

Term Sheet: Master Ground Lease at Sky Tavern

<i>Parties</i>	<p>Lessor: City of Reno (the “City”)</p> <p>Lessee: Sky Tavern, a Nevada nonprofit corporation (“Sky Tavern”)</p>
<i>Premises</i>	<p>The approximately 143 acres of real property commonly referred to as 10000 Mount Rose Highway (APN: 048-050-03), as more fully described on Exhibit A attached hereto and incorporated herein by reference (the “Real Property”), together with all appurtenances thereto, including without limitation any water rights.</p>
<i>Improvements and Personal Property</i>	<p>City presently owns the following improvements:</p> <ul style="list-style-type: none"> • Lodge, maintenance building and related fixtures and systems (the “Buildings”) • Water System and (upon completion) water tank and fire suppression system and related equipment (collectively, the “Water System”) <p>Sky Tavern presently owns all other fixtures, equipment and improvements to and on the Real Property (including without limitation those described on the attached Schedule), which may be removed on termination, including, without limitation</p> <ul style="list-style-type: none"> • All equipment and personal property • Ski Lifts
<i>Ground Lease</i>	<p>City would lease the Real Property, including a license to utilize the Water System, to Sky Tavern for the Term (as defined below) (the “Lease”), and would execute the Bill of Sale (as defined below).</p>
<i>Term</i>	<p>Initial term of 30 years, subject to two-time extensions as follows (the “Term”). On the fifth anniversary of the Effective Date of the Lease, the City would review Sky Tavern’s compliance with (a) the terms of the Lease, and (b) the Use Restrictions and Operational Milestones (each as defined below). Upon City’s good faith determination of Sky Tavern’s compliance, the term of the Lease could be extended for an additional ten years. On the tenth anniversary of the Effective Date of the Lease, the term of the Lease could be an extended for an additional ten years, with the City’s review Sky Tavern’s compliance just as the fifth anniversary of the Effective Date.</p>
<i>Use Restrictions</i>	<p>The property shall be used by Sky Tavern solely in connection with the operation of a year-round community recreation and event center offering, directly or through partners, (by way of example and not requirement) various events, activities and programs, including winter sports, bicycling, hiking, concerts, classes and seminars, camps, hosting weddings and events, and other uses as determined from time to time by Sky Tavern in its sole discretion.</p>

<p><i>Operational Milestones</i></p>	<p>On an annual basis, preferably to occur in July, Sky Tavern would provide an annual report to City Council and Recreation and Parks Commission (the “Annual Report”), and would be required to conduct fundraising activities in good faith, including (a) conducting no less than two annual events or campaigns designed (in whole or in part) to raise funds for the center or its programs or raise community awareness, and (b) applying for no less than two grants for the center or its programs (the “Operational Milestones”). The annual report shall, at a minimum, include information on the following:</p> <ul style="list-style-type: none"> • financial information <ul style="list-style-type: none"> ○ revenues, expenses, and reserves • program information <ul style="list-style-type: none"> ○ number of participants (including details on residents, low income, and volunteer hours) • capital improvement plan and improvements made • overview of fundraising activities
<p><i>Early Termination</i></p>	<ul style="list-style-type: none"> • Except as otherwise expressly provided, termination by City for cause upon a default by Sky Tavern of the terms of the Lease, provided that City provides written notice of such default to Sky Tavern and Sky Tavern fails to cure such default within 60 days of such notice, or if such default cannot be reasonably cured within such period, Sky Tavern’s failure to pursue a cure within such 60 day period and diligently pursue it to completion. • Termination by City for cause upon Sky Tavern’s reporting of a zero balance in reserve funds (as opposed to operating funds), which Sky Tavern shall be required to timely report and disclose to City in good faith, provided that City provides written notice of such default to Sky Tavern and Sky Tavern fails to cure such default within 60 days of such notice, or if such default cannot be reasonably cured within such period, Sky Tavern’s failure to pursue a cure within such 60 day period and diligently pursue it to completion. • In addition to the foregoing default provisions, any of the following events would result, at the City’s election and in its sole discretion, in an immediate termination of the Lease and reversion to City of the property conveyed pursuant to the Bill of Sale: 1) any legal judgment is entered against Sky Tavern a) due to Sky Tavern’s intentional misconduct either in breach of a material duty owed by Sky Tavern to a customer, participant or invitee of Sky Tavern, or for other intentional misconduct that would reasonably have a material adverse effect on the future operations of Sky Tavern, or b) in an amount materially in excess of its insurance coverage for which adequate reserves have not

