

Item #22

**City of Carson City
Agenda Report**

Date Submitted: April 7, 2009

Agenda Date Requested: April 16, 2009

To: Redevelopment Authority

Time Requested: 15 minutes

From: Office of Business Development

Subject Title: Action to approve and recommend to the Board of Supervisors their consent to a \$53,520 incentive request by DSE, #4, LLC to redevelop the property at 503 N. Nevada Street, with the Redevelopment Authority finding that this project meets the incentive program criteria and the necessary findings set forth in NRS 279.486, that the project benefits the current redevelopment plan area, that the project has no other reasonable means of financing available, that the incentive will be paid on a reimbursement basis for money expended by the applicant on the project, that other financing is available to pay for the remaining costs of the project, that the incentive is subject to the applicant fulfilling City requirements and that the incentive is not subject to the temporary moratorium on the expenditure of redevelopment funds adopted by the Board of Supervisors on February 19, 2009.

Staff Summary: On April 6, 2009, the Redevelopment Authority Citizens Committee (RACC) recommended approval of incentive funding for the complete renovation of a former boarding house situated at the northeast corner of Spear and Nevada Streets. In January 2009, the applicant, DSE #4, LLC, contacted staff to discuss incentive funding. Although staff recognizes that an application was not filed prior to February 19, the day the Board imposed a moratorium on incentive funding, staff believes it is important for the Board to address this application and make a determine as to whether or not the application is subject to the moratorium since the applicants have been working with staff on the project prior to the imposition of the moratorium. Therefore, the Board of Supervisors is being afforded the option of considering this particular incentive application because the applicant made a good faith effort to comply with our procedures as they existed in January.

This redevelopment project rehabilitates an abandoned, eyesore situated in the center of our historic downtown that was formerly substandard housing. The work includes interior demolition and renovation, façade and tenant improvements, landscaping, site work, handicap access and compliance with historic district guidelines. RACC measured the project's benefit to the redevelopment area by considering the incentive program's criteria: aesthetics, curing of blight, job creation, business retention, addition of tax revenues and enhancement of the community's vision. RACC also determined that no other reasonable means of financing certain improvements associated with the project was available. Staff reviewed the project and DSE, #4, LLC's financials to confirm the economic viability of the project and the appropriateness of redevelopment funding.

Type of Action Requested: (check one)
 Resolution Ordinance
 Formal Action/Motion Other (Specify)

Does This Action Require A Business Impact Statement: Yes No

Recommended Board Action: I move to approve and recommend to the Board of Supervisors their consent to a \$53,520 incentive request by DSE, #4, LLC to redevelop the property at 503 N. Nevada Street, with the Redevelopment Authority finding that this project meets the incentive program criteria and the necessary findings set forth in NRS 279.486, that the project benefits the current redevelopment plan area, that the project has no other reasonable means of financing available, that the incentive will be paid on a reimbursement basis for money expended by the applicant on the project, that other financing is available to pay for the remaining costs of the project, that the incentive is subject to the applicant fulfilling City requirements and that the incentive is not subject to the temporary moratorium on the expenditure of redevelopment funds adopted by the Board of Supervisors on February 19, 2009.

Explanation for Recommended Board Action: With funding assistance, the applicants are pursuing a complete remodel of this historic, abandoned building, thus providing the city with a fully preserved and renovated anchor in the central hub of our downtown, redevelopment district. The incentive funding will give the owners the necessary financial support to further enhance this project. Redevelopment Incentive funding criteria encourages site and facade improvements in the Redevelopment Authority's commercial district. The committee recommended the incentive funding on a reimbursement basis only after the work is done.

The proposed motion asks the Board to exempt this incentive from the temporary moratorium on the expenditure of redevelopment funds adopted by the Board of Supervisors on February 19, 2009.

Applicable Statute, Code, Policy, Rule or Regulation: NRS 279.486

Fiscal Impact: \$53,520.00 of tax increment funds available in the RDA's unspent bond proceeds set-aside.

Explanation of Impact: This incentive reduces the unspent bond proceeds to approximately \$500,000, an amount principally dedicated to satisfying the provision of the street abandonment settlement with the Carson Nugget.

Funding Source: Unspent bond proceeds associated with Redevelopment Project Area No. 1

Alternatives: Provide other direction

Supporting Material: Material provided by the applicant

Prepared By: Joe McCarthy

Reviewed By:

[Handwritten Signature]

(Department Head)

Date: 4-6-09

[Handwritten Signature]

(City Manager)

Date: 4/8/09

[Handwritten Signature]

(District Attorney)

Date: 4-7-09

[Handwritten Signature]

(Finance Director)

Date: 4-7-09

Board Action Taken:

Motion: _____

1) _____

Aye/Nay

2) _____

(Vote Recorded By)

**DSE #4, LLC
503 N. Division Street
Carson City, NV 89703
(775) 283-5555**

April 8, 2009

Carson City Redevelopment Authority
Carson City Board of Supervisors
201 N. Carson Street
Carson City, NV 89701

Subject: Define project for redevelopment assistance

Dear Redevelopment Authority and Board of Supervisors,

DSE #4, LLC is applying for the Consolidated Municipality of Carson City, Office of Business Development Incentive Program. Our redevelopment objective is to cure the blighted building and convert it to office space. Our plan is consistent with the Carson City Comprehensive Master Plan, provides preservation of the historic structure, provides benefit to the general public, and advances the future vision for Downtown.

The property is located at 503 N. Nevada Street, Carson City, Nevada, APN 003-222-05. The building size is 2,948 square feet and the land area is .08 acres.

Our project includes a complete remodeling and change of occupancy for an existing 4-plex to an office building. Interior improvements include new foundations and structural framing, plumbing/mechanical/electrical systems, insulation, interior walls, sheetrock, flooring, doors, new spiral staircase, paint, and finish framing per approved plans. Exterior improvements include new windows, doors, siding, framing modifications to balcony walls and installation of new square columns, iron railings and handrails, new stairway framing, ADA access, landscaping and parking lot paving.

The property cost was \$220,000. The total estimated project costs are \$267,600. We are requesting 20% of our estimated project costs: \$53,520. We anticipate the property value will increase to \$525,000. While we would like the exterior to be consistent with the future vision for downtown, these changes will not be included in our improvements unless funds are provided by the Consolidated Municipality of Carson City, Office of Business Development Incentive Program.

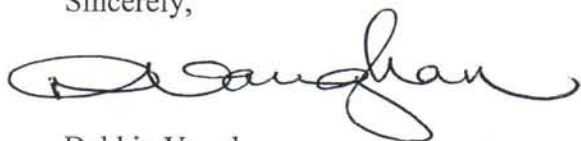
The estimated project start date is April 17, 2009. The estimated project completion date is June 17, 2009.

