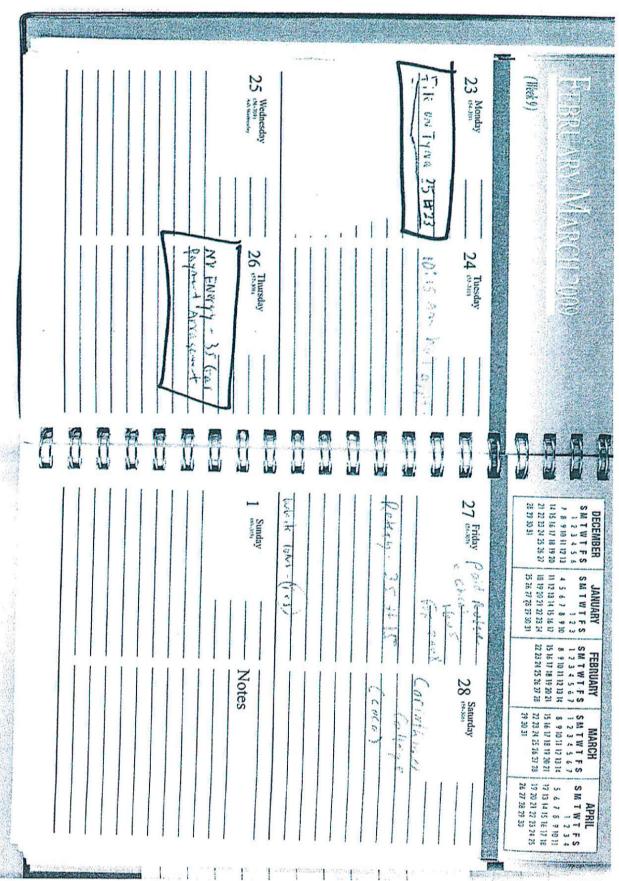
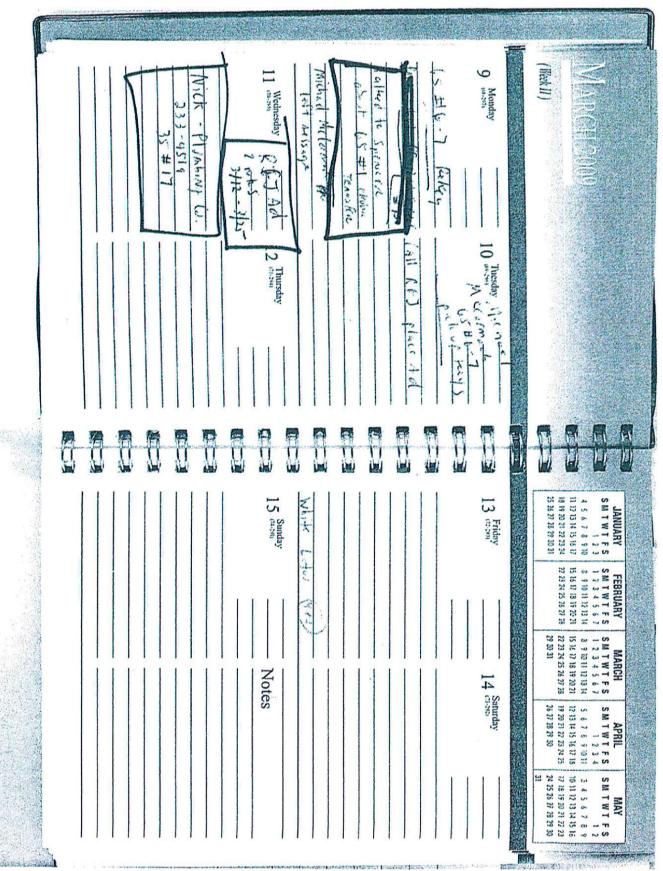
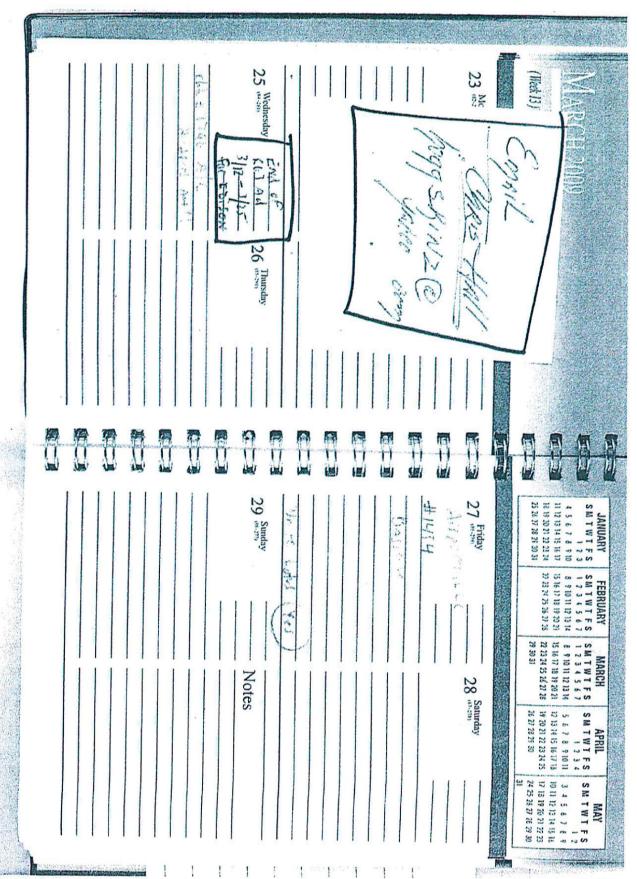


DiFrancesco 00325

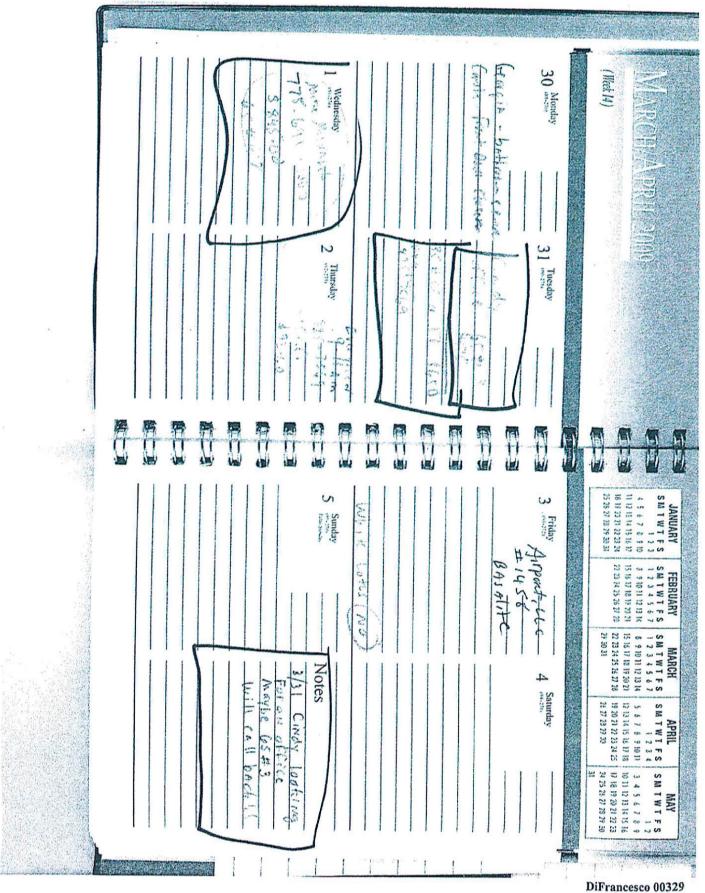




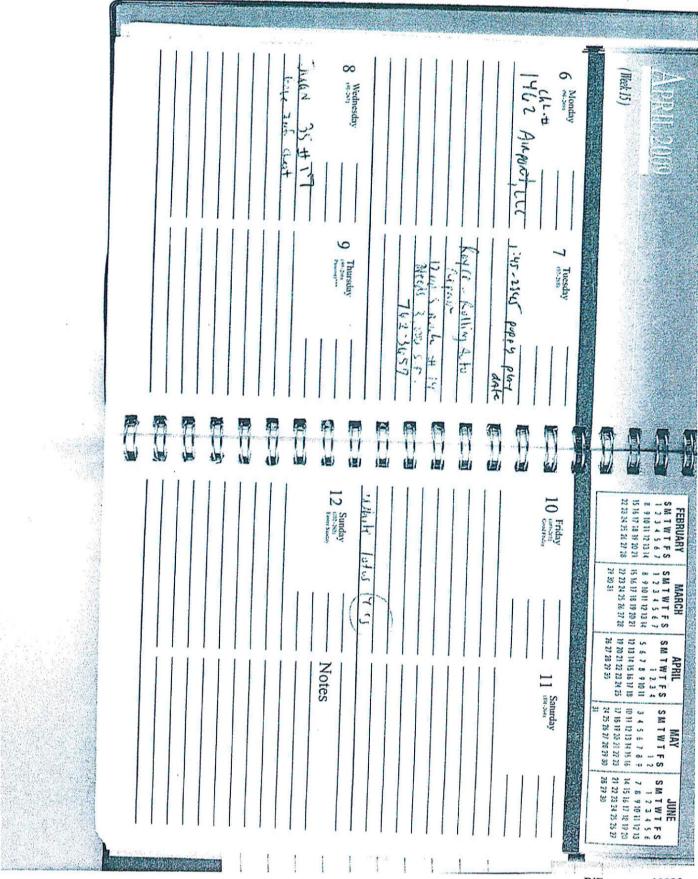
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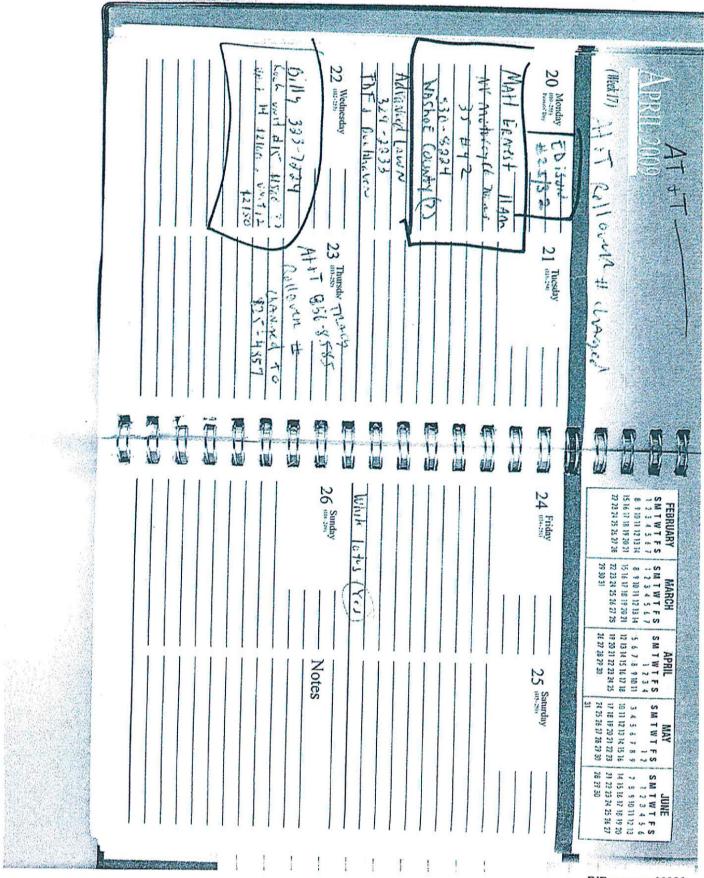


DiFrancesco 00328 Padgett ROA - 1780

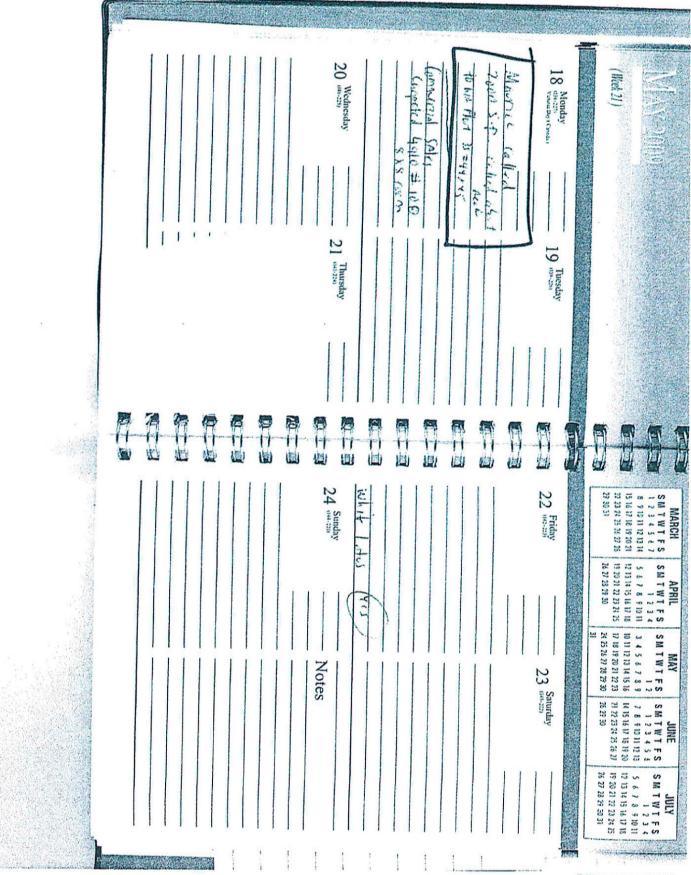


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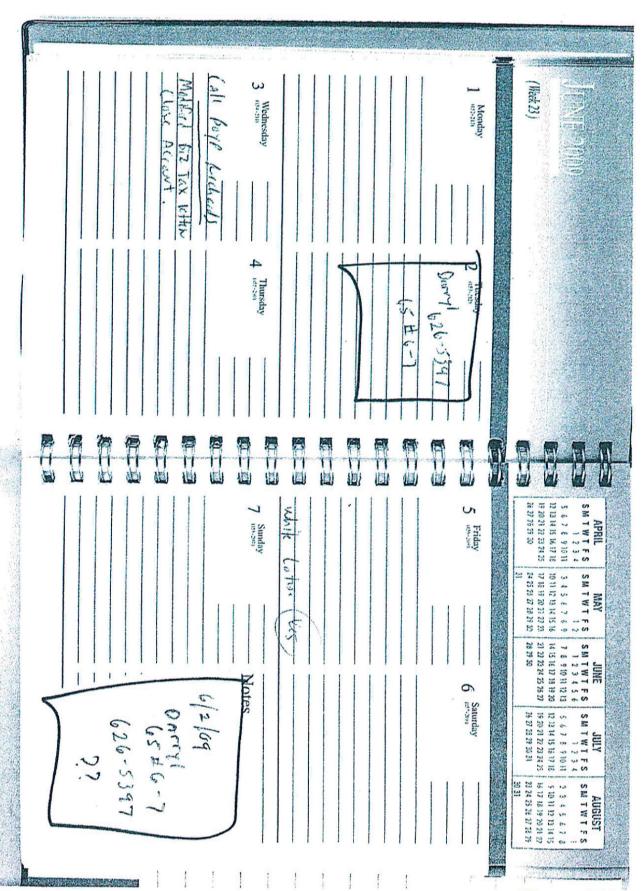




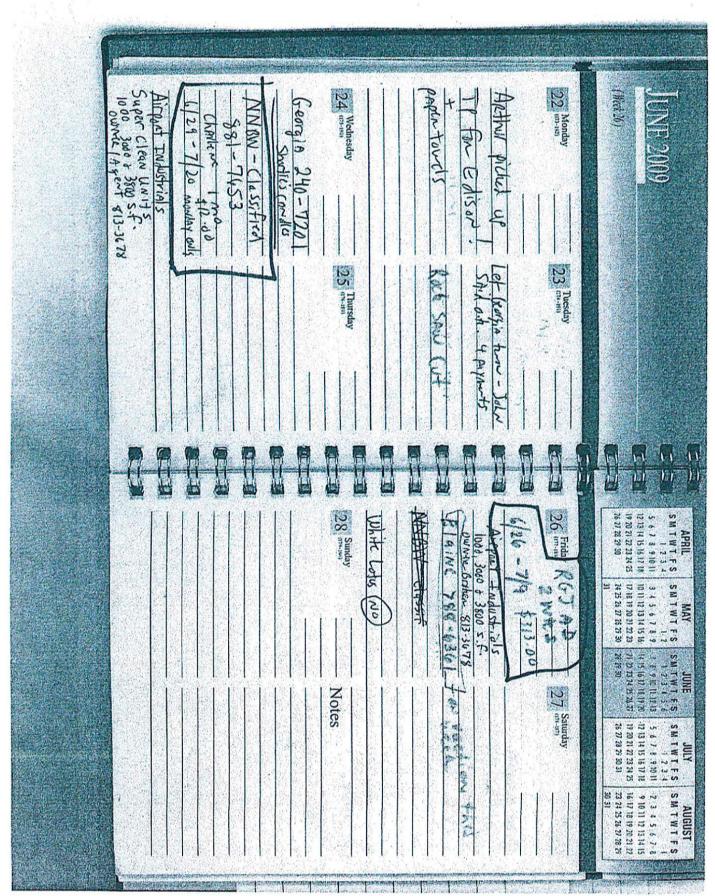
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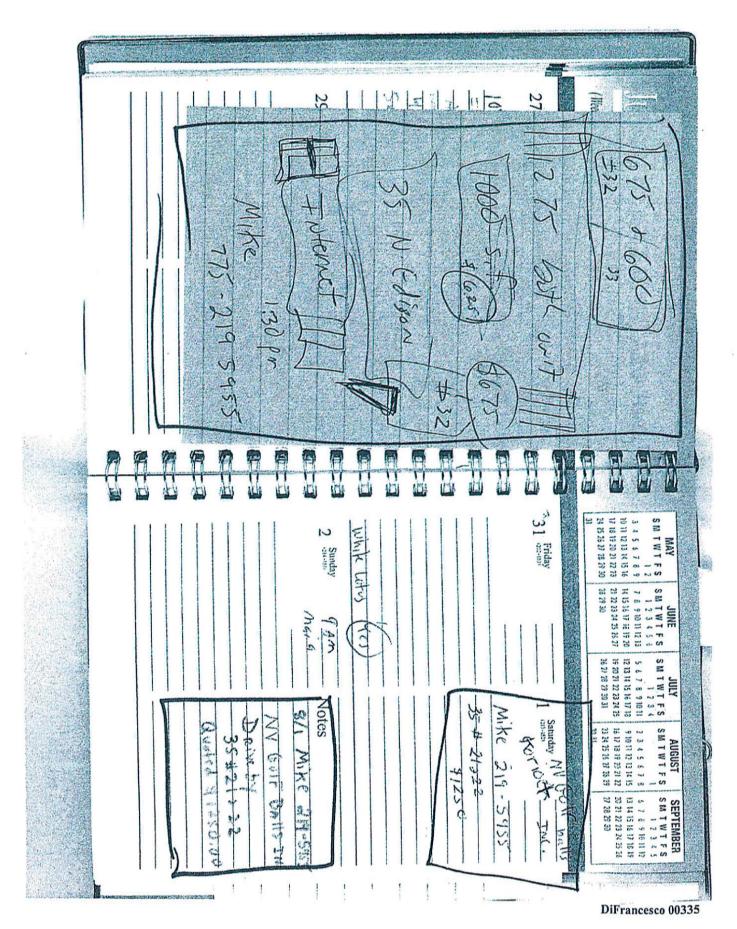


