



WASHOE COUNTY

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DA GS
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Parks Dept. J

STAFF REPORT

BOARD MEETING DATE: June 23, 2009

DATE: June 15, 2009
TO: Board of County Commissioners
FROM: David Childs, Washoe County Assistant Manager
Telephone: 828.2010, E-mail: dchilds@washoecounty.us

SUBJECT: Consideration and possible approval of an Option Agreement between RJB Development, Inc. and Washoe County for potential acquisition of approximately 228 acres of property commonly known as Northgate Golf Course; funding to come from a transfer from the Contingency Fund to pay for an initial refundable option payment of \$200,000, and up to three possible refundable option extension payments of \$33,000 per month for January-March 2010, and payment of \$10,000 for appraisal and preliminary title services, [totaling \$309,000]; and if approved, authorize Chairman to execute the Option Agreement and direct Finance to make appropriate account adjustments--Manager. (Commission Districts 1 & 5.)

SUMMARY

At the April 14 meeting of the BCC, staff was directed to negotiate with RJB Development regarding an option to purchase the Northgate Golf Course property and to return to the Commission within 60 days for consideration of that option.

It was also made clear by the BCC at that meeting that the County would work with the neighborhood and the City of Reno to retain the golf course property as open space and take the role of a "facilitator" in the process. Staff was directed to ask the City of Reno (through Councilmember Aiazzi) to assume maintenance and liability of the property during the option period. On May 31, 2009, the Reno City Council approved \$1,000 for the maintenance of the property through June 30, 2009.

This item requests the Board to consider an Option Agreement with RJB Development, Inc. for potential acquisition of approximately 228 acres of the golf course property.

County priorities: Preserve and enhance our quality of life, and improve regional collaboration.

PREVIOUS ACTION

April 14, 2009 – The Board of County Commissioners discussed a timeline for action regarding Northgate Golf Course and directed staff to negotiate with RJB, Inc. regarding an option to purchase.

AGENDA ITEM # 39

March 3, 2009 – The Board of County Commissioners acknowledged a status report on Northgate Golf Course.

BACKGROUND

The stated purpose of acquiring an option to purchase the Northgate Golf Course property is to gain 6 to 9 months of time during which the parties (Reno, the neighborhood and Washoe County) would explore funding possibilities and potentially secure enough funding to ultimately purchase the property so that it could be maintained as open space. At this point in time, the key funding sources under consideration would be Open Space Acquisition Funding that is available on a competitive basis through the State Question One (SQ-1) Bonding Program. These funds require an equal amount of local match. That match could come from some amount of Washoe County 1 (WC-1) funding along with funding generated by the neighboring residents through the possible creation of a Special Assessment District (SAD) or some other method to raise the other portion of the matching funds.

For example, if a purchase price of \$4.5 million is assumed that would mean that the goal would be to acquire \$2.25 million in SQ-1 Open Space funding through a competitive grant application process in Round 11 of the funding cycle. These dollars could potentially be matched with \$1.125 million in WC-1 funds which would need to be reallocated from some other project upon approval by Washoe County, Reno and Sparks. (It appears that this amount of WC-1 funding is all that would be available in any reallocation process). Thus, based on the above scenario, the other half of the matching funds for an SQ-1 grant (\$1.125 million) would need to come from the SAD or from some other community funding mechanism. If the actual purchase price of the property varies from the \$4.5 million assumption, then the other assumptions for funding and match would change accordingly. Further, if the SQ-1 or WC-1 funding proved to be unavailable, then other arrangements would need to be considered relative to the entire purchase.

Staff has met with RJB Development and has mutually agreed on an appraiser for the property. The parties jointly selected and met with the appraiser, but the County is the “client” for the appraisal and has agreed to pay the cost, which is estimated to be \$9,500. That appraisal has been ordered and is currently underway. The appraisal should be completed by approximately July 24. Based on the results of this appraisal, the parties would then be able to agree on a specific purchase price for the option agreement and it would certainly better inform the discussions regarding the exact amount of funding needed from the State; from WC-1 as well as any SAD that would be created.

Regarding the proposed option agreement with RJB Development, the agreement is attached for your consideration and approval.

The most significant elements of the agreement include:

- As consideration for the option, the County is to deposit \$200,000 into escrow with Ticor Title Company by June 26, 2009. This option consideration will be credited toward the purchase price if we buy the property, and is refundable if we do not. As explained below, if we terminate the agreement by August 27, the option consideration will be refunded to us out of escrow. [See Paragraph 3.2] Otherwise, it will be refunded if and when RJB sells the property to another entity. [See paragraph 17]

- The term of the option is until December 31, 2009 (subject to possible extension as explained below), and during that term RJB will sell the property, containing approximately 228 acres, to Washoe County for the appraised value but not less than \$4.5 million. If the appraisal is less than \$4.5 million RJB can cancel the option agreement and the initial option consideration of \$200,000 would be immediately refunded out of escrow to the County. Conversely if the appraisal is unsatisfactory to the County, it may terminate the option and the option consideration will be returned to the County immediately if the termination occurs before August 27, or upon subsequent sale if the termination occurs after August 27.
- These decisions would take place after receipt of the appraisal on, or about, July 24 and an agreement on price would need to be reached by the parties before August 27. This allows the first phase of the option agreement to proceed to the point where there is agreement on price.
- After August 27, if the parties have reached agreement of price based on the appraisal, the County can still cancel the option agreement at any time before the December 31, 2009 and the option payment remains refundable, but the refund would be made at a future date based on the closing of the sale of the property to some other party. Because RJB Development has an agreement in place with a residential developer, it is anticipated that it would be at least one to two years before a closing takes place which would ultimately trigger the refund of the County's option payment(s).
- The County can extend the option by up to three months (through March 31, 2010), in one month increments, by paying an additional option payment of \$33,000 for each month. These additional payments would also be refundable, but would be refundable under the delayed refund approach mentioned above.
- If the option agreement is cancelled at any time the County would immediately issue a quitclaim deed (or other suitable instrument) for the entire property to RJB Development, as is required in the reverter which was contained in the original deed of the Northgate property to the County.
- The County would continue to hold title to the property and retain responsibility for maintenance and liability of the 228 acres during the existence of the option agreement. The parties agree, however, that the County shall allow the grounds to return to their natural state, and shall not maintain the buildings other than to keep them locked, secure, and free of dangerous conditions, graffiti and vandalism.

The above provisions give the County, Reno and the neighbors an opportunity to pursue possible funding sources for acquiring the property without significant financial risk and allow for early agreement of the price of the property.