DSE #4, LLC is a newly formed limited liability company formed to hold this property. Members of the LLC, including Division Street Enterprises, LLC and it's members, Darsi Casey and Nicola Neilon will be providing funds for the project. Ben Smith, BSA Construction, LLC, is the contractor and engineer. James Kelly is our attorney. Casey, Neilon & Associates, LLC are our accountants, tenants and have common members.

Attached are the: photographs of existing structure, site plan, detailed project budget, lease agreement, and building elevations.

We appreciate your consideration.

Sincerely,

A handwritten signature in cursive script, appearing to read "Debbie Vaughan". The signature is written in black ink and is positioned above the typed name.

Debbie Vaughan
Project Manager
dvaughan@wealthcarecpas.com

**Consolidated Municipality of Carson City
Office of Business Development**



Incentive Program Application

Name of Business: DSE #4, LLC		Date: March 23, 2009
Business Address: 503 N. Division Street, Carson City, NV 89703		
Name of Tenant: Casey, Neilon & Associates, LLC		Phone Number: 775-283-5555
Address of Tenant: 503 N. Division Street, Carson City, NV 89703		Fax: 775-283-0494
		E-mail: dvaughan@wealthcarecpas.com
Name of Property Owner: Darsi Casey Contact Person: Debbie Vaughan		Phone Number 775-283-5555
Address of Property Owner: 503 N. Division Street, Carson City, NV 89703		Fax: 775-283-0494
		E-mail: dcasey@wealthcarecpas.com
Incentive Program:	<input type="checkbox"/> Pre-Development Costs <input type="checkbox"/> Property Improvements <input type="checkbox"/> Business Assistance <input type="checkbox"/> Other	\$ <u>220,000 property</u> \$ <u>267,600</u> \$ _____ \$ _____ \$ <u>487,600</u>
Project Name: DSE #4 Redevelopment		Project Area: (check one) <ul style="list-style-type: none"> • Area #1 <u> X </u> • Area #2 <u> </u>
Project Address / Location 503 N. Nevada Street Carson City, NV 89703		Assessors Parcel Number: 003-222-05
Bldg Size: 2,948 sq ft		Land Area: .08 acres

Project Description: DSE #4, LLC is a newly formed limited liability company formed to hold this property. Members of the LLC, including Division Street Enterprises, LLC and it's members, Darsi Casey and Nicola Neilon will be providing funds for the project. Casey, Neilon & Associates, LLC are our accountants, tenants and have common members. Our redevelopment objective is to cure the blighted building and convert it to office space. Our plan is consistent with the Carson City Comprehensive Master Plan, provides preservation of the historic structure, provides benefit to the general public, and advances the future vision for Downtown. Our project includes a complete remodeling and change of occupancy for an existing 4-plex residential building to an office building. Interior improvements include new foundations and structural framing, removal of asbestos, plumbing/mechanical/electrical systems, insulation, interior walls, sheetrock, flooring, doors, new spiral staircase, paint, and finish framing per approved plans. Exterior improvements include new windows, doors, siding, framing modifications to balcony walls and installation of new square columns, iron railings and handrails, new stairway framing, ADA access, landscaping and parking lot paving.

Total Tenant / Property Owner Investments	Land Acquisition:	\$ 220,000	
	Site Development Costs:	\$ 23,800	
	Public Improvements:	\$ 35,500	
	Building Costs (Hard):	\$ 208,300	
	Soft Costs (Professional / legal, etc.)	\$	
	Other:	\$	
	Other:		
	Total	\$ 487,600	
Total Tenant Investment	Site Development Costs:	\$	%
	Public Improvements:	\$	%
	Building Costs (Hard):	\$	%
	Soft Costs (Professional / legal, etc.)	\$	%
	Other:	\$	%
	Other:	\$	%
	Total	\$	%
Total Property Owner Investment	Land Acquisition:	\$ 220,000	100 %
	Site Development Costs:	\$ 23,800	100 %
	Public Improvements:	\$ 35,500	100 %
	Building Costs (Hard):	\$ 208,300	100 %
	Soft Costs (Professional / legal, etc.)	\$	%
	Other:	\$	%
	Other:	\$	%
Total	\$ 487,600	100 %	
Total Estimated Project Cost		\$ 267,600	
Total Incentive Funds Requested		\$ 53,520	
Incentive as a % of total project		20 %	
Estimated Project Start Date		April 17, 2009	
Estimated Project Completion Date		July 17, 2009	

Do you have a Business Plan?		<input type="checkbox"/> Yes	<input type="checkbox"/> No
Number of years business has existed under current organization:		Less than 1	

Does the applicant own an existing business?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	
If yes, what is the name of the business?			
Casey, Neilon & Associates, LLC,			
Number of years business has existed:		2.5 years	
Number of years business has existed under the ownership of applicant?		2.5 years	
Please attach the most recent financial reports for this business along with a credit report.			
Project Team:	Architect / Designer		
	Contractor	Ben Smith, BSA Construction, LLC	
	Attorney	James Kelly	
	Accountant	Casey, Neilon & Associates, LLC	
	Project Manager		
	Construction Manager		
	Development Consultant		
Economic Impact Information	Anticipated Annual Payroll	\$ 110,000	
	Anticipated Annual Sales Tax Collections	\$ 0	
	Anticipated Increase in Property Value	\$ 525,000	
Total Tenant Investment	Site Development Costs:	\$	%
	Public Improvements:	\$	%
	Building Costs (Hard):	\$	%
	Soft Costs (Professional / legal, etc.)	\$	%
	Other:	\$	%
	Other:	\$	%
	Total	\$	%
Total Property Owner	Land Acquisition:	\$	%

Investment	Site Development Costs:	\$	%
	Public Improvements:	\$	%
	Building Costs (Hard):	\$	%
	Soft Costs (Professional / legal, etc.)	\$	%
	Other:	\$	%
	Other:	\$	%
	Total		\$
Submittals Checklist	Please submit where applicable:		
	Architects / Designer Proposal		
	Architects / Designer Renderings or Drawings		
	Project Budget Detail		
	Site Plan		
	Lease Agreement		
	Building / Project Elevations		
<ul style="list-style-type: none"> Your project must conform to all applicable codes, ordinances, and regulations as well as the common design principles established by Downtown Design Standards. Construction documents describing your complete project must be submitted to the appropriate departments and agencies of the City for review and permitting prior to beginning work. In some cases, an architect and/or engineer must prepare these documents. All applicable permits must be obtained and all accompanying inspections must be successfully completed. Shop drawings must also be submitted for review for all awnings, ornamental ironwork, and signs prior to beginning work. 			
Acknowledgement of Application Provisions:			
<input type="checkbox"/> I affirm that this project will not be initiated without written commitments and completed contract with the Consolidated Municipality of Carson City.			
<input type="checkbox"/> I affirm that this project conforms to all applicable codes, ordinances and regulations, as well as the common design principles for Downtown Carson City.			
<input type="checkbox"/> All applicable permits will be obtained for this project and all accompanying inspections will be successfully completed to receive reimbursement.			
<input type="checkbox"/> I affirm that I am in good standing with the Consolidated Municipality of Carson City with respect to taxes, fees, loans or other financial obligations to the City.			
<input type="checkbox"/> If this project is selected for an incentive from the Consolidated Municipality of Carson City, I acknowledge that photographs of my property may be used in promotional materials for Downtown Carson City.			
Applicants Signature		Date:	
<p>*Note: ALL project related invoices must be submitted for review at conclusion of the project prior to reimbursement. In addition, approved copies of required City building, sign and other permits must be submitted as a condition of reimbursement and in order</p>			

for any and all liens to be released.