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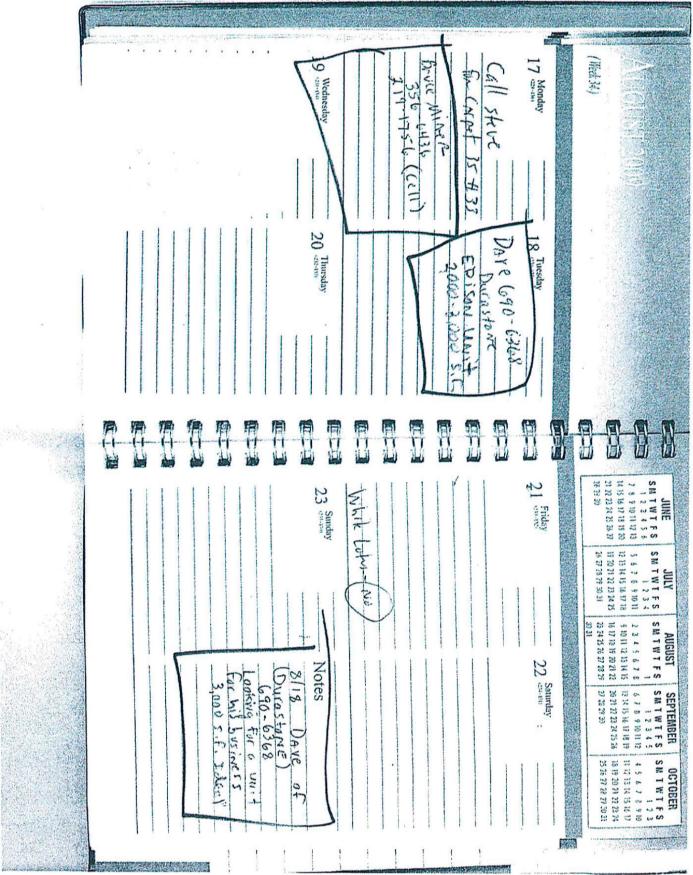


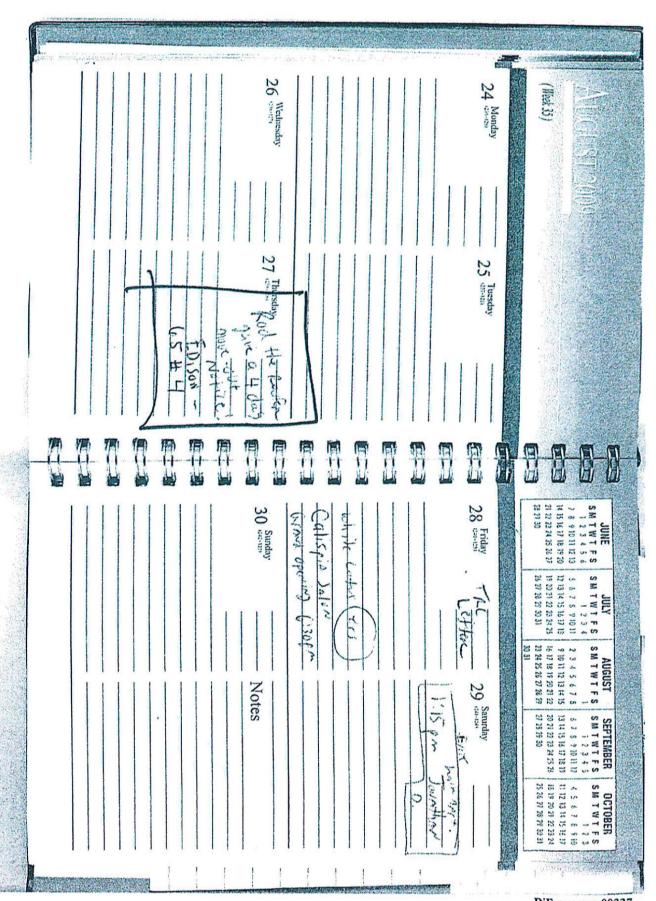
DiFrancesco 00333 Padgett ROA - 1785



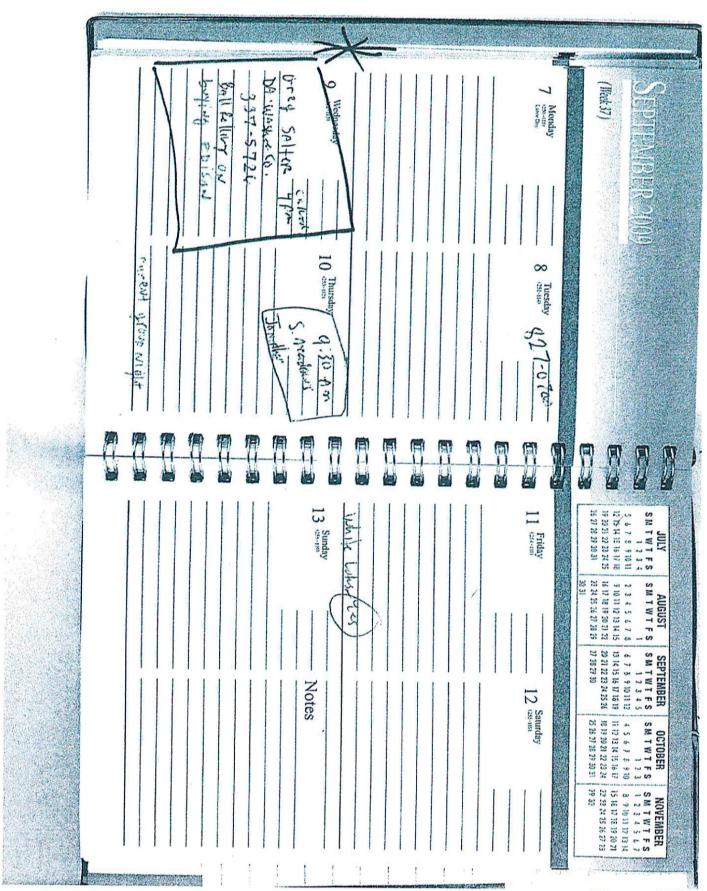


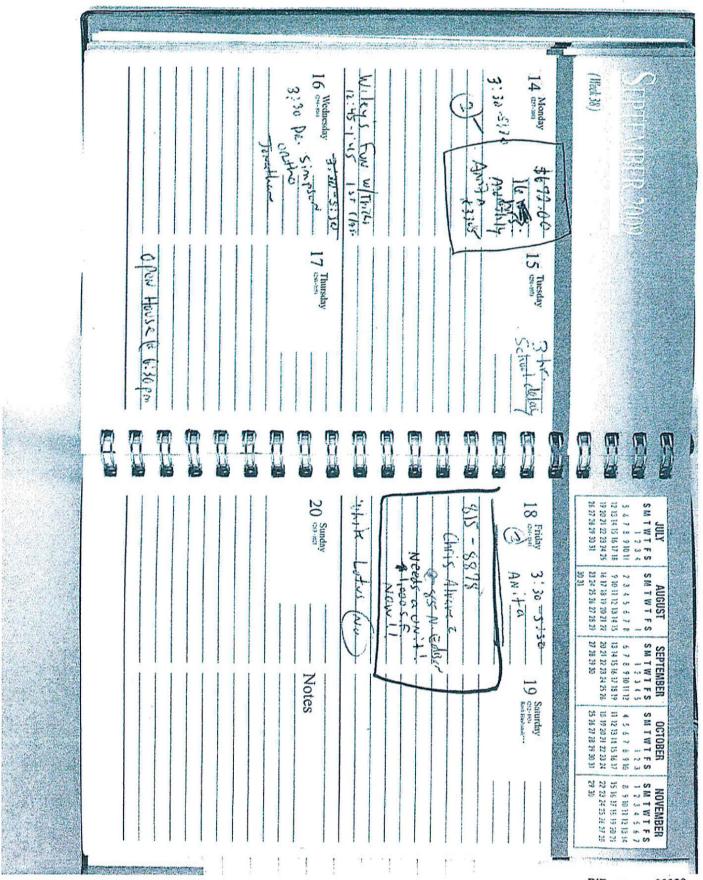
Padgett ROA - 1787

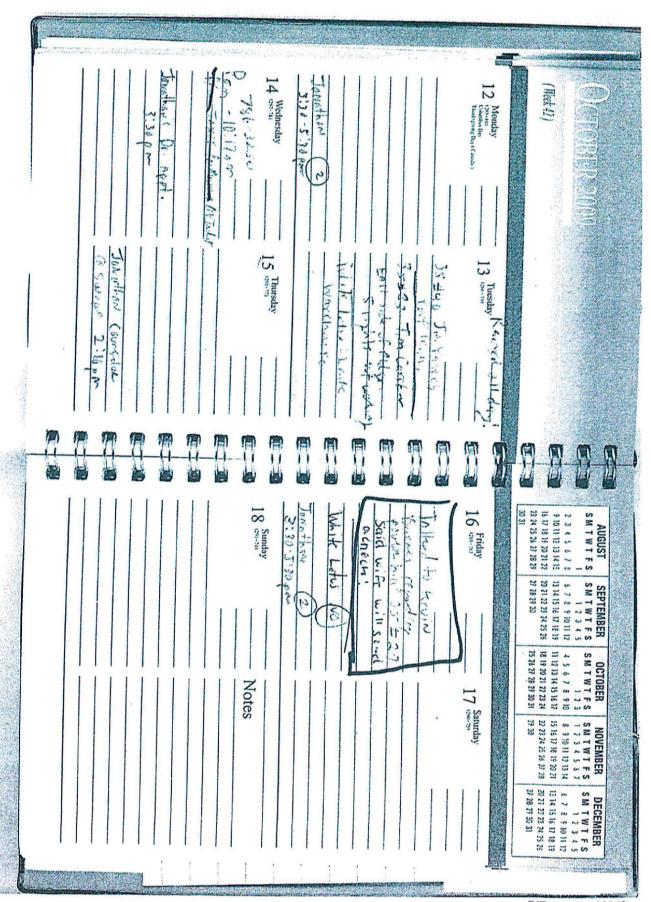


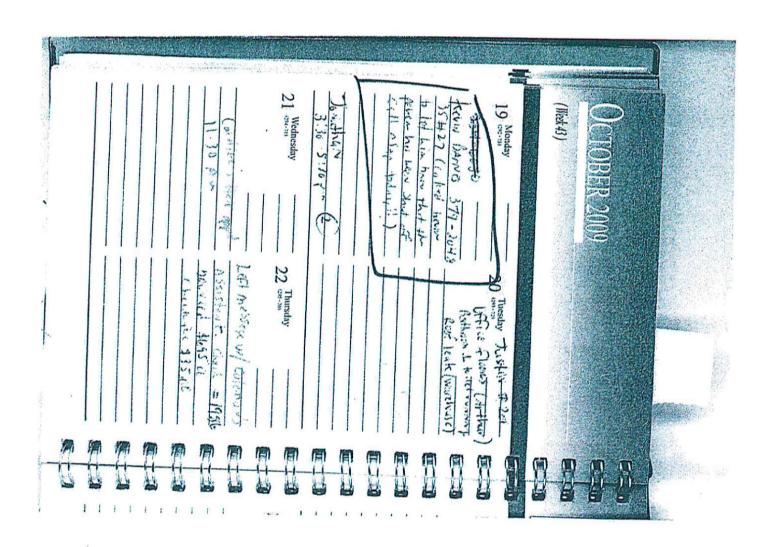


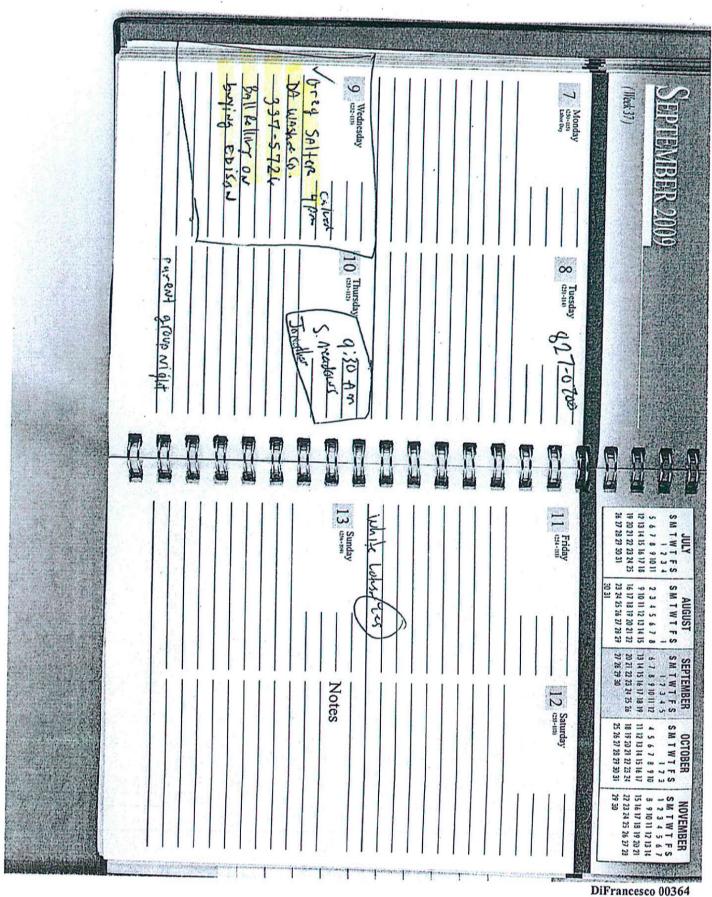
DiFrancesco 00337 Padgett ROA - 1789











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CV12-01788
2018-09-05 03:35:33 PM
Jacqueline Bryant
Clerk of the Court
Transaction # 6864867 : csulezic

EXHIBIT "13"

EXHIBIT "13"

AFFIDAVIT OF ROSEMARY LEWIS

STATE OF NEVADA))ss COUNTY OF WASHOE)

Rosemary Lewis declares:

- 1. I am a resident of Washoe County, Nevada. I am over the age of eighteen (18) years, and I am in all respects competent to testify to the matters set forth in this Affidavit. This Affidavit is based upon my personal knowledge and/or upon information and belief, and, if called upon to testify, I would testify as set forth in this Affidavit.
- I am the co-owner of White Lotus and a tenant of the property located at 35 N. Edison Way,
 #1, Reno Nevada 89502, APN 012-272-12 (the "Property").
- 3. I have been a tenant of the Property for the past 20 years.
- 4. On or about 2009, I was contacted by the Truckee River Flood Management Authority ("TRMFA") and/or Washoe County, or an agent thereof who advised me they were acquiring the Property and I would need to relocate.
- All of the neighboring parcels of land surrounding the Property have also acquired by the TRFMA and/or Washoe County.
- 6. I witnessed regular training exercises in properties surrounding the Property by the Reno Police, Washoe County Sheriff, Nevada Highway Patrol, Reno Police SWAT, and/or Reno Police K-9 Unit. These training exercises included the presence of police dogs, the firing blank ammunition rounds, and setting off explosives. I was not notified at any time of upcoming police activities or the imminent use of explosives. The training exercises are still being held on the neighboring properties.
- 7. I witnessed an overflow homeless shelter near the Property that was operated between 2007 and 2009. Homeless individuals were present on and around the Property during this time period, and they arrived at the shelter via bus from another location.

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accompany	a	customer	to	her	yehicle	in	the	evening	because	she	felt	unsafe,	and	W
witnessed a	ho	meless ind	livi	duai	urinating	g oı	the	building.						

- 7. At least one local news report occurred on 85 N. Edison Way where the camera was focused on both the overflow homeless shelter and my business. The reporter noted that the whole building had been converted to an overflow homeless shelter, including my business.
- 8. I witnessed a grey water trucking facility being built on a property neighboring 85 N. Edison Way.
- 9. I witnessed the properties surrounding 85 N. Edison Way fall into a state of disrepair after they were acquired on our around October 2007. The buildings were boarded up across the entrances and windows, and the landscape was left unattended. The buildings all evidenced signs of abandonment.
- 10. My business suffered a loss after the properties in the area of 85 N. Edison Way were taken and left vacant. My clients were weary to continue business when they visited my office due to the dilapidated surroundings; some had assumed my office had been relocated due to the abandoned buildings. Furthermore, my business lost roughly \$150,000.00 in revenue over several years due to the unkempt neighboring properties.
- 11. That I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 28 day of March, 2014.

