Carson Water Subconservancy District
Board of Directors & Carson River Watershed Committee

A healthy watershed that meets the water needs of all users

NOTICE OF PUBLIC MEETING

DATE: November 18, 2026
TIME: 6:30 pm
LOCATION: CWSD Conference Room
777 E. William Street, Suite 209, Carson City, NV 89701

CWSD encourages Board Members to attend meetings in-person, but virtual attendance is available via ***Zoom***. If you prefer to phone in, call (669)900-9128. Meeting ID: 876 4490 2237; Passcode: 438558.

AGENDA

Please Note: *The Carson Water Subconservancy District (CWSD) Board may: 1) take agenda items out of order; 2) combine two or more items for consideration; and/or 3) remove an item from the agenda or delay discussion related to an item at any time. All votes will be conducted by the CWSD Board of Directors. Reasonable efforts will be made to assist and accommodate individuals with limited ability to speak, write, or understand English or those with disabilities who wish to join the meeting. Please contact Catrina Schambra at (775)887-7450 or email:* ***catrina@cwsd.org*** *at least 3 business days in advance so that arrangements can be made.*

1. Call to Order the CWSD Board of Directors/Carson River Watershed Committee
2. Roll Call
3. Pledge of Allegiance
4. For Discussion Only: Public Comment *(Public Comment will be taken at the beginning and end of the meeting and may be taken at the discretion of the Chair on agenda items listed for possible action. Action may not be taken on any matter brought up under public comment until scheduled for action at a later meeting. Public comment during meetings is limited to three minutes for each speaker.)*
5. For Possible Action: Approval of Agenda
6. For Possible Action: Approval of the Board Meeting Minutes of October 21, 2026

CONSENT AGENDA

Please Note: *All matters listed under the consent agenda are considered routine and may be acted upon by the Board of Directors with one action and without extensive hearing. Any member of the Board or any citizen may request that an item be taken from the consent agenda, discussed, and acted upon separately during this meeting.*

7. For Possible Action: Approval of Treasurer's Report for October 2026
8. For Possible Action: Approval of Payment of Bills for October 2026
9. For Possible Action: Approval of 2nd Amendment to CWSD Office Lease Agreement 2026-2030

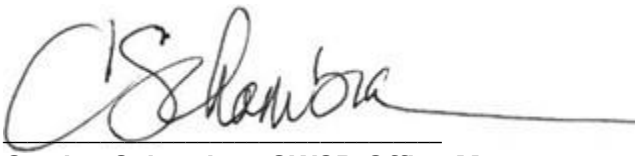
END CONSENT AGENDA

10. For Discussion Only: Approval of Fiscal Year 2025-26 Annual Audit
11. For Possible Action: Senate Bill 44 Proposed District Name Change
12. For Discussion Only: Staff Reports
    - General Manager
    - Legal
    - Correspondence
13. For Discussion Only: Directors & Committee Members Reports
14. For Discussion Only: Public Comment
15. Adjournment

Supporting material for this meeting may be requested from Catrina Schambra at catrina@cwsd.org and is available on the CWSD website at https://www.cwsd.org

AFFIDAVIT OF POSTING

The undersigned affirms that on or before 5 pm on November 12, 2026, a copy of the *Notice of Public Meeting and Agenda* for the November 18, 2026, meeting of the Carson Water Subconservancy District Board of Directors, per NRS 241.020 was posted at the following locations: Carson Water Subconservancy District, 777 E. William St, Ste 209, Carson City, NV 89701; CWSD Website: https://www.cwsd.org; and Nevada Public Notice Website: https://notice.nv.gov/



November 12, 2026, 4 pm

Catrina Schambra, CWSD Office Manager **Date & Time of Posting**

AGENDA ITEM #6

MINUTES OF LAST BOARD MEETING

CARSON WATER SUBCONSERVANCY DISTRICT
Board of Directors
& Carson River Watershed Committee Meeting

October 21, 2026

DRAFT Minutes

Chairperson Ernie Schank called the Carson Water Subconservancy District (CWSD) Board of Directors Meeting to order at 6:30 pm in the Churchill County Administrative Building, Room #102, 155 North Taylor Street, Fallon, NV 89406. A roll call determined a quorum was present.

CWSD Directors present:

Stacey Giomi *(via Zoom)*
Sharla Hales *(via Zoom)*
Tammy Hendrix *(via Zoom)*
Jim Hindle *(via Zoom)*
Doug Johnson
Ernie Schank
Lisa Schuette
Lee Sterrett *(via Zoom)*
Fred Stodieck *(via Zoom)*
Mike Workman

Directors Getto, Koerner, and Tolbert were absent. The roll call included CWSD Committee Members present, Charlie Dobson and David Griffith *(via Zoom)*.

CWSD Staff & Guests present:

Reed Cozens, CWSD
Brenda Hunt, CWSD
Steve King, CWSD Attorney
Michael Miller, Public *(via Zoom)*
Debbie Neddenriep, CWSD
Robin Orla, Public *(via Zoom)*
Tim Bardley, NWS *(via Zoom)*

Committee Member Dobson led the Pledge of Allegiance.

Item #4 – Discussion Only: Public Comment –

Ms. Hunt reported that there are 4 seats available for the bus tour and reminded Board members to let her know if they would like to attend.

Item #5 – For Possible Action: Approval of Agenda

Mr. Cozens reported that on advice of counsel he would like to pull Item #10 from the Consent Agenda. As the office lease was a second amendment to the original agreement, the November agenda and include all necessary recitals which were not included in the October Board agenda package.

Director Giomi motioned to approve the Agenda for October 21, 2026, with Item #10 pulled as requested. Director Schuette seconded the motion and the Board unanimously approved.

Item #6 – For Possible Action: Approval of Board Meeting Minutes of Sep. 16, 2026

Director Workman motioned to approve the Board Meeting Minutes of September 16, 2026, as presented. Committee Member Griffith seconded the motion and the Board unanimously approved.

CONSENT AGENDA

Item #7 – For Possible Action: Approval of Treasurer's Report for September 2026

Item #8 - For Possible Action: Approval of Payment of Bills for September 2026

Item #9 - For Possible Action: Approval of 2026 Nevada Flood Awareness Week Proclamation

Item #10 - For Possible Action: Approval of 2nd Amendment to CWSD Office Lease Agreement 2026-2030 *(PULLED)*

END CONSENT AGENDA

Committee Member Griffith made a motion to approve Consent Agenda Items 7, 8, and 9 as presented. The motion was seconded by Director Giomi and unanimously approved by the Board.

Item #11 - For Discussion Only: Pre-Winter Presentation by National Oceanic & Atmospheric Administration/National Weather Service

Tim Bardsley, Senior Service Hydrologist, National Weather Service, reported a strong to very strong El Niño is expected to contribute to a wetter-than-normal winter across much of the California-Nevada region, particularly in the south, though temperature outcomes remain uncertain. Seasonal forecasts indicate elevated potential for increased precipitation, but the overall impact will depend on the frequency and characteristics of individual storms, including atmospheric rivers, storm temperature profiles, and precipitation spillover patterns. While El Niño does not have a direct or consistent relationship with flooding, significant flood risk can still arise from a series of intense storms. Because these localized impacts cannot be predicted months in advance, the most actionable forecasts will occur within the 5- to 14-day timeframe. Stakeholders should use the seasonal outlook to assess potential wet-weather risks and ensure appropriate preparedness measures are in place for homes, businesses, and communities.

Tap here to view presentation slides.

Item #12 - For Possible Action Approval of Nevada Division of Water Resources (NDWR) Proposed Interlocal Contract for Carson Desert Water Availability Study

Mr. Cozens explained the need for approval of an Interlocal Contract associated with a grant previously awarded to the Nevada Division of Water Resources during the last funding cycle. The contract process was delayed several months due to state administrative requirements. As a local government, the organization is required to utilize the state's contract format, which incorporates the locally approved agreement as an attachment. The contract has undergone legal counsel review, and minor revisions identified during that process have been incorporated into the final draft presented to the board. He recommended approval of the contract as submitted.

Director Workman motioned to approve the Interlocal Contract with NDWR as presented. Director Schuette seconded the motion and the Board unanimously approved.

<u>Item #13 - For Discussion Only</u>: NV Water Resources Association (NWRA) Fall Symposium

The 2026 NWRA Fall Symposium brought together more than 70 water professionals for two days of discussion on Nevada water policy, river decrees, and water quality. Highlights included Reed Cozens's presentation on the Alpine Decree, sessions on state water-quality programs, and a screening of *Flowing Forward: The Water Masters*. Initial attendee feedback was positive, and the symposium drew new participants from across Nevada.

No action taken.

<u>Item #14 - For Discussion Only</u>: Staff Reports

Mr. Cozens reported the following:

- He presented on the Alpine Decree's operations, history, and future challenges to an OCAP revision working group that included federal agencies and the Pyramid Lake Paiute Tribe. The presentation was well received.
- Staff submitted the NDEP 319 grant application; the MAS 14 FEMA application is still pending.
- Outreach included the upcoming bus tour and a successful Snapshot Day with River Wranglers.
- The annual audit had gone well, and results are expected by the next board meeting. He thanked Catrina for her work preparing the audit materials.
- CWSD received a 2026 recognition award from the Carson City Open Space Advisory Committee for its substantial, dedicated service to the Carson City Open Space Program.

Ms. Hunt reported on the following:

- CWSD submitted a joint 319 planning grant application with Kelly, Lyndsey, and Reed, requesting nearly the $80,000 maximum. No match is required for planning grants; an award decision is expected by late December or early January.
- She is addressing U.S. EPA comments on the Quality Assurance Project Plan (QAPP), aiming to resubmit by Friday and secure approval within the next month or two.
- The Regenerative Agriculture Soil Health project with Rambling River Ranches and Break-a-Heart Ranch was also progressing.
- We are also working on other grant opportunities and beginning an update to the Carson River Adaptive Stewardship Plan with support from the National Park Service's Rivers, Trails, and Conservation Assistance program, whose team was also working with Carson City on its Carson River Master Plan.

Ms. Neddenriep reported on the following:

- CWSD was invited to an early-November FEMA grant awardee meeting, even though the award decision had not been announced. She took the invitation as a hopeful sign, not confirmation of funding.

- CWSD was asked to join a technical advisory committee for CAMPO's planned Dayton bridge project.

Legal –

Counsel reported that the Ninth Circuit's September 30, 2026, *Baker Ranches v. United States* decision may support enforcement of Nevada water-right decrees involving federal reserved rights. The Alpine Decree is not in the same procedural posture, though the ruling could be relevant to future Carson River matters.

Item #13 - For Discussion Only: Directors & Committee Members Reports

- Committee Member Griffith said it was difficult to hear participants in the room over Zoom, though the NOAA presentation had come through clearly. He suggested considering an Owl device to improve audio and video for remote attendees.

Item #14 - For Discussion Only: Public Comment – None

There being no further business before the Board, Chairperson Schank adjourned the meeting at 7:33 pm.

Respectfully submitted,

Catrina Schambra

Secretary to the Board

AGENDA ITEM #7

TREASURER'S REPORT

CARSON WTR SUBCONSERVANCY DIST - ACQUISITION/CONSTRUCTION
Balance Sheet
As of October 31, 2026

	Oct 31, 26
ASSETS	
Current Assets	
Checking/Savings	
1013-01 · Local Gov't Inv.Pool-Acqui/Cons	1,553,471.59
Total Checking/Savings	1,553,471.59
Total Current Assets	1,553,471.59
TOTAL ASSETS	**1,553,471.59**
LIABILITIES & EQUITY	
Equity	
4000-01 · Fund Balance - Capital Project	1,533,995.84
Net Income	19,475.75
Total Equity	1,553,471.59
TOTAL LIABILITIES & EQUITY	**1,553,471.59**

OK
11/3/26

CARSON WTR SUBCONSERVANCY DIST - ACQUISITION/CONSTRUCTION
Profit & Loss Budget vs. Actual
July through October 2026

	Jul - Oct 26	Budget	$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
5032-01 · Interest Income - LGIP Acqui/Co	19,475.75		19,475.75	100.0%
Total Income	19,475.75		19,475.75	100.0%
Net Ordinary Income	19,475.75		19,475.75	100.0%
Net Income	**19,475.75**		**19,475.75**	**100.0%**

CARSON WTR SUBCONSERVANCY DIST - ACQUISITION/CONSTRUCTION
Profit & Loss YTD Comparison
October 2026

	Oct 26	Jul - Oct 26
Ordinary Income/Expense		
Income		
5032-01 · Interest Income - LGIP Acqui/Co	4,894.86	19,475.75
Total Income	4,894.86	19,475.75
Net Ordinary Income	4,894.86	19,475.75
Net Income	**4,894.86**	**19,475.75**

Floodplain Management Fund
Balance Sheet
As of October 31, 2026

	Oct 31, 26
ASSETS	
Current Assets	
Checking/Savings	
1013-03 · LGIP - Floodplain	229,748.80
Total Checking/Savings	229,748.80
Total Current Assets	229,748.80
TOTAL ASSETS	**229,748.80**
LIABILITIES & EQUITY	
Equity	
32000 · Retained Earnings	226,940.69
Net Income	2,808.11
Total Equity	229,748.80
TOTAL LIABILITIES & EQUITY	**229,748.80**

Floodplain Management Fund
Profit & Loss Budget vs. Actual
July through October 2026

	Jul - Oct 26	Budget	$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
5032-03 · Int. Inc.-LGIP-Floodplain	2,808.11	0.00	2,808.11	100.0%
Total Income	2,808.11	0.00	2,808.11	100.0%
Net Ordinary Income	2,808.11	0.00	2,808.11	100.0%
Net Income	**2,808.11**	**0.00**	**2,808.11**	**100.0%**

Floodplain Management Fund
Profit & Loss YTD Comparison
October 2026

	Oct 26	Jul - Oct 26
Ordinary Income/Expense		
Income		
5032-03 · Int. Inc.-LGIP-Floodplain	723.92	2,808.11
Total Income	723.92	2,808.11
Net Ordinary Income	723.92	2,808.11
Net Income	**723.92**	**2,808.11**

CARSON WATER SUBCONSERVANCY DISTRICT - GENERAL FUND
Balance Sheet
As of October 31, 2026

	Oct 31, 26
ASSETS	
Current Assets	
Checking/Savings	
1013-00 · Cash in Checking - U. S. Bank	86,739.17
1014-00 · Local Gov't Inv. Pool-Regular	1,163,249.88
1030-00 · Petty Cash	100.00
Total Checking/Savings	1,250,089.05
Other Current Assets	
1055-00 · Payroll Deposit - Carson City	500.00
Total Other Current Assets	500.00
Total Current Assets	1,250,589.05
TOTAL ASSETS	**1,250,589.05**
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
3360-00 · Accrued Vacation	-4,335.86
3362-00 · Accrued sick leave	74,209.53
Total Other Current Liabilities	69,873.67
Total Current Liabilities	69,873.67
Total Liabilities	69,873.67
Equity	
4000-00 · Fund Balance	895,669.84
Net Income	285,045.54
Total Equity	1,180,715.38
TOTAL LIABILITIES & EQUITY	**1,250,589.05**

CARSON WATER SUBCONSERVANCY DISTRICT - GENERAL FUND
Profit & Loss Budget vs. Actual
July through October 2026