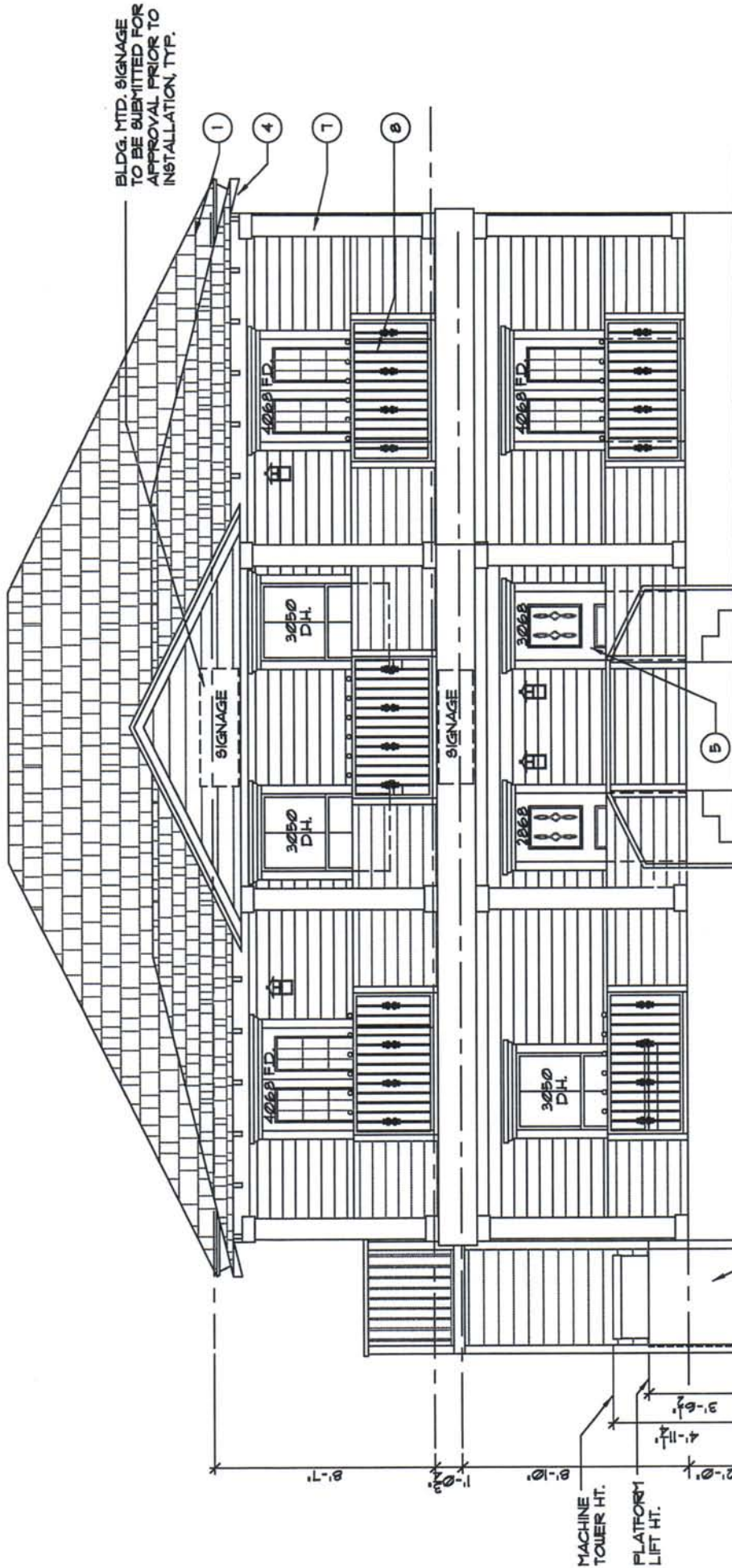
(For Internal Use Only)	Date
Application Approved:	
Project Commenced:	
Project Completed:	
Reimbursement Request submitted to Finance Department	
Reimbursement remitted to Applicant	

BSA Construction, LLC
Job Estimates for 503 N. Nevada Street

Service	Sub Total	Total	Actual
DEMOLITION AND DISPOSAL		11,800.00	
labor	4,000.00		4,000.00
materials/disposal costs	1,800.00		1,800.00
asbestos removal	6,000.00		6,000.00
NEW INT WALL CONSTRUCTION		7,500.00	
labor	3,500.00		
framing materials	4,000.00		
NEW FOUNDATION WORK		4,500.00	
labor	2,800.00		
forms and concrete	1,700.00		
NEW EXT STAIRWAY, WALKS AND RAMP		21,700.00	
stair labor	1,700.00		
stair material and railing	1,500.00		
Handicap Lift	18,500.00		18,500.00
RE-FRAME BALCONY AREAS		2,900.00	
labor	2,100.00		
material	800.00		
EXTERIOR RAILINGS AND HAND RAILS		3,800.00	
Railing Fabrication	3,200.00		
Installation	600.00		
NEW SPIRAL STAIRCASE		5,800.00	
Stair Fabrication	4,500.00		
Installation	1,300.00		
PLUMBING		4,200.00	
labor to modify existing and install new materials	3,200.00		1,000.00
	1,000.00		
PLUMBING FIXTURES (allowance)		2,500.00	
fixture allowance budget	2,500.00		
ELECTRICAL/DATA- ROUGH		23,000.00	
labor for 2 systems	13,000.00		
material	10,000.00		5,640.00
ELECTRICAL/DATA- FINISH		13,000.00	
labor for connections per plan	8,000.00		
material	5,000.00		
ELECTRICAL FIXTURES (allowance)		3,000.00	
fixture allowance budget	3,000.00		
HVAC		33,500.00	
labor for 2 systems	13,000.00		
ac units/furnaces/ducting/controls/misc	20,500.00		6,000.00
INSULATION		8,900.00	
attic	1,800.00		
walls	4,700.00		
underfloor	2,400.00		
DRYWALL		17,200.00	
labor	7,000.00		
drywall materials	8,000.00		
tape and texture materials	2,200.00		
INT/EXT DOORS (allowance)		6,000.00	
door allowance budget	6,000.00		
INTERIOR FINISH CARPENTRY (allowance)		8,000.00	
interior finish based on client selections	8,000.00		
SPECIAL INTERIOR INSTALLATIONS		TBD	
INTERIOR/EXTERIOR PAINT		12,500.00	
labor	7,500.00		
material	5,000.00		
FLOORING (allowance)		10,000.00	
flooring allowance budget	10,000.00		

