

LAS VEGAS OFFICE

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June 23, 2011

Peter Lowenstein
CITY OF LAS VEGAS PLANNING DEPT.
333 No. Rancho Drive, 3rd Floor
Las Vegas, NV 89106

***Re: First Amendment and Restatement to the Development Agreement
Justification letter***

Dear Peter:

This letter is intended to be a justification letter for the first amendment and restatement to the development agreement ("Agreement"). The City of Las Vegas ("City") and Kyle Acquisition Group, LLC entered into a development agreement which became effective on August 8, 2007 ("Original Agreement"). Wachovia Bank, acting as a managing creditor of 41 total creditors, foreclosed on the property on September 23, 2008. A new entity was formed called KAG Property, LLC ("Master Developer"). The Master Developer and City desire to amend, incorporate, restate and supersede the Original Agreement. The property consists of approximately 1,661.8 gross acres of unimproved real property ("Property").

I. PLANNING & DEVELOPMENT OF THE COMMUNITY

One of the primary objectives of the Master Developer is that development of the Property be undertaken in an organized fashion so as to ensure a well-integrated, quality community within appropriate harmonious mix of residential, commercial, open space, recreational and public uses. To further that end, the Property is planned and Master Developer will develop the Property under a single master plan, thoughtfully incorporating residential, commercial and public uses, and market it as a "Master Planned Community". The Master Planned Community will provide desirable housing, employment, commercial centers, public and recreational opportunities for the residents. The Agreement sets forth the terms and conditions of development. Subject to the terms of this Agreement and development rules, Master Developer has the discretion as to the time of commencement, construction, phasing and completion of any and all development of the Master Planned Community. The maximum density for this Property will be 9,000 dwelling units. This is a significant reduction in the density that was originally approved for 16,000 dwelling units. Additionally, a gaming enterprise district and an establishment offering non-restricted gaming is already approved.

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A master homeowner's association will be organized to manage and maintain sidewalks, common landscape areas, any landscaping within the street rights-of-way including median islands, certain parks and private drainage facilities located within common elements.

II. PUBLIC FACILITIES

a) Schools

The Master Developer has agreed to dedicate up to 74.34 acres of property for school sites at no cost to the City or the Clark County School District. Master Developer will construct standard improvements adjacent to the school parcels. The schools will be developed subject to the design guidelines for the Master Planned Community.

b) Fire Protection

The Master Developer has agreed to contribute \$4,100,000 to the City for the sole purpose of construction of a fire station. The Master Developer has further agreed to provide all wet and dry utilities services to the fire station site prior to the date of the fire contribution. The fire station will be constructed and operating within 24 months of this contribution.

c) Regional Transportation Center

The Master Developer has agreed to dedicate up to 2.5 gross acres of land to serve as a transit hub and transfer points for various bus routes at no cost to the City or the Regional Transportation Commission. Master Developer will construct standard improvements adjacent to this parcel.

d) Police Services

Residential developers are required to pay the City \$218 per residential unit for the construction of a Metro substation to serve the Property and the surrounding area. This Metro substation is required to be no more than 1 mile from the Property and must be constructed and in operation within 1 year from the completion of the master planned community.

III. PROJECT INFRASTRUCTURE IMPROVEMENTS

a) Sheep Mountain Parkway

The Property is encumbered by an irrevocable BLM Right-Of-Way grant in favor of the City for the proposed Sheep Mountain Parkway. The City and Master Developer have agreed to reduce the future Sheep Mountain Parkway. In exchange for this reduction in right-of-way, the

Master Developer has agreed to build the permanent detention basin in the Master Planned Community. The Master Developer will remove interim detention basins located within the Sheep Mountain Parkway right-of-way and to locate the permanent detention basin along the Puli Road alignment. The City will receive a cost benefit of approximately \$7,000,000 of future construction costs through the construction of a permanent detention basin.

b) Kyle Canyon Interchange

The Master Developer has agreed to contribute \$2,000,000 to the City for the design, construction or reimbursement to the City (if the interchange is constructed] of the Kyle Canyon Road – US 95 Interchange. Furthermore, the City may use all or some of this contribution for the design of Kyle Canyon Road – US 95 Interchange or design, right-of-way acquisition for construction of several road projects to benefit the Master Planned Community that are outlined in the Agreement.

IV. PARKS

The Master Developer will construct the parks and other recreational amenities within the Master Planned Community. The homeowner's association will maintain certain parks and recreational amenities as defined in the parks agreement.

a) Indian Hills Park

Master Developer will construct Indian Hills Park upon the issuance of the 500th residential permit on the east side of US 95 (located within the Property) or prior to the issuance of the 2000th residential permit for the Master Planned Community. The City will manage and maintain this park.

b) Iron Mountain Park

Master Developer will commence the design and construction of Iron Mountain Park when the City notifies the Master Developer that 4,000 residential permits have been issued and the flood control facilities are in place to protect the park. The City will manage and maintain this park.

The above-mentioned sections do not reflect the entire Agreement, however; these above-mentioned sections represent pertinent parts of the Agreement that have been negotiated. This Agreement is consistent with the goals and policies of the City and is in line with the expectations of development for future master planned communities. Please contact me if you have any questions.

Sincerely,

KAEMPFER CROWELL RENSHAW GRONAUER &
FIORENTINO



Robert J. Gronauer

RJG/mlt