	Jul - Oct 26	Budget	$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
5007-00 · Storey County Contribution		22,652.65	-22,652.65	
5008-00 · Alpine Co. Joint Powers contrib		16,266.00	-16,266.00	
5009-00 · Churchill County Ad Valorem	99,587.06	629,658.00	-530,070.94	15.8%
5010-00 · Lyon County Ad Valorem	127,377.63	289,103.00	-161,725.37	44.1%
5011-00 · Douglas County Ad Valorem	400,700.13	873,487.00	-472,786.87	45.9%
5012-00 · Carson City Ad Valorem	244,610.64	292,465.00	-47,854.36	83.6%
5015-00 · CTWCD Grant Funds		103,699.00	-103,699.00	
5022-00 · Water Lease - Mud Lake		65,000.00	-65,000.00	
5023-00 · Water Lease-Lost Lakes		780.00	-780.00	
5031-00 · Interest Income-LGIP Gen.Fund	9,406.86	19,538.00	-10,131.14	48.1%
5060-00 · Misc. Income/Watershed Tour	8,230.12		8,230.12	100.0%
5082-00 · Alpine Co.-CASGEM Grant		1,666.67	-1,666.67	
5100-01 · NDEP QAPP Grant		27,307.00	-27,307.00	
5100-02 · NDEP ReGen Ag Grant		175,000.00	-175,000.00	
5100-03 · NDEP 208 Planning Grant 26/28		42,400.00	-42,400.00	
5406-00 · NDEM 30-Yr Regional Water Plan	-76,759.84		-76,759.84	100.0%
5407-00 · NDEM North Dayton BCA Study	-84,958.68		-84,958.68	100.0%
6009-00 · FEMA - COMS #2		2,071.00	-2,071.00	
Total Income	728,193.92	2,561,093.32	-1,832,899.40	28.4%
Gross Profit	728,193.92	2,561,093.32	-1,832,899.40	28.4%
Expense				
7015-00 · Salaries & Wages	180,353.88	687,048.64	-506,694.76	26.3%
7020-00 · Employee Benefits	87,441.45	305,841.87	-218,400.42	28.6%
7021-00 · Workers Comp Ins.	91.25	1,500.00	-1,408.75	6.1%
7101-00 · Director's Fees				
7101-01 · Director Benefits	47.22		47.22	100.0%
7101-02 · Director's Fees-Alpine Co.	560.00		560.00	100.0%
7101-00 · Director's Fees - Other	2,720.00	21,000.00	-18,280.00	13.0%
Total 7101-00 · Director's Fees	3,327.22	21,000.00	-17,672.78	15.8%
7102-00 · Insurance	6,873.11	6,873.11		100.0%
7103-00 · Office Supplies	624.96	4,000.00	-3,375.04	15.6%
7104-00 · Postage	159.95	1,800.00	-1,640.05	8.9%
7105-00 · Rent	14,837.69	44,839.56	-30,001.87	33.1%
7106-00 · Telephone/Internet	1,405.69	6,600.00	-5,194.31	21.3%
7107-00 · Travel-transport/meals/lodging				
7107-02 Staff Indirect Mileage	132.23		132.23	100.0%
7107-01 · Car Allowance	2,000.00		2,000.00	100.0%
7107-00 · Travel-transport/meals/lodging - Other	2,151.73	25,000.00	-22,848.27	8.6%
Total 7107-00 · Travel-transport/meals/lodging	4,283.96	25,000.00	-20,716.04	17.1%
7108-00 · Dues & Publications		1,800.00	-1,800.00	
7109-00 · Miscellaneous Expense		500.00	-500.00	
7110-00 · Conferences & Education	1,584.40	4,600.00	-3,015.60	34.4%
7111-00 · Office Equipment	861.68	7,000.00	-6,138.32	12.3%
7112-00 · Bank Charges	76.08	260.00	-183.92	29.3%
7114-00 · Outside Professional Services	2,480.00	50,000.00	-47,520.00	5.0%
7115-00 · Accounting	1,950.00	20,000.00	-18,050.00	9.8%
7116-00 · Legal	7,500.00	30,000.00	-22,500.00	25.0%
7117-00 · Lost Lakes Expenses	720.00	15,000.00	-14,280.00	4.8%
7118-00 · Mud Lake O & M		2,100.00	-2,100.00	
7120-07 · Watershed Tour	6,951.67	6,200.00	751.67	112.1%
7121-03 · CR Watershed Web System 25-28	792.50	11,066.00	-10,273.50	7.2%
7121-05 · NDEP 319 QAPP 25-27	42.49	16,501.00	-16,458.51	0.3%
7121-06 · NDEP Regen Ag 25-27	16,096.87	141,907.00	-125,810.13	11.3%
7121-08 · NDEP -208 26-28		3,507.00	-3,507.00	
7332-12 · RW CCR Work Days 26/27	6,301.65	40,000.00	-33,698.35	15.8%
7337-48 · LCD FY 25-26 Ext to 6/30/27		32,700.00	-32,700.00	

CARSON WATER SUBCONSERVANCY DISTRICT - GENERAL FUND
Profit & Loss Budget vs. Actual
July through October 2026

	Jul - Oct 26	Budget	$ Over Budget	% of Budget
7337-49 · LCD Clearing & Sand Bar 26/27		25,000.00	-25,000.00	
7337-62 · DVCD Hazards 25-26(ext 6/30/27)	2,986.56	95,969.00	-92,982.44	3.1%
7337-64 · DVCD Admin 26/28	9,640.67	50,000.00	-40,359.33	19.3%
7337-65 · DVCD Weed Crew 26/28	10,307.95	30,000.00	-19,692.05	34.4%
7337-73 · CVCD Admin & Vegetation 26/27		60,000.00	-60,000.00	
7337-74 · CVCD River Restoration 26/27		175,000.00	-175,000.00	
7404-00 · Noxious Weeds Control-CR Wtrshd				
7404-01 · Noxious Weed Control-Alpine Co.		15,000.00	-15,000.00	
7404-02 · Noxious Weed Control-Douglas Co		15,000.00	-15,000.00	
7404-03 · Noxious Weed Control-CarsonCity		15,000.00	-15,000.00	
7404-04 · Noxious Weeds -Lyon/Storey Cty	4,253.60	30,000.00	-25,746.40	14.2%
7404-05 · Noxious Weed Control-Churchill		15,000.00	-15,000.00	
Total 7404-00 · Noxious Weeds Control-CR Wtrshd	4,253.60	90,000.00	-85,746.40	4.7%
7443-00 · FEMA - COMS 2	31.16	1,175.00	-1,143.84	2.7%
7500-00 · USGS Monitoring Contracts				
7500-6 · USGS Stream Flow Gages 25-28		100,074.00	-100,074.00	
7510-01 · USGS CR Basin GW & WQ EXT 28		77,400.00	-77,400.00	
Total 7500-00 · USGS Monitoring Contracts		177,474.00	-177,474.00	
7600-00 · Alpine County Projects				
7600-09 · Al.Co.-CASGEM	2.86	5.00	-2.14	57.2%
7600-19 · AWG Programs 26/27		35,000.00	-35,000.00	
Total 7600-00 · Alpine County Projects	2.86	35,005.00	-35,002.14	0.0%
7610-00 · Douglas County Projects				
7610-10 · Do.Co.Reg.Pipeline Debt Service	62,500.00	125,000.00	-62,500.00	50.0%
7610-20 · DRI Irrigation 26/28		80,000.00	-80,000.00	
Total 7610-00 · Douglas County Projects	62,500.00	205,000.00	-142,500.00	30.5%
7620-00 · Carson City Projects				
7620-11 · CC Reg.Pipeline Debt Service		125,000.00	-125,000.00	
Total 7620-00 · Carson City Projects		125,000.00	-125,000.00	
7640-00 · Churchill County Projects				
7640-23 · Lahontan Vly.Wtr.Lvl. 2024-27		16,000.00	-16,000.00	
7640-24 · Dixie Valley Wtr Lvl 25-28		27,000.00	-27,000.00	
7640-25 · NDWR Carson Desert Study 26/28		100,000.00	-100,000.00	
Total 7640-00 · Churchill County Projects		143,000.00	-143,000.00	
7700-00 · PROJECTS PAID BY LGIP FUNDS				
7360-17 · CC Bowers Lane 26/27 (FLOOD)		50,000.00	-50,000.00	
7630-14 · Flood Hazard Web Viewer 25-28	8,669.08	24,100.00	-15,430.92	36.0%
7630-16 · TCID Log Boom 26/27 (FLOOD)		50,000.00	-50,000.00	
7700-01 · Acqui/Const Projects		1,500,000.00	-1,500,000.00	
7700-02 · Floodplain Mgmt Projects		100,000.00	-100,000.00	
Total 7700-00 · PROJECTS PAID BY LGIP FUNDS	8,669.08	1,724,100.00	-1,715,430.92	0.5%
8008-00 · Contingency Fund		400,000.00	-400,000.00	
Total Expense	443,148.38	4,824,367.18	-4,381,218.80	9.2%
Net Ordinary Income	285,045.54	-2,263,273.86	2,548,319.40	-12.6%
Other Income/Expense				
Other Income				
8005-00 · Beginning Equity		1,142,408.39	-1,142,408.39	
8009-00 · Trans. In-Floodplain Mgmt. Fd.		224,100.00	-224,100.00	
8015-00 · Trans. In-Acq/Const. Fund		1,500,000.00	-1,500,000.00	
Total Other Income		2,866,508.39	-2,866,508.39	

CARSON WATER SUBCONSERVANCY DISTRICT - GENERAL FUND
Profit & Loss Budget vs. Actual
July through October 2026

	Jul - Oct 26	Budget	$ Over Budget	% of Budget
Other Expense				
8002-00 · Transfer Out-Acq/Const Fund		75,000.00	-75,000.00	
8014-00 · Trans. Out-Floodplain Mgmt. Fd.		75,000.00	-75,000.00	
Total Other Expense		150,000.00	-150,000.00	
Net Other Income		2,716,508.39	-2,716,508.39	
Net Income	**285,045.54**	**453,234.53**	**-168,188.99**	**62.9%**

CARSON WATER SUBCONSERVANCY DISTRICT - GENERAL FUND
Profit & Loss YTD Comparison
October 2026

	Oct 26	Jul - Oct 26
Ordinary Income/Expense		
Income		
5009-00 · Churchill County Ad Valorem	99,587.06	99,587.06
5010-00 · Lyon County Ad Valorem	127,377.63	127,377.63
5011-00 · Douglas County Ad Valorem	45,984.01	400,700.13
5012-00 · Carson City Ad Valorem		244,610.64
5022-00 · Water Lease - Mud Lake		
5031-00 · Interest Income-LGIP Gen.Fund	1,932.30	9,406.86
5060-00 · Misc. Income/Watershed Tour	2,065.23	8,230.12
5100-01 · NDEP QAPP Grant		
5100-02 · NDEP ReGen Ag Grant		
5100-03 · NDEP 208 Planning Grant 26/28		
5406-00 · NDEM 30-Yr Regional Water Plan		-76,759.84
5407-00 · NDEM North Dayton BCA Study		-84,958.68
6009-00 · FEMA - COMS #2		
Total Income	276,946.23	728,193.92
Gross Profit	276,946.23	728,193.92
Expense		
7015-00 · Salaries & Wages	48,664.15	180,353.88
7020-00 · Employee Benefits	24,582.41	87,441.45
7021-00 · Workers Comp Ins.	91.25	91.25
7101-00 · Director's Fees		
7101-01 · Director Benefits		47.22
7101-02 · Director's Fees-Alpine Co.		560.00
7101-00 · Director's Fees - Other		2,720.00
Total 7101-00 · Director's Fees		3,327.22
7102-00 · Insurance		6,873.11
7103-00 · Office Supplies	62.40	624.96
7104-00 · Postage		159.95
7105-00 · Rent	3,736.63	14,837.69
7106-00 · Telephone/Internet	40.00	1,405.69
7107-00 · Travel-transport/meals/lodging		
7107-02 Staff Indirect Mileage	132.23	132.23
7107-01 · Car Allowance	500.00	2,000.00
7107-00 · Travel-transport/meals/lodging - Other	186.69	2,151.73
Total 7107-00 · Travel-transport/meals/lodging	818.92	4,283.96
7110-00 · Conferences & Education	454.40	1,584.40
7111-00 · Office Equipment	217.67	861.68
7112-00 · Bank Charges	18.95	76.08
7114-00 · Outside Professional Services	35.00	2,480.00
7115-00 · Accounting		1,950.00
7116-00 · Legal		7,500.00
7117-00 · Lost Lakes Expenses	540.00	720.00
7120-07 · Watershed Tour	6,951.67	6,951.67
7121-03 · CR Watershed Web System 25-28		792.50
7121-05 · NDEP 319 QAPP 25-27	28.80	42.49
7121-06 · NDEP Regen Ag 25-27	52.38	16,096.87
7332-11 · RW CCR Workdays 25-26		
7332-12 · RW CCR Work Days 26/27	6,301.65	6,301.65
7337-51 · TNC - River Fork Ranch 24-26		
7337-60 · DVCD - Administration 24-26		
7337-61 · DVCD - Weed Crew 24-26		
7337-62 · DVCD Hazards 25-26(ext 6/30/27)	2,986.56	2,986.56
7337-63 · DVCD Pradere/Ricci 25-26		
7337-64 · DVCD Admin 26/28	9,640.67	9,640.67
7337-65 · DVCD Weed Crew 26/28	10,307.95	10,307.95
7337-71 · CVCD Flood Damages 25-26		
7337-72 · CVCD Administration 25-26		

CARSON WATER SUBCONSERVANCY DISTRICT - GENERAL FUND
Profit & Loss YTD Comparison
October 2026

	Oct 26	Jul - Oct 26
7404-00 · Noxious Weeds Control-CR Wtrshd		
7404-01 · Noxious Weed Control-Alpine Co.		
7404-02 · Noxious Weed Control-Douglas Co		
7404-03 · Noxious Weed Control-CarsonCity		
7404-04 · Noxious Weeds -Lyon/Storey Cty	4,253.60	4,253.60
7404-05 · Noxious Weed Control-Churchill		
Total 7404-00 · Noxious Weeds Control-CR Wtrshd	4,253.60	4,253.60
7443-00 · FEMA - COMS 2		
7443-02 · South SS ADMP- Wood Rodgers		
7443-00 · FEMA - COMS 2 - Other	31.16	31.16
Total 7443-00 · FEMA - COMS 2	31.16	31.16
7500-00 · USGS Monitoring Contracts		
7510-01 · USGS CR Basin GW & WQ EXT 28		
Total 7500-00 · USGS Monitoring Contracts		
7600-00 · Alpine County Projects		
7600-09 · Al.Co.-CASGEM	2.86	2.86
7600-18 · AWG Programs 25-26		
Total 7600-00 · Alpine County Projects	2.86	2.86
7610-00 · Douglas County Projects		
7610-10 · Do.Co.Reg.Pipeline Debt Service		62,500.00
Total 7610-00 · Douglas County Projects		62,500.00
7620-00 · Carson City Projects		
7620-19 · CC Empire Ranch Trail 25-26		
Total 7620-00 · Carson City Projects		
7640-00 · Churchill County Projects		
7640-23 · Lahontan Vly.Wtr.Lvl. 2024-27		
7640-24 · Dixie Valley Wtr Lvl 25-28		
Total 7640-00 · Churchill County Projects		
7700-00 · PROJECTS PAID BY LGIP FUNDS		
7630-14 · Flood Hazard Web Viewer 25-28	691.20	8,669.08
Total 7700-00 · PROJECTS PAID BY LGIP FUNDS	691.20	8,669.08
Total Expense	120,510.28	443,148.38
Net Ordinary Income	156,435.95	285,045.54
Net Income	**156,435.95**	**285,045.54**

AGENDA ITEM #8

PAYMENT OF BILLS

CARSON WATER SUBCONSERVANCY DISTRICT - GENERAL FUND
Transaction Detail by Account
October 2026