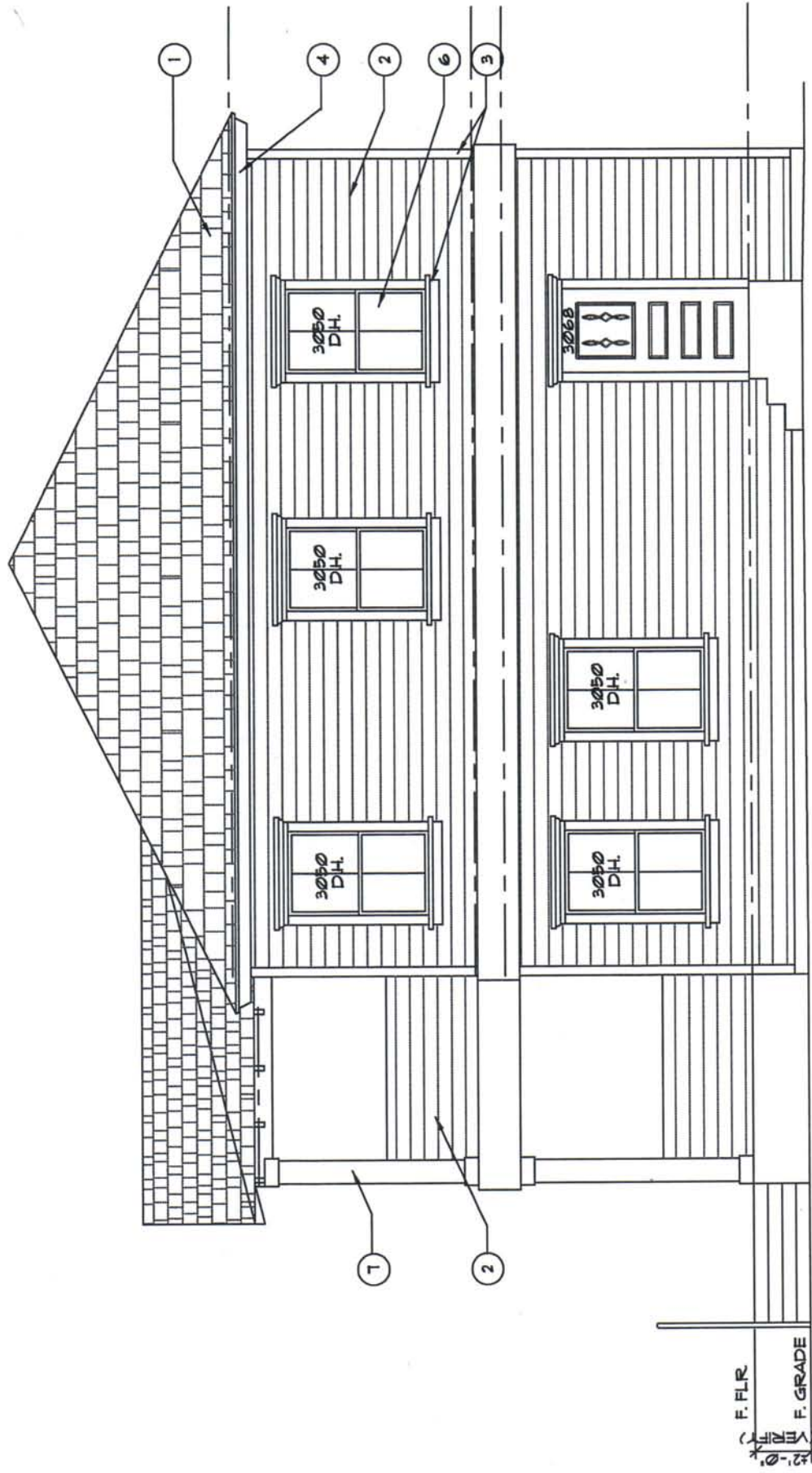
**BSA Construction, LLC
Job Estimates for 503 N. Nevada Street**

	<u>Sub Total</u>	<u>Total</u>	<u>Actual</u>
NEW WINDOWS		22,800.00	
labor	4,300.00		
materials	18,500.00		18,500.00
NEW COMPOSITION ROOF	0.00	0.00	
EXTERIOR SIDING		23,000.00	
labor	6,500.00		
siding and prep materials	16,500.00		16,500.00
NEW PARKING LOT GRADE AND PAVE		7,500.00	
labor	3,000.00		
base/asphalt/concrete patch/stripping materials	4,500.00		
LANDSCAPE (allowance)		10,000.00	
landscaping based on final required by city	10,000.00		
FENCING		TBD	
CONSTRUCTION CLEAN UP		3,000.00	
labor	1,000.00		
dump and container fees	2,000.00		
TEMP. FACILITIES		1,500.00	
temp restroom, etc	1,500.00		
	<u>267,600.00</u>	0.00	<u>77,940.00</u>
	<u><u>267,600.00</u></u>	<u>267,600.00</u>	<u><u>77,940.00</u></u>
		<u><u>267,600.00</u></u>	



