

LETTER OF INTENT
FOR THE PURCHASE OF
REAL PROPERTY

September 24, 2015

Friends of ArrowCreek, LLC
c/o Rew R. Goodenow
50 West Liberty Street, Suite No. 750
Reno, NV 89501

**Re: Letter of Intent to Purchase Real Property
Reno/Washoe County**

Dear Friends of ArrowCreek, LLC:

I am authorized to present this proposal to Friends of ArrowCreek, LLC (hereinafter referred to as "FOA"), on behalf of ArrowCreek Homeowners' Association (hereinafter referred to as "ACHOA"), for the option to purchase the property identified herein, hereinafter referred to as the "Subject Property" and further defined below, for total sum of three million, three hundred thousand dollars (\$3,300,000), to ultimately be reflected in a PURCHASE AGREEMENT, and specifically with a lease-back option to commence immediately upon such sale to be reflect in the Lease as further described herein.

1. The Parties:

Seller: FOA, with contact information as follows:
Address: 50 West Liberty Street, Suite No. 750, Reno, 89501
Telephone: (775) 323-1601

Buyer: ACHOA, with contact information as follows:
Address: 10509 Professional Circle, Reno, Nevada 89521
Telephone: (775) 626-7333

Buyer may assign their interest to any corporation, partnership or limited liability company in which they are the controlling party or to any other third party without Seller approval.

2. The Subject Property:

ACHOA will purchase all land under the 36 hole golf course. FOA will break up parcel 152-021-03 (the parcel enclosed by ArrowCreek Parkway) to create two additional parcels to include the clubhouse, the driving ranges and maintenance buildings and a limited amount of land for future expansion of facilities. A parcel for the pump house will be created from parcel 152-443-22. These three new parcels will not be purchased

by the ACHOA. ACHOA and FOA will equally split the cost of redefining the parcel(s) related to the sale of the property.

3. Purchase Price

Seller will purchase the Subject Property from Buyer for the total sum of three million, three hundred thousand dollars (\$3,300,000). Subject Property will be free and clear of any taxes or penalties and SAD to be paid off at or prior to settlement by the FOA.

4. Lease Back Terms

ACHOA will lease the Subject Property to FOA for a twenty-five (25) year initial term, with three (3) ten (10) year renewals, at lessee's sole option ("the Lease").

The Lease rate will be twenty-thousand dollars (\$20,000 per year), fixed rate for five (5) years. The rate will be adjusted by the Reno-Sparks CPI for the previous year, and each five (5) years thereafter. The road usage charge will be eliminated.

The Lease will be assignable as long as the property continues to be operated as a golf course.

The Subject Property may only be operated as golf course for the tenancy of the Lease.

5. Improvements to FOA-owned Parcels

FOA may make any improvements on their owned parcels (for example, Clubhouse expansion, pools, tennis courts), conforming to Washoe County zoning requirements and building standards, without seeking the permission or approval of the ACHOA. The design of these improvements will be consistent with the current architecture of the Clubhouse and the general architecture of the ArrowCreek community.

6. Improvements to Subject Property during the Lease

FOA is free to change the golf course (tees, fairways and greens) and alter the cart paths without ACHOA permission or approval, although cart paths should be built to the same standards as the current paths. FOA is solely responsible for the cost of any such changes. FOA cannot build structures other than restrooms or snack facilities unless the ACHOA reviews and approves. FOA is responsible for the construction cost and ACHOA will add the asset to its Reserves if appropriate.

7. Maintenance

Excluding those items which will be added to the ACHOA Reserves ("Reserve Assets"), FOA is responsible for repairs, maintenance and replacement of any equipment and infrastructure on the leased property. For those items which are designated Reserve Assets, the ACHOA will accrue reserves and repair or replace those items as needed and in coordination with the FOA. FOA agrees to maintain these Reserve Assets with reasonable diligence, for example regular cleaning and servicing of restrooms. Reserve Assets include cart paths, bridges, viaducts/tunnels, restrooms, major irrigation water supply lines larger than 2" and sewer lines.

8. Fire Fuels Management

FOA and ACHOA will be responsible for fire fuels management on their owned property. This includes initial fire fuels mitigation and fire fuels maintenance.

9. Shared Use of Storage Parcel

Parcel 152-471-11 (commonly known as "the pit") will be jointly and cooperatively used by the FOA and the ACHOA for storage of material and equipment.

10. ACHOA Access to Subject Property

ACHOA will have access for fire fuels management, drainage issues or other necessary maintenance on Subject Property during the Lease. ACHOA will coordinate with FOA to minimize business impact.

11. Access to HOA Maintenance Building

As part of the redefinition of parcel 152-021-03, FOA will grant the ACHOA permanent access to ACHOA's Maintenance Building, parcel 152-472-03, via the existing driveway from ArrowCreek Parkway which services the FOA's golf course maintenance building

11. Insurance

FOA will provide primary insurance coverage on the Subject Property, and coordinate its insurance coverage with the ACHOA. FOA and ACHOA will mutually indemnify each other, and hold each other harmless in the event of a lawsuit.

12. Sale of FOA-owned Parcels

In the event of potential sale of the FOA-owned parcels to an entity who will no longer operate a golf club and course, the ACHOA has the option to match or better any reasonable offer and purchase the property. The FOA must notify the ACHOA within 10 days of any confirmation of an interested buyer of the business or property. Once the

offer has been received, the ACHOA will have thirty (30) days to inform the FOA if they will ask the homeowners to approve a matching offer and, should the ACHOA decide to move forward with the vote, they will have ninety (90) days from the date of the offer to conclude a vote and make a formal offer to the FOA.