Type	Date	Num	Name	Memo	Paid Amount	Balance
1013-00 · Cash In Checking - U. S. Bank						
Check	10/01/2026	11922	Euronev, Ltd.	#74334 October Rent	-3,736.63	-3,736.63
Check	10/01/2026	11923	Catrina Schambra	3rd Qtr Mileage Reimbursement	-27.41	-3,764.04
Check	10/01/2026	11924	Brenda Hunt	3rd Qtr Mileage Reimbursement	-82.65	-3,846.69
Check	10/01/2026	11925	Kelly Nicholas	3rd Qtr Mileage Reimbursement	-55.48	-3,902.17
Check	10/01/2026	11926	Deborah Neddenriep	3rd Qtr Mileage Reimbursement	-86.97	-3,989.14
Check	10/01/2026	11927	Lindsay Budija	3rd Qtr Mileage Reimbursement	-147.81	-4,136.95
Deposit	10/02/2026			Deposit	127,377.63	123,240.68
Check	10/06/2026	11928	Amador Stage Lines	2-Day Charter 32483/32484	-4,518.38	118,722.30
Check	10/06/2026	11929	4imprint, Inc.	Invoice #32146604	-925.08	117,797.22
Check	10/06/2026	11930	Pacific Office Automation	Acct # 710047 Inv# AR00848191	-43.20	117,754.02
Check	10/06/2026	11931	Braulio Fernandez	Invoice #23	-35.00	117,719.02
Check	10/08/2026	ACH	Nevada Retail Network SIG	3rd Qtr Workers Comp	-91.25	117,627.77
Deposit	10/13/2026			Deposit	1,187.39	118,815.16
Check	10/13/2026	11932	Kelly Nicholas	NWMA Conference Registration	-258.75	118,556.41
Check	10/13/2026	11933	MadCow Technical Services	Invoice 1247	-40.00	118,516.41
Check	10/13/2026	11934	Nevada Div. of Water Resources	Lost Lakes Permit Fees #95448T	-540.00	117,976.41
Check	10/13/2026	11935	Carson City	CWSD Payroll #21 (9/18/26-10/1/26)	-36,113.08	81,863.33
Deposit	10/19/2026			Deposit	145,796.07	227,659.40
Check	10/20/2026	11936	Local Government Investment Pool	For deposit/CWSD LGIP (CCWSD)	-250,000.00	-22,340.60
Check	10/20/2026	11937	FMA	10/8/26 Luncheon - Neddenriep	-25.00	-22,365.60
Check	10/20/2026	11938	Pacific Office Automation Inc	Acct#1055811531 Inv#5040490540	-245.67	-22,611.27
Check	10/20/2026	11939	Michael Baker International, Inc.	Inv# 1300908 & 1304212	-691.20	-23,302.47
Check	10/20/2026	11940	River Wranglers	Quarter 1 CCCRWD	-6,301.65	-29,604.12
Check	10/20/2026	11941	Dayton Valley Conservation District	Quarterly Payments	-27,188.78	-56,792.90
Deposit	10/21/2026			Deposit	628.59	-56,164.31
Check	10/26/2026	11942	Catrina Schambra	POOL/PACT Conference Expenses	-195.65	-56,359.96
Check	10/26/2026	11943	Deborah Neddenriep	GOTB Expenses Reimbursement	-335.21	-56,695.17
Check	10/26/2026	11944	Foothill Market	Bus Tour Meal 10/27/26	-973.00	-57,668.17
Check	10/26/2026	11945	Nevada Div. of Environmental Protec...	REFUND	-193.53	-57,861.70
Check	10/26/2026	11946	cash	Tips for Bus Drivers	-200.00	-58,061.70
Check	10/26/2026	11947	Carson City	CWSD Payroll #22 (10/2/26-10/15/26)	-37,633.48	-95,695.18
Deposit	10/29/2026			Deposit	217.78	-95,477.40
Check	10/31/2026			Service Charge	-18.95	-95,496.35
Total 1013-00 · Cash in Checking - U. S. Bank					-95,496.35	-95,496.35
1014-00 · Local Gov't Inv. Pool-Regular						
Deposit	10/01/2026			Interest	1,932.30	1,932.30
Check	10/20/2026	11936	Local Government Investment Pool	For Investment in CWSD LGIP General Fund (CCW...	250,000.00	251,932.30
Total 1014-00 · Local Gov't Inv. Pool-Regular					251,932.30	251,932.30
3307-00 · Carson City Payroll Due						
Check	10/13/2026	11935	Carson City	Payroll #21 (9/18/26-10/1/26)	36,113.08	36,113.08
General Jo...	10/13/2026			Payroll #21 (9/18/2026-10/1/2026)	-36,113.08	
Check	10/26/2026	11947	Carson City	Payroll #22 (10/2/26-10/15/26)	37,633.48	37,633.48
General Jo...	10/31/2026			Payroll #22 10/2/2026-10/15/2026)	-37,633.48	
Total 3307-00 · Carson City Payroll Due						
5009-00 · Churchill County Ad Valorem						
Deposit	10/19/2026	153529	Churchill County	Qtr 1 Ad Valorem Taxes	-99,587.06	-99,587.06
Total 5009-00 · Churchill County Ad Valorem					-99,587.06	-99,587.06
5010-00 · Lyon County Ad Valorem						
Deposit	10/02/2026	7449	Lyon County	1st Qtr Ad Valorem Taxes	-127,377.63	-127,377.63
Total 5010-00 · Lyon County Ad Valorem					-127,377.63	-127,377.63
5011-00 · Douglas County Ad Valorem						
Deposit	10/19/2026	45984...	Douglas County	September Ad Valorem Taxes	-45,984.01	-45,984.01
Total 5011-00 · Douglas County Ad Valorem					-45,984.01	-45,984.01
5031-00 · Interest Income-LGIP Gen.Fund						
Deposit	10/01/2026			Interest	-1,932.30	-1,932.30
Total 5031-00 · Interest Income-LGIP Gen.Fund					-1,932.30	-1,932.30
5060-00 · Misc. Income/Watershed Tour						
Deposit	10/13/2026		Paypal	BUS REG: SGS (Sponsor) & Tahnya Ballard	-1,187.39	-1,187.39
Deposit	10/19/2026	287	Jeff Weagel	Bus Tour Registration - Jeff Weagel	-225.00	-1,412.39
Deposit	10/21/2026		Paypal	GOTB Registration:Malsam, Weaver, Moss & Ramos	-628.59	-2,040.98
Check	10/26/2026	11945	Nevada Div. of Environmental Protec...	Refund : Cristina Perez CWSD Bus Tour Registratio...	193.53	-1,847.45
Deposit	10/29/2026		Paypal	GOTB Registration: DiFrancesco	-217.78	-2,065.23
Total 5060-00 · Misc. Income/Watershed Tour					-2,065.23	-2,065.23
7015-00 · Salaries & Wages						

CARSON WATER SUBCONSERVANCY DISTRICT - GENERAL FUND
Transaction Detail by Account
October 2026

Type	Date	Num	Name	Memo	Paid Amount	Balance
General Jo...	10/13/2026			Salary Payroll #21 Budija	3,380.06	3,380.06
General Jo...	10/13/2026			Salary Payroll #21 Cozens	6,888.70	10,268.76
General Jo...	10/13/2026			Salary Payroll #21 Hunt	4,017.41	14,286.17
General Jo...	10/13/2026			Salary Payroll #21 Neddenriep	3,713.00	17,999.17
General Jo...	10/13/2026			Salary Payroll #21 Nicholas	2,417.84	20,417.01
General Jo...	10/13/2026			Salary Payroll #21 Schambra	3,366.07	23,783.08
General Jo...	10/31/2026			Salary Payroll #22 Budija	3,380.07	27,163.15
General Jo...	10/31/2026			Salary Payroll #22 Cozens	6,888.70	34,051.85
General Jo...	10/31/2026			Salary Payroll #22 Hunt	5,132.44	39,184.29
General Jo...	10/31/2026			Salary Payroll #22 Neddenriep	3,712.99	42,897.28
General Jo...	10/31/2026			Salary Payroll #22 Nicholas	2,400.79	45,298.07
General Jo...	10/31/2026			Salary Payroll #22 Schambra	3,366.08	48,664.15
Total 7015-00 · Salaries & Wages					48,664.15	48,664.15
7020-00 · Employee Benefits						
General Jo...	10/13/2026			Benies Payroll #21 Budija	1,450.43	1,450.43
General Jo...	10/13/2026			Benies Payroll #21 Cozens	3,654.72	5,105.15
General Jo...	10/13/2026			Benies Payroll #21 Hunt	2,261.51	7,366.66
General Jo...	10/13/2026			Benies Payroll #21 Neddenriep	1,921.25	9,287.91
General Jo...	10/13/2026			Benies Payroll #21 Nicholas	1,003.37	10,291.28
General Jo...	10/13/2026			Benies Payroll #21 Schambra	1,788.72	12,080.00
General Jo...	10/31/2026			Benies Payroll #22 Budija	1,450.43	13,530.43
General Jo...	10/31/2026			Benies Payroll #22 Cozens	3,654.72	17,185.15
General Jo...	10/31/2026			Benies Payroll #22 Hunt	2,687.45	19,872.60
General Jo...	10/31/2026			Benies Payroll #22 Neddenriep	1,921.24	21,793.84
General Jo...	10/31/2026			Benies Payroll #22 Nicholas	999.85	22,793.69
General Jo...	10/31/2026			Benies Payroll #22 Schambra	1,788.72	24,582.41
Total 7020-00 · Employee Benefits					24,582.41	24,582.41
7021-00 · Workers Comp Ins.						
Check	10/08/2026	ACH	Nevada Retail Network SIG	Workers Comp Insurance - 3rd Qtr Workers Comp	91.25	91.25
Total 7021-00 · Workers Comp Ins.					91.25	91.25
7101-00 · Director's Fees						
7101-01 · Director Benefits						
General Jo...	10/13/2026			Director Benies Payroll #21 Getto (No Mtgs.)		
General Jo...	10/13/2026			Director Benies Payroll #21 Giomi (No Mtgs.)		
General Jo...	10/13/2026			Director Benies Payroll #21 Hales (No Mtgs.)		
General Jo...	10/13/2026			Director Benies Payroll #21 Hendrix (No Mtgs.)		
General Jo...	10/13/2026			Director Benies Payroll #21 Hindle (No Mtgs.)		
General Jo...	10/13/2026			Director Benies Payroll #21 Johnson (No Mtgs.)		
General Jo...	10/13/2026			Director Benies Payroll #21 Koerner (No Mtgs.)		
General Jo...	10/13/2026			Director Benies Payroll #21 Schank (No Mtgs.)		
General Jo...	10/13/2026			Director Benies Payroll #21 Schuette (No Mtgs.)		
General Jo...	10/13/2026			Director Benies Payroll #21 Sterrett (No Mtgs.)		
General Jo...	10/13/2026			Director Benies Payroll #21 Stodieck (No Mtgs.)		
General Jo...	10/13/2026			Director Benies Payroll #21 Tolbert (No Mtgs.)		
General Jo...	10/13/2026			Director Benies Payroll #21 Workman (No Mtgs.)		
General Jo...	10/31/2026			Director Benies Payroll #22 Getto (No Mtgs.)		
General Jo...	10/31/2026			Director Benies Payroll #22 Giomi (No Mtgs.)		
General Jo...	10/31/2026			Director Benies Payroll #22 Hales (No Mtgs.)		
General Jo...	10/31/2026			Director Benies Payroll #22 Hendrix (No Mtgs.)		
General Jo...	10/31/2026			Director Benies Payroll #22 Hindle (No Mtgs.)		
General Jo...	10/31/2026			Director Benies Payroll #22 Johnson (No Mtgs.)		
General Jo...	10/31/2026			Director Benies Payroll #22 Koerner (No Mtgs.)		
General Jo...	10/31/2026			Director Benies Payroll #22 Schank (No Mtgs.)		
General Jo...	10/31/2026			Director Benies Payroll #22 Schuette (No Mtgs.)		
General Jo...	10/31/2026			Director Benies Payroll #22 Sterrett (No Mtgs.)		
General Jo...	10/31/2026			Director Benies Payroll #22 Stodieck (No Mtgs.)		
General Jo...	10/31/2026			Director Benies Payroll #22 Tolbert (No Mtgs.)		
General Jo...	10/31/2026			Director Benies Payroll #22 Workman (No Mtgs.)		
Total 7101-01 · Director Benefits						
7101-00 · Director's Fees - Other						
General Jo...	10/13/2026			Director Fee Payroll #21 Getto (No Mtgs.)		
General Jo...	10/13/2026			Director Fee Payroll #21 Giomi (No Mtgs.)		
General Jo...	10/13/2026			Director Fee Payroll #21 Hales (No Mtgs.)		
General Jo...	10/13/2026			Director Fee Payroll #21 Hendrix (No Mtgs.)		
General Jo...	10/13/2026			Director Fee Payroll #21 Hindle (No Mtgs.)		
General Jo...	10/13/2026			Director Fee Payroll #21 Johnson (No Mtgs.)		
General Jo...	10/13/2026			Director Fee Payroll #21 Koerner (No Mtgs.)		
General Jo...	10/13/2026			Director Fee Payroll #21 Schank (No Mtgs.)		
General Jo...	10/13/2026			Director Fee Payroll #21 Schuette (No Mtgs.)		
General Jo...	10/13/2026			Director Fee Payroll #21 Sterrett (No Mtgs.)		
General Jo...	10/13/2026			Director Fee Payroll #21 Stodieck (No Mtgs.)		
General Jo...	10/13/2026			Director Fee Payroll #21 Tolbert (No Mtgs.)		

CARSON WATER SUBCONSERVANCY DISTRICT - GENERAL FUND
Transaction Detail by Account
October 2026

Type	Date	Num	Name	Memo	Paid Amount	Balance
General Jo...	10/13/2026			Director Fee Payroll #21 Workman (No Mtgs.)		
General Jo...	10/31/2026			Director Fee Payroll #22 Getto (No Mtgs.)		
General Jo...	10/31/2026			Director Fee Payroll #22 Giomi (No Mtgs.)		
General Jo...	10/31/2026			Director Fee Payroll #22 Hales (No Mtgs.)		
General Jo...	10/31/2026			Director Fee Payroll #22 Hendrix (No Mtgs.)		
General Jo...	10/31/2026			Director Fee Payroll #22 Hindle (No Mtgs.)		
General Jo...	10/31/2026			Director Fee Payroll #22 Johnson (No Mtgs.)		
General Jo...	10/31/2026			Director Fee Payroll #22 Koerner (No Mtgs.)		
General Jo...	10/31/2026			Director Fee Payroll #22 Schank (No Mtgs.)		
General Jo...	10/31/2026			Director Fee Payroll #22 Schuette (No Mtgs.)		
General Jo...	10/31/2026			Director Fee Payroll #22 Sterrett (No Mtgs.)		
General Jo...	10/31/2026			Director Fee Payroll #22 Stodieck (No Mtgs.)		
General Jo...	10/31/2026			Director Fee Payroll #22 Tolbert (No Mtgs.)		
General Jo...	10/31/2026			Director Fee Payroll #22 Workman (No Mtgs.)		
Total 7101-00 · Director's Fees - Other						
Total 7101-00 · Director's Fees						
7103-00 · Office Supplies						
Check	10/06/2026	11930	Pacific Office Automation	September Color Copies	43.20	43.20
Check	10/20/2026	11938	Pacific Office Automation Inc	October B/W Copies	28.00	71.20
General Jo...	10/31/2026			October Copies	-8.80	62.40
Total 7103-00 · Office Supplies					62.40	62.40
7105-00 · Rent						
Check	10/01/2026	11922	Euronev, Ltd.	October Rent	3,736.63	3,736.63
Total 7105-00 · Rent					3,736.63	3,736.63
7106-00 · Telephone/Internet						
Check	10/13/2026	11933	MadCow Technical Services	OCT - Kaseya Bundle AV	40.00	40.00
Total 7106-00 · Telephone/Internet					40.00	40.00
7107-00 · Travel-transport/meals/lodging						
7107-02 Staff Indirect Mileage						
Check	10/01/2026	11923	Catrina Schambra	3rd Qtr Mileage Reimbursement	27.41	27.41
Check	10/01/2026	11927	Lindsay Budija	3rd Qtr Mileage Reimbursement	80.17	107.58
Check	10/01/2026	11924	Brenda Hunt	3rd Qtr Mileage Reimbursement	24.65	132.23
Total 7107-02 Staff Indirect Mileage					132.23	132.23
7107-01 · Car Allowance						
General Jo...	10/13/2026			Car Allowance Payroll #21 Cozens	250.00	250.00
General Jo...	10/31/2026			Car Allowance Payroll #22 Cozens	250.00	500.00
Total 7107-01 · Car Allowance					500.00	500.00
7107-00 · Travel-transport/meals/lodging - Other						
Check	10/01/2026	11924	Brenda Hunt	3rd Qtr Mileage Reimbursement	10.88	10.88
Check	10/01/2026	11925	Kelly Nicholas	3rd Qtr Mileage Reimbursement	55.48	66.36
Check	10/01/2026	11926	Deborah Neddenriep	3rd Qtr Mileage Reimbursement	55.81	122.17
Check	10/01/2026	11927	Lindsay Budija	3rd Qtr Mileage Reimbursement	39.52	161.69
Check	10/20/2026	11937	FMA	10/8/26 FMA Luncheon - Neddenriep	25.00	186.69
Total 7107-00 · Travel-transport/meals/lodging - Other					186.69	186.69
Total 7107-00 · Travel-transport/meals/lodging					818.92	818.92
7110-00 · Conferences & Education						
Check	10/13/2026	11932	Kelly Nicholas	NWMA Conference Registration 10/20/26-10/21/26	258.75	258.75
Check	10/26/2026	11942	Catrina Schambra	Reimbursement for Pool/Pact Conference Expense ...	195.65	454.40
Total 7110-00 · Conferences & Education					454.40	454.40
7111-00 · Office Equipment						
Check	10/20/2026	11938	Pacific Office Automation Inc	October Konica Minolta BizHub C450i Lease Payment	178.27	178.27
Check	10/20/2026	11938	Pacific Office Automation Inc	October Konica Maintenance Agreement	39.40	217.67
Total 7111-00 · Office Equipment					217.67	217.67
7112-00 · Bank Charges						
Check	10/31/2026			Service Charge	18.95	18.95
Total 7112-00 · Bank Charges					18.95	18.95
7114-00 · Outside Professional Services						
Check	10/06/2026	11931	Braulio Fernandez	Website Maintenance & Backup Services - Septemb...	35.00	35.00
Total 7114-00 · Outside Professional Services					35.00	35.00