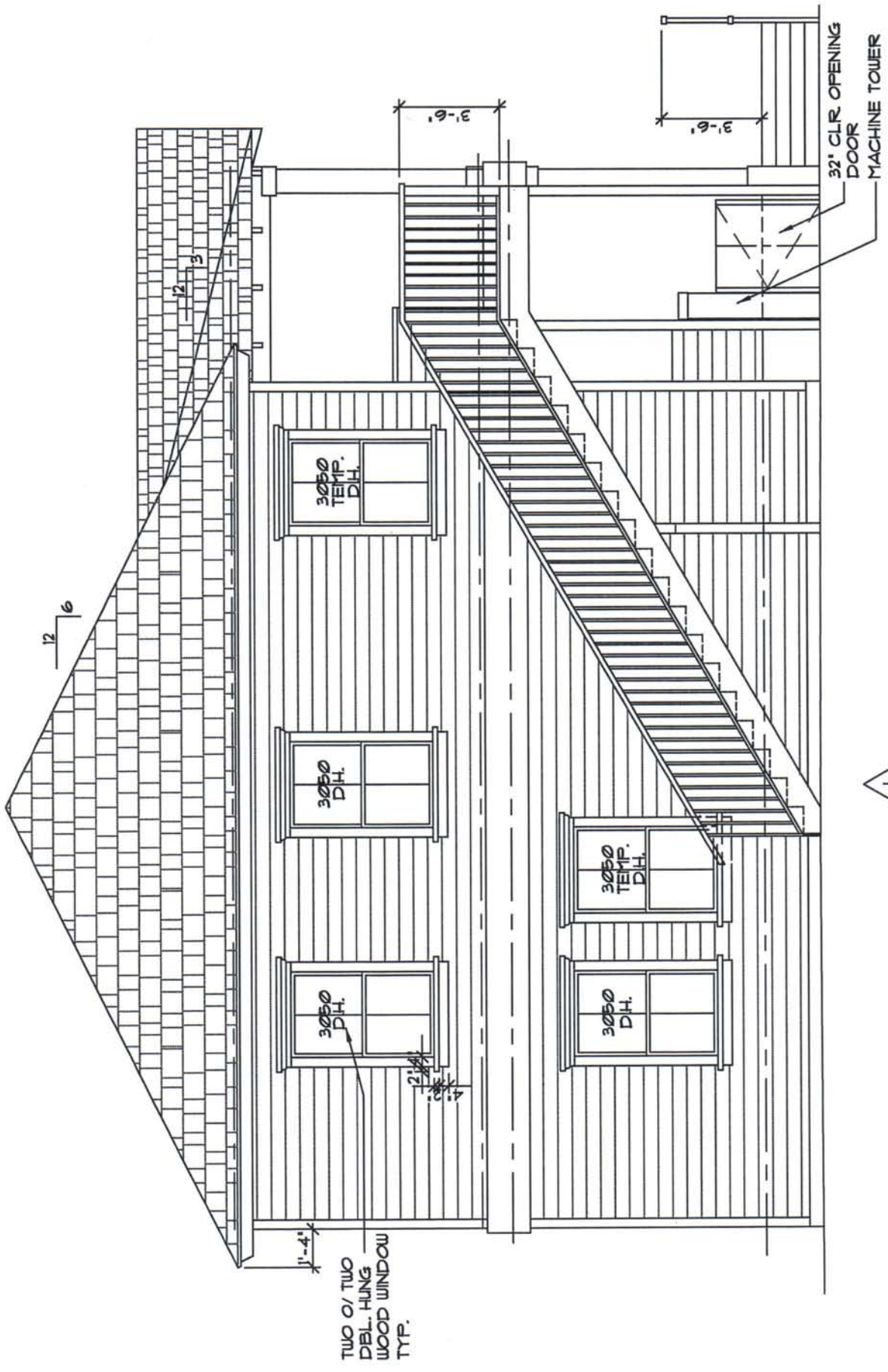
WEST ELEVATION

SCALE: 1/4" = 1'-0"



SOUTH ELEVATION

SCALE: 1/4" = 1'-0"

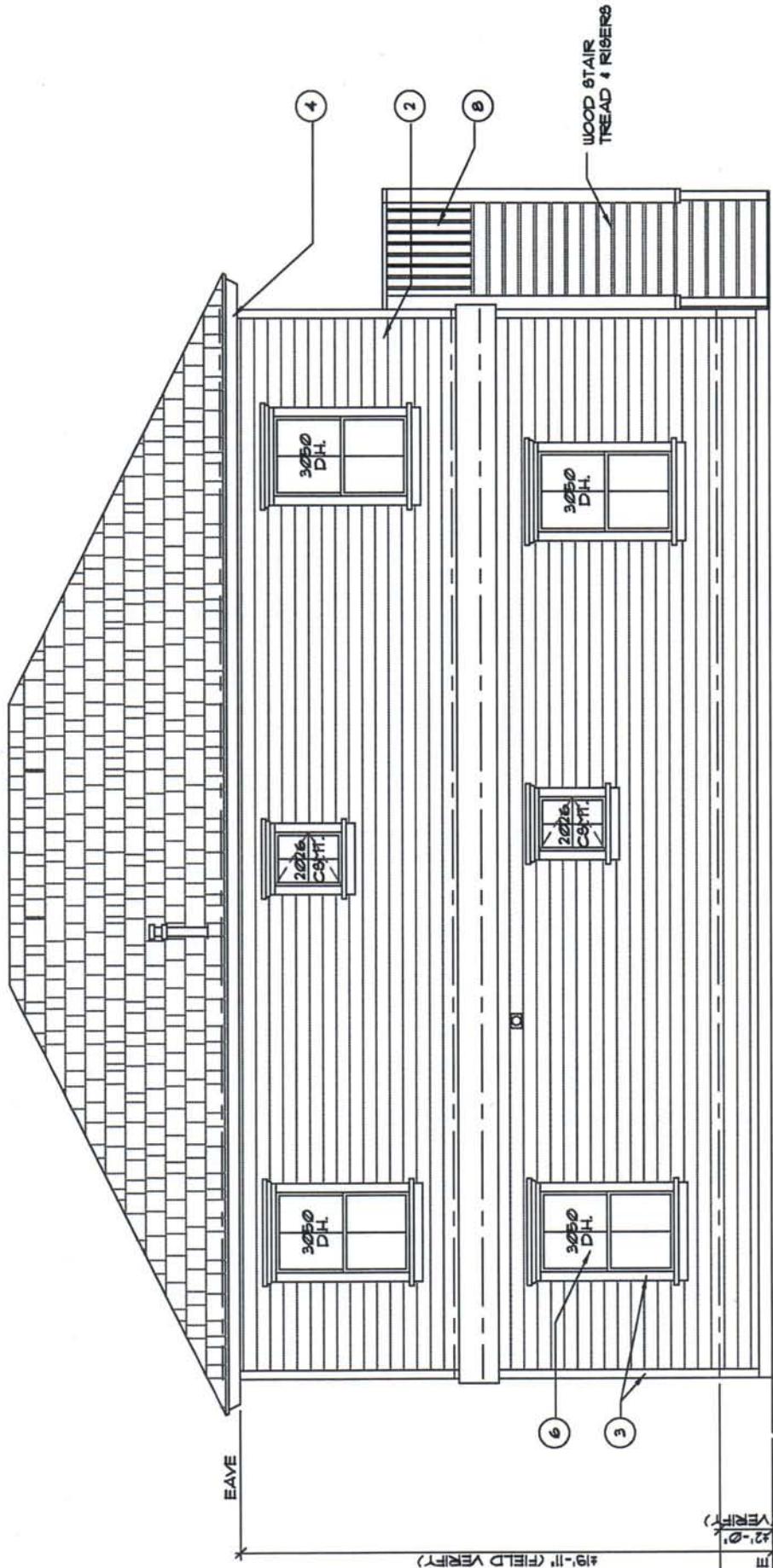


TWO O / TWO
 DBL. HUNG
 WOOD WINDOW
 TYP.



