new tax increment revenue in excess of $61 million over 30 years
- Zappos' economic spending impact (output) will be $273 million annually for every 1,000 employees
- New spending will generate C-tax revenue and other revenue for the city

Action Items for Today's Council:

- Item 73: Comprehensive Amendment
  - *Amends Purchase Price and Development Terms for City Hall Site*
  - *Keeps Option Price and Price Escalator Same, but modifies development terms*
- Item 74: Assignment and Assumption of Purchase Agreement for 405 North 6th Street
  - *Assigns purchase rights from Developer to City*
  - *Appropriates economic development funds for City purchase*

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June 15, 2011

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Betsy Fretwell

From: Chris Nielsen [cnielsen@zappos.com]
Sent: Tuesday, June 07, 2011 8:21 AM
To: Betsy Fretwell
Cc: Chris Nielsen; Millie Chou
Subject: Note from Zappos -- DDA

Attn: Betsy Fretwell

Re: Disposition and Development Agreement dated December 1, 2010, by and between the City of Las Vegas, Nevada ("City") and Resort Gaming Group, LLC ("RGG") (the "DDA")

Dear Betsy,

As we have discussed, without the proposed modifications to the DDA, Zappos.com, Inc. ("Zappos") is unlikely to finalize a transaction with RGG for the City Hall property. RGG has provided us with a draft of the amendment to the DDA ("Draft DDA Amendment"). Assuming the Draft DDA Amendment is approved, based upon our current actual knowledge, we do not anticipate requesting any additional material financial incentives from the City. Notwithstanding the foregoing, we reserve our right to continue our due diligence activities and analysis of the proposed transactions relating to the City Hall property and the expansion parcels.

As you know although neither party (or any of their affiliates) is under any contractual commitment or other obligation, RGG and Zappos are currently in active discussions relating to overall deal structure including, without limitation, economic and other terms and conditions related to the possible transaction between the parties. We believe that the approval by RGG and the City of the Draft DDA Amendment will permit us to continue our negotiations about a potential transaction with more certainty since both parties are incorporating the financial terms set forth in the DDA into their respective financial models.

Please let me know if you have any questions, and thank you for your help on this.

Best regards,
Chris

Submitted at City Council
Date 6/15/11 Item 73 & 74
By: Betsy Fretwell