CARSON WATER SUBCONSERVANCY DISTRICT - GENERAL FUND
Transaction Detail by Account
October 2026

Type	Date	Num	Name	Memo	Paid Amount	Balance
7117-00 · Lost Lakes Expenses						
Check	10/13/2026	11934	Nevada Div. of Water Resources	Lost Lakes Permit Fees (Application 95448T)	540.00	540.00
Total 7117-00 · Lost Lakes Expenses					540.00	540.00
7120-07 · Watershed Tour						
Check	10/06/2026	11928	Amador Stage Lines	DAY 1 -Get on the Bus Tour 10/27/26 Charter ID #3...	2,259.19	2,259.19
Check	10/06/2026	11928	Amador Stage Lines	DAY 2 -Get on the Bus Tour 10/28/26 Charter ID #3...	2,259.19	4,518.38
Check	10/06/2026	11929	4imprint, Inc.	Swag: 2026 Bus Tour attendees & Speakers	925.08	5,443.46
Check	10/26/2026	11943	Deborah Neddenriep	GOTB Expenses Reimbursement	335.21	5,778.67
Check	10/26/2026	11944	Foothill Market	Bus Tour Meal 10/27/26	973.00	6,751.67
Check	10/26/2026	11946	cash	Tips for GOTB Drivers (2x $100)	200.00	6,951.67
Total 7120-07 · Watershed Tour					6,951.67	6,951.67
7121-05 · NDEP 319 QAPP 25-27						
Check	10/01/2026	11927	Lindsay Budija	3rd Qtr Mileage Reimbursement	28.12	28.12
General Jo...	10/31/2026			October Copies	0.68	28.80
Total 7121-05 · NDEP 319 QAPP 25-27					28.80	28.80
7121-06 · NDEP Regen Ag 25-27						
Check	10/01/2026	11924	Brenda Hunt	3rd Qtr Mileage Reimbursement	47.12	47.12
General Jo...	10/31/2026			October Copies	5.26	52.38
Total 7121-06 · NDEP Regen Ag 25-27					52.38	52.38
7332-12 · RW CCR Work Days 26/27						
Check	10/20/2026	11940	River Wranglers	INV#1 #2026-5 (7/1/26-9/30/26)	6,301.65	6,301.65
Total 7332-12 · RW CCR Work Days 26/27					6,301.65	6,301.65
7337-62 · DVCD Hazards 25-26(ext 6/30/27)						
Check	10/20/2026	11941	Dayton Valley Conservation District	#2025-6 Inv #5 (7/1/26-9/30/26)	2,986.56	2,986.56
Total 7337-62 · DVCD Hazards 25-26(ext 6/30/27)					2,986.56	2,986.56
7337-64 · DVCD Admin 26/28						
Check	10/20/2026	11941	Dayton Valley Conservation District	#2026-7 Inv #1 (7/1/26-9/30/26)	9,640.67	9,640.67
Total 7337-64 · DVCD Admin 26/28					9,640.67	9,640.67
7337-65 · DVCD Weed Crew 26/28						
Check	10/20/2026	11941	Dayton Valley Conservation District	#2026-8 Inv #1 (7/1/26-9/30/26)	10,307.95	10,307.95
Total 7337-65 · DVCD Weed Crew 26/28					10,307.95	10,307.95
7404-00 · Noxious Weeds Control-CR Wtrshd						
7404-04 · Noxious Weeds -Lyon/Storey Cty						
Check	10/20/2026	11941	Dayton Valley Conservation District	Noxious Weed Abatement Inv #1 (7/1/26-9/30/26)	4,253.60	4,253.60
Total 7404-04 · Noxious Weeds -Lyon/Storey Cty					4,253.60	4,253.60
Total 7404-00 · Noxious Weeds Control-CR Wtrshd					4,253.60	4,253.60
7443-00 · FEMA - COMS 2						
Check	10/01/2026	11926	Deborah Neddenriep	3rd Qtr Mileage Reimbursement	31.16	31.16
Total 7443-00 · FEMA - COMS 2					31.16	31.16
7600-00 · Alpine County Projects						
7600-09 · Al.Co.-CASGEM						
General Jo...	10/31/2026			October Copies	2.86	2.86
Total 7600-09 · Al.Co.-CASGEM					2.86	2.86
Total 7600-00 · Alpine County Projects					2.86	2.86
7700-00 · PROJECTS PAID BY LGIP FUNDS						
7630-14 · Flood Hazard Web Viewer 25-28						
Check	10/20/2026	11939	Michael Baker International, Inc.	Flood Hazard Web Viewer Services thru August 31, ...	448.25	448.25
Check	10/20/2026	11939	Michael Baker International, Inc.	Flood Hazard Web Viewer Services thru September ...	242.95	691.20
Total 7630-14 · Flood Hazard Web Viewer 25-28					691.20	691.20
Total 7700-00 · PROJECTS PAID BY LGIP FUNDS					691.20	691.20
TOTAL						

AGENDA ITEM #9

CARSON WATER SUBCONSERVANCY DISTRICT

TO: Board of Directors

FROM: Reed Cozens

DATE: November 18, 2026

SUBJECT: Agenda Item #9 – For Possible Action: Approval of 2nd Amendment to CWSD Office Lease Agreement 2026-2030

DISCUSSION: CWSD renews its office lease every five years. Historically, the General Manager negotiates the lease terms with the landlord and presents the proposed agreement to the Board for approval at its June meeting, prior to expiration of the existing lease. The new agreement and rental rate typically take effect July 1.

This year, delays in communication and negotiations prevented the agreement from being presented at the June Board meeting. The landlord agreed to defer implementation of the new rental rate until August 1, 2026. Staff intended to bring the agreement to the Board for approval in July; however, the item was inadvertently omitted from the July agenda. The oversight was subsequently identified during the FY26 audit.

Attached is the Second Amendment to the office lease, executed on June 23, 2026. The amendment provides for a 3% annual increase in rent and includes the installation of a new door to create additional office space for staff. The amended lease expires June 30, 2030.

The anticipated lease costs were included in the FY27 budget approved by the Board on May 20, 2026. However, the lease amendment itself was not separately presented to the Board for approval.

STAFF RECOMMENDATION: Approve the 2nd Amendment to CWSD Office Lease Agreement 2026-2030 as presented.

Docusign Envelope ID: 863F8272-7891-89F1-83FB-69C51773B3E1

2nd AMENDMENT TO LEASE AGREEMENT

This 2nd Amendment to the Lease Agreement is made by Euronev LTD, therein and hereinafter designated "LANDLORD" and Carson Water Subconservancy District, therein and hereinafter designated "TENANT", for the property located at 777 E William St # 209, 210, 211, Carson City, NV 89701 and whereas the parties agree to the following:

1. Lease Extension. The Lease term is hereby extended through July 31, 2030.

2. Base Rent. The base rent is as follows:
   July 1, 2026 – July 31, 2026: $3,627.80/month ($1.70/SF/mo)
   August 1, 2026 – July 31, 2027: $3,736.63/month ($1.75/SF/mo)
   August 1, 2027 – July 31, 2028: $3,848.73/month ($1.80/SF/mo)
   August 1, 2028 – July 31, 2029: $3,964.19/month ($1.86/SF/mo)
   August 1, 2029 – July 31, 2030: $4,083.12/month ($1.91/SF/mo)

3. Landlord Improvements: Landlord shall pay for the installation of one (1) new doorway to be installed behind the front counter where a storage closet has been recently converted into an office space. Doorway shall include a vent to allow airflow from the HVAC unit.

All other terms and conditions of the Lease to remain the same.

TENANT: Carson Water Subconservancy District

BY: Reed Cozens – General Manager — Dated 6/18/26

LESSOR: Euronev LTD

DocuSigned by:
Madalena Farrow
D4CE143AC0FF4FE...

BY: Madalena Farrow — Dated 6/23/2026 | 10:30 AM PDT

Docusign Envelope ID: 863F8272-7891-89F1-83FB-69C51773B3E1

DUTIES OWED BY A NEVADA REAL ESTATE LICENSEE

This form does not constitute a contract for services nor an agreement to pay compensation.

In Nevada, a real estate licensee is required to provide a form setting forth the duties owed by the licensee to:

a) Each party for whom the licensee is acting as an agent in the real estate transaction, and

b) Each unrepresented party to the real estate transaction, if any.

Licensee: The licensee in the real estate transaction is Samuel Douglass whose license/permit number is B.143639.LLC.

The licensee is acting for [client's name(s)]: Euronev LTD,

who is/are the ■ Seller/Landlord ☐ Buyer/Tenant.

Broker: The Broker is Samuel Douglass,

whose company is Nevada Commercial Group, LLC.

Are there additional licensees involved in this transaction? ☐ Yes ■ No **If yes, Supplemental form 525A is required.**

Licensee's Duties Owed to All Parties:

A Nevada real estate licensee shall:

1. Not deal with any party to a real estate transaction in a manner which is deceitful, fraudulent or dishonest.
2. Exercise reasonable skill and care with respect to all parties to the real estate transaction.
3. Disclose to each party to the real estate transaction as soon as practicable:
   a. Any material and relevant facts, data or information which licensee knows, or with reasonable care and diligence the licensee should know, about the property.
   b. Each source from which licensee will receive compensation.
4. Abide by all other duties, responsibilities and obligations required of the licensee in law or regulations.

Licensee's Duties Owed to the Client:

A Nevada real estate licensee shall:

1. Exercise reasonable skill and care to carry out the terms of the brokerage agreement and the licensee's duties in the brokerage agreement or property management agreement;
2. Not disclose, except to the licensee's broker, confidential information relating to a client for 1 year after the revocation or termination of the brokerage agreement, unless licensee is required to do so by court order or the client gives written permission;
3. Seek a sale, purchase, option, rental or lease of real property at the price and terms stated in the brokerage agreement or at a price acceptable to the client;
4. Present all offers made to, or by the client as soon as practicable, unless the client chooses to waive the duty of the licensee to present all offers and signs a waiver of the duty on a form prescribed by the Division;
5. Disclose to the client material facts of which the licensee has knowledge concerning the real estate transaction;
6. Advise the client to obtain advice from an expert relating to matters which are beyond the expertise of the licensee; and
7. Account to the client for all money and property the licensee receives in which the client may have an interest.

Duties Owed By a broker who assigns different licensees affiliated with the brokerage to separate parties.

Each licensee shall not disclose, except to the real estate broker, confidential information relating to client.

Licensee Acting for Both Parties:

The Licensee

MAY [_____ / _____] **OR** **MAY NOT** [RC / MF] (DS)

in the future act for two or more parties who have interests adverse to each other. In acting for these parties, the licensee has a conflict of interest. Before a licensee may act for two or more parties, the licensee must give you a "Consent to Act" form to sign.

I/We acknowledge receipt of a copy of this list of licensee duties, and have read and understand this disclosure.

Seller/Landlord:	DocuSigned by: Madalina Farrow D4CE143AC0FF4FE...	*Date:*	6/23/2026	*Time:*	10:30 AM PDT
Seller/Landlord:		*Date:*		*Time:*	
OR					
Buyer/Tenant:		*Date:*	6/18/26	*Time:*	9:45AM
Buyer/Tenant:		*Date:*		*Time:*	

Docusign Envelope ID: 863F8272-7891-89F1-83FB-69C51773B3E1

QUOTE

Date:06/11/2026
Quote 3399

COCOS MAINTENANCE LLC

Billing Address
2438 Havenwood Ct
Carson City, NV 89706
Oscar 775-741-9422
Accounting: Noga
775-315-6276

Re: 777 Carson St

Quote by	Job address		
Oscar Pierrott	**777 Carson Street**		
		Unit Price	Line Total
	Build new door frame/casing **Sheetrock, tape, texture** **Paint** **Install a new vent on wall** **Install a new glass door** **Install new lock/hardware**		
	Labor and materials		**3350.00**
		Total	**3350.00**

Quotation prepared by: Noga Pierrott for Oscar Pierrott

This is a quotation on the material/labor named, subject to the conditions noted below: (Describe any conditions pertaining to these prices and any additional terms of the agreement. You may want to include contingencies that will affect the quotation.)

To accept this quotation, sign here and return: _____

email to: cocopie2014@gmail.com

Coco's Maintenance LLC

Thank you for your business!

DocuSigned by:
Madalena Farrow
D4CE143AC0FF4FE...
6/23/2026 | 10:30 AM PDT

FIRST AMENDMENT TO LEASE

This First Amendment to Extend Lease (this "Amendment") is entered into as of April ___, 2022 (the "Effective Date"), by and between Carson Water Subconservancy District ("Tenant") and Euronev Ltd. ("Landlord") for that certain Lease dated June 15th, 2018 (the "Lease").

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties subject to the conditions set forth herein, agree to extend the Lease as follows:

1. **Section 1.2(a) Premises of the Lease shall be amended as follows:**

"Tenants premises shall be hereby amended to Suites 209, 210, and 211 consisting of approximately 2,134 SF of office space as shown in Exhibit A"

2. **Section 1.3 Term of the Lease shall be amended as follows:**

"The initial term of the Lease expired on June 30th, 2022, however the initial term of the Lease shall be extended to June 30th, 2026 (the "Term"). Tenant One (1) renewal for a period of Four (4) years. Fair market value to be determined in accordance with Exhibit B"

3. **Section 1.5 Base Rent of the Lease shall be amended as follows:**

"Base rent shall be amended in accordance with the below chart"

Term	Rent PSF	Monthly	Period
Months 1-6	$ 1.52	$ 3,240.00	$ 19,440.00
Months 7-12	$ 1.55	$ 3,307.70	$ 19,846.20
Months 13-24	$ 1.60	$ 3,414.40	$ 40,972.80
Months 25-36	$ 1.65	$ 3,521.10	$ 42,253.20
Months 37-48	$ 1.70	$ 3,627.80	$ 43,533.60

4. **Section 1.7 Base Rent and Other Monies Paid Upon Execution shall be amended as follows:**

(a) Base Rent: $3,240.00
(b) Security Deposit: $1,072.50 (Carried Over from Prior Agreement)
(c) Parking: $0 for the period
(d) Other: $0
(e) Total Due Upon Execution of this lease: $0

5. **Tenant Improvement Work:**

Upon execution of this First Amendment to Lease Agreement, Landlord at Landlord's expense shall complete the following Tenant Improvements:

-Landlord to install Tenant provided sink fixture with counter as shown in Exhibit A
-Landlord to remove wall as shown in Exhibit A

-Landlord to install matching flooring and wall transition for newly demised premises
-Landlord to replace built in desk counter top for front reception desk only . (Spec to be mutually agreeable)

Upon execution of this First Amendment to Lease Agreement, Tenant at Tenants expense shall be allowed to complete the following Tenant Improvements:

-Repaint suite (Spec to be mutually agreeable)
-Installation of blinds within the conference room

6. Effect of this Amendment of Lease:

Except as modified herein, all other terms and conditions of the Lease remain in full force and effect. In the event the terms and conditions of this Amendment conflict with the terms of the Lease, the terms and conditions of this Amendment shall prevail and be controlling. This Amendment shall be made a part of the Lease. This Amendment shall inure to the benefit of, and bind, the Parties respective successors. Parties each represent and warrant to the other that the Lease, as amended by this Amendment, is in full force and effect and has not been assigned, modified, supplemented or further amended in any way, other than by this Amendment. The Lease, as amended by this Amendment, contains the entire agreement of the Parties hereto with respect to the subject matter hereof. No representations, inducements, or agreements, oral or otherwise, between the Parties not contained in this Amendment shall be of any force and effect. This Amendment may not be modified, changed or terminated, in whole or in part, in any manner other than by an agreement in writing signed by duly authorized representatives of the Parties.

[Signature page follows]

IN WITNESS WHEREOF, the Landlord and Tenant hereto have caused multiple counterparts of this Amendment to be signed in their respective names or by their respective authorized officers, effective as of the date set forth below.

LANDLORD
Euronev Ltd.