NORTH ELEVATION

SCALE: 1/4" = 1'-0"



EAVE

#19'-11" (FIELD VERIFY)

F. FLR.
 F. GRADE
 2'-0" (VERIFY)
 2'-0" (VERIFY)

EAST ELEVATION
 SCALE: 1/4" = 1'-0"

EXTERIOR FINISHES

- ① (E) ASPHALT SHINGLES:
COLOR: BROWN

- ② 6" WOOD LAP SIDING:
'VALSPAR' FLAT ACRYLIC PAINT
COLOR: WHEATGRASS #EE2014A

- ③ WOOD WINDOW, DOOR TRIM & CORNER BOARDS:
'VALSPAR' FLAT ACRYLIC PAINT
COLOR: WAFT #EE2045A

- ④ (E) WOOD FASCIA & ACCENTS:
'VALSPAR' FLAT ACRYLIC PAINT
COLOR: BARE VALLEY #EE2017A

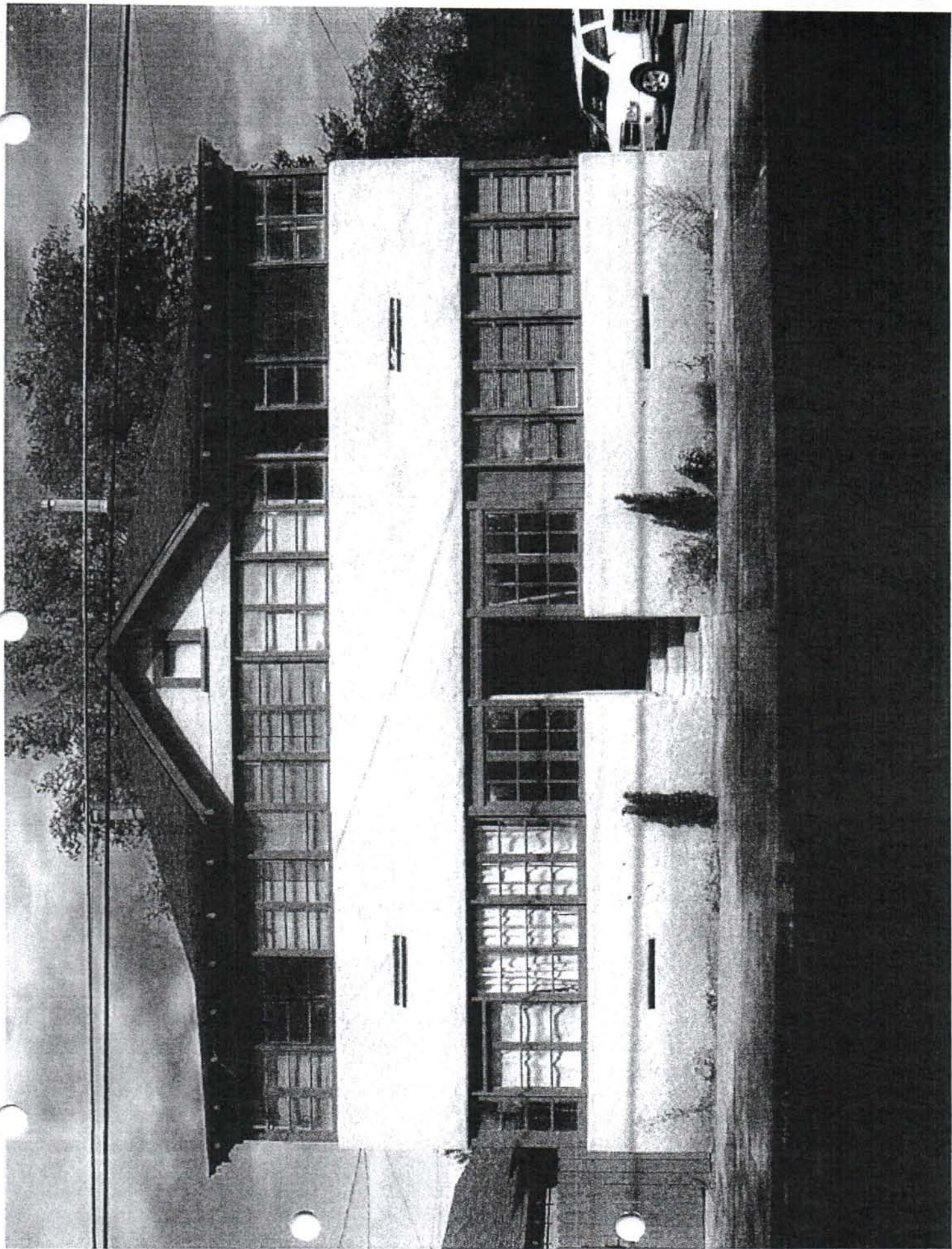
- ⑤ ENTRY DOOR:
WOOD / GLASS
COLOR: NATURAL WOOD TONE