If this option agreement is approved by the Board of County Commissioners, the next steps in the process would be as follows:

- Complete the appraisal of the property (Expected completion is July 24.)
- Negotiate purchase price or terminate the agreement. (On or before August 27.)
- Meet with the City of Reno and the neighborhood to begin the process of creating an SAD or other mechanism that would assist in funding the purchase. (The week of July 27, upon receipt of the appraisal.)

- Begin application of funding for SQ-1 funds including locating a sponsor and completing the application process. (Beginning now, but see “Special Note” below.)
- Begin process of amending the WC-1 funding allocation working with Washoe County, Sparks and Reno to earmark some matching funds for this project. (Beginning now but work to proceed on the details after agreement has been reached on the purchase price.)

SPECIAL NOTE:

Washoe County has recently been informed by the Nevada Division of State Lands that the bond sales for round 10 of SQ-1 funding will be delayed until this fall. The delay is a result of challenges the State faces in selling the bonds. This presents at least a 6 month delay in the current process and will also delay Round 11. Staff is meeting with State Lands to discuss whether it is possible to hold a single bond sale for Rounds 10 and 11 this fall which would keep Round 11 on schedule. We are also looking at other options with them, but this presents a significant challenge in the funding approach.

Staff recommends proceeding with the option agreement with the understanding that at the BCC meeting of August 25, staff would report back to the Board of County Commissioners as to the status of SQ-1 funding as well as any sense of commitment from the neighborhood regarding establishing a SAD. If adequate commitments are not present in the opinion of the BCC, the option agreement could be canceled and the option payment of \$200,000 would be immediately refundable.

FISCAL IMPACT

Funding will be provided through a transfer from General Fund Contingency to the Capital Improvement Fund to pay for an initial refundable option payment of \$200,000, and up to three possible refundable option extension payments of \$33,000 per month for January-March 2010, and payment of \$10,000 for appraisal and preliminary title services, totaling \$309,000. There is sufficient balance in the contingency account.

<u>Account</u>	<u>Amount</u>
189000-820000	(\$309,000)
402-C920899 (project TBD)	\$309,000

RECOMMENDATION

Staff recommends that the Board of County Commissioners approve an Option Agreement between RJB Development, Inc. and Washoe County for potential acquisition of approximately 228 acres of property commonly known as Northgate Golf Course; funding to come from a transfer from the Contingency Fund to pay for an initial refundable option payment of \$200,000, and up to three possible refundable option extension payments of \$33,000 per month for January-March 2010, and payment of \$10,000 for appraisal and preliminary title services, [totaling \$309,000]; and if approved, authorize Chairman to execute the Option Agreement and direct Finance to make appropriate account adjustments.

POSSIBLE MOTION:

Should the Board agree with staff's recommendations, a possible motion would be...

“Move to approve of an Option Agreement between RJB Development, Inc. and Washoe County for potential acquisition of approximately 228 acres of property commonly known as Northgate Golf Course; funding to come from a transfer from the Contingency Fund to pay for an initial refundable option payment of \$200,000, and up to three possible refundable option extension payments of \$33,000 per month for January-March 2010, and payment of \$10,000 for appraisal and preliminary title services, [totaling \$309,000]; and if approved, authorize Chairman to execute the Option Agreement and direct Finance to make appropriate account adjustments.”

OPTION AGREEMENT

THIS OPTION AGREEMENT (Agreement) is entered into this ____ day of _____, 2009 (Effective Date), by and between R.J.B. Development Co., a Nevada corporation, (RJB), and the County of Washoe, a political subdivision of the State of Nevada (County).

R E C I T A L S :

A. On September 27, 1985, by a Gift Deed recorded as File No. 1024872 in Official Records of Washoe County, RJB conveyed approximately 247.8 acres of land to County consisting of approximately 215.846 acres for an 18 hole championship golf course (described in Exhibit A to said Gift Deed), and another 31.951 acres intended to be used as a nine-hole executive golf course (described in Exhibit B to the Gift Deed). The property was conveyed to County in fee determinable and RJB reserved a possibility of reverter if the County ceases to use the property for a golf course with a clubhouse, driving range and related facilities. The County did not use the property intended for the nine hole golf course (Exhibit B to the Gift Deed), and that property reverted back to RJB, leaving the 18-hole golf course property (Exhibit A to Gift Deed) for development and operation as a golf course. Said property was reconfigured through a series of surveys and a boundary line adjustment agreement to the property described as Parcel 1 in the Exhibit A to this Agreement (the "Property"). The County held title to the Property for the benefit of the Reno-Sparks Convention and Visitor's Authority, who constructed and operated a golf course with club house, driving range and other facilities, but who subsequently closed the golf course, triggering the reverter of title back to RJB under the Gift Deed.

B. County desires to enter into this Agreement to obtain an option to purchase RJB's interest in the Property, and during the term of this option, the parties desire for County to retain title and possession of the Property to operate and maintain it at County's own expense.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, RJB and County hereby agree as follows:

1. Grant of Option. RJB hereby grants to County an option to purchase RJB's interest in the Property which is presently a reversionary interest together with any greater interest RJB has acquired or may acquire or obtain (the Option), exercisable in the manner and on the terms and conditions set forth in this Agreement.

2. Term of Option. The term of the Option (Option Term) shall begin on the Effective Date and shall terminate at 5:00 p.m., Pacific Time, on December 31, 2009.

3. Option Consideration and Deposit.

3.1 The Option Consideration shall be Two Hundred Thousand Dollars (\$200,000.00) to be deposited with Escrow Holder by County upon the execution of this Agreement which must occur on or before June 26, 2009.

3.2 Escrow Holder shall deposit the Two Hundred Thousand Dollar Option Consideration into an interest bearing account. If the County terminates this Agreement pursuant to Paragraph 6 or if RJB terminates this Agreement pursuant to Paragraph 10 then Escrow Holder shall refund the full amount of the Option Consideration plus accrued interest to the County. If this Option Agreement is not terminated by the County or RJB on or before August 27, 2009, the Escrow Holder shall distribute the Option Consideration plus all accrued interest to RJB.

3.3 The Option Consideration shall be refundable as provided in Paragraph 17. In the event that County exercises this Option and acquires the Property, the Option Consideration shall be a credit toward the Purchase Price as provided in Subparagraph 9.2.