By: _____
Name: _____
Its: _____

TENANT
Carson Water Subconservancy District

By: ___Edwin James_____
Name: Edwin James
Its: ___General Manager_____

EXHIBIT A
(Not to Scale)

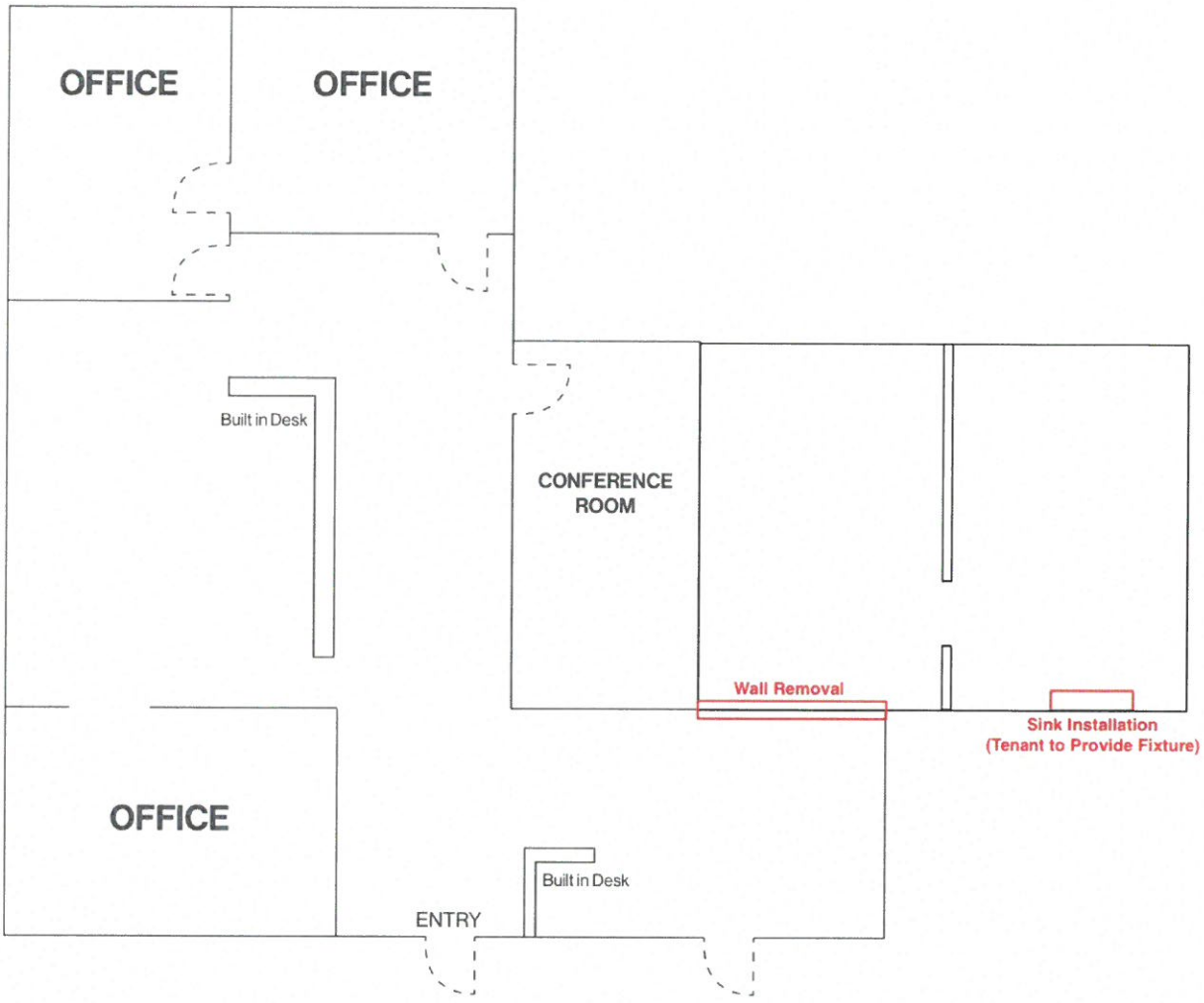


EXHIBIT B

OPTION TO EXTEND TERM.

Grant of Option: So long as Tenant is not in default under this Lease beyond any applicable notice and cure period, Tenant shall have the right to extend the term of this Lease for the renewal of one (1) four (4) year period ("Option"). Tenant shall notify Landlord of its intention to exercise such option in writing no later than one hundred eighty (180) days before the end of the Lease Term. The terms, conditions, and obligations of Landlord and Tenant herein contained shall apply to the extended term, except as said terms relate to the amount of rent to be paid, which amount shall be determined as follows: Within ten (10) days of receipt of Tenant's notice, Landlord shall advise Tenant of the Fair Market Rent for the Premises as of the commencement date of the extended term. Within ten (10) days after the expiration of such ten (10) day period, Tenant shall give written notice to Landlord stating that Tenant either (i) accepts Landlord's estimate of Fair Market Rent, or (ii) elects to submit the determination of Fair Market Rent to appraisal in accordance with the following provisions. Within ten (10) days after Landlord receives Tenant's notice of its election to submit the determination of Fair Market Rent to appraisal, Landlord and Tenant shall each choose an appraiser. If either party fails to choose an appraiser within such time, the Fair Market Rent will be determined by the appraiser chosen by the other party. All appraisers shall be impartial individuals having at least five (5) years' experience in appraising commercial real estate in the vicinity of the Premises. "Fair Market Rent" shall be determined on the basis of then current rentals being charged for newly executed leases for comparable quality space in the commercial market area located within a three (3) mile radius of the Premises, taking into account, without limitation, such considerations as size, location, lease term, level and quality of improvements, rental concessions such as free rent and/or landlord's payment of tenant's moving expenses being granted by landlords for comparable space and the terms of this Lease. Each appraiser shall prepare an appraisal report and submit it to the party, which hired it within thirty (30) days after Landlord's receipt of such notice from Tenant. Each party shall promptly deliver a copy of its appraiser's report to the other party. If the two appraisals of Fair Market Rent are within fifteen percent (15%) of each other, then the average of the two appraisals shall be the Fair Market Rent for the Premises. If the two appraisals are not within fifteen percent (15%) of each other, then within seven (7) days after receipt by Landlord and Tenant of both appraisal reports, the appraisers selected by Landlord and Tenant shall agree on a third appraiser to determine Fair Market Rent. The decision of the third appraiser shall be conclusive, and shall be the Fair Market Rent for the Premises. Each party shall pay the costs of its appraiser and one-half (1/2) of the cost of the third appraiser, if applicable. Prior to the commencement of the extended term, Landlord and Tenant shall execute an amendment to this Lease incorporating the terms of the extended term.

Notwithstanding, regardless of the appraisers determination, the Fair Market Rent shall not be less than the Base Monthly Rent paid prior to the end of the lease year, prior to the Option year. Base Monthly Rent would then increase by the greater of either: (i) three percent (3%) annually, and (ii) the increase in the Consumer Price Index during the preceding Lease year. In no event shall the Base Monthly Rent be decreased due to change in the Consumer Price Index. For purposes hereof "Consumer Price Index" shall mean the Consumer Price Index for All Urban Consumers, U.S. City Average, published the Bureau of Labor Statistics of the United States Department Labor, All Items (1982-84=100).

If Tenant fails to deliver Landlord written notice of exercise of an Option within the prescribed time period, such Option and any succeeding Options shall lapse, and there shall be no further right to extend the Lease Term. The Option shall be exercisable by Tenant on the express conditions that (a) at the time of the exercise, and at all times prior to the commencement of such Extension, Tenant shall not be in default under any of the provisions of the Lease and (b) Tenant has not been ten (10) or more days late in the payment of Rent more than a total of three (3) times during the Lease Term.

STANDARD MULTI-TENANT OFFICE LEASE - GROSS
AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

1. Basic Provisions ("Basic Provisions").

1.1 **Parties:** This Lease ("Lease"), dated for reference purposes only June 15, 2018, is made by and between **Euronev Ltd.("Lessor")** and **Carson Water Subconservancy District ("Lessee")**, (collectively the **"Parties"**, or individually a **"Party"**).

1 .2 (a) **Premises:** That certain portion of the Project (as defined below), known as Suite Number (s) # 110, 110A consisting of approximately 858 rentable sq. ft. and # 111 consisting of approximately 1,055 rentable sq.ft. The TOTAL for both Suites is 1,913 rentable square feet **("Premises")**. The Premises are located at: 777 E. William Street in the City of Carson City, State of Nevada, with zip code 89701. In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined in Paragraph 2.7 below) as hereinafter specified, but shall not have any rights to the roof, the exterior walls, the area above the dropped ceilings, or the utility raceways of the building containing the Premises **("Building")** or to any other buildings in the Project. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the **"Project."** The Project consists of approximately 12,807 rentable square feet. (See also Paragraph 2)

1.2(b) **Parking:** Unreserved parking spaces available on first come basis. (See Paragraph 2.6)

1.3 **Term:** Four (4) years and 0 months **("Original Term")** commencing August 1, 2018 **("Commencement Date")** and ending June 30, 2022 **("Expiration Date")**.
(See also Paragraph 3)

1.4 **Early Possession: ("Early Possession Date")**.
(See also Paragraphs 3.2 and 3.3)

1 .5 **Base Rent:** $2,965.00 per month **("Base Rent")**, payable on the 1st day of each month commencing July 1, 2018. The Base Rent increases at the rate of 3 % per year commencing 12 months from the Commencement Date. (See also Paragraph 4)

The rent shall be computed as follows:

8/1/18 - 6/30/19	7/1/19 – 6/30/20	7/ 1/20 – 6/30/21	7/1/21 – 6/30/22
$2,965.00	$3,054.00	$3,146.00	$3,240.00

X If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted.

1 .6 **Lessee's Share of Operating Expense Increase:** one percent (12.8%) **("Lessee's Share")**. Lessee's Share has been calculated by dividing the approximate rentable square footage of the Premises by the total approximate square footage of the rentable space contained in the Project and shall not be subject to revision except in connection with an actual change in the size of the Premises or a change in the space available for lease in the Project.

1.7 **Base Rent and Other Monies Paid Upon Execution:**

(a) Base Rent: $2,965.00

(b) Security Deposit: $1,072.50 from previous lease. **("Security Deposit")**. (See also Paragraph 5)

(c) Parking: $___-0-_____ for the period .

(d) Other: $ _____0_____ for .

(e) Total Due Upon Execution of this Lease: --0 .

1.8 **Agreed Use:** General office . (See also Paragraph 6)

1.9 **Base Year; Insuring Party.** The Base Year is the calender year prior to the year in which the Commencement Date occurs. Lessor is the **"Insuring Party"**. (See also Paragraphs 4.2 and 8)

1.10 **Omitted**

1.11 **Guarantor.** The obligations of the Lessee under this Lease shall be guaranteed by ("Guarantor"). (See also Paragraph 37)

1.12 **Business Hours for the Building:** __8__ am. to __6__ p.m., Monday through Friday (except Building Holidays) . **"Building Holidays"** shall mean the dates of observation of New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day, and other bank holidays.

1.13 **Lessor Supplied Services.** Notwithstanding the provisions of Paragraph 11.1, Lessor is obligated to provide the following:

Janitorial services
Electricity
Other (specify):

1.14 **Attachments.** Attached hereto are the following, all of which constitute a part of this Lease:
an Addendum consisting of Paragraphs _____ through _____

a current set of the Rules and Regulations;

a floor plan of suites #110,110A and 111

2. **Premises.**

2.1 **Letting.** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of size set forth in this Lease, or that may have been used in calculating Rent, is an approximation which the Parties agree is reasonable and any payments based thereon are not subject to revision whether or not the actual size is more or less. **Note: Lessee is advised to verify the actual size prior to executing this Lease.**

2.2 **Condition.** Lessor shall deliver the Premises to Lessee in a clean condition on the Commencement Date or the Early Possession Date, whichever first occurs (**"Start Date"**), and warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems (**"HVAC"**), and all other items which the Lessor is obligated to construct pursuant to the Work Letter attached hereto, if any, other than those constructed by Lessee, shall be in good operating condition on said date.

2.3 **Compliance.** Lessor warrants that the improvements comprising the Premises and the Common Areas comply with the building codes that were in effect at the time that each such improvement, or portion thereof, was constructed, and also with all applicable laws, covenants or restrictions of record, regulations, and ordinances (**"Applicable Requirements"**) in effect on the Start Date. Said warranty does not apply to the use to which Lessee will put the Premises, modifications which may be required by the Americans with Disabilities Act or any similar laws as a result of Lessee's use (see Paragraph 50), or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a)) made or to be made by Lessee. **NOTE: Lessee is responsible for determining whether or not the zoning and other Applicable Requirements are appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed.** If the Premises do not comply with said warranty, Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same. If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Premises, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Premises (**"Capital Expenditure"**), Lessor and Lessee shall allocate the cost of such work as follows:

(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof, provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease and the cost thereof exceeds 6 months' Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and the amount equal to 6 months' Base Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor and Lessee shall allocate the cost of such Capital Expenditure as follows: Lessor shall advance the funds necessary for such Capital Expenditure but Lessee shall be obligated to pay, each month during the remainder of the term of this Lease, on the date on which Base Rent is due, an amount equal to the product of multiplying Lessee's share of the cost of such Capital Expenditure (the percentage specified in Paragraph 1.6 by a fraction, the numerator of which is one, and the denominator of which is 144 (i.e. 1/144th of the cost per month)). Lessee shall pay interest on the unamortized balance of Lessee's share at a rate that is commercially reasonable in the judgment of Lessor's accountants. Lessee may, however, prepay its obligation at any time. Provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with Interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to nonvoluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall be fully responsible for the cost thereof, and Lessee shall not have any right to terminate this Lease.

2.4 **Acknowledgments**. Lessee acknowledges that: (a) Lessee has been advised by Lessor and/or Brokers to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler systems, security, environmental aspects, and compliance with Applicable Requirements), and their suitability for Lessee's intended use, (b) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefor as the same relate to its occupancy of the Premises, and (c) neither Lessor, Lessor's agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessor's sole responsibility to investigate the financial capability and/or suitability of all proposed tenants.

2.5 **Lessee as Prior Owner/Occupant**. The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date, Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.

2.6 **Vehicle Parking**. So long as Lessee is not in default, and subject to the Rules and Regulations attached hereto, and as established by Lessor from time to time, Lessee shall be entitled to rent and use the number of parking spaces specified in Paragraph 1.2(b) at the rental rate applicable from time to time for monthly parking as set by Lessor and/or its licensee.

(a) If Lessee commits, permits or allows any of the prohibited activities described in the Lease or the rules then in effect, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

(b) The monthly rent per parking space specified in Paragraph 1 .2(b) is subject to change upon 30 days prior written notice to Lessee. The rent for the parking is payable one month in advance prior to the first day of each calendar month.

2.7 **Common Areas - Definition**. The term "**Common Areas**" is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Project and interior utility raceways and installations within the Premises that are provided and designated by the Lessor, from time to time, for the general non-exclusive use of Lessor, Lessee and other tenants of the Project and their respective employees, suppliers, shippers, customers, contractors arid invitees, including, but not limited to, common entrances, lobbies, corridors, stairwells, public restrooms, elevators, parking areas, loading and unloading areas, trash areas, roadways, walkways, driveways and landscaped areas.

2.8 **Common Areas - Lessee's Rights**. Lessor grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Project. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.9 **Common Areas - Rules and Regulations**. Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to adopt, modify, amend and enforce reasonable rules and regulations (**"Rules and Regulations"**) for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Project and their invitees. The Lessee agrees to abide by and conform to all such Rules and Regulations, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessee shall not be responsible to Lessee for the non-compliance with said Rules and Regulations by other tenants of the Project.

2.10 **Common Areas - Changes**. Lessor shall have the right, in Lessor's sole discretion, from time to time:

(a) To make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number of Lobbies, windows, stairways, air shafts, elevators, escalators, restrooms, driveways, entrances, parking spaces, parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways;

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(c) To designate other land outside the boundaries of the Project to be a part of the Common Areas;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Project, or any portion thereof; and

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Lessor may, in the exercise of sound business judgment, deem to be appropriate.

3. **Term.**

3.1 **Term.** The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

3.2 **Early Possession.** If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early possession. Any other terms of this Lease (including but not limited to the obligations to pay Lessee's Share of the Operating Expense Increase) shall, however, be in effect during such period. Any such early possession shall not affect the Expiration Date.