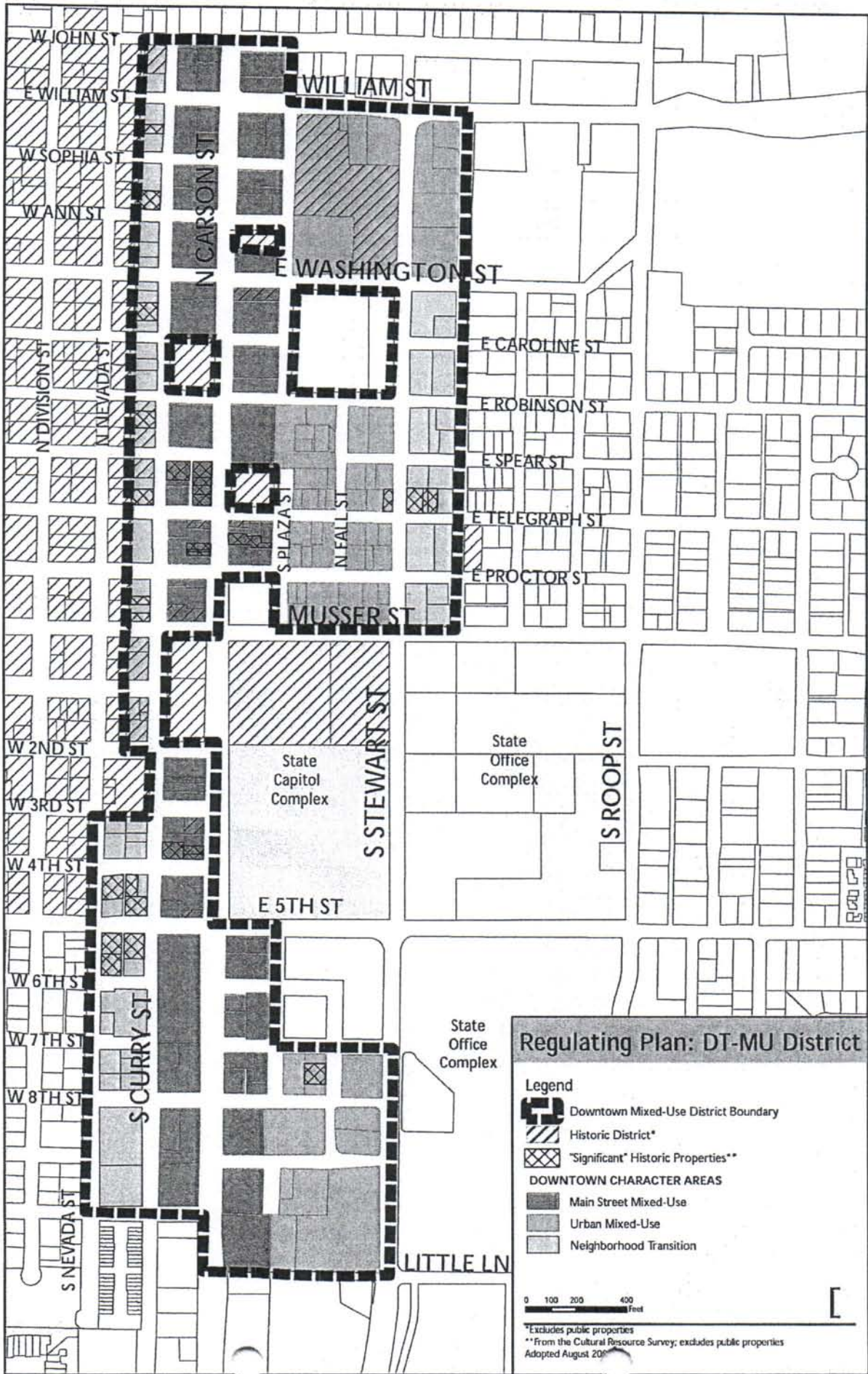
- ⑥ WINDOWS:
MANUFACTURER TO BE DETERMINED
COLOR:

- ⑦ 10" SQ. WOOD COLUMNS:
'VALSPAR' FLAT ACRYLIC PAINT
COLOR: WAFT #EE2045A

- ⑧ W.I. BALCONY/DECK/STAIR RAILING
'VALSPAR' FLAT ACRYLIC PAINT
COLOR: AGED AMBER #EE2014B

- ⑨ VENTS, FLASHING & FLUES:
COLOR: PAINT TO MATCH ROOF





Regulating Plan: DT-MU District

- Legend**
- Downtown Mixed-Use District Boundary
 - Historic District*
 - "Significant" Historic Properties**
- DOWNTOWN CHARACTER AREAS**
- Main Street Mixed-Use
 - Urban Mixed-Use
 - Neighborhood Transition



*Excludes public properties
 **From the Cultural Resource Survey; excludes public properties
 Adopted August 2000

OFFICE SPACE LEASE

1. PARTIES

This Lease is made between Division Street Enterprises, LLC, herein called Lessor, and Casey, Neilon and Associates, LLC, herein called Lessee.

2. DESCRIPTION

Lessor hereby leases to Lessee, and Lessee hereby hires from Lessor, the space hereinafter called the premises, consisting of square feet of said building located at 503 N. Nevada Street, Carson City, NV 89703.

3. TERM

The space is leased for a term of ten (10) years to commence on the first day of August, 2009. Subject to Lessee's ability to keep this Lease in effect for the full term of said Lease, Lessee is hereby granted the option of extending and renewing the term of this Lease for three (3) additional five (5) year periods. The renewal shall be upon the same terms and conditions of this Lease, except that the monthly rental shall be increased to an amount mutually agreed upon by the Lessor and Lessee. The Lessee must give written notice of its intention to renew at least ninety (90) days before the expiration of this term.

4. RENT

The monthly rental for the first five (5) years of the Lease shall be at the rate of \$3,685 per month. The monthly rental for the second five (5) years of the Lease shall be at a rate of \$4,422 per month. The total monthly rental payment shall be payable in advance on the first calendar day of each and every month commencing on August 1, 2009. If such rent payment is not received by the fifth day of each month, a ten (10) percent late charge shall be imposed, however this may be waived at management's discretion.

5. USE AND OCCUPANCY

Lessee shall use and occupy the premises for the purpose of operating a certified public accounting firm and to provide facilities for other financial services related business related to the Lessor's business. The Lessor represents that the premises may be lawfully be used for such purpose.

6. CONSTRUCTION OF IMPROVEMENTS

Lessor has finished the interior of the leased premises for initial occupancy according to building standards, with standard walls and outlets. For any interior changes subsequent to occupancy, Lessee shall finish the interior of the leased premises to its specifications which shall include installation of interior partitions, wallpaper, and painting, and shall purchase and install all trade fixtures, floor coverings, and equipment. All such improvements, trade fixtures, floor coverings, and furnishings shall be of first quality and commensurate in appearance, and in keeping with the Lease premises. Throughout the term of this Lease, Lessee shall maintain the same in good order, condition, and repair at its own cost and expense.

7. DISPOSITION OF FIXTURES AT END OF LEASE TERM

All alterations and improvements made by the Lessee in accordance with Section 6 hereof, affixed to the premises, shall become the Lessor's property at the expiration of the term of this Lease and any renewals thereof, and shall be surrendered with the premises. Lessee may remove all personal property, equipment, cabinetry and furnishings at the expiration of the term of this Lease.

8. REPAIRS AND MAINTENANCE

Lessee, at its expense, shall maintain and keep the leased premises, including the interior walls, in good repair. Lessee shall maintain the building roof, exterior walls, windows and doors, heating and air conditioning system, sprinkler system, parking lot and landscaping in good repair. Lessee shall also provide for snow removal.

9. JANITORIAL SERVICES

Lessee shall furnish, at its sole cost and expense, all janitorial services for the leased premises.

10. UTILITIES AND SERVICES

Lessee shall furnish, at its sole cost and expense, telephone service, electricity, gas, heat, air conditioning, water, sewer, and garbage service.

11. ASSIGNMENT OR SUBLEASE

Lessee shall not, without first obtaining the written consent of Lessor, assign, encumber, or sublet the premises herein leased; Lessor shall not unreasonably withhold such consent.

12. TAXES

Lessee shall, at all times during this Lease and at their own expense, be responsible for all payments for real property tax assessments, or other governmental charges. Lessee shall pay all personal property taxes on their equipment and other personal property.

13. INSURANCE

During the terms of the Lease, and for any further time that Lessee shall hold the demised premises, Lessee shall obtain and maintain, at his expense, the following types and amounts of insurance:

(1) Fire insurance. Lessee shall keep the building and all equipment on the demised premises, including all alterations, additions, and improvements made by Lessee insured against loss or damage by fire. The insurance shall be in an amount sufficient to prevent Lessor and Lessee from becoming co-insurers under provisions of applicable policies of insurance, but in any event in an amount not less than one hundred percent (100%) of the full insurable value of the demised premises.