SUBSCRIBED and SWORN to before me th day of March 2014 On this 20

NOTARY PUBLIC in and for said County & State



Page 2 of 2

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AFFIDAVIT OF JAMES ROSIVAL

STATE OF NEVADA)

COUNTY OF WASHOE)

James Rosival declares:

- 1. I am a resident of Washoe County, Nevada. I am over the age of eighteen (18) years, and I am in all respects competent to testify to the matters set forth in this Affidavit. This Affidavit is based upon my personal knowledge and/or upon information and belief, and, if called upon to testify, I would testify as set forth in this Affidavit.
- I am the owner of Elson's Transmissions and was a tenant at 85 N. Edison Way, Reno Nevada 89502, APN 012-272-11, between 1983 and Ootober 2009.
- 85 N. Edison Way is next to the properties located at 65 N. Edison Way, Reno Nevada 89502 and 35 N. Edison Way, Reno Nevada 89052 (collectively known as the "Property").
- 4. I was contacted by the Truckee River Flood Management Authority ("TRFMA"), and/or Washoe County, or an agent thereof on or before July 2009 who advised me that they were acquiring the Property and I would need to relocate.
- 5. I witnessed regular training exercises at properties surrounding 85 N. Edison Way and the Property by the Reno Police, Washoe County Sheriff, Nevada Highway Patrol, Reno Police SWAT, and/or Reno Police K-9 Unit. These training exercises included the firing blank ammunition rounds and setting off explosives. Many of my customers were frightened by the blank ammunition rounds and explosives. The training exercises are still being held on the neighboring properties.
- 6. I witnessed an overflow homeless shelter next to my office at 85 N. Edison Way that was operated roughly between 2007 and 2009. The shelter led to excessive trash around it and on 85 N. Edison Way, including liquor bottles, beer bottles, and cigarette butts. Homeless individuals were present on and around the property during this time period. I had to

8.	I witnessed a grey water trucking facility installed on a parcel of land neighboring th								
	Property. The facility greatly increased the traffic of water trucks in the area and negated the								
	purpose for which I leased my unit on the Property, which was for a peaceful and nice								
	business/industrial corridor.								

- 9. I witnessed the lots surrounding the Property fall into a state of disrepair after they were acquired on our around October 2007. The buildings were boarded up across the entrances and windows and the landscape was left unattended. Many of the buildings on the acquired properties have already been demolished with open lots left behind. Several abandoned vehicles were left on lots near the Property and were not removed until I called the City of Reno and the City of Sparks to notify them. I have seen other vehicles dump trash onto the unattended properties.
- 10. My business suffered a loss after the neighboring parcels in the area of the Property were taken and left vacant. My clients are weary to continue business when they visit my office due to the run-down surroundings. Furthermore, I lost customer referrals from two other businesses that operated in the area before their property was acquired by the TRMFA and/or Washoe County.
- 11. That I declare under penalty of perjury that the foregoing is true and correct.

Executed on this day of March, 2014.

| Commany Lewis | Comman

SUBSCRIBED and SWORN to before me On this 2 hd day of March 2014

NOTARY PUBLIC in and for said County & State MARY ZIMMERMAN
Notary Public, State of Nevada
Appointment No. 01-70621-2
My Appt. Expires Feb 25, 2018

(FAX)

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LAW OFFICES OF BRIAN C. PADGETT

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AFFIDAVIT OF JIM BOWMAN

STATE OF NEVADA)

COUNTY OF WASHOE)

Jim Bowman declares:

- I am a resident of Washoe County, Nevada. I am over the age of eighteen (18) years, and I
 am in all respects competent to testify to the matters set forth in this Affidavit. This Affidavit
 is based upon my personal knowledge and/or upon information and belief, and, if called upon
 to testify, I would testify as set forth in this Affidavit.
- I am the owner of Reno Clutch and Brake and a tenant of the property located at 65 N.
 Edison Way, #7, Reno, Nevada 89502, APN 012-272-10 (the "Property").
- 3. On or about XXXXX, I was contacted by the Truckee River Flood Management Authority ("TRMFA") and/or Washoe County, or an agent thereof who advised me they were acquiring the Property and I would need to relocate.
- All of the neighboring parcels of land surrounding the Property have also been acquired by the TRFMA and/or Washoe County.
- 5. I witnessed regular training exercises on lots surrounding the Property by the Reno Police, Washoe County Sheriff, Nevada Highway Patrol, Reno Police SWAT, and/or Reno Police K-9 Unit. The training exercises are still being held on the neighboring lots.
- 6. I witnessed an overflow homeless shelter installed next to the Property that was operated between 2007 and 2009. Homeless individuals were present on and around the Property during this time, and routinely smoked cigarettes, drank liquor, urinated around the Property and let trash throughout the neighborhood.
- Thereafter, I witnessed a grey water trucking facility placed on a lot neighboring the Property. The facility was frequented numerous times daily by water trucks.

8.	I witnessed the lots surrounding the Property fall into a state of utter disrepair after they were
	acquired by the TRFMA and/or Washoe County.

- 9. As a result of the foregoing activities and the Property being left in a now vacant corridor which was once rife with commerce, my business suffered a 70% loss. I operated on roughly two jobs per day on a regular basis, but that dropped to two jobs per month after the taken properties remained vacant and unkempt. In addition, other businesses in the area are not willing to work with me due to the expectation that I will be going out of business due to the pending acquisition.
- 10. That I declare under penalty of perjury that the foregoing is true and correct.

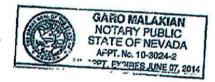
Executed on this 21 day of March, 2014.

JIM BOWMAN

SUBSCRIBED and SWORN to before me On this 2/4 day of March 2014

NOTARY PUBLIC in and for said County & State

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Page 2 of 2

AFFIDAVIT OF GEORGE MCHENRY

STATE OF NEVADA)
COUNTY OF WASHOE)
SS.

George McHenry declares:

- I am a resident of Washoe County, Nevada. I am over the age of eighteen (18) years, and I
 am in all respects competent to testify to the matters set forth in this Affidavit. This Affidavit
 is based upon my personal knowledge and/or upon information and belief, and, if called upon
 to testify, I would testify as set forth in this Affidavit.
- I am the owner of Diversified Metal and a tenant of the property located at 35 N. Edison Way, #19, Reno Nevada 89502, APN 012-272-12 (the "Property").
- 3. I have been a tenant of the Property for the past 13 years.
- 4. On or about XXXXX, I was contacted by the Truckee River Flood Management Authority ("TRMFA") and/or Washoe County, or an agent thereof who advised me that they were acquiring the Property and I would need to relocate.
- 5. All of the neighboring parcels of land surrounding the Property have been acquired by the TRFMA and/or Washoe County. The acquired Properties were either boarded up and later demolished or used for purposes not conducive to conducting viable business at the Property.
- 6. I witnessed regular training exercises at properties surrounding the Property by the Reno Police, Washoe County Sheriff, Nevada Highway Patrol, Reno Police SWAT, and/or Reno Police K-9 Unit. These training exercises included when Reno Police SWAT asked me to borrow a ladder to get on the roof and "pick off targets across the street." Police vehicles regularly block access to the Property. Some of my customers took pictures of the training exercises and vehicles, but police officers forced them to delete the pictures. The training exercises are still being held on the neighboring properties.

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7.	Also, I witnessed an overflow homeless shelter near the Property that was operated roughly					
	between 2007 and 2009. Homeless individuals were present on and around the Property					
	during this time period, and routinely smoked cigarettes, drank liquor, urinated around the					
	Property and left trash throughout the neighborhood.					

- 8. Thereafter, I witnessed these properties which all surrounded the Property fall into a state of disrepair after they were acquired and these alternative uses were established. The buildings were boarded up across the entrances and windows, and the landscape was left unattended.
- At this time, nearly all of the acquired properties have been demolished with an open lot left behind.
- 10. My business suffered a direct loss due to the blighted nature of the neighborhood as a direct result of the collective actions of the TRFMA/Washoe County and in fact I sold nearly and of my major business equipment in anticipation of the government action, which has still not occurred.
- 11. That I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 19 day of March, 2014.

GEORGE MCHENRY

SUBSCRIBED and SWORN to before me On this 19 th day of March 2014

NOTARY PUBLIC in and for said

County & State



611 SOUTH 6TH STREET LAS VEGAS, NEVADA 89101 PHONE (702) 304-0123 FACSIMILE (702) 368-0123

AFFIDAVIT OF JOHN DI FRANCESCO

STATE OF NEVADA)
COUNTY OF WASHOE)ss)

John Di Francesco declares:

- I am a resident of Washoe County, Nevada. I am over the age of eighteen (18) years, and I
 am in all respects competent to testify to the matters set forth in this Affidavit. This Affidavit
 is based upon my personal knowledge and/or upon information and belief, and, if called upon
 to testify, I would testify as set forth in this Affidavit.
- I am the co-owner of the property located at 35-65 N. Edison Way, Reno Nevada 89502, APN 012-272-10 and APN 012-272-12 (the "Property").
- 3. All of the neighboring parcels of land surrounding the Property have been acquired by the TRFMA and/or Washoe County. The acquired Properties were either boarded up and later demolished or used for purposes not conducive to conducting viable business at the Property.
- 4. I witnessed regular training exercises at properties surrounding the Property by the Reno Police, Washoe County Sheriff, Nevada Highway Patrol, Reno Police SWAT, and/or Reno Police K-9 Unit. There was a frequent and unannounced presence of Reno Police SWAT team members dressed in full gear with automatic rifles on the Property, without the authorization of myself and/or my staff, and at least one instance whereby a police officer appeared to be aiming a rifle at or near me and/or the Property. The police and/or SWAT vehicles affiliated with the frequent and regular training exercises entered the Property, again without my permission, and blocked access to the Property, including inhibiting parking and loading/unloading for my tenants.
- 5. While having many other vacant buildings to utilize, the police chose to use the building immediately adjacent to my Property for breaching exercises. When my superintendent asked them not to block our driveways, the office in charge said they would not move. The

SWAT vehicles blocked and limited access to our service doors. The police utilized flash bombs and breached doors with loud explosions. On one occasion, four police officers were injured in a malfunction of a flash bomb. This incident was widely reported on the local television newscasts and newspapers. It was my same superintendent who called 911 and direct the REMSA to the injured officers. Several of our tenants complained to me regarding the loud explosions and teams of SWAT members breaching the adjacent buildings. On more than one occasion tenants and their customers did not know these were training exercises and though these were real events and were frightened by police presence.

- 6. While having the choice of over one hundred other isolated and vacant locations, a men's homeless shelter was located immediately across from the Property and our leasing office. Many times on early dark winter evenings my wife would exist the office to be startled by a homeless man, smoking in the shadows and drinking alcohol on the Property. We were never notified or asked for public comments on the location of this shelter. When investigating the installation of the homeless shelter on North Edison Way, it was determined this use was prohibited in this building zoning and no permits were ever applied for. This lack of public process completely denied our ability to comment and protest this use at this location. Ironically, during this same period of time, we had a martial arts school as a tenant at the Property, teaching young high school students in after-school programs, denied a business license and forced to move because of "incompatible" zoning.
- 7. Thereafter, I witnessed these properties which all surrounded the Property fall into a state of disrepair after they were acquired and these alternative uses were established. The buildings were boarded up across the entrances and windows, and the landscape was left unattended.
- 8. Additionally, I witnesses the installation of a grey water trucking facility next to the Property. This trucking facility operated twenty-four hours a day, seven days a week and further disrupted my and my tenants' use and enjoyment of the Property.
- At this time, nearly all of the acquired properties have been demolished with an open lot left behind.

- 10. As a result of all the foregoing, my Property suffered a direct loss due to the blighted nature of the neighborhood as a direct result of the collective actions of the TRFMA/Washoe County and I have had to make a number of concessions in order to retain my tenants. The Property has been burdened with a high rate of tenant turnover where we historically had an extremely low turnover rate. We have had to work exceedingly hard to keep the Property rented, often working seven days a week.
- 11. That I declare under penalty of perjury that the foregoing is true and correct.

Executed on this day of April, 2014.

JOHN DIFRANCESCO

SUBSCRIBED and SWORN to before me On this /6 th day of April 2014

NOTARY PUBLIC in and for said County & State WASHOE COUNTY STATE OF NEVALLA



P. COBB
NOTARY PUBLIC
STATE OF NEVADA
My Commission Expires: 11-07-15
Certificate No: 95-0154-2

EXHIBIT "14"

EXHIBIT "14"



WASHOE COUNTY

Dedicated To Excellence in Public Service

OFFICE OF THE COUNTY MANAGER
1001 E. 9th Street
P.O. Box 11130.
Reno, Nevada 89520-0027
Phone: (775) 328-2000
Fax: (775) 328-2037
www.washoecounty.us

Press Release Media Contact: Kelly Mullin

tel. 775.328.3719

07-273

For Immediate Release website: www.washoecounty.us

WASHOE COUNTY PREPARED TO SERVE HOMELESS IN OVERFLOW SHELTER

Reno, Nevada. November 13, 2007. In todays Washoe County Commissioners Board meeting, Commissioners voted to approve the overflow homeless shelters lease agreement at 85 Edison Way in Sparks. They also approved the additional \$17,236 provided to the Reno-Sparks Gospel Mission to support the operation.

Since its opening on December 8, 2006, the homeless overflow shelter has served hundreds of homeless individuals that may have been turned away due to full capacity at the mens drop-in shelter at 315 Record Street and the womens drop in shelter at 355 Record Street. "The necessity of this shelter is obvious," Gabrielle Enfield, Washoe County Community Support Administrator states. "These folks would be out on our streets, possibly freezing to death if it were not for this overflow facility." Enfield anticipated the need and began looking for county space for overflow shelter in the fall of 2006. Working with County resources, and with the cooperation of the Flood Control Project, she was able to identify and convert the vacant building at 85 Edison Way.

The overflow emergency cold weather shelter at 85 Edison Way will provide shelter for up to 60 men from November 15th through March 31, 2008. Individuals in need of shelter will receive an evening meal, an opportunity to shower, shelter for the night and a light breakfast in the morning.

The womens shelter facility is expected to be completed this December and single women will be provided cold weather overflow shelter at the Reno Sparks Gospel Mission Women and Family Shelter and the Reno Sparks Gospel Mission building on the Record Street Site. The Reno Sparks Gospel Mission will provide the same services to homeless women during the cold months that are provided to men.

Washoe County is committed to addressing our communitys homeless issue and since 1996, has provided more than \$3 million in funding. ###

EXHIBIT "15"

EXHIBIT "15"



WASHOE COUNTY

"Dedicated To Excellence in Public Service" www.co.washoe.nv.us

STAFF REPORT **BOARD MEETING DATE:** July 15, 2008

CM/ACM Other

DATE:

June 18, 2008

TO:

Board of County Commissioners

THROUGH: Naomi S. Duerr, Director, Truckee River Flood Management Project,

850-7420, nduerr@washoecounty.us

FROM:

Douglas DuBois, Land Acquisition Manager, Truckee River Flood Management

Project, 850-7427 ddubois@washoecounty.us

SUBJECT:

Approve a Ground Lease Agreement between the County of Washoe and Truckee Meadows Water Authority for the use of flood project lands for a truck watering station [anticipated lease rental income per month of \$2,000]; and if approved, authorize the Chairman to execute the Ground Lease Agreement.

(Commission District 2)

SUMMARY

This item requests approval of a Lease Agreement with Truckee Meadows Water Authority (TMWA) to utilize approximately 1-acre of the 60-acre UNR Mill and McCarran property (5305 Mill Street) as a water truck filling station. See Attachment A.

County Priority/Goals supported by this item: Improve Government Efficiency and Financial Stability.

PREVIOUS ACTION

- 1. The UNR property was purchased by the Truckee River Flood Project in May 2006. Since then it has been maintained by George Avansino in exchange for the ability to grow crops and pasture cattle on the site.
- 2. On January 11, 2008 the FPCC approved the key terms of the Lease Agreement with TMWA and directed staff to proceed with the agreement.

BACKGROUND

Water truck filling stations are used by contractors and construction crews to fill trucks with water to be used on construction sites. Typically these water trucks will spray water on loose dirt surfaces to control dust and to aid in soil compaction. This site will be used all year with the heaviest use occurring during the summer construction season. Approximately 40-50 trucks per day may utilize this site during the summer construction season.

AGENDA ITEM # (J(1)

DiFrancesco 00825

TMWA will pay for and be responsible for the construction and maintenance of all site improvements including surface preparation, fencing and storm water runoff control devices, etc. TMWA will provide for all permits, water and power, janitorial, and maintenance of the site.

Ingress and egress will occur via Edison Way, an industrial area. The intersection of Mill Street and Edison Way is currently signalized and should provide for an efficient traffic flow.

The initial two year term is intentionally short so as to allow for flexibility in planning for the long-term use of this land by the flood project. TMWA is aware that this is a temporary use of this site and will be searching for its own long term solution to locating water truck filling stations.

PROPOSED LEASE TERMS

The initial lease would be for a period of two years, with the ability for month-to-month extensions for an additional three (3) years (five years total). Expected initial lease dates are July 15, 2008 through July 14, 2010.

The agreed upon rental rate of Two Thousand Dollars (\$2,000.00) per month is consistent with current market values. Anticipated lease rental income for the first two years will total to \$48,000. If the lease is extended for the maximum five years, \$120,000 will have been received as income.

In addition to rent, TMWA will be responsible for all costs associated with this lease including taxes, maintenance and insurance. This lease will conform to NRS 338.177 upon execution.

Upon authorization, the Chairman of the County Commission would execute the lease document.

FISCAL IMPACT

The Flood Project would receive an anticipated lease rental income of \$2,000 per month which will be deposited into the Flood Project Fund cost center 211001 and designated to rental income. Anticipated FY 2008/2009 rental income will be \$25,000.

RECOMMENDATION

It is recommended that the Board of County Commissioners authorize:

- The lease with TMWA for the use of flood project lands at 5305 Mill Street as a water truck filling station, and
- 2. Authorize the Chairman to execute the Lease Agreement upon presentation.