3.3 **Delay In Possession.** Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession by such date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until Lessor delivers possession of the Premises and any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession is not delivered within 60 days after the Commencement Date, as the same may be extended under the terms of any Work Letter executed by Parties, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. If possession of the Premises is not delivered within 120 days after the Commencement Date, this Lease shall terminate unless other agreements are reached between Lessor and Lessee, in writing.

3.4 **Lessee Compliance.** Lessor shall not be required to deliver possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of insurance (Paragraph 8.5). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

4. **Rent.**

4.1. **Rent Defined.** All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be rent ("**Rent**").

4.2 **Operating Expense Increase.** Lessee shall pay to Lessor during the term hereof, in addition to the Base Rent, Lessee's Share of the amount by which all Operating Expenses for each Comparison Year exceeds the amount of all Operating Expenses for the Base Year, such excess being hereinafter referred to as the "**Operating Expense Increase**", in accordance with the following provisions:

(a) "**Base Year**" is as specified in Paragraph 1 .9.

(b) "**Comparison Year**" is defined as each calendar year during the term of this Lease subsequent to the Base Year; provided, however, Lessee shall have no obligation to pay a share of the Operating Expense Increase applicable to the first 12 months of the Lease Term (other than such as are mandated by a governmental authority, as to which government mandated expenses Lessee shall pay Lessee's Share, notwithstanding they occur during the first twelve 12 months). Lessee's Share of the Operating Expense Increase for the first and last Comparison Years of the Lease Term shall be prorated according to that portion of such Comparison Year as to which Lessee is responsible for a share of such increase.

(c) "**Operating Expenses**" include all costs incurred by Lessor relating to the ownership and operation of the Project, calculated as if the Project was at least 95% occupied, including, but not limited to, the following:

(i) The operation, repair, and maintenance in neat, clean, sale, good order and condition, but not the replacement (see subparagraph (g)), of the following:

(aa) The Common Areas, including their surfaces, coverings, decorative items, carpets, drapes and window coverings, and including parking areas, loading and unloading areas, trash areas, roadways, sidewalks, walkways, stairways, parkways, driveways, landscaped areas, striping, bumpers, irrigation systems, Common Area lighting facilities, building exteriors and roofs, fences and gates;

(bb) All heating, air conditioning, plumbing, electrical systems, life safety equipment, communication systems and other equipment used in common by, or for the benefit of, lessees or occupants of the Project, including elevators and escalators, tenant directories, fire detection systems including sprinkler system maintenance and repair.

(ii) Trash disposal, janitorial and security services, pest control services, and the costs of any environmental inspections;

(iii) Any other service to be provided by Lessor that is elsewhere in this Lease stated to be an "Operating Expense";

(iv) The cost of the premiums for the insurance policies maintained by Lessor pursuant to paragraph 8 and any deductible portion of an insured loss concerning the Building or the Common Areas;

(v) The amount of the Real Property Taxes payable by Lessor pursuant to paragraph 10;

(vi) The cost of water, sewer, gas, electricity, and other publicly mandated services not separately metered;

(vii) Labor, salaries, and applicable fringe benefits and costs, materials, supplies and tools, used in maintaining and/or cleaning the Project and accounting and management fees attributable to the operation of the Project;

(viii) The cost of any Capital Expenditure to the Building or the Project not covered under the provisions of Paragraph 2.3 provided; however, that Lessor shall allocate the cost of any such Capital Expenditure over a 12 year period and Lessee shall not be required to pay more than Lessee's Share of 1/144th of the cost of such Capital Expenditure in any given month;

(ix) Replacement of equipment or improvements that have a useful life for accounting purposes of 5 years or less.

(d) Any item of Operating Expense that is specifically attributable to the Premises, the Building or to any other building in the Project or to the operation, repair and maintenance thereof, shall be allocated entirely to such Premises, Building, or other building. However, any such item that is not specifically attributable to the Building or to any other building or to the operation, repair and maintenance thereof, shall be equitably allocated by Lessor to all buildings in the Project.

(e) The inclusion of the improvements, facilities and services set forth in Subparagraph 4.2(c) shall not be deemed to impose an obligation upon Lessor to either have said improvements or facilities or to provide those services unless the Project already has the same, Lessor already provides the services, or Lessor has agreed elsewhere in this Lease to provide the same or some of them.

(f) Lessee's Share of Operating Expense Increase shall be payable by Lessee within 10 days after a reasonably detailed

life for accounting purposes of 5 years or more unless it is of the type described in paragraph 4.2(c) (viii), in which case their cost shall be included as above provided.

(h) Operating Expenses shall not include any expenses paid by any tenant directly to third parties, or as to which Lessor is otherwise reimbursed by any third party, other tenant, or by insurance proceeds.

4.3 **Payment**. Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States on or before the day on which it is due, without offset or deduction (except as specifically permitted in this Lease). Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason, Lessee agrees to pay to Lessor the sum of $25 in addition to any Late Charge. Payments will be applied first to accrued late charges and attorney's fees, second to accrued interest, then to Base Rent and Operating Expense Increase, and any remaining amount to any other outstanding charges or costs.

5. **Security Deposit.** Lessee shall deposit with Lessor upon execution hereof, the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease, Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of the Security Deposit, Lessee shall within 10 days after written request therefor, deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sublessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, in Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within 14 days after the expiration or termination of this Lease, if Lessor elects to apply the Security Deposit only to unpaid Rent, and otherwise within 30 days after the Premises have been vacated pursuant to Paragraph 7.4(c) below, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease.

6. **Use.**

6.1 **Use.** Lessee shall use and occupy the Premises only for the Agreed Use, or any other legal use which is reasonably comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. Lessor shall not unreasonably withhold or delay its consent to any written request for a modification of the Agreed Use, so long as the same will not impair the structural integrity of the improvements of the Building, will not adversely affect the mechanical, electrical, HVAC, and other systems of the Building, and/or will not affect the exterior appearance of the Building. If Lessor elects to withhold consent, Lessor shall within 7 days after

such request give written notification of same, which notice shall include an explanation of Lessor's objections to the change in the Agreed Use.

6.2 **Hazardous Substances.**

(a) **Reportable Uses Require Consent.** The term "**Hazardous Substance**" as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. "**Reportable Use**" shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use such as ordinary office supplies (copier toner, liquid paper, glue, etc.) and common household cleaning materials, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability, including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) **Duty to Inform Lessor.** If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) **Lessee Remediation.** Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, comply with all Applicable Requirements and take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) **Lessee Indemnification.** Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from areas outside of the Project not caused or contributed to by Lessee). Lessee's obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

(e) **Lessor Indemnification.** Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which result from Hazardous Substances which existed on the Premises prior to Lessee's occupancy or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(f) **Investigations and Remediations.** Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to Lessee's occupancy, unless such remediation measure is required as a result of Lessee's use (including "Alterations", as defined in paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.

(g) **Lessor Termination Option**. If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to remediate such condition exceeds 12 times the then monthly Base Rent or $100,000, whichever is greater, give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to 12 times the then monthly Base Rent or $100,000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

6.3 **Lessee's Compliance with Applicable Requirements**. Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the Premises, without regard to whether said requirements are now in effect or become effective after the Start Date. Lessee shall, within 10 days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements.

6.4 **Inspection; Compliance**. Lessor and Lessor's "Lender" (as defined in Paragraph 30) and consultants shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a Hazardous Substance Condition (see paragraph 9.1e) is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination.

7. **Maintenance; Repairs; Utility Installations; Trade Fixtures and Alterations.**

7.1 **Lessee's Obligations**. Notwithstanding Lessor's obligation to keep the Premises in good condition and repair, Lessee shall be responsible for payment of the cost thereof to Lessor as additional rent for that portion of the cost of any maintenance and repair of the Premises, or any equipment (wherever located) that serves only Lessee or the Premises, to the extent such cost is attributable to causes beyond normal wear and tear. Lessee shall be responsible for the cost of painting, repairing or replacing wall coverings, and to repair or replace any improvements with the Premises. Lessor may, at its option, upon reasonable notice, elect to have Lessee perform any particular such maintenance or repairs the cost of which is otherwise Lessee's responsibility hereunder.

7.2 **Lessor's Obligations**. Subject to the provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 4.2 (Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler system, fire alarm and/or smoke detection systems, fire hydrants, and the Common Areas. Lessee expressly waives the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease.

7.3 **Utility Installations; Trade Fixtures; Alterations.**

(a) **Definitions**. The term **"Utility Installations"** refers to all floor and window coverings, air lines, vacuum lines, power panels, electrical distribution, security and fire protection systems, communication cabling, lighting fixtures, HVAC equipment, and plumbing in or on the Premises. The term **"Trade Fixtures"** shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term **"Alterations"** shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. **"Lessee Owned Alterations and/or Utility Installations"** are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

(b) **Consent**. Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof, ceilings, floors or any existing walls, will not affect the electrical, plumbing, HVAC, and/or life safety systems, and the cumulative cost thereof during this Lease as extended does not exceed $2000. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations

and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

(c) **Liens; Bonds**. Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than 10 days notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

7.4 **Ownership; Removal; Surrender; and Restoration.**

(a) **Ownership.** Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

(b) **Removal.** By delivery to Lessee of written notice from Lessor not earlier than 90 and not later than 30 days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all on any part of any Lessee Owned Alterations or Utility Installations made without the required consent.

(c) **Surrender; Restoration.** Lessee shall surrender the Premises by the Expiration Date on any earlier termination date, with all of the improvements, parts and surfaces thereof clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if this Lease is for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures, Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall also completely remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Project) even if such removal would require Lessee to perform or pay for work that exceeds statutory requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below.

8. **Insurance; Indemnity.**

8.1 **Insurance Premiums**. The cost of the premiums for the insurance policies maintained by Lessor pursuant to paragraph 8 are included as Operating Expenses (see paragraph 4.2 (c)(iv)). Said costs shall include increases in the premiums resulting from additional coverage related to requirements of the holder of a mortgage on deed of trust covering the Premises, Building and/or Project, increased valuation of the Premises, Building and/or Project, and/or a general premium rate increase. Said costs shall not, however, include any premium increases resulting from the nature of the occupancy of any other tenant of the Building. If the Project was not insured for the entirety of the Base Year, then the base premium shall be the lowest annual premium reasonably obtainable for the required insurance as of the Start Date, assuming the most nominal use possible of the Building and/or Project. In no event, however, shall Lessee be responsible for any portion of the premium cost attributable to liability insurance coverage in excess of $2,000,000 procured under Paragraph 8.2(b).

8.2 **Liability Insurance.**

(a) **Carried by Lessee.** Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount

not less than $1,000,000 per occurrence with an annual aggregate of not less than $2,000,000, an "Additional Insured-Managers on Lessors of Premises Endorsement" and contain the "Amendment of the Pollution Exclusion Endorsement" for damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an **"insured contract"** for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance carried by Lessee shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.

(b) **Carried by Lessor.** Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 **Property Insurance - Building, Improvements and Rental Value.**

(a) **Building and Improvements.** Lessor shall obtain and keep in force a policy or policies of insurance in the name of Lessor, with loss payable to Lessor, any ground-lessor, and to any Lender insuring loss or damage to the Building and/or Project. The amount of such insurance shall be equal to the full replacement cost of the Building and/or Project, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurable value thereof. Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee under Paragraph 8.4. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss on damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed $1,000 per occurrence.

(b) **Rental Value.** Lessor shall also obtain and keep in force a policy on policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one year with an extended period of indemnity for an additional 180 days ("Rental Value insurance"). Said insurance shall contain an agreed valuation provision in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month period.

(c) **Adjacent Premises.** Lessee shall pay for any increase in the premiums for the property insurance of the Building and for the Common Areas or other buildings in the Project if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) **Lessee's Improvements.** Since Lessor is the Insuring Panty, Lessor shall not be required to insure Lessee Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease.

8.4 **Lessee's Property; Business Interruption Insurance.**

(a) **Property Damage.** Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of personal property, Trade Fixtures and Lessee Owned Alterations and Utility Installations. Lessee shall provide Lessor with written evidence that such insurance is in force.

(b) **Business Interruption.** Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent lessees in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

(c) **No Representation of Adequate Coverage.** Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to coven Lessee's property, business operations or obligations under this Lease.

8.5 **Insurance Policies.** Insurance required herein shall be by companies duly licensed or admitted to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V, as set forth in the most current issue of "Best's Insurance Guide", or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates evidencing the existence and amounts of the required insurance. No such policy shall be cancelable or subject to modification except after 30 days prior written notice to Lessor. Lessee shall, at least 30 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining

term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same.

8.6 **Waiver of Subrogation.** Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss or damage to its property arising out of incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 **Indemnity.** Except for Lessor's gross negligence on willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.

8.8 **Exemption of Lessor from Liability.** Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, on any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the Building, or from other sources or places. Lessor shall not be liable for any damages arising from any act or neglect of any other tenant of Lessor nor from the failure of Lessor to enforce the provisions of any other lease in the Project. Notwithstanding Lessor's negligence or breach of this Lease, Lessor shall under no circumstances be liable for injury to Lessee's business on for any loss of income or profit therefrom.

9. **Damage or Destruction.**

9.1 **Definitions.**

(a) **"Premises Partial Damage"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 3 months or less from the date of the damage or destruction, and the cost thereof does not exceed a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(b) **"Premises Total Destruction"** shall mean damage on destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which cannot reasonably be repaired in 3 months or less from the date of the damage or destruction and/or the cost thereof exceeds a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial on Total.

(c) **"Insured Loss"** shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

(d) **"Replacement Cost"** shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) **"Hazardous Substance Condition"** shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises which requires repair, remediation, or restoration.

9.2 **Partial Damage - Insured Loss.** If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures on Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is $5,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, on adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such

funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage on destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 **Partial Damage - Uninsured Loss.** If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective 60 days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 **Total Destruction.** Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following such Destruction. If the damage on destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6.

9.5 **Damage Near End of Term.** If at any time during the last 6 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage by giving a written termination notice to Lessee within 30 days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is 10 days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished.

9.6 **Abatement of Rent; Lessee's Remedies.**

(a) **Abatement.** In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) **Remedies.** If Lessor shall be obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within 90 days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than 60 days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within 30 days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such 30 days, this Lease shall continue in full force and effect. **"Commence"** shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 **Termination; Advance Payments.** Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

9.8 **Waive Statutes.** Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith.

10. **Real Property Taxes.**

10.1 **Definitions.** As used herein, the term **"Real Property Taxes"** shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Project, Lessor's right to other income therefrom, and/or Lesson's business of leasing, by any authority having the direct on indirect power to tax and where the funds are generated with reference to the Project address and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Project is located. **"Real Property Taxes"** shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Project or any portion thereof or a change in the improvements thereon.

10.2 **Payment of Taxes.** Except as otherwise provided in Paragraph 10.3, Lessor shall pay the Real Property Taxes applicable to the Project, and said payments shall be included in the calculation of Operating Expenses in accordance with the provisions of Paragraph 4.2.

10.3 **Additional Improvements.** Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Project by other lessees or by Lessor for the exclusive enjoyment of such other lessees. Notwithstanding Paragraph 10.2 hereof, Lessee shall, however, pay to Lessor at the time Operating Expenses are payable under Paragraph 4.2, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request.

10.4 **Joint Assessment.** If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 **Personal Property Taxes.** Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

11. **Utilities and Services.**

11.1 **Services Provided by Lessor.** Lessor shall provide heating, ventilation, air conditioning, reasonable amounts of electricity for normal lighting and office machines, water for reasonable and normal drinking and lavatory use in connection with an office, and replacement light bulbs and/or fluorescent tubes and ballasts for standard overhead fixtures. Lessor shall also provide janitorial services to the Premises and Common Areas 5 times per week, excluding Building Holidays, or pursuant to the attached janitorial schedule, if any. Lessor shall not, however, be required to provide janitorial services to kitchens or storage areas included within the Premises.

11.2 **Services Exclusive to Lessee.** Lessee shall pay for all water, gas, heat, light, power, telephone and other utilities and services specially or exclusively supplied and/or metered exclusively to the Premises or to Lessee, together with any taxes thereon. If a service is deleted by Paragraph 1.13 and such service is not separately metered to the Premises, Lessee shall pay at Lessor's option, either Lessee's Share or a reasonable proportion to be determined by Lessor of all changes for such jointly metered service.

11.3 **Hours of Service.** Said services and utilities shall be provided during times set forth in Paragraph 1.12. Utilities and services required at other times shall be subject to advance request and reimbursement by Lessee to Lessor of the cost thereof.

