LAW OFFICES
WOLF, RIFKIN, SHAPIRO, SCHULMAN & RABKIN, LLP

Michael T. Schulman
mschulman@wrslawyers.com

RN5034-011

October 14, 2016

VIA ELECTRONIC MAIL AND U.S. MAIL
garmstrong@usgeomatics.com

Somersett Golf and Country Club
c/o Glen Armstrong, President
2019 Championship Trail
Reno, NV 89523

Re: Somersett Owners Association (the "Association")
Lease between Association and Country Club (the "Lease")

Dear Glen:

As you know on or about February 25, 2015, the Association and Somersett Golf and Country Club, Inc. (the "Club") entered into that certain Commercial Lease (the "Lease") regarding the lease of the golf course property from the Association to the Club. Such lease was executed in connection with the Association's purchase of the land comprising the golf course from the Club with an agreement to lease it back to the Club.

I worked closely with you with respect to the lot line adjustment relating to the lot on which the Club is going to build its clubhouse. You and the Club treated that in an extremely cavalier fashion as if it were not a legal transaction that needed to be handled by attorneys. You felt that you could push the lot line adjustment through without much involvement from the Association or its representatives. The Association is a corporation and the board members owe a fiduciary duty to all of the members of the Association. Also, as readily became apparent in the lot line transaction, there was an issue regarding assessments due to the City of Reno relating to part of the property that was being adjusted by the lot line adjustment. It was extremely important for the Association to have counsel involved and to obtain title insurance to ensure that the Association would not be responsible for any portion of the assessment due on the property.

What was vexing with respect to that transaction was your attitude. Unfortunately it appears that such attitude continues in that you treat the legal documents executed between the Club and the Association as mere inconveniences and you continue to operate the Club as if it owned the golf course property. This is not acceptable to the Association. This letter is written in order to resolve some differences and to obtain assurances from the Club that it will abide by

3556 E. Russell Road, 2nd Floor, Las Vegas, Nevada 89120-2234
Tel 702.341.5200 Fax 702.341.5300
www.wrslawyers.com
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the terms of the Lease in the future. It is also written to remind you of some of the Club's duties under the Lease and the Purchase Agreement. Finally, it is written to provide you formal notice that the Club is in default under the terms of the Lease. The defaults include the following:

1. Failure to notify the Club that a water pump became inoperable or to repair the pump immediately;

2. Failure to maintain the driving range;

3. Failure to notify the Association of alterations to be performed prior to their commencement and failure to obtain the Association's consent thereto;

4. Failure of the Club to train Association staff with respect to the pumps and related irrigation system.

5. Failure to provide back-up information on the billing for water and electricity use on the Canyon Nine golf course.

As stated above, it has come to the Association's attention that the Club is making certain alterations on the well lot. The Association is surprised and disappointed that the Club did not abide by the terms of the Lease, which provide in Article 7, that before the Club, as the tenant, under the Lease can make alterations, the cost of which exceed $5,000.00, the Club must obtain the Association's consent thereto, which consent may not be unreasonably withheld. The reason the Association is so disappointed in the actions of the Club is this is the second time that the Club has made substantial alterations without advising the Association. When the Association advised the Club of the Club's breach of the Lease for failure to advise the Association of its changes to the pump and the election not to protect the assets of the Association by watering the driving range, the Club promised to provide the required notices for any changes or alterations to the golf course property in the future. Unfortunately it is clear that the Club was merely paying lip service to the Association.

Additionally, when the Association discovered the alterations were being made, the Club represented that it would conclude the alterations by mid-October. It appears the Club has ceased work on the project at this time. Pursuant to the terms of the operative agreements the Club has 30 days to cure defaults under such documents. This will serve to notify you that the Club has 30 days to cure such defaults. This will serve also to notify you that if the Club does not conclude the alterations by October 21, 2016, then the Association's ability to complete certain landscaping will be adversely affected and the Association will look to the Club for damages.

With respect to the training due from the Club, the Club is required to provide training to the Association's representatives in how to utilize the water pumps in the pump house. The Association advised the Club on at least three separate occasions that the Club needs to fulfill this duty under the Lease. The Association advised the Club which Association staff members the Association wanted the Club to train in early 2015. It is our understanding the season for drawing water from the Truckee River may have ended. If that is true, the Association demands that the Club provide the Association with a full outline of the Club's proposed training program within 30 days of your receipt of this letter. The Association will either accept or reject such proposed plan within 30 days of the Association's receipt thereof. If the Association rejects the program, then the Club shall work with the Association to agree on a training program within 75 days of the date hereof. The training program must be provided by the Club to the Association's representatives within 30 days of the commencement of the beginning of the season in 2017 when the Club may commence drawing water from the Truckee River. The training program must include:

1. Teaching of operation of all pumps;

2. Teaching of operation of all pump houses;

3. Teaching of operation of all wells; and

4. Teaching of operation of any other equipment that is part of the irrigation system for the Club golf course and the Canyon Nine.