POSSIBLE MOTION

Should the Board wish to implement the staff recommendation, a simple motion to approve the staff recommendation would suffice.

Attachments.

NSD:dd

EXHIBIT A

LEGAL DESCRIPTION - FOR A LEASE AREA

A lease area over a portion of the lands of Washoe County, a political subdivision of the State of Nevada, located in the Northwest one-quarter of Section 16, Township 19 North, Range 20 East, Mount Diablo Meridian, and being more particularly described as follows:

Beginning at a point located on the west property line of said lands of Washoe County as shown on Parcel Map Number 4562, recorded on May 19, 2006 in the Office of the Washoe County Recorder, State of Nevada, said Point of Beginning being located North 22°34′54″ East 520.37 feet from the southwest corner of said Lands of Washoe County shown as a rebar and cap stamped PLS 10836 on said Parcel Map 4562; thence along said west property line North 22°34′54″ East 200.00 feet, thence leaving said west property line and across said lands of Washoe County the following courses; South 67°25′06″ East 150.00 feet, South 22°34′54″ West 200.00 feet and North 67°25′06″ West 150.00 feet to the True Point of Beginning.

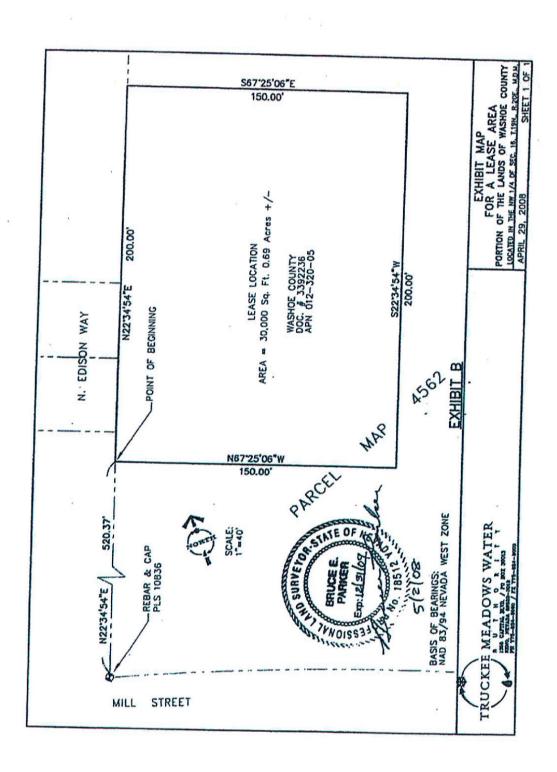
Contains an area of 30,000 square feet more or less.

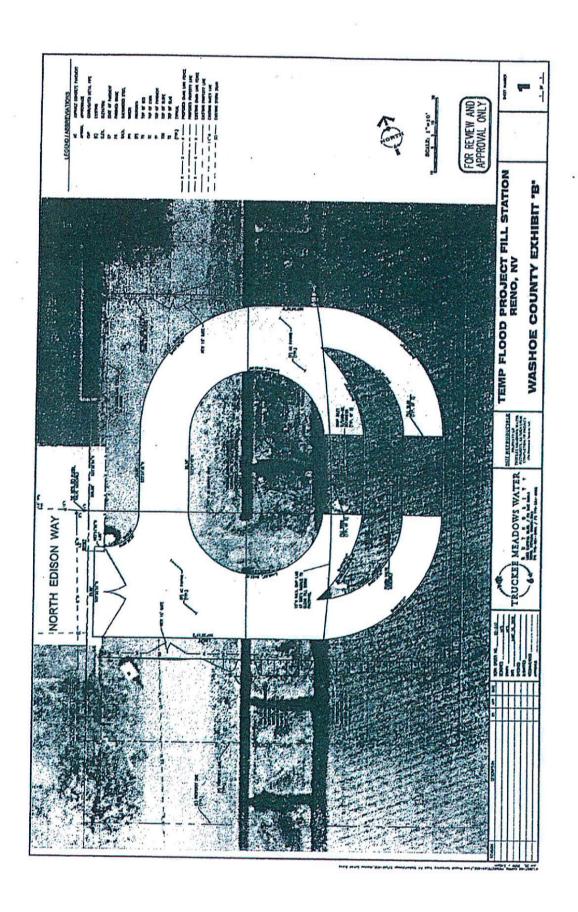
An Exhibit Map labeled "EXHIBIT B" is attached hereto and made a part hereof.

The Basis of Bearings for this description being the Washoe County modified North American Datum 83/94 Nevada West Zone.

Truckee Meadows Water Authority 1355 Capital Blvd. Reno, NV 89520

Bruce E. Parker PLS 18512





GROUND LEASE AGREEMENT (Water Truck Filling Station)

SCHEDU	ILE 1 PARTIES AND KEY TERMS AND CONDITIONS
ARTICLI	E I LEASE OF PREMISES
81.1	LEASING CLAUSE. :
§1.2	RESERVATION OF EASEMENTS
ARTICLE	32 TERM
§2.1	INITIAL TERM.
§2.2	EXTENSIONS, AND RENEWALS.
§2.3	FINAL TERMINATION DATE.
§2.4	OBLIGATIONS OF LESSEE ON TERMINATION OF LEASE.
§2.5	HOLDING OVER
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GROUND LEASE AGREEMENT

THIS LEASE AGREEMENT ("Lease") is made and entered as of the effective date indicated below into by and between WASHOE COUNTY, NEVADA, a political subdivision of the State of Nevada as Lessor, and TRUCKEE MEADOWS WATER AUTHORITY (TMWA), a Joint Powers Authority entity created pursuant to a cooperative agreement among the cities of Reno, Nevada, Sparks, Nevada and Washoe County, Nevada, pursuant to N.R.S. Chapter 277 as Lessee.

IN CONSIDERATION OF THE RENTS AND COVENANTS hereinafter set forth, the Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the premises described below upon the following terms and conditions:

SCHEDULE 1 Parties and key terms and conditions

Topic	Lease Ref.	Term/condition/information
Lessor		Washoe County, for the benefit of the Truckee River Flood Management Project; 9390 Gateway Drive, Suite 230 Reno, Nevada 89521-8900 and its successors or assigns
Lease Administrator	§1.1	Mr. Doug DuBois 9390 Gateway Drive, Suite 230 Reno, Nevada 89521-8900 Phone: 775.850-7427 email: ddubois @ washoecounty.us
Lessee	§1.1	Truckee Meadows Water Authority, a Joint Powers Authority 1355 Capital Blvd P.O. Box 30013 Reno, NV 89520 and its permitted successors or assigns
Lessee Contact	§19.10.b	Heather Edmunson, SR/WA, Land Agent Truckee Meadows Water Authority 775-834-8071 or 775-762-4162 email: hedmunson@tmwa.net
Effective Date	§1.1	July 15, 2008
Premises	§1.1	A portion of the real property described in Reversion to Acreage Map No. 4562, recorded in the Official Records of Washoe County on May 19, 2006, as Document No. 3389969. Said portion is generally depicted in Exhibit A and will be marked on the ground by a fence to be erected by Lessee.
Reserved Easements	§1.2	Easements of record and an access easement pursuant to §6.3

Term	§2.1	Initial Term: commences July 15, 2008, ends on July 14, 2010.
	§2.2	After initial term, automatically changes to month-to month tenancy until final termination date.
	§2.3	Final Termination Date is July 14, 2013.
Base Rent;	§3.1	\$2,000 per month.
Commencing		Commencing on July 1, 2008
Base Rent Adjustments	§3.2	None
Net Lease	§3.3	Lessee to pay:
	1224	Real Estate Taxes (Article 9)
		 Utilities (Article 7)
		 Insurance (Exhibit C)
		 Maintenance and Repairs (Article 10)
		Security Costs (Article 7)
Additional	§3.4	 Lessee shall pay 100% of all Real Estate Taxes and
Rent		Operating Expenses, not paid directly under §3.3 above, as additional rent.
	§3.6	 Lessee shall pay 100% of all default interest and late charges as additional rent.
	§16.5	Lessee shall reimburse Lessor for costs to make repairs, cure
		defaults, and protect Lessor's interest as additional rent.
Grace Period	§3.6	Five calendar days from date due.
Default Interest Rate	¶3.6.a	10% per annum, compounded monthly.
Late Charges	¶3.6.b	Five percent (5%) of each monthly payment
Security Deposit	§4.1	None
Permitted Uses	§5.1	Water truck filling station.
Utility Services	§7.1	None provided by Lessor. Lessee to arrange and pay for power
		and water to Lessee Improvements.
Description of	§5.1.b	Removable fencing, temporary paved road; removable water
.essee		standpipes; landscaping, more particularly described in Exhibit
mprovements	00.11	B.
Disposition of Lessee	§5.1.b	Lessee Improvements will be owned by and removed by Lessee
mprovements		upon termination of Lease.
Security for	§5.5	Performance of the state of the
mprovements	85.5	Before commencing construction on any improvements, Lessee shall post a payment bond and record notice as required by NRS 108.2403. [§7.1]
Restoration	§ 5.1	Premises and Improvements must be restored within sixty
eriod	§10.5	calendar days from the earlier of the date of destruction of any

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ARTICLE 1 LEASE OF PREMISES

§1.1 <u>Leasing Clause.</u> Lessor hereby leases to Lessee and Lessee hereby leases from Lessor, for the rent and upon the covenants and conditions hereinafter set forth, the premises ("Premises") consisting of that certain real property described as follows:

A portion of that real property shown on Reversion to Acreage Map No. 4562, recorded in the Official Records of Washoe County on May 19, 2006, as Document No. 3389969, Official Records.

Which portion is generally depicted in Exhibit A hereto and will be marked by a fence to be constructed by Lessee, approximately 30,000 square feet.

§1.2 Reservation of Easements

This lease is subject to all easements of record encumbering the Premises and Lessor further reserves those specific easements indicated in Section 6.3 of this Lease.

ARTICLE 2 TERM

- §2.1 Initial Term. The initial term of this Lease shall be as specified in the Schedule 1 above.
- §2.2 Extensions, and renewals. Upon the termination of the initial term, this agreement shall automatically become a month-to-month tenancy, subject to termination rights by either party on 30 days notice and further subject to the Final Termination Date.
- §2.3 <u>Final Termination Date.</u> The Premises is scheduled for inclusion in the Truckee River Flood Management Project and therefore, this Ground Lease is being entered into under the provisions of NRS 338.177 and the Term hereof cannot extend beyond the Final Termination Date specified in Schedule 1.
- §2.4 Obligations of Lessee on termination of Lease. On termination of this Lease for any reason, Lessee shall, at Lessee's sole expense, remove all equipment and Lessee Improvements (including fences, roads and culverts) and restore the Premises to its condition at the commencement date.
- §2.5 <u>Holding Over.</u> If the Lessee holds over and remains on the Premises after the expiration of the Term, the tenancy shall be month-to-month basis and shall be subject to all the terms, conditions, provisions, and obligations of this Lease, except that the monthly Base Rent Ground Lease

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due and payable hereunder shall be equal to 200% of the monthly amount of the Base Monthly Rent and Additional Rent payable as of the last month of the Term.

ARTICLE 3 RENT; NET LEASE

- §3.1 Base Monthly Rent. Lessee shall pay as rent for the use and occupancy of the Premises the Base Rent specified in Schedule 1 above, in advance, on the first day of each calendar month ("Rent Due Date"), without setoff, deduction, prior notice or demand, commencing on the Commencement Date. Should the Commencement Date be a day other than the first day of a calendar month, then the rent for such first fractional month shall be computed on a daily basis for the period from the Commencement Date to the end of such calendar month and at an amount equal to one thirtieth (1/30th) of the said monthly rent for each such day, and thereafter shall be computed and paid as aforesaid.
- §3.2 Base Rent Adjustments. Base rent shall not be adjusted during the Term of this Lease.

§3.3 Net Lease.

- a. The Base Monthly Rent shall be absolutely net to Lessor so that this Lease shall yield, net to Lessor, the Monthly Base Rent specified. All additional costs, expenses, and obligations of every kind and nature relating to Lessee's use of the Premises that may accrue or become due during the Term shall be paid by Lessee, including, without limitation, all utilities and other services consumed or otherwise utilized by Lessee in the operation of its business at the Premises, all Real Estate Taxes (as defined and provided in Article 9), all Operating Expenses (as defined below), and all amounts advanced under §16.5 of this Lease. Lessee's obligation hereunder shall survive the expiration or early termination of the Lease and all such payments shall be prorated to reflect the actual Term of this Lease. If requested by Lessor, Lessee shall provide receipts or proofs of payment for all of the foregoing.
- b. Operating Expenses include all expenses reasonably incurred for the operation, maintenance and repair of the Premises, including, but not limited to, (i) insurance premiums as specified in Exhibit C hereto; (iii) maintenance and engineering services and supplies (iii) clean-up after flood or other events; (iv) utilities and service as provided in Article 7; (v) security expenses as provided in Article 8 hereof; (vi) all costs and expenses incurred in complying with all laws, rules, and regulations affecting the Premises.

§3.4 Additional Rent.

- a. In addition to the Base Monthly Rent set forth above, Lessee shall pay to Lessor the following sums.
- All Real Estate Taxes and Operating Expenses (as defined above) which are not directly paid by Lessee under §3.3.

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- 2. All advances by Lessor to cure Lessee's defaults or protect Lessor's interests as provided in §16.5.
 - Default interest and late charges as provided in §3.6
 - As provided elsewhere in this Lease.
- b. As the property is vacant at the Commencement Date, and most if not all taxes and operating expenses will be paid directly by Lessee, it is not expected that Additional Rent Expenses will be significant enough for estimating and amortizing over each rent year. Accordingly, Lessor shall bill Lessee for Additional Rents as they become due and payable, and Lessee shall pay such additional rents within 30 days of billing.
- §3.5 Delivery of Rent Payments. All rent due under this Lease shall be made payable to WASHOE COUNTY, and shall be considered paid when delivered to the Lease Administrator at the address listed in Schedule 1 above. Lessor may, at any time, by written notice to Lessee, designate a different address to which Lessee shall deliver the rent payments. Lessor may, but is not obligated to, send monthly rent invoices to Lessee.

§3.6 Failure to Pay Rent; Late Charge.

- a. <u>Default Interest.</u> If Lessee fails to pay the Monthly Base Rent or any Additional Rent within the grace period specified in Schedule 1 and Section 3.4 after such rents are due and payable, such unpaid rent and additional rent amounts shall bear interest at the Default Interest Rate specified in Schedule 1, which rate shall be calculated on an actual days elapsed from the due date over a 360 day year and shall be compounded on the basis specified in Schedule 1.
- Late Charges. In addition to Default Interest, the late payment by Lessee of any rent due hereunder will cause Lessor to incur certain costs and expenses not contemplated under this Lease, the exact amount of which costs being extremely difficult or impracticable to fix. Such costs and expenses will include, without limitation, administrative and collection costs, and processing and accounting expenses. Therefore, if any rent is not received by Lessor within the grace period indicated in Schedule 1 and Section 3.4 above, Lessee shall immediately pay to Lessor a late charge in the amount specified in Schedule 1. It is agreed that this late charge represents a reasonable estimate of such costs and expenses and is fair compensation to Lessor for its loss caused by Lessee's nonpayment. The late charge shall be calculated only on the unpaid rent amount (and not Default Interest or late charges) the first time it is late; unpaid rent and charges shall not be accumulated for purposes of calculating the late charge. Should Lessee pay said late charge but fail to pay contemporaneously therewith all unpaid amounts of rent due hereunder, Lessor's acceptance of this late charge shall not constitute a waiver of Lessee's default with respect to such nonpayment by Lessee nor prevent Lessor from exercising all other rights and remedies available to Lessor under this Lease or under law.
- c. <u>Waiver.</u> Notwithstanding any provision of this Section to the contrary, however, the Lease Administrator may waive any delinquency payment or late charge upon written application of Lessee.

§3.7 Partial Payments.

- a. All payments made by Lessee shall first be applied to the payment of late charges, then to Default Interest, then to base rent, then to additional rent.
- b. In the event of a dispute between the parties as to the correct amount of Base Rent or Additional Rent owed by Lessee, Lessor may accept any sum tendered by Lessee in payment thereof, without prejudice to Lessor's claim as to the proper amount of rent owing. If it is later determined that Lessee has not paid the full amount of rent owing, the late charge and Default Interest specified herein shall apply only to that portion of the rent still due and payable from Lessee.
- Acceptance of a partial payment does not constitute a waiver of any default or non-payment.

ARTICLE 4 SECURITY DEPOSIT

- §4.1 <u>Payment and Possession.</u> Lessee has paid or will pay to Lessor the amount specified in Schedule 1 as security for Lessee's performance of this Lease. Lessor shall not be required to keep this Security Deposit separate from its general funds, and Lessee shall not be entitled to interest thereon. Lessor's possession of the Security Deposit does not bar Lessor from enforcing any other rights, a law or equity that Lessor may have against Lessee and shall not be considered as a payment of liquidated damages, or an advance payment of the rent.
- §4.2 <u>Use and replenishment.</u> Lessor may, but is not obligated to, apply all or a part of the Security Deposit to any unpaid rent or other charges due from Lessee, or to compensate Lessor for any other loss, cost, or damage that Lessor may suffer by reason of Lessee's default, including, but not limited to the cost of repairing and cleaning of the Premises at the expiration of the Term. If any portion of the Security Deposit is so applied, Lessee shall, within ten (10) days after Lessor's demand, deposit cash sufficient to restore the Security Deposit to its original amount. In the event of bankruptcy or other debtor-creditor proceedings against Lessee, the Security Deposit shall be deemed to be applied first to the payment of rent and other charges due Lessor for the periods prior to the filing of such proceedings.
- §4.3 Transfers and refund. If Lessee assigns its rights under this lease, unless otherwise agreed, the Lessee's rights and obligations under this Article transfer to the assignee. If the Premises are sold by Lessor, the Security Deposit shall be transferred to the new owner, and this section shall also apply to any subsequent transferee, and Lessor shall be discharged from further liability with respect thereto. If Lessee pays the rent and performs all of its other obligations under this Lease, Lessor will return the unused portion of the security deposit to Lessee within sixty (60) days after the end of the Term.