4. Extension of Option Term. County shall have the right to extend the Option Term for three (3) additional months on a month by month basis until March 31, 2010. In order to extend the Option Term, County shall give written notice to RJB of its intent to extend the Option Term at least ten (10) days before the expiration of the Option Term or Extended Option Term, together with the payment of the additional Option Consideration (Option Extension Consideration) as provided in Paragraph 5.

5. The Option Extension Consideration. For each one (1) month extension of the Option Term, County shall pay to RJB the sum of Thirty-Three Thousand Dollars (\$33,000.00) per month with a total Option Extension Consideration of Ninety-Nine Thousand Dollars (\$99,000.00) if the Option Term is extended to March 31, 2010. The Option Extension Consideration shall be refundable as provided in Paragraph 17. If the Option is exercised, the Option Extension Consideration is a credit to the Purchase Price as provided in Subparagraph 9.2.

6. County's Right to Terminate. On or before August 27, 2009, the County, in its sole discretion, shall have the right to terminate this Option Agreement by giving written notice of termination to RJB and Escrow Holder. If the County exercises its right to terminate, this Agreement shall terminate and neither party shall have any further rights or obligations under the terms of this Agreement. If County fails to terminate this Agreement on or before August 27, 2009, the Option Consideration and all accrued interest shall be released by Escrow Holder and distributed to RJB.

7. Exercise of Option. The County may exercise this Option during the Option Term or Extended Option Term by delivering a written notice of exercise to RJB

pursuant to the notice provisions of this Agreement (Notice of Exercise). The Notice of Exercise shall fix a date for the Closing which shall occur no later than thirty (30) days after the Notice of Exercise, subject, however, to the satisfactory completion of any obligations of RJB hereunder. The delivery of the Notice of Exercise is referred to as the Exercise Date, at which time a binding contract for the purchase and sale of the Property is created and the provisions of this Agreement concerning the purchase of the Property shall become effective. The Option shall automatically lapse and terminate if the Notice of Exercise is not delivered during the Option Term.

8. Reversion of Title to RJB.

8.1 If County fails to exercise the Option as provided herein or the Option is otherwise terminated, the County shall acknowledge the Reversion Right of RJB and shall forthwith convey to RJB by quitclaim deed or such other instrument as reasonably requested by RJB all of the County's right, title and interest in the property which is subject to the Right of Reverter.

8.2 The parties agree that no water rights were transferred to County under the Gift Deed, Boundary Line Adjustment or Dedication Tract Map, and no water rights will be transferred to RJB by the Quitclaim Deed.

8.3 The parties further agree that the improvements constructed by the RSCVA or Washoe County are to be included in the Quitclaim Deed.

8.4 As the Quitclaim Deed merely acknowledges an involuntary reversion of whatever interest County has in the Property, COUNTY DOES NOT EXPRESS OR IMPLY AND SPECIFICALLY DISCLAIMS ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND OR CHARACTER, EXPRESS OR IMPLIED, WITH RESPECT TO THE PROPERTY, ANY IMPROVEMENTS AND ANY PART THEREOF, INCLUDING, WITHOUT LIMITATION, REPRESENTATIONS OR WARRANTIES AS TO PHYSICAL CONDITIONS, GOVERNMENTAL APPROVALS OR REGULATIONS, LAND USE AND LAND DEVELOPMENT ENTITLEMENTS, ENVIRONMENTAL CONDITIONS, ACCESS, UTILITIES, OR ANY OTHER MATTER OR ITEM RELATING TO OR AFFECTING THE PROPERTY. RJB SHALL ACCEPT THE PROPERTY "AS IS," AND "WHERE IS," WITH ALL FAULTS, AND WITH NO ADJUSTMENTS FOR PHYSICAL, FUNCTIONAL, ECONOMIC CONDITIONS, AND THERE ARE NO ORAL OR WRITTEN AGREEMENTS, REPRESENTATIONS OR WARRANTIES RELATED OR COLLATERAL TO OR AFFECTING THE PROPERTY BY COUNTY OTHER THAN AS SET FORTH HEREIN.

9. Sale and Purchase. After exercise of the Option, RJB agrees to sell and County agrees to buy, RJB's interest in the Property in accordance with the following terms and conditions:

9.1 Purchase Price. The purchase price for the Property (the Purchase Price) shall be the fair market value of the Property as determined by an appraisal by a

mutually selected appraiser as more fully provided in Subparagraph 9.3, subject to the provisions of Paragraph 10.

9.2 Payment of the Purchase Price. The Purchase Price shall be deposited in full in cash with Escrow Holder twenty four (24) hours prior to the Closing Date, together with County's closing costs and prorations. The Option Consideration (\$200,000.00) together with any Option Extension Consideration, shall be credited toward the Purchase Price.

9.3 Determination of the Purchase Price. The parties hereby jointly select **Johnson-Perkins & Associates** to conduct an appraisal of the Property, and within five (5) days of the date of this Agreement, County shall engage him/her to determine the Market Value of the Property (as defined in the July 1, 2006 edition Uniform Standards for Professional Appraisal Practice) based on the highest and best use of the Property. All instructions, hypothetical conditions, special or extraordinary assumptions and limiting conditions given to the appraiser must be approved by both parties. A draft of the appraisal shall be given to both parties, and if a party objects to any aspect of the draft, it shall have ten days to express such objection to the appraiser and provide information it believes may be relevant to the determination of the market value of the Property. After the final appraisal is delivered, the market value determined therein shall be the option purchase price for the Property, notwithstanding that the appraisal may be outdated as of the time of closing. The cost of the Appraisal shall be paid by County.

10. Purchase Price Limitation/RJB's Right to Terminate. If the Fair Market Value and Purchase Price of the Property as established by the preceding paragraph is less than Four Million Five Hundred Dollars (\$4,500,000.00), RJB shall have the right to terminate this Agreement. In order to terminate this Agreement pursuant to this paragraph, RJB shall give written notice to County of its election to terminate within the later of fifteen (15) days of the date of receipt of the Appraisal or August 24, 2009. In the event that RJB elects to terminate this Agreement pursuant to the terms of this paragraph, Escrow Holder shall immediately refund the Option Consideration to County, and upon such payment, the parties shall have no further rights or obligations hereunder and the County shall forthwith convey by quitclaim deed to RJB all its right, title and interest in the Property as provided in Subparagraph 8.1 herein. It is understood and agreed that this paragraph creates an express condition to RJB's performance and obligations under this Agreement. If RJB does not terminate this Agreement, then the Purchase Price shall be as provided in Subparagraph 9.3 above.