Representatives of the Club should contact Ryan Dominguez, the manager of the Association, to confirm which parties will be taking the training on behalf of the Association.

Additionally, the Club has a duty to provide the Association with sufficient information for the Association to determine the amount of water and electricity being used in the maintenance of the par 3 course (the "Canyon Nine"). Section 5.1 of the Water Facilities Agreement requires the Operating Manager to provide supporting back up data and copies of utility bills sufficient for each party to determine the propriety of the billing. The Club is presently the Operating Manager. Despite numerous requests for sufficient information to determine the amount of water and electricity being used to maintain the Canyon Nine, no sufficient information has been provided to the Association. This will serve as a demand for such information no later than 30 days after the date hereof. If such information is not provided by such date, the Association will review its options, including pursuing its rights to have the relevant documents audited. If necessary, the Association will step in as the Operating Manager.

If the Club has not met its obligations as set forth herein by 30 days from the date hereof, and/or if the Club fails to meet any of its additional obligations pursuant to the Lease, then the Association will take legal steps to enforce the Lease. If the Association has to do so, the Association will seek to recover any and all attorney's fees it incurs. Ultimately, as I have stated elsewhere in this letter, if the Association is forced to seek our advice on a regular basis to ensure that the Club, as the tenant, complies with the terms of the Lease, ultimately the Association will take steps to terminate the Lease. Hopefully the members of the board of directors of the Club will take this letter seriously and begin to fulfill the obligations of the Club under the Lease. The Association did not enter into this transaction lightly. The Association certainly did not enter into the transaction so that the Club could obtain financing for its clubhouse and flaunt its duties under the Lease.

The Association does not want to have to expend money and time inspecting the golf course on a regular basis, however, if the Club fails to abide by the terms of the Lease and obtain consent to alterations to the golf course prior to moving forward therewith, the Association will do so. I understand from conversations you had with Susan Novell, the president of the Association, that you do not want the Association "looking over the back of the Club every time the Club does something." The Association is not interested in how the Club members, including you, feel with respect to the terms of the Lease. The Association is going to enforce the terms of the Lease and it is going to act as a landlord and exercise any and all rights it has under the Lease. The Association will expect the Club to fulfill its duties and obligations under the Lease and if it does not, the Association will exercise any and all rights it has with respect thereto.

Finally, there seems to be some confusion among Club members about the terms of the Lease and the duties of the Club to repair, replace and/or maintain the land and related improvements being leased to the Club by the Association. In the Purchase Agreement, the Club provided the Association with a four (4) year warranty on the assets being transferred to the Association. The warranty was to protect the Association in case any of the assets failed or needed major repair and replacement. The four (4) years was agreed to as a compromise, to protect the Association should it have to terminate the Lease during such 4 year period. Section 8.1 of the Lease provides, in pertinent part, the following:

> "Tenant shall (at is sole expense) promptly and diligently repair, restore and replace as required to maintain or to remedy all damage and deterioration of all or any part of the Premises or Tenant Property…"

For some reason certain Club members think the Association which is receiving minimal rent ($1,000 per year) has the duty to maintain, repair and replace the leased property during the term of the Lease. The Association does not have that responsibility, the Club does. Please

advise Club members of this concept and please make sure the Club fulfills its duties during the term of the Lease.

The Association hopes this will be the last letter that I have to write to you reminding you that the Club has to abide by the terms of the Lease as a tenant and that the Club cannot continue to act as if it owns the golf course and with no respect for the Lease. As stated above, it is the Association's intention to act as a reasonable landlord, but that requires that the Club, as the tenant, to act reasonably and fulfill its obligations under the Lease.

The foregoing is not intended as a waiver of any of the Association's legal rights and remedies, all of which are hereby expressly reserved.

Very truly yours,

WOLF, RIFKIN, SHAPIRO, SCHULMAN & RABKIN, LLP

MICHAEL T. SCHULMAN

MTS:nrm

cc: Board of Directors, Somersett Owners Association
c/o Ryan Dominguez (via email)