13. Downsizing Golf Course

In the event of financial necessity, FOA can downsize the course to 27 or 18 holes. "Financial necessity" must be demonstrated and parties will agree to the judgement of an independent auditor (details to be worked out). The FOA will agree to do the maintenance and water the courses should they have to make part of the course dormant. It is not the FOA's intention to bring any of the course dormant, but should the necessity arise, the FOA will invoice the ACHOA for the costs to do so, up to a not to exceed amount of \$160,000 per 9 holes annually through 2018. Starting in 2019 the not to exceed price of \$160,000 will be adjusted (up or down) annually by the Reno Sparks CPI (Consumer price index) for the term of the lease(s). The description per nine (9) holes is from the Tee through the Green and dormant means having the ability to bring the course back to a playable condition. The HOA will keep the property in a dormant state for one year, during which time the HOA will determine the future use of the property. If the HOA should decide that it will begin to modify the property after one year, or its maintenance is such that it can no longer be used as a golf course, the HOA will notify the FOA 90 days prior to undertaking that action. HOA and FOA may then negotiate a new lease agreement if the FOA decides to resume expanded golf operations to 27 or 36 holes.

Financial necessity includes insufficient funds to provide working capital; pay tax assessments; payment of debt service (if any); provide a reserve for capital repairs and replacements; and a reasonable return on and of investment to equity shareholders. Reasonable return to be based on a similar investment in a golf operation. It will not require insolvency (reorganization or bankruptcy) to meet the standard of "financial necessity". In other words, the downsize may be necessary to achieve reasonable business practices that are fair to investors. Their capital should not be tied up in perpetuity if the business cannot support 36 holes.

14. Bankruptcy

The FOA will notify the ACHOA sixty (60) days prior to filing any bankruptcy. The ACHOA will have first right of refusal to purchase the assets of the FOA and we will negotiate a purchase price for the FOA's three (3) new created parcels and buildings.

15. Membership Cooperation

ACHOA will instruct the ACHOA's management company to provide FOA club literature as part of the new Homeowner's package provide to each new homeowner prior to closing.

16. Access to the Club at ArrowCreek

Non-Resident Members, Guests and tournament players shall have unrestricted access to the club and golf course as long as FOA is not in default (with 30 day cure period), and the FOA cooperates with ArrowCreek Security to insure effective access procedures.

17. Contingencies

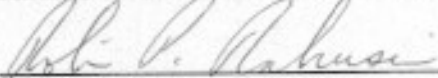
The signed Purchase Agreement must be executed no later than six (6) months from the date of this LETTER OF INTENT, or at a later date to be agreed upon in writing by the Parties. The close of escrow will take place no later than six (6) months after execution of the Purchase Agreement. This LETTER OF INTENT will be subject to ACHOA Member approval of the purchase, funding and changes to the ACHOA governing documents. As part of this agreement, the "road use fee" payment will be eliminated and corresponding to that, the FOA's voting rights will also be eliminated. Provisions in Article 7 of the CC&R's for ACHOA, related to the FOA's status as "non-residential owner" will also need to be discussed and revised.

- a. Title: The Buyer shall have the right to review and approve an Owner's Standard Coverage Preliminary Title Report and all exceptions to the Preliminary Title Report issued by a title company of Buyer's choice located in Reno, Nevada.
- b. Physical Inspections: Upon the Date of Acceptance of a valid Purchase Agreement, Buyer and its inspectors, appraisers and all other professionals representing Buyer, shall be entitled to reasonable access the Property.
- c. Inspections and Property Reports: Buyer will have the right to retain, at his or her expense, licensed experts including but not limited to engineers, geologists, architects, contractors, surveyors, arborists, and structural pest control operators to inspect the property for ANY structural or nonstructural conditions. Buyer, if requested by Seller, will promptly furnish, at no cost to the Seller, copies of all written inspection reports obtained.
- d. Leases and Other Existing Contracts: Within seven (7) days of Accepted Purchase Agreement, Seller will deliver to Buyer for approval, all service contracts, lease agreements, rent rolls, utility bills, plans, studies, list current gym memberships, correspondence and reports relative to the operation of the property which are in possession of the Seller.
- e. Taxes. Buyer acknowledges that the Property may be reassessed upon a change of ownership, which may result in a tax increase or decrease, but within seven (7) days of Accepted Purchase Agreement Seller is to provide Buyer for approval, copies of tax bills for the last three (3) years.

This Letter of Intent represents an expression of the Parties' interest to negotiate only and each Party reserves the right of final approval or disapproval, for any reason, of the PURCHASE AGREEMENT and the Lease, which the parties acknowledge will contain their full and complete agreement. This Letter of Intent is not binding on either Party and is intended to merely establish general deal point agreements only. The Contracts (PURCHASE AGREEMENT and the Lease), when executed by both Parties shall contain their full agreement. The Parties understand that execution of the Purchase Agreement and the Lease are both contingent upon amendment of the ACACHOA Governing Documents and homeowner approval to encumber common area to finance such purchase.

Sincerely,

BUYER:
ARROWCREEK HOMEOWNERS' ASSOCIATION

 _____ Dated: SEPTEMBER 28, 2015
Robin P. Rakusin

Vice President
Title

Accepted by:

SELLER:
FRIENDS OF ARROWCREEK, LLC

 _____ Dated: SEPTEMBER 28, 2015
Gary W. Pestello

CHAIRMAN - MEMBER MANAGERS
Title