11. "As Is" Purchase. County understands and acknowledges that RJB does not and has not had possession or control of the Property and that legal title to the Property is being held by the County subject to the terms of this Agreement

11.1 OTHER THAN AS OTHERWISE SET FORTH HEREIN, RJB IS NOT MAKING AND SPECIFICALLY DISCLAIMS ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND OR CHARACTER, EXPRESS OR IMPLIED, WITH

RESPECT TO THE PROPERTY, ANY IMPROVEMENTS AND ANY PART THEREOF, INCLUDING, WITHOUT LIMITATION, REPRESENTATIONS OR WARRANTIES AS TO PHYSICAL CONDITIONS, GOVERNMENTAL APPROVALS OR REGULATIONS, LAND USE AND LAND DEVELOPMENT ENTITLEMENTS, ENVIRONMENTAL CONDITIONS, ACCESS, UTILITIES, OR ANY OTHER MATTER OR ITEM RELATING TO OR AFFECTING THE PROPERTY. COUNTY IS RELYING SOLELY ON ITS OWN EXPERTISE AND ITS FAMILIARITY WITH THE PROPERTY AND ON THE EXPERTISE OF COUNTY'S INSPECTORS AND CONSULTANTS, AND ON COUNTY'S AND SUCH INSPECTOR'S AND CONSULTANT'S INSPECTIONS OF THE PROPERTY. UPON CLOSING, RJB SHALL SELL AND CONVEY TO COUNTY AND COUNTY SHALL ACCEPT THE PROPERTY "AS IS," AND "WHERE IS," WITH ALL FAULTS, AND WITH NO ADJUSTMENTS FOR PHYSICAL, FUNCTIONAL, ECONOMIC CONDITIONS, AND THERE ARE NO ORAL OR WRITTEN AGREEMENTS, REPRESENTATIONS OR WARRANTIES RELATED OR COLLATERAL TO OR AFFECTING THE PROPERTY BY RJB OTHER THAN AS SET FORTH HEREIN. WITHOUT LIMITING THE FOREGOING, COUNTY WAIVES ANY AND ALL CLAIMS AGAINST RJB RELATING TO OR ARISING FROM ALL ASPECTS AND CONDITION OF THE PROPERTY INCLUDING, BUT NOT LIMITED TO, THE PHYSICAL, ECONOMIC, ENVIRONMENTAL, TITLE, FEASIBILITY, WATER RIGHTS, INFRASTRUCTURE, AND ALL OTHER ATTRIBUTES OF THE PROPERTY OTHER THAN CLAIMS ARISING FROM THE REPRESENTATIONS AND WARRANTIES. THE TERMS AND CONDITIONS OF THIS PARAGRAPH SHALL SURVIVE THE CLOSING AND THE CONVEYANCE OF THE PROPERTY.

11.2 RJB warrants and represents that it is the sole holder of the reversionary interest described in Paragraph 1 above and such interest is not subject to any sale agreements (except as disclosed herein), liens or encumbrances, including but not limited to tax liens or equitable liens or interests, and that if and when RJB executes and delivers a quitclaim deed into escrow as provided below, that all court orders and consents have been obtained and all corporate and other actions have been taken to duly authorize the execution and delivery of the deed and that the conveyance of RJB's interests to County is free and clear of any liens, encumbrances or legal or equitable interests except as set forth in the Preliminary Title Report, attached hereto as Exhibit B, including but not limited to any rights or interests of shareholders in the corporation and any rights or interests created by the agreement described in Subparagraph 12.1.

12. Contemporaneous Agreement.

12.1 County understands and acknowledges that RJB has entered into an agreement with a developer for the acquisition of the Property (Developer Agreement). The Developer Agreement is subject to the terms and conditions this Agreement including, without limitation, the County's right to acquire the Property pursuant to this Agreement. RJB agrees not to convey title to the Property under that agreement during the term of this Option.

12.2 Access. During the term of this Agreement, County consents to RJB and/or the Developer or its authorized agents and representatives a non-exclusive license to enter upon the Property, at their own risk, for the purpose of inspecting or testing any portion of the Property or for any other reason without having given County notice of its intention to enter the Property. In no event may RJB or its representatives drill or bore on or through the surface of the Property or conduct any other physical testing of the Property without first giving County reasonable advance notice of such work prior to entering the Property. After making any such tests and inspections, RJB agrees to promptly repair and restore the Property to its substantially same condition prior to such tests and inspections (which obligation shall survive the Closing or any termination of this Agreement).

12.3 Indemnification and Insurance. RJB agrees to keep the Property free from all liens and to indemnify, defend and hold harmless County from and against any and all claims, actions, losses, liabilities, damages, costs and expenses (including, but not limited to, attorneys' fees, charges and disbursements) incurred, suffered by, or claimed against the County, by reason of any damage to the Property or injury to persons caused by RJB or Developer and/or its agents, employees or contractors arising out of or in any way connected with their entry upon the Property and/or the performance of any inspections, tests or other due diligence related thereto.

12.4 During the Term of this Option, the Developer shall have the right, but not the obligation, to file any application(s) for land use entitlements relating to the Property with the City of Reno and in connection therewith the County agrees to consent to the application and cooperate with any procedural requirements to move the application toward consideration for approval including, without limitation, signing any such application as the Property owner. County has no obligation to participate in any such entitlement process, and County reserves the right to exercise its sole legislative and administrative discretion with respect to voting, commenting on or deciding on the merits and legality of any land use change or entitlement before any planning commission or otherwise, specifically including but not limited to any proceeding before the Regional Planning Commission or Regional Planning Governing Board on which the County has voting rights, and this Agreement does not imply or create any obligation on the part of the County to consent to, advocate or vote for approval of any application. If the developer elects to proceed with an entitlement process during the Term of this Agreement, RJB will give written notice to the County and submit a copy of the proposed application or applications to the County.

13. Conditions to Closing. This Agreement is subject to the satisfying or waiver by RJB of the following conditions.

13.1 That RJB obtains any necessary court approval of this Agreement. RJB shall promptly petition for and diligently pursue such court order in order to obtain such approval by August 27, 2009. If RJB cancels this Agreement because it is unable to obtain such approval, then the Option Consideration shall be refunded to County.

13.2 That the Purchase Price (before disbursements, adjustments and prorations as provided in Paragraphs 14 and 15 below) is at least Four Million Five Hundred Thousand Dollars (\$4,500,000.00) and RJB has not terminated this Agreement as provided in Paragraph 10 above.