ARTICLE 5 CONSTRUCTION OF IMPROVEMENTS; NO LIENS ON PREMISES

- §5.1 <u>Types and ownership of Improvements.</u> For purposes of this Article, "Improvements" means both Premises Improvements and Lessee Improvements, defined as follows.
- a. <u>Premises Improvements</u> include (i) all infrastructure or other improvements now existing or subsequently placed on the Premises for the purpose of providing utility or other services to the Premises and all buildings or other improvements on the Premises, including, without limitation, the following as applicable: all meters, pipes, conduits, equipment, components and facilities (whether or not within the Premises) that supply the Premises and all buildings or other improvements on the Premises exclusively with utilities such as gas, water, sanitary sewer, storm drain, electricity, and communications; (ii) all irrigation systems, (iii) all fixtures, equipment, signs, lock and closing devices which are not Lessee Improvements; and (iv) all such items of repair, maintenance, alteration, improvement or reconstruction as may be required at any time or from time to time by a governmental agency having jurisdiction thereof. Notwithstanding the foregoing, the Premises Improvements do not include any water system facilities, including water filling station improvements, constructed by Lessee and listed on Exhibit B. Lessor shall be the owner of all Premises Improvements.
- b. <u>Lessee Improvements</u> include all improvements listed on Exhibit B and other improvements constructed on the Premises by Lessee for Lessee's use, except for Premises Improvements. Unless otherwise agreed, Lessee shall construct or place upon the Premises only those improvements described in Exhibit B. All Lessee Improvements shall be owned by Lessee, and installed on the Premises at Lessee's sole expense, and shall be removed by Lessee upon the termination of this Lease within the "Restoration Period" specified in Schedule 1.
- §5.2 Prior approval required: Zoning Entitlements and Building Permit. Prior to constructing or placing any Improvement upon the Premises, Lessee shall submit to the Lease Administrator plans and specifications and all construction contracts for the Lessee Improvements for approval, which approval shall not be unreasonably withheld. Once plans and specifications are approved by Lessor, Lessee shall obtain all required zoning entitlements, all required permits including grading and building permits, business licenses and other permits necessary for the construction of the improvements.
- §5.3 Signs Prior to construction, Lessee shall present to the Lease Administrator for approval all plans and drawings for all signs and sign structures to be placed on the Premises. All signs must comply with applicable sign codes and all of Lessor's policies regarding signs on property owned by Lessor. If the size or number of signs permitted by applicable zoning or sign codes depends on size of the property, and the size of the Premises is inadequate to qualify for a sign which has been approved by the Lease Administrator, Lessor will consider preparing a signage plan allocating signs to Lessee, Lessor and other lessees and tenants on the property of which the Premises is a part and if it can be done consistent with sign needs of existing or future tenants or lessees, Lessor will consider allowing Lessee to use a portion of said property outside

the Premises to qualify for an approved sign.

- §5.4 <u>No liens on Premises.</u> Lessee shall not create or allow to be created any encumbrances or liens on the Premises.
- §5.5 Security for Improvements. For all Improvements to be constructed on the Premises, Lessee shall provide the security described in Schedule 1 in order to assure that persons who provide labor, services or materials to the Premises are paid and prevent the assertion of claims against Lessor or liens against the Premises.
- §5.6 Compliance by Lessee with public works laws. If any Improvement to be made on the Premises is a "public work" as defined in NRS Chapter 338, Lessee shall, or shall require its contractor to, post all payment and performance bonds required by and otherwise comply with all the requirements of NRS Chapter 338.
- §5.7 Construction of private or non-governmental improvements. [INTENTIONALLY
- §5.8 Payment of all claims and liens. In any event, Lessee shall pay, or cause to be paid, all costs for work done by or caused to be done by Lessee on the Premises, and for all materials furnished for or in connection with any such work. If any claim is filed against Lessor or Lessee or if any lien is filed against the Premises, Lessee shall cause the claim or lien to be discharged of record within ten (10) days after it is filed. Lessee shall indemnify, defend and hold Lessor harmless from any and all liability, loss, damage, costs, attorneys' fees and all other expenses on account of claims of lien of laborers or materialmen or others for work performed or materials or supplies furnished for Lessee or persons claiming under Lessee.

ARTICLE 6 PERMITTED USES

§6.1 Permitted Uses. Lessee shall use the Premises only as specified in Schedule 1 and this Lease. Where Lessee is reasonably in doubt as to the propriety of any particular use, Lessee may request the written determination of the Lease Administrator that such use is or is not permitted, and Lessee will not be in breach or default under this Lease if Lessee abides by such determination. Lessee shall be fully responsible for assuring the activities of its agents, employees, licensees and invitees comply with the permitted uses on the Premises.

§6.2 <u>Duties and Prohibited Conduct.</u>

- a. Notwithstanding the foregoing, however, Lessee shall not use nor permit the use of the Premises in any manner that will tend to create waste or a nuisance or give rise to the possibility of a forfeiture of the Premises under Nevada law. Lessee shall not use, or permit any person or persons to use, the Premises for the sale or display of any goods and/or services, which, in the sole discretion of Lessor, are inconsistent with law or the permitted uses of the Premises pursuant to this Lease.
- b. Lessee shall, at Lessee's expense, comply promptly with all applicable

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statutes, laws, ordinances, rules, regulations, orders, covenants and restrictions of record, and requirements in effect or which become effective during the term, regulating the use by Lessee of the Premises.

- c. Lessee shall keep the Premises, and every part thereof, in a decent, safe and sanitary condition, free from any objectionable noises or odors, except as may be typically present for the permitted uses specified above.
- §6.3 Access for adjoining users. The Premises is at the terminus of a public street and enclosing the Premises with a fence may deny owners of adjacent properties access to that public street. Accordingly, Lessor reserves for the benefit of itself and the owners of adjacent properties an access easement across the Premises so that said beneficiaries may gain access to their properties from North Edison Way. Lessee shall install gates or gateways in any fence it constructs so that beneficiaries may gain access to their properties, and Lessee shall not impede or deny reasonable access to adjoining farm land and to adjoining landowners and their invitees.

ARTICLE 7 SERVICES AND UTILITIES

§7.1 General. While some utility facilities may be stubbed up to or near the boundary of the Premises, Lessor is not obligated to pay for the construction of any utility lines or facilities to or otherwise provide or cause to be provided any utility services to the Premises or Lessee Improvements. To the extent that utilities are needed, Lessee shall make arrangements directly with all utility service providers and shall pay for all of the utilities and services necessary for the occupancy and use of the Premises, including, but not limited to, gas, water, electricity, trash pick up, sewage charges or septic service, and communication services (telephone and cable). In the event that any bills or assessments for any utilities are submitted to Lessor for payment and Lessor pays them, Lessee shall reimburse Lessor as additional rent.

ARTICLE 8 PREMISES SECURITY

§8.1 <u>Lessee Responsibility.</u> Lessee shall be responsible for and shall provide for the security of the Premises excluding the access easement reserved in Section 6.3, and Lessor shall have no responsibility therefor.

ARTICLE 9 TAXES, ASSESSMENTS AND GOVERNMENTAL FEES

- §9.1 Responsibility for Payment of Taxes and Assessments. Lessee shall pay when due all taxes, assessments and governmental fees accruing against Lessee, the Premises, all improvements or personal property on the Premises, or any interest of Lessee in the Premises during the Term of this Lease, or any extension thereof, if any, to the extent such property or Lessee is not otherwise exempt.
- §9.2 <u>Definitions</u>. As used herein, the term "taxes" includes (i) real or personal property taxes, including taxes on the value of leasehold interest, possessory interest, beneficial interest or beneficial use of the Premises, (ii) all taxes associated with Lessee's operations on the Premises, including sales taxes and use taxes, all federal income taxes, franchise taxes, and the like. "Assessments" includes all assessments levied against the Premises or any property of Lessee including special assessments, general improvement district assessments, impact fees, and the like. "Governmental fees" includes rates, tolls and charges imposed by a government agency for any privileges services or benefits it provides, including licensing fees, franchise fees, sewer fees, flood control fees and the like, levied against the Premises or Lessee's use of the Premises.
- §9.3 Improvements, Personal Property or Leasehold Interest Tax. Lessee shall pay all Real Property and associated taxes assessed against the Premises during the Term of this Lease, if any. So long as Lessor is the owner of the Premises, the Premises real property itself is generally exempt from Property Tax, but Lessee may be liable for the value of any improvements or personal property it places on the Premises, and, under NRS 361.157, may be liable for the payment of taxes on the value of the leasehold interest, possessory interest, beneficial interest or beneficial use of the Premises. Lessee shall cooperate with the County Treasurer's Office and the county Assessor's Office in establishing the tax amount and collection procedure, and shall pay all such taxes before they become liens on the Premises.
- §9.4 Payment by Lessor; Proration. If Lessor is billed for any tax, assessment or governmental fee for the Premises, and such bill can be directly transmitted to Lessee, Lessor shall promptly deliver the bill or invoice to Lessee who shall pay it when due. However, at Lessor's option, if such a bill cannot conveniently be passed through to Lessee, Lessor may pay such bill and the amount of such bill that is attributable to the Premises (considering the size and value of the Premises at its highest and best use) shall be paid to Lessor upon demand as Additional Rent. Nothing herein shall be deemed to prevent or prohibit Lessee from contesting the validity of any such tax, assessment or fee in a manner authorized by law.

ARTICLE 10 CONDITION; MAINTENANCE AND REPAIRS; DESTRUCTION OF PREMISES

§10.1 Acceptance of Premises. Lessee acknowledges that Lessee has made a thorough inspection of the Premises prior to the Commencement Date of this Lease, and that it accepts the Premises as of the Commencement Date AS IS WITH ALL ITS FAULTS. Lessee further acknowledges that Lessor has made no oral or written representations or warranties to Lessee regarding the condition of the Premises, and that Lessee is relying solely on its inspection

of the Premises with respect thereto. Lessee acknowledges that the Premises lies in a flood plain and frequently floods, and Lessee assumes all risks of flooding and agrees and acknowledges that Lessor is under no duty to prevent or minimize the possibility or effects of flooding on the Premises.

§10.2 <u>Maintenance and Repair of Premises Improvements.</u>

- a. <u>Duty to maintain or repair</u> Lessee shall at all times during this Lease from and after the Commencement Date, at its own cost and expense, repair, maintain in good and tenantable condition and replace, as necessary, the Premises Improvements (as defined in § 5.1.a) and every part thereof, regardless of whether the repairs, restorations and replacements are ordinary or extraordinary, foreseeable or unforeseeable, capital or noncapital, or the fault or not the fault of Lessee, its agents, employees, invitees, visitors, sublessees or contractors. All replacements of Premises Improvements made by Lessee in accordance with this Section shall be of like size, kind and quality to the items replaced and shall be subject to Lessor's approval.
- b. <u>Duty to surrender in good condition.</u> Upon termination of this Lease, Lessee shall, within the restoration Period specified in Schedule 1, deliver the Premises Improvements to Lessor in good order, condition and state of repair, but shall not be responsible for damages resulting from ordinary wear and tear.

§10.3 <u>Maintenance and Repair of Lessee Improvements.</u>

- a. Lessee shall at all times during this Lease from and after the Commencement Date, at its own cost and expense, repair, maintain all Lessee Improvements in good, tenantable, safe, and aesthetically acceptable condition.
- b. Upon termination of this Lease, Lessee shall remove all Lessee Improvements within the Restoration Period specified in Schedule 1.

§10.4 <u>Maintenance and repair of Premises</u>.

a. Lessee shall maintain the Premises in good condition free of weeds, debris and nuisances, and upon termination of this Lease, for any reason, shall restore the Premises to its original condition on the Commencement Date, reasonable wear and tear and any destruction of premises under 10.5 or natural disaster excluded.

§10.5 <u>Destruction of Premises or Lessee Improvements.</u>

If a flood or other event damages or destroys the Premises or more than 50% of the Improvements, Lessee may, at Lessee's option,

- (i) terminate this Lease in its entirety; or
- (ii) continue in possession of the Premises, provided, however, that Lessee cleans up the Premises and replaces all Improvements at Lessee's cost (and without abatement in rent) within the "Restoration Period" specified in Schedule 1.

§10.6 Trash and Landscaping.

- a. Lessee shall provide for trash removal, at its expense, and shall maintain all trash receptacles and trash areas in a clean, orderly and first-class condition.
- b. Lessee shall provide a landscaping plan to Lessor for approval, and upon approval, shall install and maintain landscaping to the standard and levels in the landscaping plan. Weeds and debris shall not be allowed to accumulate on the Premises.
- §10.7 Lessee's Failure to Maintain. If Lessee refuses or neglects to repair, replace, or maintain the Premises, or any part thereof, in a manner reasonably satisfactory to Lessor, Lessor may, upon giving Lessee reasonable written notice of its election to do so, make such repairs or perform such maintenance on behalf of and for the account of Lessee. If Lessor makes or causes any such repairs to be made or performed, as provided for herein, Lessee shall pay the cost thereof to Lessor, as additional rent, promptly upon receipt of an invoice.

§10.8 Right to enter and make repairs.

- a. Lessee shall permit Lessor, or its authorized representatives, to enter the Premises at all times during usual business hours to inspect the same, and to perform any work therein that Lessor deems necessary (i) to comply with any laws, ordinances, rules or regulations of any public authority; (ii) to prevent waste or deterioration in connection with the Premises if Lessee does not make, or cause to be made, such repairs or perform, or cause to be performed, such work promptly after receipt of written demand from Lessor; and/or (iii) in connection with the expansion, reduction, remodeling, protection or renovation of any Lessor constructed or owned facilities on or off of the Premises provided such does not impede or diminish Lessee's use and quiet enjoyment of the Premises.
- b. Nothing herein shall imply any duty on the part of Lessor to do any such work which, under any provision of this Lease, Lessee may be required to do, nor shall Lessor's performance of any repairs on behalf of Lessee constitute a waiver of Lessee's default in failing to do the same. If Lessor exercises any of its rights under this Section, Lessee shall not be entitled to any compensation, damages or abatement of rent from Lessor for any injury or inconvenience occasioned thereby.

ARTICLE 11 INDEMNITY AND INSURANCE

§11.1 Indemnification by Lessee.

To the fullest extent permitted by law, and subject to and without waiving any immunities (except as provided under the law of Nevada, including NRS 41.0305 through NRS 41.039, as amended from time to time), Lessee shall indemnify, hold harmless and defend Lessor and its related parties from and against all claims and liability arising out of or in any way connected with (a) the conduct or management of the Premises or any business therein, or any work or thing whatsoever done, or any condition, created by Lessee in or about the Premises during the Term or

during any period of time that Lessee had possession of the Premises; (b) any act, omission, or negligence of Lessee or any of its subtenants, or licensees or its or their partners, directors, officers, agents, employees, invitees or contractors; (c) any accident, injury, or damage whatever occurring in, at, or upon the Premises caused by Lessee's negligence; and (d) any breach or default by Lessee in the full and prompt payment and performance of Lessee's obligations under this Lease. Subject to and without waiving any immunities (except as provided under the law of Nevada, including NRS 41.0305 through NRS 41.039, as amended from time to time), Lessee further agrees to indemnify and hold Lessor harmless as may otherwise be provided in this Lease. If any action or proceeding is brought against Lessor and such claim is a claim for which Lessee is obligated to indemnify Lessor pursuant to this Article, Lessee, upon notice from Lessor, shall resist and defend such action or proceeding by counsel reasonably satisfactory to Lessor.

§11.2 Indemnification by Lessor.

To the fullest extent provided by law, and without waiving any immunities (except as provided under the law of Nevada, including NRS 41.0305 through NRS 41.039, as amended from time to time), Lessor shall indemnify, hold harmless and defend the indemnified parties from and against all liability arising out of the negligence of Lessor and its related parties or the administration of this Agreement to the extent caused by an act, error or omission of the Lessor or a related party. "Indemnified parties" includes Lessee and its related parties. "Arising out of the administration of this Agreement" means the performance of any task, responsibility or the pursuit of any right contemplated under this Agreement but does not include any acts covered by sovereign or other immunity law.

§11.3 Definitions.

"Claims and Liability" means all third party claims, actions, damages, losses, judgments, injuries, costs and expenses, (including those paid to settle the case) including but not limited to attorneys' fees and costs, including those related to bodily injury, sickness, disease or death or to injury to or destruction of tangible property (including the loss of use resulting therefrom) and other economic damages. "An act, error or omission" includes acts, errors or omissions that constitute negligence or willful tortious conduct as determined by a court of competent jurisdiction under applicable law, and further includes breaches of this agreement and/or violations of law. A "related party" includes all officers, employees, agents, contractors and subcontractors of the party who are acting within the scope of their assigned and lawful duties, as well as anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable.

§11.4 Limitations and Conditions.

The obligations of each indemnifying party hereunder shall not be construed to negate, abridge, or otherwise reduce any other right or obligation of indemnity which would otherwise exist as to any party or person described in this section. The indemnification shall not be diminished or limited in any way to the total limits of insurance required in this contract or otherwise available to the indemnifying party. If the liability is asserted by an employee of an indemnifying party, the indemnification herein is not limited to damages, compensation or benefits payable by or for the indemnifying party under worker's compensation acts, disability

benefit acts or other employee benefit acts. Each indemnifying party shall be permitted to participate, if it chooses, in the defense of any action claiming liability, even if the indemnified party is indemnified hereunder. Either party may set off any of its rights under this subsection against any consideration it provides under this agreement. The obligations to indemnify and save harmless herein survive the expiration or termination of this Agreement.

ARTICLE 12 ENVIRONMENTAL PROVISIONS.