(2) Personal injury and property damage insurance. Insurance against liability for bodily injury and property damage, in the amounts of \$100,000 and \$300,000, shall be provided by Lessee.

(3) It shall be the responsibility of Lessee to maintain all insurance, including public liability, on the exterior of the building and the parking areas.

Lessee shall provide proof of insurance to Lessor on an annual basis.

14. DEFAULT OR BREACH

Each of the following events shall constitute a default or breach of this Lease by Lessee:

(1) If Lessee, or any successor assignee of Lessee while in possession, shall file a petition for bankruptcy or insolvency, or for reorganization under any bankruptcy act, or shall voluntarily take advantage of any such act by answer or otherwise, or shall make an assignment for the benefit of creditors.

(2) If involuntary proceedings under any bankruptcy law or insolvency act shall be instituted against Lessee, or if a receiver or trustee shall be appointed for all, or substantially all, of the property of Lessee and such proceedings shall be dismissed or the receivership or trusteeship vacated within thirty (30) days after the institution or appointment.

(3) If Lessee shall fail to pay Lessor any rent, or additional rent, when the rent shall become due and shall not make the payment within ten (10) days after notice thereof by Lessor to Lessee.

(4) If Lessee shall fail to perform or comply with any of the conditions of this Lease and if the nonperformance shall continue for a period of ten (10) days after notice thereof by Lessor to Lessee, or if the performance cannot be reasonably had within the ten (10) day period, Lessee shall not, in good faith, have commenced performance within the ten (10) day period and shall not diligently proceed to completion of performance.

(5) If Lessee shall vacate or abandon the demised premises.

(6) If this Lease or the estate of Lessee hereunder shall be transferred to, or shall pass to or devolve on, any other person or party, except in the manner herein permitted.

(7) If Lessee fails to take possession of the demised premises on the term commencement date, or within ten (10) days after notice that the demised premises are available for occupancy, if the term commencement date is not fixed herein or shall be deferred as herein provided.

15. EFFECT OF DEFAULT

In the event of any default hereunder, as set forth in Section 14 above, the rights of Lessor shall be as follows:

(1) Lessor shall have the right to cancel and terminate this Lease, as well as all of the rights, title, interest of Lessee hereunder, by giving to Lessee not less than the ten (10) days notice of the cancellation and termination. On expiration of the time fixed in the notice, this Lease and the right, title, and interest of

Lessee hereunder, shall terminate in the same manner and with the same force and effect, except as to Lessee's liability, as if the date fixed in the notice of cancellation and termination were the end of the term herein originally determined.

(2) Lessor may elect, but not be obligated, to make any payment required of Lessee herein or comply with any agreement, term, or condition required hereby to be performed by Lessee, and Lessor shall have the right to enter the demised premises for the purpose of correcting or remedying any such default and to remain until the default has been corrected or remedied, but any expenditure for the correction by Lessor shall not be deemed to waive or release the default of Lessee, or the right of Lessor to take any action as may be otherwise permissible hereunder in the case of any default.

(3) Lessor may re-enter the premises immediately and remove the property and personnel of Lessee, and store the property in a public warehouse or at a place selected by Lessor, at the expense of Lessee. After re-entry, Lessor may terminate the Lease upon giving ten (10) days' written notice of termination to Lessee. Without the notice, re-entry will not terminate the Lease.

(4) After re-entry, Lessor may relet the premises, or any part thereof, for any term without terminating the Lease, at the rent and on the terms as Lessor may choose. Lessor may make alterations and repairs to the premises. Lessee shall not be liable for expenses of the reletting, for the alterations and repairs made, or for the difference between the rent received by Lessor under the new lease agreement and the rent installments that are due for the same period under this Lease.

16. DESTRUCTION OF PREMISES

In the event of a partial destruction of the premises during the Lease term from any cause, Lessor shall forthwith repair the same provided the repairs can be made within thirty (30) days under the laws and regulations of applicable governmental authorities. Any partial destruction shall neither annul nor void this Lease, except that Lessee shall be entitled to a proportionate reduction being based on the extent to which the making of repairs shall interfere with the business carried on by Lessee in the premises. If the repairs cannot be made in the specified time, Lessor may, at Lessor's option, make repairs within a reasonable time, this Lease continuing in full force and effect and the rent to be proportionately rebated as previously set forth in this section. In the event that Lessor does not elect to make repairs that cannot be made in the specified time, or those repairs cannot be made under the laws and regulations of the applicable governmental authorities, this Lease may be terminated at the option of the Lessee. Should the building in which the demised premises are situated be destroyed to the extent of not less than fifty percent (50%) of the replacement cost thereof, this Lease shall be terminated. Any dispute between Lessor and Lessee relative to the provisions of this section shall be subject to arbitration. Each party shall select an arbitrator and the two arbitrators so selected shall select a third arbitrator between them, the controversy being heard by the three arbitrators so selected. The decision of the three arbitrators shall be final and binding on both Lessor and Lessee, who shall bear the cost of the arbitration equally between them.

17. NOTICE

All notices are to be given, with respect to this Lease, in writing. Each notice shall be sent by registered or certified mail, postage prepaid, and return receipt requested, to the party to be notified at the address set forth herein, or at such other address as either party may, from time to time, designate in writing. Notices shall be sent to Lessor at 503 N. Division Street, Carson City, NV 89703, and to Lessee at 503 N. Division Street, Carson City, NV 89703.

18. ARBITRATION

In a situation where this Lease provides for the settlement of a dispute or question by arbitration, the same shall be settled by arbitration in accordance with the current rules of the American Arbitration Association, and judgment on the award rendered may be entered in any court having jurisdiction thereof.

19. TOTAL AGREEMENT, APPLICABLE TO SUCCESSORS

This Lease contains the entire agreement between the parties and cannot be changed or terminated, except by written instrument subsequently executed by the parties hereto. This Lease, and the terms and conditions hereto, apply to and are binding on the heirs, legal representatives, successors, and assigns of both parties.

20. LITIGATION COSTS

If any such legal action is instituted to enforce this Lease or any term, condition, or covenant thereof, the prevailing party shall be entitled to recover attorneys fees and costs of such amount as the court may deem reasonable.

STATE OF NEVADA)
 : ss
CARSON CITY)

On _____, _____, personally appeared before me, a Notary Public, Darsi J. Casey, who acknowledged that he executed the above instrument.

Notary Public

STATE OF NEVADA)
 : ss
CARSON CITY)

On _____, _____, personally appeared before me, a Notary Public, Nicola Neilon, who acknowledged that she executed the above instrument.

Notary Public