13.3 That this Agreement is executed and the Option Consideration is deposited with Escrow Holder on or before June 24, 2009, and any subsequent option extension consideration is provided as required by Paragraphs 3 and 5 above.

14. Escrow and Closing.

14.1 Opening of Escrow. County and RJB will open Escrow with TICOR TITLE OF NEVADA, INC. (Escrow Holder) within five (5) business days after the Effective Date by depositing with Escrow Holder a copy of this Agreement executed by the Parties. This Agreement, together with such further instructions, if any, as the parties shall provide to Escrow Holder by written agreement, shall constitute the escrow instructions with respect to the Escrow for the transaction contemplated by this Agreement (the Escrow). If any requirements relating to the duties or obligations of Escrow Holder hereunder are not acceptable to Escrow Holder, or if Escrow Holder requires additional instructions, the parties agree to make such deletions, substitutions and additions hereto as the parties shall mutually approve, which additional instructions shall not substantially alter the terms of this Agreement unless otherwise expressly agreed to by RJB and County in writing. In the event of a conflict between any additional escrow instructions and this Agreement, the provisions of this Agreement shall prevail. Escrow Instructions, supplemental escrow instructions and any changes or approvals in escrow may be executed on behalf of the County by the Director of Parks and Open Space Department for Washoe County, except any adjustment in the price established (before deductions, adjustments and prorations) in Subparagraph 9.3 must be approved by the Board of County Commissioners.

14.2 Closing Date. The purchase and sale transaction contemplated by this Agreement shall close on or before the date which County selects in its Notice of Exercise delivered to RJB during the Option Term in accordance with Paragraph 7, which date for Closing shall not occur later than thirty (30) days after County has delivered the Notice of Exercise to RJB (Scheduled Closing Date) or such earlier date as may hereafter be agreed to by RJB and County in writing. If RJB is unable to deliver the required documents into escrow, however, the Closing Date shall be automatically extended to the earlier of (i) not later than five days after such documents are delivered

and approved, or (ii) one year after the effective date of this Agreement. For purposes of this Agreement, the "Closing" shall be deemed to occur as of the date and time that the Deed (as defined below) is recorded in the Official Records of Washoe County, Nevada (the Official Records) and the "Closing Date" shall be the day that the Closing occurs.

14.3 RJB's Deliveries to Escrow. On or before the Scheduled Closing Date, RJB shall deliver or cause the following items to be delivered to Escrow Holder:

(a) Deed. The original Quitclaim Deed executed by RJB, acknowledged and in recordable form, conveying all of RJB's right, title and interest in the Property to County; Certificate of Non-Foreign Status. One (1) original affidavit executed by RJB, certifying that RJB is not a "foreign person" within the meaning of Paragraph 1445(f)(3) of the Code (the Certificate of Non-Foreign Status);

(b) Court Order. A certified copy of the court order described in Subparagraph 13.1 above, or an opinion of counsel in form and content reasonably required by County that such a court order is not necessary and that the sale is not subject to any rights of any beneficiaries of testamentary trusts which hold interests in RJB.

(c) Other Documents. Any other documents, instruments or agreements reasonably necessary to effectuate the transaction contemplated by this Agreement.

14.4 County's Deliveries to Escrow. On or before the Scheduled Closing Date, County shall deliver or cause the following items to be delivered to Escrow Holder:

(a) Funds. The balance of the Purchase Price, together with such other sums as Escrow Holder shall require to pay County's share of the closing costs, prorations, reimbursements and adjustments as set forth in herein, all in immediately available funds;

(b) Other Documents. Any other documents, instruments or agreements reasonably necessary to effectuate the transaction contemplated by this Agreement.

14.5 Disbursements and Other Actions by Escrow Holder. Upon the Closing, Escrow Holder shall promptly undertake all of the following:

(a) Calculation and Disbursement. Disburse all funds deposited with Escrow Holder by County as follows:

(i) Deduct all items chargeable to the account of RJB pursuant to this Agreement; and

(ii) Disburse the balance of the Purchase Price (the Purchase Price, less the amount deducted pursuant to this Section) to RJB.

(b) Recordation. Cause the Deed and any other documents which the parties hereto may mutually direct, to be recorded in the Official Records;

(c) Title Policy. Direct the Title Company to issue a CLTA Title Policy to County insuring County's title to the Property in the amount of the Purchase Price;

15. Adjustments and Prorations.

15.1 Prorations. The following shall be prorated and adjusted between RJB and County as of the day of the Closing, except as otherwise specified:

(a) Taxes and Assessments. General real estate, personal property and ad valorem taxes and assessments, and any improvement or other bonds encumbering the Property, for the current tax year for the Property, if any.

(b) Other Items. Such other items as are customarily prorated in a transaction of this nature.

15.2 Closing Costs.

(a) RJB's Portion. RJB shall pay (i) one-half (½) the cost of a CLTA owners policy of title insurance (excluding any and all endorsements thereto), (ii) one-half (½) of the fees and costs of Escrow Holder; (iii) one-half (½) of the real property transfer tax, if any, for conveyance of the Property.

(b) County's Portion. County shall pay (i) one-half (½) the cost of a CLTA Owner's Policy of Title Insurance; (ii) one-half (½) of the fees and costs of Escrow Holder, (iii) one-half (1/2) of the real property transfer tax, if any; and (iv) the cost of preparation of the Deed and all recording fees.

(c) General. All other closing costs shall be paid as customary in Washoe County, Nevada.

14.3 Real Estate Commissions. Each party represents and warrants to the other that the party is not and has not been represented by a real estate professional and that no real estate professional is the procuring cause of this transaction, and agrees that if a real estate professional claims to be the procuring cause through or an agent of any party that party shall be responsible for the adjudication and payment all real estate commissions that may be due to the real estate professional.

16. Maintenance and Insurance.

16.1 Maintenance. During the Term of this Agreement, County will hold title to the Property and shall be responsible for all maintenance, security, fire suppression and all other duties and liabilities as the landowner and shall indemnify and hold RJB harmless from any liability, damages, expenses, costs and attorneys' fees in connection therewith or related thereto. The parties agree, however, that the County shall allow the grounds to return to their natural state, and shall not maintain the buildings other than to keep them locked and secure and free of vandalism, graffiti or dangerous or unsightly conditions.

16.2 Insurance. County shall provide liability insurance coverage for the Property consistent with County's normal practices for properties it owns .

16.3 Improvements. During the Term of this Agreement no demolition or modifications (except routine maintenance) will be made to the Club House or other improvements without the prior approval of RJB.