	<p>been established or payment thereof has not otherwise been provided for by Sky Tavern; 2) Sky Tavern’s failure to take reasonable steps to prevent the use of the Real Property (and the Building) in connection with the commission of a crime that could result in forfeiture of any of the Property under Chapters 453 and 179 of Nevada Revised Statutes or any other similar law relating to forfeiture of property used in connection with a crime. The Lease would automatically terminate (and the property conveyed pursuant to the Bill of Sale would automatically revert to City) if legal proceedings commence for the forfeiture of Property under Chapters 453 and 179 of the NRS, and such proceedings are not dismissed within 60 days; 3) any assignment, sublease or other change in the primary operator of the Real Property, provided that Sky Tavern may create separate nonprofit corporations for the operation of specific programs; 4) Sky Tavern dissolves; 5) Sky Tavern declares bankruptcy; and/or 6) if a director, officer or supervisory employee of Sky Tavern is convicted of, or pleads nolo contendere to, a felony or other crime specified in Chapters 200 or 201 of the Nevada Revised Statutes involving a minor as a victim, and the City elects, in its sole discretion, to consider said conviction or plea for immediate termination.</p> <ul style="list-style-type: none"> • Termination by Sky Tavern with cause on 1 year notice.
<i>Rent</i>	\$1.00 per year
<i>Additional Rent</i>	Net Lease: Sky Tavern pays all property taxes (which shall be exempt under NRS 361.140), insurance and utilities (including the domestic water system).
<i>Maintenance & Reports</i>	<p>Sky Tavern shall maintain the Real Property and Buildings in good condition and repair, ordinary wear and tear and pre-existing conditions excepted.</p> <p>City to operate and maintain, at its cost and expense, the portion of the Water System located outside of the Building, including the water tank, fire hydrants and related improvements; Sky Tavern to operate and maintain, at its cost and expense, the portion of the Water System located within the Building, including its fire suppression system.</p> <p>The Real Property and Buildings would remain subject to annual inspection by the City.</p>
<i>Insurance</i>	Sky Tavern will maintain a policy of commercial general liability insurance on the Property, including any endorsements required for programs conducted by it (winter sports, biking, etc.). Sky Tavern will maintain property insurance on the Buildings and other improvements to the Real Property (except the Water System).

	<p>City will self-insure or maintain a policy of property insurance on the Water System.</p> <p>Sky Tavern will name the City as additional insured on the foregoing policies.</p>
<i>Bill of Sale</i>	<p>In connection with the execution and delivery of the Lease by the parties City would convey the Buildings and all other fixtures and improvements to the Real Property (other than the Water System) to Sky Tavern once all improvements to Water System have been completed and signed off by all relevant governmental entities. The Bill of Sale form would be approved at same City Council meeting as the Lease; however, it would be executed once all conditions precedent have been met. The Buildings and all other fixtures and improvements would revert back to the City upon the termination for any reason of the Lease.</p>
<i>Reports</i>	<p>Prior to the execution of the Lease, and every five years after the execution of the Lease, preferably to occur in July, Sky Tavern would conduct and update, at its cost and expense, a reserve study detailing the useful life and replacement and repair costs and timelines for the Buildings and other improvements to the Real Property and their components.</p> <p>City and Sky Tavern would split the cost of a preliminary title report for the Real Property, provided that if Sky Tavern elects to obtain a leasehold policy of title insurance, Sky Tavern will pay for the cost thereof in connection with the Policy.</p>

This Term Sheet shall be non-binding, does not constitute a formal and binding offer and does not create any legal rights or obligations between City and Sky Tavern or any obligation to proceed with negotiations. It is intended that any and all legal rights and obligations between the parties will come into existence only when a final definitive agreement is executed and delivered by both parties.