§12.1 Definitions:

Hazardous Materials Laws means any and all federal, state or local laws or ordinances, rules, decrees, orders, regulations or court decisions (including the so-called "common law"), relating to hazardous substances, hazardous materials, hazardous waste, toxic substances, environmental conditions on, under or about the Premises, soil and ground water conditions or other similar substances or conditions, including, without limitation, (i) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C., 9601 et seq.), (ii) the Hazardous Materials Transportation Act, as amended (49 U.S.C., 1801 et seq.), (iii) the Resource Conservation and Recovery Act of 1976, as amended (42 U.S.C., 6901 et seq.), (iv) NRS Chapters 444 (Sanitation), 445A (Water Controls), 445B (Air pollution), 445C (Environmental Requirements), 445D (Environmental Covenants), 459 (Hazardous Materials), 477 (State fire Marshal), 590 (Petroleum Products and antifreeze) and 618 (Occupational safety); and (v) the Fire Code applicable to the Premises.

Hazardous Materials means any element, chemical, compound, mixture, solution, material, substance or other matter that: (i) is a flammable, explosive, asbestos, radioactive nuclear medicine, vaccine, bacteria, virus, hazardous waste, toxic, overtly injurious or potentially injurious material, whether injurious or potentially injurious by itself or in combination with other materials; (ii) whose use, possession, transportation, storage, release, discharge or disposal is regulated pursuant to is controlled, referred to, designated in or governed by any Hazardous Materials Laws; (iii) gives rise to any reporting, notice or publication requirements under any Hazardous Materials Laws; (iv) is any other material or substance giving rise to any liability, responsibility or duty upon the Lessor or Lessee with respect to any third person under any Hazardous Materials Law; or (v) Petroleum, including crude oil or any fraction thereof, natural gas, natural gas liquids, liquefied natural gas, synthetic oil, synthetic gas usable for fuel or any mixture thereof.

Release means a spilling, leaking, pumping, pouring, emitting, emptying, discharging, ejecting, escaping, leaching, dumping or disposing of a Hazardous Material into the environment, including continuing migration into or through the soil, surface water or groundwater.

§12.2 <u>Lessee's Obligations.</u> Lessee represents, warrants and agrees that, during the Term or any extension thereof, or for such longer period as may be specified herein, Lessee shall comply with the following provisions unless otherwise specifically approved in writing by the Lease Administrator:

- a. Lessee shall not cause or permit any Hazardous Materials to be brought, kept or used in or about the Premises by Lessee, its agents, employees, sublessees, assigns, contractors or invitees.
- b. Any handling, transportation, storage, treatment or usage by Lessee of Hazardous Materials that is to occur on the Premises following the Commencement Date shall be in compliance with all applicable Hazardous Materials Laws.
- c. Any release of Hazardous Materials which may occur on the Premises following the Commencement Date shall be promptly and thoroughly cleaned and removed from the Premises by Lessee at its sole expense, and any such discharge shall be promptly reported in writing to Lessor, and to any other appropriate governmental regulatory authorities.
- d. No friable asbestos shall be constructed, placed on, deposited, stored, disposed of, or located by Lessee in the Premises.
- e. No underground improvements, including but not limited to treatment or storage tanks, or water, gas or oil wells shall be located by Lessee on the Premises without Lessor's prior written consent.
- f. Lessee shall conduct and complete all investigations, studies, sampling, and testing procedures and all remedial, removal, and other actions necessary to clean up and remove all Hazardous Materials on, from, or affecting the Premises in accordance with all applicable Hazardous Materials' Laws and to the satisfaction of Lessor.
- g. Activities proposed by Lessee that involve disturbing asbestos materials on site shall only be conducted in accordance with all Hazardous Materials Laws as follows:
- (1) Prior to conducting asbestos related activities, Lessee shall notify Lessor of the proposed work at least one month in advance. The notification shall include the location of work, type of asbestos containing material (ACM) to be removed and a work plan indicating the work practices and methods of control to be used during the abatement activity to control asbestos fiber release. The County Occupational Health Program shall review the work plan and may modify the plans as necessary.
- (2) Any asbestos related activities shall be performed by a contractor who is duly licensed and registered in Nevada to perform asbestos work.
- (3) Replacement products used in tenant improvements or other construction activities shall not contain asbestos. Any replacement products used by Lessee shall be verified as non-asbestos products by using Material Safety Data Sheets (MSDS) and/or having the architect or project engineer verify that ACMs were not used.
- h. Lessee shall promptly provide to Lessor copies of all notices, reports, correspondence, and submissions made by Lessee to the United States Environmental Protection Agency, the United Occupational Safety and Health Administration, and any other local, state or federal authority which requires submission of any information concerning environmental matters or hazardous wastes or substances pursuant to applicable Hazardous Materials' Laws.

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i. Lessee shall promptly notify Lessor of any liens threatened or attached against the Premises pursuant to any Hazardous Materials' Law. If such a lien is filed against the Premises, then within twenty (20) days following such filing or before any governmental authority commences proceedings to sell the Premises pursuant to the lien, whichever occurs first, Lessee shall either: (a) pay the claim and remove the lien from the Premises; or (b) furnish either (1) a bond or cash deposit reasonably satisfactory to Lessor in an amount not less than the claim from which the lien arises, or (2) other security satisfactory to Lessor in an amount not less than that which is sufficient to discharge the claim from which the lien arises. At the end of this lease, Lessee shall surrender the Premises to Lessor free of any and all Hazardous Materials and in compliance with all Hazardous Materials' Laws affecting the Premises.

§12.3 Compliance with Water Pollution Laws.

- Without limiting the generality of the foregoing, Lessee shall comply with all federal, state and local laws regarding the discharge of pollutants into the waters of Nevada and stormwater conveyance systems. Compliance with these laws may require Lessee to develop, install, implement and maintain pollution prevention measures, source control measures and Best Management Practices ("BMPs"). BMPs can include operational practices; water or pollutant management practices; physical site features; or devices to remove pollutants from stormwater, to affect the flow of stormwater or to infiltrate stormwater to the ground. BMPs applicable to Lessee's use of the Premises may include a requirement that all materials, wastes or equipment with the potential to pollute urban runoff be stored in a manner that either prevents contact with rainfall and stormwater, or contains contaminated runoff for treatment and disposal. Lessee is required and agrees to use, operate, maintain, develop, redevelop and retrofit the Premises, as necessary arising from Lessee's use of the Premises, in accordance with all applicable federal, state and local laws restricting the discharge of non-stormwater at or from the Premises; and all such laws, regulations, or local guidance requiring pollution prevention measures, source control measures, or the installation or use of BMPs. Lessee further agrees to develop, install, implement and/or maintain at Lessee's sole cost and expense, any BMPs or similar pollution control devices required by federal, state and/or local law and any implementing regulations or guidance.
- b. Lessee understands and acknowledges that the stormwater and non-stormwater requirements applicable to Lessee's use of the Premises may be changed from time to time by federal, state and/or local authorities, and that additional requirements may become applicable based on changes in Lessee's activities or development or redevelopment by Lessee or Lessor. Lessee shall develop, install, implement, and maintain such additional BMPs and/or other pollution control practices at the Premises at Lessee's sole cost and expense. To the extent there is a conflict between any federal, state or local law, Lessee shall comply with the more restrictive provision. If Lessor receives any fine or fines from any regulatory agency as a result of Lessee's failure to comply with applicable stormwater laws as set forth in this Article, Lessee shall reimburse Lessor for the entire fine amount.
- §12.4 Indemnification by Lessee. Subject to and without waiving any immunities (except as provided under the law of Nevada, including NRS 41.0305 through NRS 41.039, as amended from time to time), Lessee (and, if applicable, each of its general partners) and its Ground Lesse

successors, assigns, and guarantors, if any, jointly and severally agree to protect, indemnify, defend (with counsel selected by Lessor), reimburse and hold Lessor and its officers, employees and agents harmless from any claims, judgments, damages, penalties, fines, costs or expenses (known or unknown, contingent or otherwise), liabilities (including sums paid in settlement of claims), personal injury (including wrongful death), property damage (real or personal) or loss, including attorneys' fees, consultants' fees, and experts' fees (consultants and experts to be selected by Lessor) which arise during the Term or after the Term as a direct result of Lessee's conduct during the Term, from or in connection with the presence or suspected presence of Hazardous Materials, including the soil, ground water or soil vapor on or under the Premises. Without limiting the generality of the foregoing, the indemnification provided by this section shall specifically cover costs incurred in connection with investigation of site conditions or any cleanup, remedial, removal or restoration work required by any Hazardous Materials Laws because of the presence of Hazardous Materials in the soil, ground water or soil vapor on the Premises, and the release or discharge of Hazardous Materials by Lessee during the course of Lessee's alteration or improvement of the Premises.

- §12.5 Remedies Cumulative; Survival. The provisions of this Article shall be in addition to any and all common law obligations and liabilities Lessee may have to Lessor, and any remedies and the environmental indemnities provided for herein shall survive the expiration or termination of this Lease and/or any transfer of all or any portion of the Premises, or of any interest in this Lease, and shall be governed by the laws of the State of Nevada.
- §12.6 Inspection. Lessor and its agents, servants, and employees including, without limitation, legal counsel and environmental consultants and engineers retained by Lessor, may (but without the obligation or duty so to do), at any time and from time to time, inspect the Premises to determine whether Lessee is complying with Lessee's obligations set forth in this Article, and to perform environmental inspections and samplings, during regular business hours (except in the event of an emergency) or during such other hours as Lessor and Lessee may agree. If Lessee is not in compliance, Lessor shall have the right, in addition to Lessor's other remedies available at law and in equity, to enter upon the Premises immediately and take such action as Lessor in its sole judgment deems appropriate to remediate any actual or threatened contamination caused by Lessee's failure to comply. Lessor will use reasonable efforts to minimize interference with Lessee's use of Premises but shall not be liable for any interference caused by Lessor's entry and remediation efforts. Upon completion of any sampling or testing Lessor will (at Lessee's expense if Lessor's actions are a result of Lessee's default under this section) restore the affected area of the Premises from any damage caused by Lessor's sampling and testing.

ARTICLE 13 ASSIGNMENT AND SUBLETTING

§13.1 By Lessee. Lessee shall not voluntarily or involuntarily assign, sublease, mortgage, encumber, or otherwise transfer (collectively, a "Transfer") all or any portion of the Premises or its interest in this Lease without Lessor's prior written consent. Lessor may reasonably withhold its consent to any Transfer. Any attempted Transfer without Lessor's consent shall be void and shall constitute a material breach of this Lease. As used herein, the term "Transfer" shall include an arrangement (including without limitation management

agreements, concessions, and licenses) that allows the use and occupancy of all or part of the Premises by anyone other than Lessee.

§13.2 By Lessor. If Lessor sells or otherwise conveys the Premises to a third party, it shall be subject to this Lease.

ARTICLE 14 LESSOR'S RIGHT OF ACCESS

- §14.1 Right of Access. Lessor, its agents, employees, and contractors may enter the Premises at any time in response to an emergency, and at reasonable hours to (i) inspect the Premises, (ii) exhibit the Premises to prospective purchasers or Lessees, (iii) determine whether Lessee is complying with its obligations in this Lease (including its obligations with respect to compliance with Hazardous Materials Laws), (d) supply cleaning service and any other service that this Lease requires Lessor to provide, (e) post notices of non-responsibility or similar notices, or (f) make repairs that this Lease requires Lessor to make, or make repairs to any adjoining space or utility services, or make repairs, alterations, or improvements to any other portion of the Premises; provided, however, that all work will be done as promptly as reasonably possible and so as to cause as little interference to Lessee as reasonably possible.
- §14.2 <u>Waiver of Claims.</u> Lessee waives any claim of injury or inconvenience to Lessee's business, interference with Lessee's business, loss of occupancy or quiet enjoyment of the Premises, or any other loss occasioned by such entry authorized under Section 14.1. If necessary, Lessee shall provide Lessor with keys to unlock the entrance to the Premises. Lessor will have the right to use any means that Lessor may deem proper to gain access to the Premises in an emergency. No entry to the Premises by Lessor by any means will be a forcible or unlawful entry into the Premises or a detainer of the Premises or an eviction, actual or constructive, of Lessee from the Premises, or any part of the Premises, nor shall the entry entitle Lessee to damages or an abatement of rent or other charges that this Lease requires Lessee to pay.

ARTICLE 15 QUIET ENJOYMENT

§15.1 <u>Covenant of Quiet Enjoyment.</u> So long as Lessee is not in breach of the covenants made in this Lease, Lessor covenants that Lessee shall have quiet enjoyment of the Premises. Lessor will defend Lessee in the peaceful and quiet enjoyment of the Premises against claims of all persons claiming through or under the Lessor.

ARTICLE 16 DEFAULT AND REMEDIES.

§16.1 Excuse due to Force Majeure

a. Except as provided elsewhere herein, if an event of *force majeure* makes performance of an obligation or cure of a breach or default impossible, such performance or cure is excused for the duration of the event of force majeure provided that the obligated party (i) within a reasonable time after the commencement of the force majeure notifies the other party of Ground Lease

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the nature of the event of force majeure, when it commenced, why it makes performance or cure impossible, and the expected duration (if known), and (ii) agrees to and does in fact diligently pursue remediation of the effects of the force majeure, and (iii) agrees to notify the other party immediately when it becomes possible to commence efforts to cure the default.

- b. An event of force majeure is defined as (i) without the fault of and beyond the reasonable control of the obligated party, a war; insurrection; riot; flood; earthquake; fire; casualty; act of God; act of a public enemy; quarantine restriction or other effect of epidemic or disease; freight embargo; delay caused by unusually severe or extreme weather; lack of transportation attributable to any of these; or (ii) labor strikes, boycotts or picketing (unless the labor action is taken because of an alleged violation of the prevailing wage provisions in this Agreement, if any); (iii) provided, however, that if the breach or default is the failure to pay money, the force majeure must actually prevent access to or payment from a bank account or payment mechanism, such as during a banking holiday, moratorium, or sabotage of wire or automated transfer systems. A force majeure does not include general economic or market conditions, or the financial condition of a party even if they are influenced by any of the foregoing.
- c. A force majeure is deemed to cease for purposes of this Agreement and a party is deemed to be in breach of an obligation or cure on the earlier of (i) when it becomes possible for the obligated party to commence to perform the obligation or cure and the obligated party fails to so commence the obligation to perform or cure, or (ii) one year from the commencement of the event of force majeure.

§16.2 Default by Lessee.

- a. Definition. Subject to the provisions of §16.1, Lessee shall be in default under this Lease in any of the following events:
- (1) Lessee fails to pay Basic Monthly Rent and/or Additional Rent or any other sums due under this Lease when due and payable subject to the grace period specified in Schedule 1 (not subject to §16.4);
- (2) Lessee fails to take possession of the Premises by the rent commencement date indicated in Schedule 1 or abandons or vacates the Premises before the expiration of the Term, and such failure or abandonment continues beyond the notice and cure period specified in §16.4;
- (3) Lessee fails to promptly and fully perform any other covenant, condition or agreement contained in this Lease and such failure continues beyond the notice and cure period specified in §16.4;
- (4) Any representation of a material fact expressed herein was false at the time it was made, or, if a continuing representation becomes false as a result of a subsequent event or occurrence; or any warranty made herein is breached at the time made or, if a continuing warranty, is breached as a result of a subsequent event or occurrence and such breach of representation or warranty continues beyond the notice and cure period specified in §16.4;

- (5) An event required to occur does not occur by the time required due to the lack of diligence or fault of Lessee and continues beyond the notice and cure period contained in §16.4;
- (6) Any other event or circumstance described as a breach or default herein, and such circumstance or breach continues beyond the notice and cure period specified in §16.4;
- (7) Lessee makes an assignment for the benefit of creditors or files or suffers the involuntary filing of a petition for appointment of a receiver, or for relief under the U.S. Bankruptcy Code or any federal or state law that provides relief to debtors from creditors and such petition is not rescinded or resolved within 60 days from the date of filing (not subject to §16.4);
- (8) The Premises, any Improvements on the Premises, or Lessec's interest or any rights under this Lease become an asset in a receivership or bankruptcy estate or become the subject of (i) any proceedings relating to prejudgment attachment of assets, (ii) a judgment lien, (iii) a mechanics lien or any claim for payment of amounts owed for the provision of services or materials to the Premises or any Improvements thereon; (iv) any execution proceedings for the enforcement of judgments; (iv) any foreclosure or enforcement of a security interest; (v) any forfeiture action; or (vi) any other action where Lessee may lose possession thereof (not subject to §16.4); or
- (9) Lessee reorganizes into or merges with another entity, dissolves, breaks up, ceases doing business, or there occurs a change in ownership of more than 25% of the power to manage or control Lessee (not subject to §16.4).
- b. <u>Remedies</u> In the event of default by Lessee, Lessor may pursue any one or combination of the following remedies:
- Reenter the Premises and make repairs, cure defaults, or take actions or expend funds necessary to protect the Premises or Lessor's interest;
- (2) Appear in any proceeding (receivership, bankruptcy, forfeiture, judicial or other proceeding) to protect Lessor's interest;
- (3) Remove Lessee's property and Lessee Improvements, and relet the Premises to another party, subject, however, to the provisions of 16.5;
- (4) Seek the appointment of a Receiver to operate the Premises and collect rents or revenues;
 - (5) Terminate this Lease;
- (6) Provide required notice and pursue summary proceedings for possession (including the procedure for unlawful detainer under NRS 40.215 et seq or related statutes in force at the time of the default), it being understood and agreed that such notice may Ground Lease

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be tendered concurrently with the notice under §16.4 so long as the statutory notice does not expire before the notice under §16.4;

- (7) Any other remedy provided in §16.5 below or elsewhere in this Lease.
- §16.3 Default by Lessor.
 - a. <u>Definition.</u> Subject to ¶16.1, Lessor shall be deemed in default when:
- (1) Lessor repudiates, breaches or fails to perform any obligation, term or provision in this Agreement, and such breach continues beyond the notice and cure period indicated in §16.4;
- (2) An event required to occur does not occur by the time required due to the lack of diligence or fault of Lessor, and such event continues beyond the notice and cure period specified in §16.4;
- (3) Any representation of a material fact expressed herein was false at the time it was made, or, if a continuing representation, becomes false as a result of a subsequent event or occurrence, and such falsity continues beyond the notice and cure periods set forth in §16.4;
- (4) Any warranty made herein is breached at the time made or, if a continuing warranty, is breached as a result of a subsequent event or occurrence and such breach continues beyond the notice and cure period specified in §16.4;
- (5) As may be specified elsewhere in this Lease, and such event or circumstance extends beyond the notice and cure period specified in §16.4.
- b. Remedies. In the event of a default by Lessor, Lessee, upon first giving notice and opportunity to cure as provided in §16.5, may pursue any one or combination of remedies:
- (1) Continue in possession of the Premises and cure the default if the cost of cure would be less than two months rent, and abate rent payments to recover the cost together with interest at the Default Rate specified in Schedule 1;
 - (2) Terminate this Lease;
 - (3) Seek any remedy provided under §16.5 or elsewhere in this Lease.