16.4 Taxes. County will pay to the Washoe County Treasurer all real property taxes assessed on the Property which are due and payable before closing.

16.5 Title. County shall not encumber the title in any manner including, but not limited to, mechanics' liens, deeds of trust, easements or any other matters affecting title, without the prior written consent of RJB.

16.6 Reserving and subject to all immunities not waived under Nevada Law (including but not limited to NRS Chapter 41), County shall indemnify, defend, and hold RJB harmless from and against any losses, damages, costs and expenses (including, but not limited to, attorneys' fees, charges and disbursements) incurred by RJB by reason of any breach of County's obligations contained in this Paragraph 16.

17. Repayment of Option Consideration. If this Agreement has not been terminated under Paragraph 6 or Paragraph 10 above, and County does not exercise this Option, RJB agrees to repay the Option Consideration, together with any Option Extension Payments, to the County if and when and only if and when RJB sells the Property to a third party. Any such payment will be made at the close of escrow of the sale to the third party. The parties recognize that RJB is currently under contract to sell the Property to Developer in the event that the County does not exercise this Option, but there is no assurance, guarantee or promise that such sale will occur or that the transaction will close and, if so, when. If such transaction between RJB and the Developer proceeds, it is unlikely that there would be any closing during the calendar year 2010. RJB makes no promises, commitments or representations as to if and when the Property may be sold to a third party but recognizes that at such time it will reimburse the County the Option Consideration plus any Option Extension Payments.

18. General.

18.1 Entire Agreement; Modifications; Waivers. This Agreement is the entire Agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, whether oral or written, between the Parties with respect to the matters contained in this Agreement. Except as otherwise expressly set forth in this Agreement, any waiver, modification, consent or acquiescence with respect to any provision of this Agreement shall be set forth in writing and duly executed by or in behalf of the Party to be bound thereby. No waiver by any Party of any breach hereunder shall be deemed a waiver of any other or subsequent breach. Except for any change in the price established under Subparagraph 9.3 above, any modification, amendment, approval or denial of performance, decision to waive or exercise any remedy hereunder may be made on behalf of the County by the Director of the Parks and Open Space Department for the County.

18.2 Time of Essence. Time is of the essence in the performance of and compliance with each of the provisions and conditions of this Agreement. Unless otherwise specified: (i) the term "days" means calendar days; (ii) if a deadline falls on a weekend or holiday, then performance is due on the next business day of the party required to perform; and (iii) performance is due by 5 p.m. Pacific Time, on the deadline day.

18.3 Notices. Any communication, notice or demand of any kind whatsoever which either party may be required or may desire to give to or serve upon the other shall be in writing and delivered by personal service (including express or courier service), by electronic communication, whether by telex, telegram or telecopy (if confirmed in a writing sent by registered or certified mail, postage prepaid, return receipt requested or by reputable overnight delivery service), by registered or certified mail, postage prepaid, return receipt requested or by reputable overnight delivery service, addressed as follows:

To RJB: R.J.B. Development Co.
 100 North Arlington Avenue
 Suite 340
 Reno, NV 89501

With Copy to: John Frankovich, Esq.
 McDonald Carano Wilson LLP
 100 W. Liberty Street, 10th Floor
 Reno, NV 89505

to County: County of Washoe
c/o Department of Parks and Open Space
2601 Plumas Street
Reno, Nevada 89509
Attention: Director _____

With copy to Washoe County District Attorney's Office
Civil Division
One South Sierra Street
Reno, Nevada 89520-3083

to Escrow Holder: Rabecca Rich
Ticor Title Company
5441 Kietzke Lane, Ste. 100
Reno, NV 89511

Any party may change its address for notice by written notice given to the other in the manner provided in this Subparagraph 18.3. Any such communication, notice or demand shall be deemed to have been duly given or served on the next business day after actual delivery to the address specified.

18.4 Further Assurances. The parties agree to execute such instructions to Escrow Holder and Title Company and such other instruments and to do such further acts as may be reasonably necessary to carry out the provisions of this Agreement.

18.5 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada without giving effect to the conflicts of law principles of Nevada.

18.6 Attorneys' Fees. If any action is brought by either party against the other party, relating to or arising out of this Agreement, the transaction described herein or the enforcement hereof, the prevailing party shall be entitled to recover from the other party reasonable attorneys' fees, charges and disbursements incurred in connection with the prosecution or defense of such action. The provisions of this Paragraph shall survive the Closing.

18.7 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of each of the parties hereto and to their respective transferees and permitted successors, and assigns.

18.8 No Third-Party Beneficiaries. No third party shall have any rights hereunder.

18.9 Severability; no merger with deed. In the event that any word, clause, or provision herein is declared by a court of competent jurisdiction to be invalid, unenforceable, or contrary to public policy, then such offending provision shall be deemed, from the very beginning, to have been modified to the extent to bring it within the limits of validity or enforceability. If, however, such offending provision cannot be so modified, then it shall be severed from this agreement. In either event, all remaining words, phrases, clauses and provisions herein remain fully enforceable. This agreement does not merge with any deed or other conveyance of any portion of the Property.

18.10 Recording of Memorandum. The parties shall prepare a memorandum providing notice of the existence and term of this agreement and where a copy may be obtained, and shall cause it to be recorded in the Official Records of Washoe County. If This Agreement is terminated at any time by either party in accordance with the terms of this Agreement, County shall forthwith execute and record a Relinquishment of all Rights so as to release the Memorandum.

[Signature Page to Option Agreement on following page]

[Signature Page to Option Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

RJB: R.J.B. DEVELOPMENT CO., a Nevada corporation

Dated: June ____, 2009

By _____
Melvin Blum, President

Dated: June ____, 2009

By _____
Gerald Block, Vice President

COUNTY

Washoe County, a political subdivision of the State of Nevada

By _____
David E. Humke, Chairman
Board of County Commissioners

Date _____

Attest

By _____
Amy Harvey, County Clerk

Date _____

EXHIBIT "A"
LEGAL DESCRIPTION

All that certain real property situate in the City of Reno, County of Washoe, State of Nevada, described as follows:

PARCEL 1:

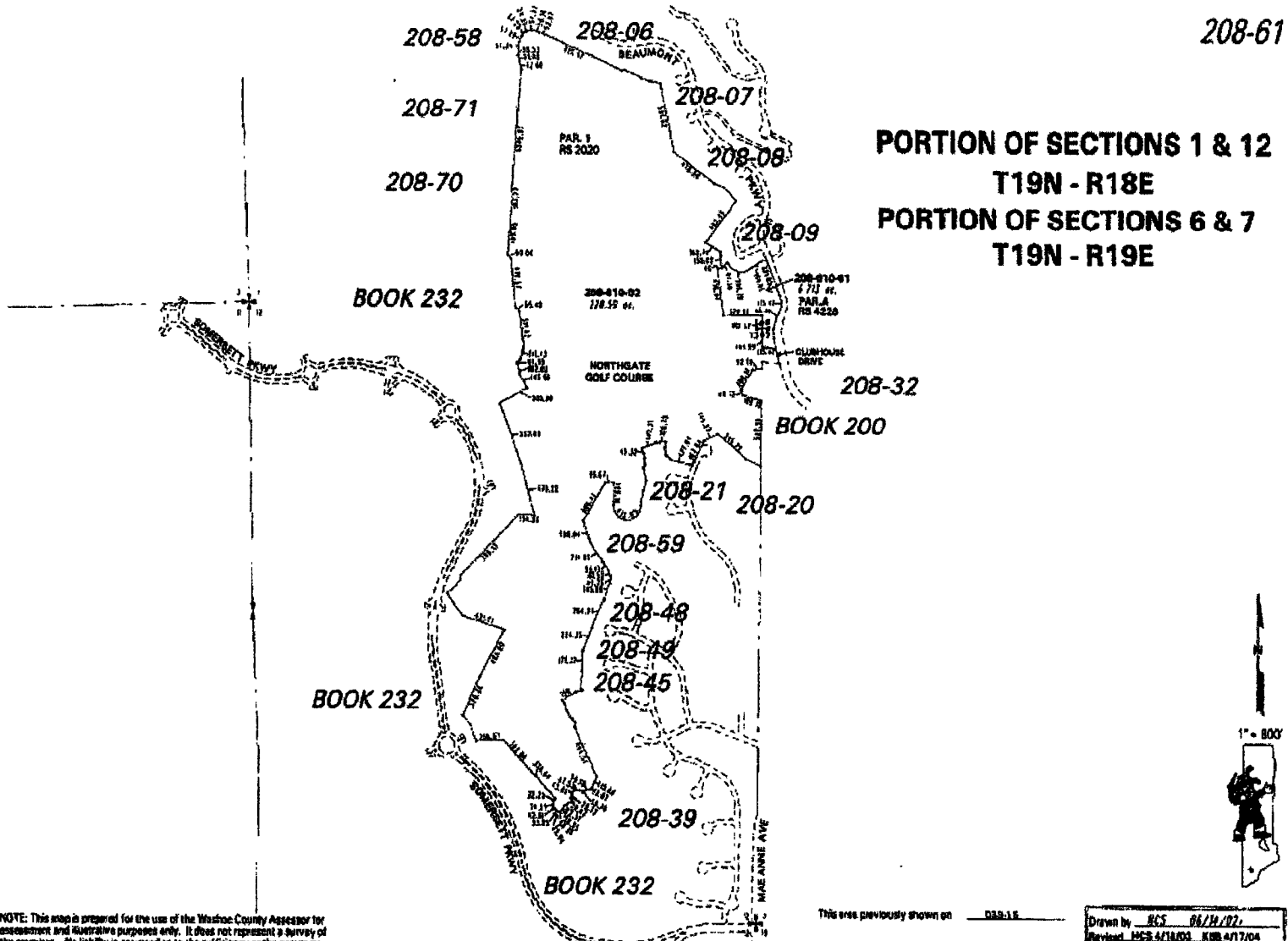
A parcel of land situated in Sections 1 & 12, Township 19 North, Range 18 East, M.D.M., Washoe County, Nevada, set forth as New Parcel 2 in Boundary Line Adjustment recorded September 27, 1988, as Document No. 1277103 of Official Records, and more particularly described as follows:

Beginning at the Northeast corner of said Section 12; thence North 01°20'54" West, along the Easterly line of said Section 1, a distance of 112.67 feet; thence North 89°35'11" West, a distance of 379.61 feet; thence North 07°11'04" West, a distance of 416.04 feet; thence North 82°48'56" East, a distance of 40.00 feet; thence North 07°11'04" West, a distance of 150.00 feet; thence North 62°23'16" West, a distance of 162.71 feet; thence North 37°46'32" East, a distance of 492.49 feet; thence North 46°12'56" West, a distance of 170.13 feet; thence North 70°46'14" West, a distance of 101.94 feet; thence North 55°22'16" West, a distance of 470.50 feet; thence North 12°00'39" West, a distance of 561.02 feet; thence North 12°58'54" West, a distance of 50.40 feet; thence North 79°49'38" West, a distance of 114.48 feet; thence North 73°51'10" West, a distance of 67.37 feet; thence North 64°58'58" West, a distance of 177.52 feet; thence South 74°12'08" West, a distance of 28.54 feet; thence North 67°36'18" West, a distance of 825.67 feet; thence North 65°21'26" West, a distance of 52.87 feet; thence North 75°04'31" West, a distance of 58.16 feet; thence South 84°44'27" West, a distance of 57.37 feet; thence South 74°02'55" West, a distance of 24.87 feet; thence South 36°13'13" West, a distance of 53.22 feet; thence South 24°42'29" West, a distance of 57.29 feet; thence South 06°13'01" West, a distance of 57.34 feet; thence South 01°44'30" East, a distance of 58.63 feet; thence South 05°54'53" East, a distance of 51.08 feet; thence South 15°59'05" East, a distance of 73.60 feet; thence South 05°21'47" West, a distance of 1049.81 feet; thence South 00°44'53" West, a distance of 183.38 feet; thence South 04°55'33" West, a distance of 409.05 feet; thence South 40°53'47" East, a distance of 50.00 feet; thence South 05°50'05" East, a distance of 419.57 feet; thence South 39°18'24" East, a distance of 65.40 feet; thence South 07°26'56" East, a distance of 311.07 feet; thence South 15°52'15" West, a distance of 111.43 feet; thence South 46°51'19" West, a distance of 44.98 feet; thence South 11°31'39" East, a distance of 102.03 feet; thence South 31°01'58" East, a distance of 146.96 feet; thence South 63°29'21" West, a distance of 300.00 feet; thence South 21°15'48" East, a distance of 562.68 feet; thence South 16°18'03" East, a distance of 479.22 feet; thence North 86°39'16" West, a distance of 154.66 feet; thence South 45°05'36" West, a distance of 788.13 feet; thence South 00°05'36" West, a distance of 30.38 feet; thence South 35°58'04" West, a distance of 76.00 feet; thence South 53°22'51" West, a distance of 106.88 feet; thence South 33°43'27" East, a distance of 111.11 feet; thence South 41°36'23" East, a distance of 138.06 feet; thence South 73°20'44" East, a distance of 421.71 feet; thence South 30°09'06" West, a distance of 480.00 feet; thence South 25°31'42" West, a distance of 370.36 feet; thence South 45°18'04" East, a distance of 100.00 feet; thence South 21°32'51" East, a distance of 168.00 feet; thence North 87°17'18" East, a distance of 258.57 feet; thence South 44°33'36" East, a distance of 724.52 feet; thence South 39°01'24" West, a distance of 22.25 feet; thence South 10°46'41" West, a distance of 34.21 feet; thence South 19°49'50" East, a distance of 42.91 feet; thence South 49°59'44" East, a distance of 33.95 feet; thence South 82°09'31" East, a distance of 25.86 feet; thence North 52°26'57" East, a distance of 34.35 feet; thence North 22°05'52" East, a distance of 38.55 feet;