§16.4 Notice and right to cure.

For those events or circumstances of default listed above which are expressly subject to the notice and cure provisions of this section, and unless otherwise specified in this Lease, the party intending to declare a default shall first provide written notice to the defaulting party of such event or circumstance and the specific action required to cure it and the defaulting party shall have thirty (30) days from the date that the notice is deemed given to cure the default.

§16.5 General Provisions regarding remedies:

- a. Additional remedies. In addition to any of the remedies set forth above, a non-defaulting party may (i) bring an action for damages or equitable relief, or (ii) pursue any other remedy afforded by the laws of Nevada; or (iii) any other remedy specifically provided in this Lease.
- b. Removal of Lessee Property; Sale for Distraint. If Lessor desires to remove Leesse's property and/or Lessee Improvements in the event of a Lessee default, Lessor shall first demand (which may be done concurrently with any notice provided under §16.4) that Lessee remove the property and restore the Premises within the Restoration Period provided in Schedule 1, and if the property or improvements are not so removed, Lessor may take possession of and remove the property and, to the extent permitted by law, retain or sell it in a private or public auction and apply the proceeds to unpaid Rent.
- c. <u>Lessor Advances</u>. Any funds reasonably expended by Lessor to make repairs, cure defaults, protect the Premises, or Lessor's interests in the Premises or under this Lease shall be reimbursed by Lessee as Additional Rent, and if not paid within the period specified for additional rent shall bear late charges and default interest as specified in Schedule 1.
- d. <u>Remedies cumulative</u> All remedies stated in this Agreement are cumulative with each other and with any remedy afforded in law or equity. The election of any remedy does not constitute a waiver of any other remedy.

§16.6 Waivers.

Any forbearance, inaction, or failure to promptly pursue any remedy (whether intentional or negligent) shall not be deemed a waiver of any default or remedy and shall not be construed as in any manner estopping any party from enforcing in full the provisions hereof. Waivers must be expressed in writing signed by the waiving party, and a waiver of a default is limited to the specific default identified in the written waiver and does not constitute a course of dealing or implication that similar defaults will be waived in the future. Lessor's acceptance of partial rent or partial performance by Lessee shall not be deemed to be an accord and satisfaction or a waiver of or change to any term, covenant or condition of this Lease or of any right of Lessor to a forfeiture of the Lease by reason of such breach, regardless of Lessor's knowledge of such preceding breach at the time of acceptance.

ARTICLE 17 RELOCATION ASSISTANCE BENEFITS

§17.1 Lessee not a displaced person. Lessee represents, warrants, acknowledges and agrees that it did not have any possessory, legal or equitable interest in the Premises at the time Lessor entered into negotiations to acquire it from its previous owner, and therefore was not previously and will not in the future be required to move from the Premises as a result of the acquisition of the Premises by Lessor. As such, Lessee is not sand will not be a "displaced person" entitled to benefits payable under the Uniform Relocation Assistance Act (42 U.S.C. 4601 et seq.), or under NRS Chapter 342 (Acquisition of Real Property and Assistance in

ARTICLE 18 EMINENT DOMAIN

§18.1 Termination of Lease. If 50% or more of the Premises or such portions of the Improvements as Lessor determines are material for Lessee's reasonable use of the Premises are taken by eminent domain or sale under the threat of condemnation by eminent domain and Lessor is unable to relocate Lessee to another area of the then this Lease shall, upon Lessor giving written notice to Lessee, terminate as of the date title vests in the condemning authority. All Monthly Base Rent and Additional rents and other sums payable by Lessee hereunder shall accrue up to and including such date and shall be paid by Lessee to Lessor on such date.

§18.2 Condemnation Award.

- a. <u>Lessor to retain awards and damages.</u> Lessor reserves all rights to any awards or damages in connection with any such full or partial taking by eminent domain. Lessee hereby assigns to Lessor any right Lessee may have to such damages or awards and waives all claims against Lessor and (except as provided below) the condemning authority in connection with such taking, including all claims for termination of Lessee's leasehold interest hereunder the interference with Lessee's business.
- b. <u>Lessee's Rights.</u> Notwithstanding anything to the contrary in this Lease, Lessee shall have the right to claim and recover from the condemning authority all benefits and compensation required to be paid under Nevada and Federal Law regarding relocation benefits, including, but not limited to, NRS Chapter 342, NRS 408.487 408.547 (and similar statutes) and the Federal Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. 4601 et seq) and any regulations or policies implemented in connection therewith.
- § 18.3 Continuation of Lease; reduction in rent. If this lease does not terminate under §18.1, Lessor shall proceed to make all necessary repairs to the Premises and Improvements in order to render and restore the same to the condition they were in prior to the taking, but in no event shall Lessor be required to expend more than the condemnation proceeds received by Lessor with respect to such taking, and Lessee shall continue in possession of the portion of the Premises not so taken upon the same terms and conditions as are herein provided, except that the Monthly Base Rent shall be reduced in direct proportion to the area of the Premises so taken.

ARTICLE 19 GENERAL PROVISIONS

§19.1 Authority. Lessee represents and warrants that it has full power and authority to execute and fully perform its obligations under this Lease pursuant to its governing instruments, without the need for any further action. The persons who execute this Lease represent and warrant that they have the actual authority to execute and bind Lessee to this Lease.

- §19.2 Brokers. Each party represents and warrants to the other that it has had no dealings with any real estate broker or agent in connection with the procurement, negotiation and/or execution of this Lease. In the event any broker makes a claim for monies owed, the party to whom the Broker is claiming to have represented shall indemnify, defend and hold the other party harmless therefrom.
- §19.3 <u>Captions</u>. The captions, headings and index appearing in this Lease are inserted for convenience only and in no way define, limit, construe, or describe the scope or intent of the provisions of this Lease.

§19.4 Standards for approvals.

- a. Unless otherwise specified (such as with the words "sole discretion") wherever this Agreement requires the approval of a party, or any of a party's officers, agents or employees, such approval shall not be unreasonably withheld delayed or conditioned.
- b. The governing body of Lessor is a governmental body whose decisions are functions that may be subject to public hearings and input, and, except as otherwise provided herein, shall have sole and absolute discretion to approve or disapprove any matter submitted to it, provided, however, that decisions are not arbitrary, capricious or an abuse of discretion.
- §19.5 Notices. Whenever in this Lease it shall be required or permitted that notice or demand be given or served by either party to this Lease to or on the other, such notice or demand shall be in writing, mailed or delivered to the other party at the addresses indicated in Schedule 1.
- a. Method of delivery. Mailed notices shall be sent by United States Postal Service, certified or registered mail, postage prepaid and shall be deemed to have been given, delivered and received three (3) business days after the date such notice or other communication is posted by the United States Postal Service. All other such notices or other communications shall be deemed given, delivered and received upon actual receipt. Either party may, by written notice delivered pursuant to this provision, at any time designate a different address to which notices shall be sent.
- b. <u>Default Notices</u>. Notwithstanding anything to the contrary contained within this Article, any notices Lessor is required or authorized to deliver to Lessee in order to advise Lessee of alleged violations of Lessee's covenants under this Lease must be in writing but shall be deemed to have been duly given or served upon Lessee by Lessor attempting to deliver at the Premises during normal business hours a copy of such notice to Lessee or its managing employee and by Lessor mailing a copy of such notice to Lessee in the manner specified in the preceding Section.

§19.6 Further acts and assurances; estoppel certificates.

- Each party agrees to take all necessary action to enter into, execute and deliver any and all written documents necessary to carry out the terms of this Lease.
- b. Upon request, but no more frequently than three times a year, each party agrees to provide estoppel certificates or other documents indicating the status of this Lease and Ground Lease

 Page 27

whether or not the other party is in default.

- §19.7 Governing Law. This Lease shall be governed, construed and enforced in accordance with the laws of the State of Nevada.
- §19.8 Interpretation.
- a. Titles and headlines of this agreement are intended for editorial convenience and are not to be construed as a part of this agreement.
- b. The word "include" or "including" is not intended as a limitation and shall be construed to include the words "but not limited to."
- c. Any reference to the masculine genders includes, where appropriate in the context, the feminine gender. Any term in the singular includes, where appropriate in the context, the plural.
- d. The Parties hereto were each advised by counsel in drafting and negotiating this agreement, and each Party contributed to its contents. No presumptions against or in favor of any party are appropriate based on who drafted this Agreement or any provision herein.
- §19.9 <u>Joint and Several Liability</u>. If more than one person or entity executes this Lease as Lessee, each of them is jointly and severally liable for all of the obligations of Lessee hereunder.

§19.10 Lease Administration.

- a. The Lease Administrator of Lessor has the authority to (i) make operational judgments and decisions regarding the administration and maintenance of the Premises, (ii) to extend, modify accept or waive performances by Lessor under this Lease, (iii) to execute and serve any notices and pursue any remedies hereunder, EXCEPT THAT approval of the Washoe County Board of County Commissioners is required for (a) any changes in rent or any monetary terms of this Lease, or (b) any matter that requires the commitment to expend or the expenditure or more than \$25,000.
- b. Lessee confirms that Lessee's Contact identified in Schedule 1 has been given full operational responsibility for compliance with the terms of this Lease. Lessee shall provide Lessor with a written schedule of its normal hours of business operation on the Premises, and Lessee's Lease Administrator or a representative designated thereby shall be (i) available to Lessor on a twenty-four (24) hour a day, seven (7) days a week, basis, and (ii) present on the Premises during Lessee's normal business hours, to resolve problems or answer question pertaining to this Lease and Lessee's operations on the Premises.
- §19.12 <u>Modification</u>. The provisions of this Lease may not be modified, except by a written instrument signed by both parties.

§19.13 Partial Invalidity.

- a. Each term and provision of this Agreement shall be valid and shall be enforced to the extent permitted by law, taking into account permissible waivers or provisions which may be upon agreement of the parties. If any term or provision of this Agreement or the application thereof shall be deemed by a court of competent jurisdiction to be in violation of law or public policy, or otherwise unenforceable, then it shall be deemed modified, ipso facto, to bring it within the limits of validity or enforceability, but if it cannot be so modified, then it shall be excised from this Lease. In any event, the remainder of this Lease, or the application of such term or provision to circumstances other than those to which it is invalid or unenforceable, shall not be affected.
- b. To prevent windfall or unintended consideration, if any term or provision of this Lease is deemed invalid or unenforceable or enforceable only to a limited extent, the parties agree to negotiate in good faith to adjust any counter-performance, condition, or corresponding consideration.

§19.14 <u>Timing provisions.</u>

Time is of the essence in the performance of this Agreement. Unless otherwise specified, the term "days" means calendar days. If a deadline falls on a weekend or holiday then performance is due on the first business day of the recipient thereafter. Unless otherwise specified, performance is due by the later of 5 p.m. Reno, Nevada time or close of business of the recipient on the day it is due.

§19.15 Successors & Assigns. This Lease shall be binding on and inure to the benefit of the parties and their successors and assigns, except as may otherwise be provided herein.

§19.16 Attorney's fees and costs

If any party hereto institutes any action or proceeding (including arbitration, if authorized) against the other or others arising out of or relating to this Lease, attorney's fees and costs may be awarded to the prevailing party, as determined by or otherwise allocated at the discretion of the Court (or arbitrator).

§19.17 Recording of Memorandum of Lease.

The parties agree that this Lease shall not be recorded. If either party desires, a memorandum of lease shall be executed by the parties and recorded.

§19.18 Entire Agreement; Exhibits. This Lease, together with all addenda, exhibits and riders attached hereto, constitutes the entire agreement between the parties with respect to the subject matter hereof, and all prior or contemporaneous agreements, understandings and representations, oral or written, are superseded. All exhibits referred to herein are attached hereto and incorporated by reference.

Exhibit A Exhibit B Exhibit C			
IN WITNES	S WHEREOF, the Lessor and above written.	l Lessee have duly executed this Lease as of the	ie day
	MEADOWS WATER AUTH ant to a cooperative agreement to 1 County, Nevada, pursuant to 1	ORITY (TMWA), a Joint Powers Authority en nt among the cities of Reno, Nevada, Sparks, P N.R.S. Chapter 277	ntity Nevada
Ву:			
Lessor: WASHOE CO	OUNTY, a political sub-divisi	on of the State of Nevada, (COUNTY)	
Robert M. Board of C	Larkin, Chairman ounty Commissioners	Date	
Attest:			
Amy Harvey	, County Clerk	Date	
Approved as to RICHARD GA District Attorne	MMICK		
Ву			
Gregory A. S	alter, Deputy		

Ground Lease

Page 30

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Jacqueline Bryant
Clerk of the Court
Transaction # 6864867 : csulezic

EXHIBIT "16"

EXHIBIT "16"



Leo P. Bergin, Partner lbergin@mcdonaldcarano.com

Reply to: Reno

November 25, 2009

Truckee River Flood Management Project Attn: Naomi Duerr, Director 9390 Gateway Dr., #230 Reno, NV 89521

Re: Appriasals of 35 and 65 N. Edison Way

Dear Ms. Duerr:

Please be advised that I represent John DiFrancesco, the owner of 65 N. Edison Way, Reno, Nevada 89520. My client is very interested in selling his property to Truckee River Flood Management Project.

Due to all of the public information concerning this project, it is starting to have an effect on my clients ability to rent this project. Potential tenants are afraid that they will not be able to remain in the premises for any extended period of time. With this in mind, my client desires that you proceed with all disbatch to obtain the appraisals and necessary approvals for your organization to make an offer to my client.

If you have any questions concerning this project, please feel free to talk to myself or John DiFrancesco directly. We hope that this transaction can be completed in the immediate future.

Sincerely

Leo P. Bergin

LPB:mn 274018.1

c: John DiFrancesco

Greg Salter, Washoe County District Attorney's Office

100 WEST LIBERTY ST., 10™ FLOOR RENO, NEVADA 89501

P.O. BOX 2670, RENO, NEVADA 89505 775-788-2000 • FAX 775-788-2020 ATTORNEYS AT LAW



2300 WEST SAHARA AVENUE SUITE 1000 LAS VEGAS, NEVADA 89102 702-873-4100 FAX 702-873-9966

DiFrancesco 00293

EXHIBIT "17"

EXHIBIT "17"

Truckee River



Flood Management Project

June 24, 2010

Flood Project Coordinating

Robert Feron and Jacalyn Feron,

Committee

as Co-Trustees of the Robert Feron and Jacalyn Ann Feron Family Trust dated

January 31, 1989 as to an undivided 1/2 interest.

Voting Hembers Ron Smith, Chair Dan Gustin, Vice Chair Robert A. Cashell, Sr.

4890 Aircenter Circle, Suite 202

Reno, Nevada 89502

Robert Dickens, Ph.D. **Bob Larkin** David Humke

John DiFrancesco and Caroline A.DiFrancesco

as co-Trustees of the John DiFrancesco Trust under a Declaration of Trust dated

April 16, 1997 as to an undivided 1/2 interest.

Geno Hartini Ron Zurek

4890 Aircenter Circle, Suite 202

Reno, Nevada 89502

Hon-Voting Hembers

Re: Offer to negotiate purchase of property at 35 and 65 North Edison Way

Dear Mr. & Mrs. Feron and Mr. & Mrs DiFrancesco:

Shaun Carey, P.E. Franco Crivelli Donna Dreska John Flansberg, P.E. John Jadeson Dan St. John, P.E. ennis Hiller Burnham Hoffat lill Olsen

Washoe County, ("County") for the benefit of the Truckee River Flood Management Project, offers to purchase the fee simple interest in your property, described below under the following terms and conditions.

Dean Schultz Wayne Seidel, P.E. John Sherman Katy Simon

Description of Property

Director Haomi Duerr, P.G.

We are interested in buying an undivided fee title in two lots generally located on 35 and 65 North Edison Way in Reno, Nevada, more particularly described in the attachments to this letter, including two existing buildings which are believed to be approximately 184,345 square feet (gba) more or less, including two buildings with approximately 64 rentable units ranging from 576 to 1,100 square feet most of which are occupied by tenants, and all other improvements and fixtures located on the Property.

We will not be acquiring from you any tenant owned improvements, such as the antenna facilities owned by Reno Cellular Telephone Company under a lease agreement entered into in 1995.

Amount of Offer; Additional expenses to be paid

As explained below, under applicable law, we believe that the amount of "just compensation" for the property is:

US \$ 3,100,000 (THREE MILLION ONE HUNDRED THOUSAND US DOLLARS.)

Truckee River Flood Management Project @ 9390 Gateway Dr., #230 @ Reno, NV 89521 @ 775-850-7460 @ FAX 775-850-7453

www.truckeeflood.us

In addition, we would pay the following costs and expenses:

- i. <u>Closing costs</u>. We will pay all escrow fees, recording fees, transfer taxes, documentary stamps, evidence of title, boundary surveys, legal description of the real property and similar expenses incidental to conveying the real property to us, except that we will not pay your costs of perfecting your title to the property and providing title insurance.
- ii. <u>Penalties.</u> We will pay any penalty costs and other charges for prepayment of any preexisting recorded mortgages or deeds of trust entered into in good faith encumbering the real property;
- iii. <u>Property Taxes.</u> As the property will become exempt from property taxes on the day escrow closes, if you have prepaid any property taxes for any period after closing, you may recover directly from the Washoe County Treasurer any such prepaid real property taxes.