thence from a tangent which bears North 58°32'59" East, along a circular curve to the right with a radius of 440.00 feet and a central angle of 10°46'05", an arc length of 82.69 feet; thence North 14°52'42" West, a distance of 29.47 feet; thence North 17°21'18" East, a distance of 29.72 feet; thence North 24°04'04" East, a distance of 45.65 feet; thence South 87°28'39" East, a distance of 57.53 feet; thence South 85°59'46" East, a distance of 53.76 feet; thence North 66°39'09" East, a distance of 50.19 feet; thence South 89°03'54" East, a distance of 13.67 feet; thence North 28°03'44" East, a distance of 115.00 feet; thence North 26°12'36" West, a distance of 494.50 feet; thence North 05°12'49" East, a distance of 46.32 feet; thence North 39°57'46" West, a distance of 42.66 feet; thence North 65°20'03" West, a distance of 24.91 feet; thence North 28°35'52" West, a distance of 62.72 feet; thence North 13°45'56" West, a distance of 37.15 feet; thence North 33°34'02" West, a distance of 30.18 feet; thence North 39°59'03" West, a distance of 34.93 feet; thence North 62°05'38" East, a distance of 150.00 feet; thence North 75°33'01" East, a distance of 68.00 feet; thence North 45°02'42" West, a distance of 14.33 feet; thence North 03°27'29" East, a distance of 95.76 feet; thence North 01°40'42" East, a distance of 30.56 feet; thence North 01°00'49" East, a distance of 29.94 feet; thence North 00°44'44" East, a distance of 171.32 feet; thence North 22°40'29" East, a distance of 224.33 feet; thence North 25°15'18" East, a distance of 264.27 feet; thence South 88°24'23" East, a distance of 7.33 feet; thence North 20°51'14" East, a distance of 14.73 feet; thence North 12°58'52" West, a distance of 8.61 feet; thence North 23°08'26" East, a distance of 145.08 feet; thence North 12°42'37" East, a distance of 49.75 feet; thence North 23°26'28" West, a distance of 61.53 feet; thence North 36°03'54" West, a distance of 96.17 feet; thence North 22°35'33" East, a distance of 3.83 feet; thence North 36°19'23" West, a distance of 217.61 feet; thence North 18°32'48" West, a distance of 208.04 feet; thence North 32°28'14" East, a distance of 398.41 feet; thence South 84°18'22" East, a distance of 86.67 feet; thence South 00°50'31" West, a distance of 189.18 feet; thence from a tangent which bears South 00°50'31" West, along a circular curve to the left with a radius of 132.02 feet and a central angle of 179°37'27", an arc length of 413.89 feet; thence North 01°13'04" East, a distance of 45.06 feet; thence North 14°04'27" East, a distance of 180.75 feet; thence North 13°41'37" West, a distance of 105.10 feet; thence from a tangent which bears North 22°07'48" East, along a circular curve to the right with a radius of 200.00 feet and a central angle of 08°20'50", an arc length of 29.14 feet; thence North 01°24'55" West, a distance of 17.49 feet; thence North 02°08'37" West, a distance of 47.91 feet; thence North 10°37'52" West, a distance of 38.19 feet; thence North 16°54'30" West, a distance of 45.32 feet; thence North 66°53'34" East, a distance of 140.31 feet; thence North 88°05'17" East, a distance of 100.70 feet; thence South 16°48'23" West, a distance of 57.55 feet; thence South 15°13'32" East, a distance of 55.70 feet; thence South 15°13'32" East, a distance of 9.73 feet; thence South 53°53'08" East, a distance of 59.16 feet; thence South 75°55'34" East, a distance of 177.94 feet; thence South 82°24'25" East, a distance of 30.73 feet; thence North 28°00'19" East, a distance of 30.60 feet; thence North 28°00'19" East, a distance of 210.38 feet; thence North 65°27'53" East, a distance of 144.27 feet; thence South 52°25'37" East, a distance of 345.79 feet; thence South 65°30'03" East, a distance of 167.84 feet to the Easterly line of said Section 12; thence North 00°33'56" East, along the Easterly line of said Section 12, a distance of 587.99 feet; thence North 73°33'24" West, a distance of 198.12 feet; thence North 18°28'14" West, a distance of 49.72 feet; thence North 34°25'41" East, a distance of 206.11 feet; thence North 82°43'37" East, a distance of 92.79 feet to the Easterly line of said Section 12; thence North 00°33'56" East, along the Easterly line of said Section 12, a distance of 352.91 feet to the Point of Beginning.

Said parcel is further shown as Parcel 1 on Record of Survey No. 2020, filed September 29, 1988, as File No. 1279768.

EXHIBIT "A-1"
NORTHGATE GOLF COURSE PROPERTY



**PORTION OF SECTIONS 1 & 12
T19N - R18E
PORTION OF SECTIONS 6 & 7
T19N - R19E**

6/16/2009

NOTE: This map is prepared for the use of the Washoe County Assessor for assessment and illustrative purposes only. It does not represent a survey of the premises. No liability is assumed as to the sufficiency or the accuracy of the data delineated thereon.

Office of Washoe County Assessor, Nevada - Robert W. McGowan

This area previously shown on 039-1-E

NOTE: Areas of parcels which are less than 2 acres are shown in square feet.

Drawn by	RCS	06/16/09
Revised	MCS	06/16/09

AND OTHER COUNTY RECORDS