Terms and Conditions

- 1. <u>Purchase Agreement.</u> The acquisition would be subject to terms and conditions which would be negotiated and included in a purchase agreement. A <u>discussion draft</u> of such an agreement is included for you to review and discuss with us.
- 2. <u>Due Diligence.</u> This offer is conditioned on the completion of due diligence to the satisfaction of the County. The details of due diligence would be worked out in the purchase and sale agreement, and we would hope to conclude as much due diligence as we can during the negotiations and agenda scheduling period, so we can close as quickly as practicable. A good start would be for you to review the "Representations and Warranties" included (Attachments B-1 and B-2) in the attached draft purchase agreement.
- 3. <u>Title.</u> The County must be satisfied as to the status of title we would be getting, and will require title insurance.
- 4. Property Condition; Repair Holdback. The County must be satisfied as to the condition of the property prior to close of escrow. As we will continue to operate the buildings pending relocation of tenants and pending funding for future flood control improvements to be placed on the Property, of particular interest to the County is the condition of the buildings and meeting current local health and safety codes for ongoing commercial tenancy. An investigation as to the condition of the property will be conducted at the County's expense. If it is determined repairs are needed, they must be made prior to close of escrow or funds may be held back as provided in the draft agreement.
 - 5. <u>Environmental</u>. This offer is subject to and conditioned upon acceptable environmental compliance review, including soils conditions and the absence from the property of toxic or hazardous substances and any other kind of soil or water contamination, and to the grant of a right-of-entry to the County for the purpose of conducting a soils, toxic and hazardous substances investigation of the Property at County's expense. This offer is subject to modification depending on the results of that investigation.

- 6. <u>Undivided fee.</u> This offer is for the undivided fee interest of the Property and is conditioned on the satisfactory resolution of compensation due for the termination of any long term leases or other property interests on the Property.
- 7. <u>Leaseback.</u> We will acquire the property subject to all <u>existing leases and</u> we may also enter into temporary rental or leasing arrangements with new tenants pending construction of the flood control facilities contemplated for the property. Under Nevada law, we must first offer to lease space back to you before we can offer it to others under these temporary arrangements. We will discuss that with you as we negotiate the purchase and sale agreement.

Approval and Closing Process

If we successfully negotiate a draft purchase and sale agreement, it must be approved and funds must be appropriated by the Washoe County Board of County Commissioners in an open meeting before the agreement is binding on the County. Upon receiving an executed agreement, the item would be scheduled for Board approval at the next available Board meeting.

If the purchase and sale agreement is approved, we would open escrow with First American Title Company of Nevada and proceed to closing within the time frame agreed upon. We would pay cash at closing.

Tenants

Tenants who are lawfully present in the United States and are in lawful possession of units in the buildings at the time that this written offer is delivered to you may be eligible for relocation benefits from the County under state and federal law. We are required by law to provide notices to such tenants explaining their rights under the law, and we will ask for your cooperation. If a tenant moves out as a direct result of our making this offer to you, please notify us and we will determine if the tenant is authorized for relocation benefits.

Our acquisition will be subject to all existing leases and rental arrangements at the time of closing. It is not necessary (nor is it encouraged) for you to terminate any rental agreements or leases. Please encourage your existing tenants to remain in place pending the sale as we may ask them to stay on pending relocation.

However, we ask that you do not enter into any leases or rental arrangements with new tenants pending closing of the sale, and we may agree, on a case by case basis, to pay compensation to you for this holding period.

Explanation of "just compensation" and your rights.

Under NRS 342.105, the County is required to follow the provisions of the Federal Uniform Relocation Assistance and Real Property Acquisition Act of 1970, 42 USC §§ 4601 – 4655 and the regulations pursuant thereto which are codified at 49 CFR, Part 24. The amount of this offer is believed to be "just compensation" under 49 CFR 24.102 because it is the amount established by an appraisal of the subject property which we obtained from Robert Schiffmacher, a Certified General

35 & 65 N. Edison Way Offer Letter 4 of 5

Appraiser in Nevada who conducted the appraisal in accordance with the standards set forth in the 49 CFR 24.103. A copy of that appraisal is included with this offer.

As you can see in the appraisal, this "just compensation" determination is based on certain assumptions regarding title and condition of the property and does not include any adjustments for severance damages or project benefits.

As provided in 49 CFR 24.102, you shall have 30 days to consider this offer and to present to the County any material which you believe is relevant in determining the value of the Property and to suggest modifications in the proposed terms and conditions of the purchase. We will consider any information or modifications you present. If you choose to hire your own appraiser to do a new appraisal, you may do so, but please advise the appraiser that the appraisal must be prformed in accordance with 49 CFR 24.103 and related regulations. If you feel that the 30 day time period is not reasonable under the circumstances, please suggest a modification to this offer.

Contact Information

We have appointed the firm of Overland, Pacific and Cutler Inc. to be our acquisition and relocation specialist in this proposed transaction, and you may contact

Mr. Steve Harris Overland, Pacific & Cutler Inc. 8950 Cal Center Drive, Suite 102 Sacramento, CA 95826 (800) 385-0244 email: sharris@OPCservices.com

If you would like to present information or commence negotiations with us, please contact Mr. Harris within 30 days. If you do not do so, we will consider this offer as rejected.

If you have any questions, please call Mr. Harris, or you may call this office at (775) 850-7461, or Greg Salter, Deputy District Attorney at 775-337-5726.

Expiration of Offer

This offer expires on July 31, 2010. If we have reached a draft purchase agreement for approval by the Board of County Commissioners by that date, the offer will be extended to the meeting date scheduled for review and approval by the Board.

Sincerely,

Naomi S. Duerr, P.G.

Director

Truckee River Flood Project

EXHIBIT "18"

EXHIBIT "18"

DI FRANCESCO - FERON

65 No. Edison Way. Suite 14 Reno, NV 89502

August 16, 2010

Naomi S. Duerr Truckee River Flood Management Project 9390 Gateway Dr., # 230 Reno, NV 89521

Re: Offer to Purchase 35, 55 & 65 North Edison Way - dated June 24, 2010

Dear Ms. Duerr:

Thank you for your offer on behalf of the Truckee River Floor Project to purchase the subject property. Thanks also to Mr. Gregg Salter, Ms. Mimi Fujii-Strickler, and Mr. Steven Harris for meeting with us and the opportunity to have the entire appraisal to review with the offer.

Your offer is hereby accepted subject to the following changes:

Price: \$ 4,526,016. Please see the enclosed worksheet on the conclusion of value. We feel this price represents "just compensation" for the subject property. Included with this counter offer is our response to the appraisal submitted with the offer and our conclusion of value with supportive materials.

Please note under ii. Penalties there are no loan pre-payment penalties.

Term and Conditions:

Property Condition: All mutually agreed upon repairs will be completed prior to close of escrow. Because the intent of the purchase is for near term and eventual demolition; the scope of the repairs would be narrow and limited to short term tenant occupancy. Prior to the close of escrow we will perform our annual preventative roof maintenance procedure on the entire roof of both buildings. No guarantee on this work is included; however in addition we will provide a credit for one year of roof repair/maintenance in the amount of \$7000. This amount will be more than enough to get through the winter months. As I mentioned in another section of our response; the roof on 35 N. Edison Way is at or beyond its service life. The roof on 65 N. Edison is in very good condition. With regular maintenance it would last another 20 years.

Undivided Fee Title: This property sale is not conditioned on negotiations to terminate any long term leases. Because of the corporate nature of AT&T and Cricket and the multi faceted aspects of the cell tower improvements and cell tower operations these negotiations will be difficult and protracted. If the sale were conditioned on these negotiations we could not plan on any reasonable or reliable closing date. This also presents a problem with a buyer initiating lease terminations agreements before escrow was closed.

Rights to Cell Leases: We are willing to keep the rights to the cell tower leases and adjust the sales price accordingly. We would require the right to add other cell users to the tower with approximately 10,000 sq.ft of land space near the tower. The details would be worked out in the formal purchase agreement.

Leaseback: We would like to keep unit # 14 in 65 N. Edison Way and the small fenced yard area at 55 N. Edison for a period of 90 days, rent free after close of escrow. We would waive the lease back requirement on all other spaces.

Prepaid Rents and Security Deposits: All security deposits and prepaid rents will be credited to Buyer in escrow.

Escrow Closing: Escrow to close no later than December 31, 2010. Tax law and tax rates are set to change at the end of the year. This could affect our decision to sell if the sale is delayed.

Tenants:

Rental agreements: Not to lease vacant units during the due diligence and escrow period goes against our very nature and professional DNA. The sale being conditioned on governmental agency approvals adds even more layers of uncertainty to the successful closing of escrow.

We would have to have a rental agreement with the buyer that would immediately start paying rent on any and all vacant units when they become vacant. Rent would be paid monthly and prorated if a unit was open mid month. In the event the sale was cancelled for any reason, rent would continue until we re-rented the unit to a new tenant. We are concerned about having multiple vacant units and a sudden cancellation of escrow.

New Pending Cell Tower Lease: Verizon has contacted us and wants to reinitiate the lease agreement on the Cell Tower and site use, on a fast track basis.
Their letter of intent will be provided in the near future. This situation adds
another layer of complication to our negotiations. If the decision to move the
tower is finite without chance of reversal, another lease will add even more costs
to relocation of the tower. Obviously, it would be advantages to the buyer not to
have a lease signed at this stage of negotiations. In the spirit of cooperation and
helping the buyer conserve resources, we would agree to delay signing a lease
agreement with Verizon pending a near term resolution of the terms and
conditions of this counter offer.

We have included the lease valuation as part of the counter offer price. This situation reinforces our opinion that the subject property has immediate "value added" capabilities.

Just Compensation: We strongly reject Mr. Schiffmacher appraisal as representing "just compensation". The appraisal's approach is deficient for not presenting vital information about the subject with the appropriate adjustment in value. The three sales comps presented are irrelevant and are not comparable to the subject. The analysis of key facts about the three comparable properties is flawed. It relies on conjecture, with weak or invalid support information. It uses the wrong approach to valuation of the subject because of the paucity of comparable sales and no valid local market cap rate support. Therefore its conclusions are incorrect and without market support. Please review our detailed comments regarding said appraisal in the appraisal review section.

Owner's Conclusion of Value:

We have provided substantial information and evidence to support our conclusion of fair market value and "just compensation." Please review the information carefully if you do not concur, we are open to your presentation of other supportive materials and modifications to our conclusions. This does not have to be in another "Yellow Book appraisal form"; however if these discussions become protracted (more than 90 days) and we have not entered into a binding agreement; we reserve the right to adjust our price and opinion of "just compensation."

Note of Explanation: We may be immediately investing some of our proceeds in the purchase of replacement property. If prices increase and this sale is not valued at market we would be at an unfair disadvantage. We have seen real estate markets rebound quickly, especially when interest rates are very low. Historically we should be at or near the end of the down real estate cycle.

Relocation of Tenants: Provided the tenants agree, we would have first right for relocation of the tenants to either, other properties which we own or outside properties, acting as tenant's agent.

Severances and project benefits: In the context of the "just compensation" if it is determined there should be compensation for other aspects of this transfer of title or sale; and there needs to be re-classification of benefits or severance, we are open to those modifications.

Disclosures: John Di Francesco is a licensed real estate broker in the States of Nevada and California. Bob Feron has an active real estate broker's license in the State of California and an inactive license in the State of Nevada. The sellers are acting as Principals on their own behalf and their respective family trusts. Buyers agree to acknowledge that they are represented by legal council and its own representatives in this transaction. There is no cross agency or implied dual agency by either the sellers or buyers or their representatives. No sales commission is included in this transaction.

Proceeding: After you have had opportunity to review this counter offer and all the comments on the appraisal and our supportive materials; we would be happy to meet to discuss any modifications or direction to conclude a transfer of title to the Flood Project. Our suggestion would be that the current "Yellow Book" appraisal be amended to our suggested "approach to valuation and conclusion of value" and that we move forward in a timely manner.

Time is of the Essence: As with your offer, this counter offer is valid for thirty days from August 17, 2010. However if you could let us know as soon as possible if you are going to proceed with negotiation or not proceed at this time; it would be helpful with our direction with the Verizon lease. If you wish to proceed and need additional time to respond please let us know and we will be flexible to extend our response date.

Sincerely,

John Di Francesco

Bob Feron

35 & 65 No. Edison Way Reno, NV Owner's Comments regarding Appraiser's Data and Assumptions. Improvements Not Installed

Income Potential Constrained by the Impact of the Flood Project

Because of the contact by the Truckee River Flood Management Project in July 2006 and several personal visits by Mr. Doug Dubois along with the purchases of the all other buildings on N. Edison Way, the land to the east and west of our project, and all the news articles in the paper, we have been expecting that a sale or exchange would have been commenced on the subject in late 2006 or early 2007.

Because of this reasoned expectation there were three major improvements that we would have done on this project and decided not to do. 1) We would have installed a new roof for 35 N. Edison Way. 2) We would have also installed individual gas meters for the units on 35. Because the gas lines are run above the roof, the roof installation would have happened first, then the gas lines. 3) We would have secured an area approximately 1.3 acres and started renting Boat and RV storage. Emigrant Storage on Longley has over 300 units (RV's) in storage. We would price our storage 20% less than theirs until we were 90% rented. I have included an exhibit to demonstrate the income potential form storage.

Annually our preventative roof maintenance is normally \$ 2000 to \$ 3000. In winter 2005/06 we spent about \$ 8000 for repairs and maintenance. Winter 2007/08 we spent about the \$5000. The winter of 2009/2010 was a particular harsh year for the roof and again we spent about \$8,000.

We had several snow falls on the valley floor and long periods without sunshine and low temperatures. Our preventative roof maintenance was

helpful, but not totally effective because with snow on the roof and slowly melting during the day the water finds every possible leak. Temperature swings of 30 to 40 degrees between day and night caused major expansion and contraction. At night water froze between layers of the roofing material and leaks happen again the next thaw.

I noticed that the County was having similar problems with the other roofs on N. Edison Way and even had Alpine roofing out to work on the former Excel building.

A new roof would cost us approximately \$150,000 and the gas meters and gas line piping would have cost approximately \$65,000. We were conflicted with this dilemma because there is economic value in doing the install, however a huge waste of time and resources if the building were going to be demolished. We refinanced the project in 2006 and had ample funds available for these improvements. If you look at the rent roll the differences in the rent per sq. ft. is insignificant between 65 N. Edison and 35 N. Edison.

Building 65 tenants pay their own gas bill on individual meters. In building 35 the tenants have their gas bill paid as part of their rent because those units are on a Master gas meter that covers most of the industrial units. The offices in the front are the exception. We have found it extremely difficult to bill the tenants for gas usage in the industrial units, some tenants use almost no gas for just storage others use gas 24/7. It is also a psychological dilemma. Most tenants do not think they use that much gas and without meters it is difficult to tell. The industrial units are underpriced and rents are below market because gas is included with the unit. Another interesting fact; we have never had a tenant ask to move from building 65 to building 35 to save the gas usage expense.

Our Net Income would be increased by \$ 8000 savings on roof maintenance and about \$ 32,000 on the gas bill; for a total increase of \$ 40,000. The return on investment of \$215,000 would have been 18.6% annually. With the net income increased by \$ 40,000 the increase valuation would be between \$500,000 and \$600,000 higher. In addition conservative projection of the net income from the storage would have been \$ 44,550. Again at a conservative 11% cap rate; that also would

have added \$ 400,000 to the value. It appears this decision saved the County at least that much money less the land value at 55 N. Edison.

The Uniform Appraisal Standards for Federal Land Acquisitions does not allow for added valuation based on projected income even if consistent with the highest and best use. We have not attempted to do this.

It is generally recognized that it is improper to appraise the market value of a property, for federal acquisition purposes, by capitalizing the net income from a non-existent, hypothetical improvement proposed as the highest and best use for the subject land, and then deducting for development costs of the hypothetical improvement. 183

The decision not to make these improvements cost us approximately \$ 1,000,000 in gross valuation. With an estimated cost of \$ 300,000 it appears we have about \$ 700,000 net valuation as "value added potential" just from these three items. Add to that the Verizon lease and you have another \$ 105,000 in "value added" potential.

The fact that we are long term real estate investors, successful real estate developers, John is a commercial real estate contractor, we are our own property managers and John 's company Nevada Industrial Brokerage would be renting the space; these are very realistic projections and highly probable in its achievement.

These facts demonstrate two things. 1) At this "moment in time" the Seller's loss of approximately \$700,000 value would be the Buyer's gain.
2) The subject Edison property has substantial "value added potential".

35 & 65 No. Edison Way Reno, NV Owner's Comments regarding Appraiser's Data and Assumptions.

Income & Negative Impact of the Flood Project

We were reviewing the income patterns over the last twelve years and the trend has been a steady annual increase in gross incomes of approximately \$ 20,000 per year until the last two years.

Income reached its peak and our all time high in 2007 with \$ 466,881 of Effective Gross Income. In spring 2006 the Truckee River Flood Management Project started entering into escrow to purchase the other multi-tenant buildings on N. Edison Way. The first building closed in May and another following in August 2006 and the last two closed in May of 2007.

In reference to the first acquisitions of 85, 105 & 195, what appeared to have happened with regard to the tenants during the escrow period, many were told to leave or leases were not renewed. From second hand accounts it appeared that the Flood Project had not implemented a plan for relocation under the Federal Uniform Relocation Assistance Act. Rumors and media information were wildly incorrect and many of our tenants were concerned the same treatment would happen to them.

Television camera crews always seemed to park their mobile broadcasting trucks on our property, and film our project when talking about the buildings being cleared for the Flood Project. One of our tenants, Rosemary Lewis, the owner of White Lotus, 35 N. Edison Way #1; was watching the news one evening and the cameras were pointed directly at her sign on the canopy above her entrance. She received several calls from her employees and customers asking if they were going out of business.

Our first contact with regard to selling our project was made in person with Ms. Becky Stock with the Nevada Land Conservancy, in July, 2006. Included here is a copy of my letter to Ms. Stock which