11.4 **Excess Usage by Lessee.** Lessee shall not make connection to the utilities except by or through existing outlets and shall not install or use machinery or equipment in or about the Premises that uses excess water, lighting or power, or suffer or permit any act that causes extra burden upon the utilities or services, including but not limited to security and trash services, over standard office usage for the Project. Lessor shall require Lessee to reimburse Lessor for any excess expenses or costs that may arise out of a breach of this subparagraph by Lessee. Lessor may, in its sole discretion, install at Lessee's expense supplemental equipment and/or separate metering applicable to Lessee's excess usage or loading.

11.5 **Interruptions.** There shall be no abatement of rent and Lessor shall not be liable in any respect whatsoever for the inadequacy, stoppage, interruption or discontinuance of any utility on service due to riot, strike, labor dispute, breakdown, accident, repair or other cause beyond Lessor's reasonable control or in cooperation with governmental request or directions.

12. **Assignment and Subletting.**

12.1 **Lessor's Consent Required.**

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, **"assign or assignment"**) or sublet all or any part of Lessee's interest in this Lease on in the Premises without Lessor's prior written consent.

(b) Unless Lessee is a corporation and its stock is publicly traded on a national stock exchange, a change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs,

which results or will result in a reduction of the Net Worth of Lessee by an amount greater than 25% of such Net worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. **"Net Worth of Lessee"** shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustments to 110% of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

12.2 **Terms and Conditions Applicable to Assignment and Subletting.**

(a) Regardless of Lessor's consent, no assignment or subletting shall: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) alter the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval on disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible thenefor to Lessor, on any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested. (See also Paragraph 36)

(f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment or entering into such sublease, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

(g) Lessor's consent to any assignment or subletting shall not transfer to the assignee or sublessee any Option granted to the original Lessee by this Lease unless such transfer is specifically consented to by Lessor in writing. (See Paragraph 39.2)

12.3 **Additional Terms and Conditions Applicable to Subletting.** The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay

all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary.

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents on security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. **Default; Breach; Remedies.**

13.1 **Default; Breach.** A **"Default"** is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A **"Breach"** is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of 3 business days following written notice to Lessee.

(c) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 41 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.

(d) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 2.9 hereof, other than those described in subparagraphs 13.1(a), (b) or (c), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a **"debtor"** as defined in 11 U.S.C. § 101 on any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(f) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

(g) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of the execution of this Lease.

13.2 **Remedies.** If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. The costs and expenses of any such performance by Lessor shall be due and payable by Lessee upon receipt of invoice therefor. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessee to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover damages under Paragraph 12. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the night to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the night to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now on hereafter available under the laws on judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring on accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 **Inducement Recapture**. Any agreement for free or abated rent or other charges, on for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as **"Inducement Provisions"**, shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions of this Lease. Upon Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other change, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance.

13.4 **Late Charges.** Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 5 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a one-time late change equal to 10% of each such overdue amount or $100, whichever is greater. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for 3 consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 **Interest.** Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due as to scheduled payments (such as Base Rent) or within 30 days following the date on which it was due for non-scheduled payment, shall bear interest from the date when due, as to scheduled payments, on the 31st day after it was due as to non-scheduled payments. The interest ("Interest") charged shall be computed at the rate of 10% per annum but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 **Breach by Lessor.**

(a) **Notice of Breach.** Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than 30 days after receipt by Lessor, and any Lender whose name and address shall have been furnished Lessee in writing for such purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than 30 days are reasonably required for its performance, then Lessor shall not be in breach if performance is commenced within such 30 day period and thereafter diligently pursued to completion.

(b) **Performance by Lessee on Behalf of Lessor.** In the event that neither Lessor non Lender cures said breach within 30 days after receipt of said notice, on if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent the actual and reasonable cost to perform such cure, provided however, that such offset shall not exceed an amount equal to the greater of one month's Base Rent or the Security Deposit, reserving Lessee's right to seek reimbursement from Lessor. Lessee shall document the cost of said cure and supply said documentation to Lessor.

14. **Condemnation.** If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively "Condemnation"), this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than 10% of the rentable floor area of the Premises, or more than 25% of Lessee's Reserved Parking Spaces, if any, are taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (on in the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided, however, that Lessee shall be entitled to any compensation for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this lease is terminated pursuant to the provisions of this Paragraph. All alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation for which is payable therefor. In the event that this Lease is not terminated by reason of the condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation.

15. **Omitted**

16. **Estoppel Certificates.**

(a) Each Party (as "Responding Party") shall within 10 days after written notice from the other Party (the "Requesting Party") execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current "Estoppel Certificate" form published by the American Industrial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

(b) If the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 10 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. **Definition of Lessor.** The term "Lessor" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Except as provided in Paragraph 15, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined.

18. **Severability.** The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. **Days.** Unless otherwise specifically indicated to the contrary, the word "days" as used in this Lease shall mean and refer to calendar days.

20. **Limitation on Liability.** The obligations of Lessor under this Lease shall not constitute personal obligations of Lessor or its partners, members, directors, officers or shareholders, and Lessee shall look to the Project, and to no

other assets of Lessor, for the satisfaction of any liability of Lessor with respect to this Lease, and shall not seek recourse against Lessor's partners, members, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. **Time of Essence.** Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. **No Prior or Other Agreements; Broker Disclaimer.** This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees) of any Broker with respect to negotiation, execution, delivery or performance by either Lessor or Lessee under this Lease or any amendment or modification hereto shall be limited to an amount up to the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broken's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

23. **Notices.**

23.1 **Notice Requirements.** All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may by written notice to the other specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

23.2 **Date of Notice.** Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 48 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices transmitted by facsimile transmission or similar means shall be deemed delivered upon telephone confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

24. **Waivers.** No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. The acceptance of Rent By Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of moneys or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

25. **Omitted**

26. **No Right To Holdover.** Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 150% of the Base Rent applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

27. **Cumulative Remedies.** No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. **Covenants and Conditions; Construction of Agreement.** All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

29. **Binding Effect; Choice of Law.** This Lease shall be binding upon the Parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. **Subordination; Attornment; Non-Disturbance.**

30.1 **Subordination.** This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "Security Device"), now or hereafter placed upon the Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease

together referred to as "Lender") shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 **Attornment.** In the event that Lessor transfers title to the Premises, or the Premises are acquired by another upon the foreclosure or termination of a Security Device to which this Lease is subordinated (I) Lessee shall, subject to the non-disturbance provisions of Paragraph 30.3, attorn to such new owner, and upon request, enter into a new lease, containing all of the terms and provisions of this Lease, with such new owner for the remainder of the term hereof, or, at the election of such new owner, this Lease shall automatically become a new Lease between Lessee and such new owner, upon all of the terms and conditions hereof, for the remainder of the term hereof, and (ii) Lessor shall thereafter be relieved of any further obligations hereunder and such new owner shall assume all of Lessor's obligations hereunder, except that such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership: (b) be subject to any offsets or defenses which Lessee might have against any prior lessor, (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor.

30.3 **Non-Disturbance.** With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a "Non-Disturbance Agreement") from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within 60 days after the execution of this Lease, Lessor shall use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said 60 days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 **Self-Executing.** The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

31. **Attorneys' Fees.** If any Party or Broker brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be netitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, **"Prevailing Party"** shall include, without limitation, a Party or Broker who substantially obtains or defects the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach ($200 is a reasonable minimum per occurrence for such services and consultation).

32. **Lessor's Access, Showing Premises; Repairs.** Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary or desirable and the erecting, using and maintaining of utilities, services, pipes and conduits through the Premises and/or other premises as long as there is no material adverse effect to Lessee's use of the Premises. All such activities shall be without abatement of rent or liability to Lessee. Lessor may at any time place on the Premises any ordinary **"For Sale"** signs and Lessor may during the last 6 months of the term hereof place on the Premises any ordinary **"For Lease"** signs. In addition, Lessor shall have the right to retain keys to the Premises and to unlock all doors in or upon the Premises other than to files, vaults and safes, and in the case of emergency to enter the Premises by any reasonably appropriate means, and any such entry shall not be deemed a forcible or unlawful entry or detainer of the Premises or an eviction. Lessee waives any charges for damages or injuries or interference with Lessee's property or business in connection therewith.

33. **Auctions.** Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. **Signs.** Lessee shall not place any sign upon the Project without Lessor's prior written consent.

35. **Termination; Merger.** Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor's failure within 10 days following any such event to elect to the contrary by written notice to the holder of any such lesser interest, shall constitute Lessor's election to have such event constitute the termination of such interest.

36. **Consents.** Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an invoice and supporting documentation therefor. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within 10 business days following such request.

37. **Guarantor.**

37.1 **Execution.** The Guarantors, if any, shall each execute a guaranty in the form most recently published by the American Industrial Real Estate Association.

37.2 **Default.** It shall constitute a Default of the Lessee if any Guarantor fails on refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantor's behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.

38. **Quiet Possession.** Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. **Options.** If Lessee is granted an Option, as defined below, then the following provisions shall apply.

39.1 **Definition.** "Option" shall mean: (a) the right to extend the term of or renew this Lease or to extend or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Premises or other property of Lessor; (c) the right to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 **Options Personal To Original Lessee.** Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

39.3 **Multiple Options.** In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised.

39.4 **Effect of Default on Options.**

(a) Lessee shall have no right to exercise an Option: (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term or completion of the purchase, (I) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), or (ii) if Lessee commits a Breach of this Lease.

40. **Security Measures.** Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties. In the event, however, that Lessor should elect to provide security services, then the cost thereof shall be an Operating Expense.

41. **Reservations.**

(a) Lessor reserves the right: (i) to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, (ii) to cause the recordation of parcel maps and restrictions, (iii) to create and/or install new utility raceways, so long as such easements, rights, dedications, maps, restrictions, and utility raceways do not unreasonably interfere with the use of the Premises by Lessee. Lessor may also: change the name, address or title of the Building or Project upon at least 90 days prior written notice; provide and install, at Lessee's expense, Building standard graphics on the door of the Premises and such portions of the Common Areas as Lessor shall reasonably deem appropriate; grant to any lessee the exclusive right to conduct any business as long as such exclusive right does not conflict with any rights expressly given herein; and to place such signs, notices or displays as Lessor reasonably deems necessary or advisable upon the roof, exterior of the Building or the Project or on pole signs

in the Common Areas. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate such rights. The obstruction of Lessee's view, air, or light by any structure erected in the vicinity of the Building, whether by Lessor or third parties, shall in no way affect this Lease or impose any liability upon Lessor.

(b) Lessor also reserves the right to move Lessee to other space of comparable size in the Building or Project. Lessor must provide at least 45 days prior written notice of such move, and the new space must contain improvements of comparable quality to those contained within the Premises. Lessor shall pay the reasonable out of pocket costs that Lessee incurs with regard to such relocation, including the expenses of moving and necessary stationary revision costs. In no event, however, shall Lessor be required to pay an amount in excess of two months Base Rent. Lessee may not be relocated more than once during the term of this Lease.

(c) Lessee shall not: (i) use a representation (photographic or otherwise) of the Building or Project or their name(s) in connection with Lessee's business; or (ii) suffer or permit anyone, except in emergency, to go upon the roof of the Building.

42. **Performance Under Protest.** If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay.

43. **Authority.**

(a) If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. Each party shall, within 30 days after request, deliver to the other party satisfactory evidence of such authority.

(b) If this Lease is executed by more than one person or entity as "Lessee", each such person or entity shall be jointly and severally liable hereunder. It is agreed that any one of the named Lessees shall be empowered to execute any amendment to this Lease, or other document ancillary thereto and bind all of the named Lessees, and Lessor may rely on the same as if all of the named Lessees had executed such document.

44. **Conflict.** Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

45. **Offer.** Preparation of this Lease by either panty or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

46. **Amendments.** This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

47. **Multiple Parties.** If more than one person or entity is named herein as either Lessor on Lessee, such multiple Parties shall have joint and several responsibility to comply with the terms of this Lease.

48. **Waiver of Jury Trial.** THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING INVOLVING THE PROPERTY OR ARISING OUT OF THIS AGREEMENT.

49. **Mediation and Arbitration of Disputes.** An Addendum requiring the Mediation and/or the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease is is not attached to this Lease.

50. **Americans with Disabilities Act.** In the event that as a result of Lessee's use, or intended use, of the Premises the Americans with Disabilities Act or any similar law requires modifications or the construction or installation of improvements in or to the Premises, Building, Project and/or Common Areas, the Parties agree that such modifications, construction or improvements shall be made at: Lessor's expense X Lessee's expense.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED
HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE
PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY
REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE
ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS
LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE.
2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING AND SIZE OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES ARE LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES ARE LOCATED.

The parties hereto have executed this Lease at the place and on the dates specified above their respective signatures.

Executed at: 777 E. William Street #104
Carson City, N.V. 89701

on: June 15, 2018

By LESSOR:
Euronev, Ltd.

By:

Name Printed: Madalena C. Farrow

Title: Managing Member

Address:

Telephone: (775) 450-9561

Facsimile: (775) 887-1144

on: June 15, 2018

By LESSEE:
Carson Water Subconservancy District

By:

Name Printed:Edwin D. James

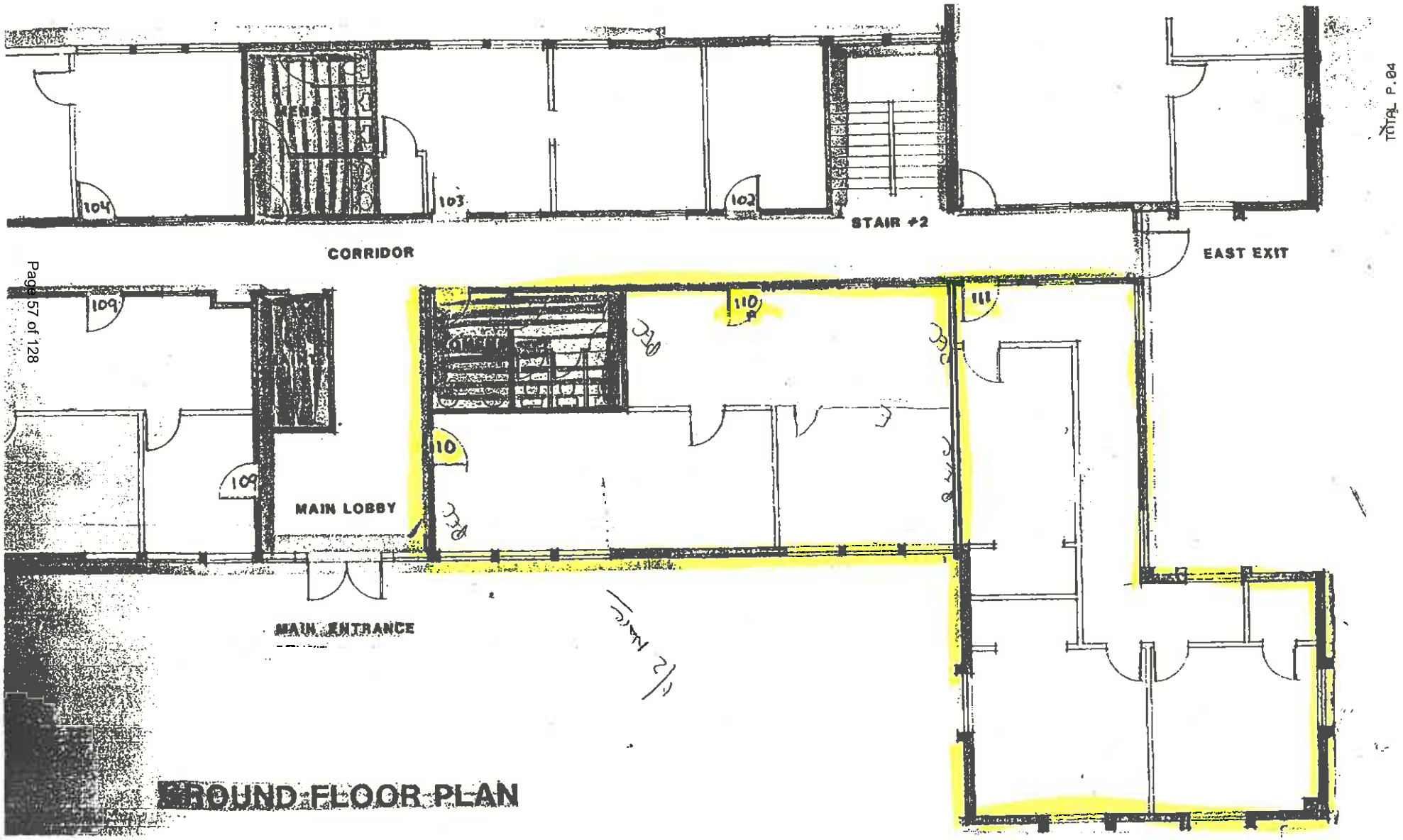
Title: General Manager

Address:

Telephone: (775) 887-7450

Cell: (775)

C = Computer
E = Elec
O = Office



GROUND FLOOR PLAN

8841949 P.04
05-07-1996 03:44PM FROM GoldDustProperties TO
Page 57 of 128
TOTAL P.04

RULES AND REGULATIONS FOR STANDARD OFFICE LEASE

Dated : June 15, 2018

By and Between : Euronev, Ltd. And Water Subconservancy District without prior consent from Lessor

GENERAL RULES

1. Lessee shall not suffer or permit the obstruction of any Common Areas, including driveways, walkways and stairways.
2. Lessor reserves the right to refuse access to any persons Lessor in good faith judges to be a threat to the safety and reputation of the Project and its occupants.
3. Lessee shall not make or permit any noise or odors that annoy or interfere with other lessees or persons having business within the Project.
4. Lessee shall not keep animals or birds within the Project, without prior consent from Lessor.
Lessee shall not bring bicycles, motorcycles or other vehicles into areas not designated as authorized for same.
5. Lessee shall not make, suffer or permit litter except in appropriate receptacles for that purpose.
6. Lessee shall not alter any lock or install new or additional locks or bolts.
7. Lessee shall be responsible for the inappropriate use of any toilet rooms, plumbing or other utilities. No foreign substances of any kind are to be inserted therein.
8. Lessee shall not deface the walls, partitions or other surfaces of the Premises or Project.
9. Lessee shall not suffer or permit anything in or around the Premises or Building that causes excessive vibration or floor loading in any part of the Project.
10. Furniture, significant freight and equipment shall be moved into or out of the building only with the Lessor's knowledge and consent, and subject to such reasonable limitations, techniques and timing, as may be designated by Lessor. Lessee shall be responsible for any damage to the Office Building Project arising from any such activity.
11. Lessee shall not employ any service or contractor for services or work to be performed in the Building, except as approved by Lessor.
12. Lessor reserves the right to close and lock the Building on Saturdays, Sundays and Building Holidays, and on other days between the hours of 6 P.M. and 8 A.M. of the following day. If Lessee uses the Premises during such periods, Lessee shall be responsible for securely locking any doors it may have opened for entry.
13. Lessee shall return all keys at the termination of its tenancy and shall be responsible for the cost of replacing any keys that are lost.
14. No window coverings, shades or awnings shall be installed or used by Lessee.
15. No Lessee, employee or invitee shall go upon the roof of the Building.
16. Lessee shall not suffer or permit smoking or carrying of lighted cigars or cigarettes in areas reasonably designated by Lessor or by applicable governmental agencies as non-smoking areas.
17. Lessee shall not use any method of heating or air conditioning other than as provided by Lessor.
18. Lessee shall not install, maintain or operate any vending machines upon the Premises without Lessor's written consent.
19. The Premises shall not be used for lodging or manufacturing, cooking or food preparation.
20. Lessee shall comply with all safety, fire protection and evacuation regulations established by Lessor or any applicable governmental agency.
21. Lessor reserves the right to waive any one of these rules or regulations, and/or as to any particular Lessee, and any such waiver shall not constitute a waiver of any other rule or regulation or any subsequent application thereof to such Lessee.
22. Lessee assumes all risks from theft or vandalism and agrees to keep its Premises locked as may be required.
23. Lessor reserves the right to make such other reasonable rules and regulations as it may from time to time deem necessary for the appropriate operation and safety of the Project and its occupants. Lessee agrees to abide by these and such rules and regulations.

PARKING RULES

1. Parking areas shall be used only for parking by vehicles no longer than full size, passenger automobiles herein called "Permitted Size Vehicles." Vehicles other than Permitted Size Vehicles are herein referred to as "Oversized Vehicles."
2. Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.
3. Parking stickers or identification devices shall be the property of Lessor and be returned to Lessor by the holder thereof upon termination of the holder's parking privileges. Lessee will pay such replacement charge as is reasonably established by Lessor for the loss of such devices.
4. Lessor reserves the right to refuse the sale of monthly identification devices to any person or entity that willfully refuses to comply with the applicable rules, regulations, laws and/or agreements.
5. Lessor reserves the right to relocate all or a part of parking spaces from floor to floor, within one floor, and/or to reasonably adjacent offsite location(s), and to reasonably allocate them between compact and standard size spaces, as long as the same complies with applicable laws, ordinances and regulations.
6. Users of the parking area will obey all posted signs and park only in the areas designated for vehicle parking.
7. Unless otherwise instructed, every person using the parking area is required to park and lock his own vehicle. Lessor will not be responsible for any damage to vehicles, injury to persons or loss of property, all of which risks are assumed by the party using the parking area.
8. Validation, if established, will be permissible only by such method or methods as Lessor and/or its licensee may establish at rates generally applicable to visitor parking.
9. The maintenance, washing, waxing or cleaning of vehicles in the parking structure or Common Areas is prohibited.
10. Lessee shall be responsible for seeing that all of its employees, agents and invitees comply with the applicable parking rules, regulations, laws and agreements.
11. Lessor reserves the right to modify these rules and/or adopt such other reasonable and non-discriminatory rules and regulations as it may deem necessary for the proper operation of the parking area.
12. Such parking use as is herein provided is intended merely as a license only and no bailment is intended or shall be created hereby.

AGENDA ITEM #10

CARSON WATER SUBCONSERVANCY DISTRICT

TO: Board of Directors

FROM: Reed Cozens

DATE: November 18, 2026

SUBJECT: Agenda Item #10 – For Possible Action: Approval of Fiscal Year 2025-26 Annual Audit

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DISCUSSION: Attached are the FY 2025-26 Audit draft Financial Statements. A representative from Sorren CPA's will give a presentation of the audit report.

STAFF RECOMMENDATION: Approve the CWSD FY 2025-26 Audit as submitted.

Date Pending

To the Board of Directors and General Manager
Carson Water Subconservancy District
777 East William Street
Suite 209 Carson City, NV 89701

We have audited the financial statements of the governmental activities, and each major fund of the Carson Water Subconservancy District ("the District") as of and for the year ended June 30, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 24, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Board adopted the new Statement of Governmental Accounting Standards (GASB Statement) Statement No. 103, *Financial Reporting Model Improvements*, and Statement No. 104, *Disclosure of Certain Capital Assets* in 2026. The implementation of these statements did not have a material affect on the District's financial position or changes in net position, but did affect certain financial statement presentation and disclosure requirements. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

- Management's estimate of the liabilities for pensions were based on information provided by the State of Nevada. These liabilities were supported by actuarial opinions, as required by generally accepted accounting standards.
- Management's estimate of the net present value of lease assets and liabilities is based on an appropriate rate at the time of implementation.
- Management's evaluation of the collectability of grant receivables.
- Management's evaluation of the fair market value of the investment in the Local Government Investment Pool. This estimate is based on the fair market value factor provided by the State of Nevada.
- We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole

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Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements relate to the pension plan in Note 8 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following list of journal entries were misstatements noted during out audit and were corrected by management:

General Fund Adjusting Journal Entries:

Adjusting Journal Entries JE # 10				
To record NDEM amounts as a receivable and deferred revenue for fund reporting and as a receivable and revenue for GWFS reporting				
1110-00	Due from Grantor Agency	161,719.00		
5406-00	NDEM 30-Yr Regional Water Plan	76,760.00		
5407-00	NDEM North Dayton BCA Study	84,959.00		
2002	Deferred Revenue			323,438.00
Total		**323,438.00**		**323,438.00**
Adjusting Journal Entries JE # 15				
Adjusts payroll accrual to proper amounts				
3307-00	CC Payroll Due	7,147.00		
7015-00	Salaries & Wages			4,714.00
7020-00	Employee Benefits			2,433.00
Total		**7,147.00**		**7,147.00**
Adjusting Journal Entries JE # 16				
Reclassifying entry to recognize accruals in proper accounts				
3308-00	Due From Other Funds FY26	387,881.00		
3310-00	Grant Expenses Rec'd in Advance	7,969.00		
2000	Accounts Payable			54,821.00
2001	Due to Grantor Agency			340,416.00
7121-05	NDEP 319 QAPP (reimb) 25-26			613.00
Total		**395,850.00**		**395,850.00**
Adjusting Journal Entries JE # 21				
To reclassify expense from deleted journal entry				
8009-00	Trans. In-Floodplain Mgmt. Fd.	5,500.00		
7109-00	Miscellaneous Expense			5,500.00
Total		**5,500.00**		**5,500.00**
Adjusting Journal Entries JE # 25				
To adjust compensated absences to actual				
3362-00	Accrued sick leave	62,202.00		
3360-00	Accrued Vacation			24,191.00
7015-00	Salaries & Wages			38,011.00
Total		**62,202.00**		**62,202.00**

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Additionally we recorded entries to convert the fund financial statements to government wide financial statements as follows:

- Capital assets less accumulated depreciation - $6,060,703, depreciation and amortization expense - $41,534
- Lease liability - $172,066, principal reduction on lease liability - $42,250, interest expense $1,284
- Reduction in deferred inflows for grant revenues - $161,719, recognition of grant revenue - $113,453
- Deferred outflows related to pensions - $410,627, pension liability - $1,007,617, deferred inflows of resources related to pensions - $187,00, pension expense - $69,875
- Compensated absences - $31,862, compensation expense - $8,400
- Bond payment obligations - $841,024, principal payments - $229,728 , interest expense- $20,272

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter **Date Pending**.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

<u>Other Matters</u>

We applied certain limited procedures to managements discussion and analysis, budgetary information, and pension information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on Capital projects fund budgetary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method

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of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the board of directors and management of Carson Water Subconservancy District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

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Financial Statements

June 30, 2026

Carson Water Subconservancy District

Draft

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Independent Auditor's Report

To the Board of Directors
Carson Water Subconservancy District
Carson City, Nevada

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Carson Water Subconservancy District (District) as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2026, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the

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override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension information on pages 4-7, 31-32, and 33-34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis, budgetary comparison information and pension information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The statement of revenue, expenditures and changes in fund balances – budget and actual for the capital projects fund is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used

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to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of revenue, expenditures and change in fund balance – budget and actual for the capital projects fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **Date Pending**, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Reno, Nevada
Date Pending

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Management's Discussion and Analysis
June 30, 2026
Carson Water Subconservancy District

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This section of the Carson Water Subconservancy District's (District) annual financial report presents management's analysis of the District's financial performance during the fiscal year that ended on June 30, 2026. Management's Discussion and Analysis should be read in conjunction with the District's basic financial statements.

FINANCIAL HIGHLIGHTS –

1. In FY 2025/26, the fund balance for the General Fund decreased by $135,738, which consist of revenues, expenditures and changes in fund balance. The decrease was primarily due to an increase in ad valorem taxes and grants, offset by an increase in project related expenses.

2. In FY 2025/26, the fund balance for the Capital Projects Fund increased by $41,662. The increase was primarily due to the increase in investment income.

3. In FY 2025/26, the fund balance for the Floodplain Fund balance decreased by $192,045. The decrease was primarily due to the increased transfers out to other funds.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the District using the integrated approach as prescribed by GASB Statement No. 34.

Government-wide financial statements: The government-wide financial statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting.

The statement of net position presents information on all of the District's assets, deferred outflows, liabilities, and deferred inflows. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in a future fiscal period (e.g., uncollected taxes and earned but unused vacation/sick leave).

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The District only has governmental fund types.

Governmental funds: The District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statement provides a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's projects. Both the governmental funds balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Draft

Government-wide Financial Analysis

Statements of Net Position

	2026	2025
ASSETS		
Current and other assets	$ 3,178,500	$ 3,211,618
Capital assets, net	6,060,703	5,927,559
Total assets	9,239,203	9,139,177
DEFERRED OUTFLOWS OF RESOURCES	410,627	429,397
	9,649,830	9,568,574
LIABILITIES		
Current liabilities, excluding bond payments	103,843	151,838
Due to other governments	340,416	152,871
Bond payments due to other governments	841,024	1,070,752
Lease liabilities	172,066	42,250
Accrued compensated absences	31,862	101,737
Net pension liability	1,007,617	1,101,800
Total liabilities	2,496,828	2,621,248
DEFERRED INFLOWS OF RESOURCES	187,300	120,287
	2,684,128	2,741,535
NET POSITION		
Net investment in capital assets	5,047,613	4,814,557
Unrestricted	1,918,089	2,012,482
	$ 6,965,702	$ 6,827,039

Statements of Activities

	2026	2025
REVENUE		
Program revenue		
Operating grants and contributions	$ 879,805	$ 379,442
General revenue		
Ad valorem taxes	2,082,118	1,957,970
Net investment income	117,239	135,343
Leases	68,014	68,171
Miscellaneous	23,974	7,872
Total revenue	3,171,150	2,548,798
EXPENSES		
General government	3,032,487	1,980,262
Total expenses	3,032,487	1,980,262
CHANGE IN NET POSITION	138,663	568,536
BEGINNING NET POSITION BALANCE	6,827,039	6,258,503
ENDING NET POSITION BALANCE	$ 6,965,702	$ 6,827,039

Draft

Fund Financial Statements

Governmental Activities

GENERAL FUND:

REVIEW OF REVENUE

	2026	2025
Intergovernmental revenue		
Ad valorem taxes	$ 2,082,118	$ 1,957,970
Grants	633,238	319,418
Total intergovernmental revenue	2,811,245	2,277,388
Miscellaneous revenue		
Contributions	37,225	35,543
Investment income	41,686	52,916
Water lease	68,014	68,171
Miscellaneous	23,974	205
Total miscellaneous revenue	170,899	156,835
Total revenue	$ 2,982,144	$ 2,434,223

The change in revenues to the General Fund from 2025 to 20256was primarily due to an increase in taxes, and an increase in grants.

REVIEW OF EXPENSES

	2026	2025
Operating expenses		
Services and supplies	$ 2,049,967	$ 1,039,040
Salaries and benefits	997,937	838,794
Intergovernmental expenses		
Debt service	293,534	292,253
Capital outlay	174,446	-
Total expenses	$ 3,515,884	$ 2,170,087

The increase in expenses was primarily due to the increase in the number of grants that the District administered.

CAPITAL PROJECT FUND

CHANGE IN FUND BALANCE

	2026	2025
Miscellaneous revenue		
Interest income	$ 61,847	$ 65,488
Transfer from other fund	19,190	150,000
Total revenue	81,037	215,488
Expenditures		
Services and supplies	-	-
Transfer to other fund	39,375	-
Change in fund balance	$ 41,662	$ 215,488

Draft

FLOODPLAIN FUND

CHANGE IN FUND BALANCE

	2026	2025
Miscellaneous revenue		
Interest income	$ 13,706	$ 16,939
Miscellaneous	-	7,667
Transfer from other fund	44,875	100,000
Total revenue	58,581	124,606
Expenditures		
Services and supplies	-	-
Transfer to other fund	250,626	34,856
Total expenses	250,626	34,856
Change in fund balance	$ (192,045)	$ 89,750

DONATED FUNDS

In fiscal year 2009/10 there was an anonymous donation of $3,000 to the Clear Creek Council and $3,000 to the Carson River Coalition (CRC) to promote both these programs. Since then, additional funds were donated to the Clear Creek Council and CRC. These funds are used to cover expenses that promote the activities of the Clear Creek Council and the CRC. As of June 30, 2026, the funds remaining for the Clear Creek Council and the CRC are $2,317 and $120, respectively.

CAPITAL OUTLAY AND LONG-TERM OBLIGATIONS

During the year ended June 30, 2026 the District executed a lease amendment that resulted in $172,066 in capital outlay related to right-of-use assets; office equipment added an additional $2,380 in capital outlay. Additional detail regarding capital assets is provided in Note 4 to the financial statements.

Long term obligations relate to obligations with Carson City and Douglas County for construction of large diameter pipelines, in which the District agreed to reimburse the counties' semi-annual payments for the term of the bond and in exchange the District received upsized capacity amount of the pipelines and the District can charge for such capacity if utilized by a private party. Additional information is provided in Note 6 to the financial statements.

ANALYSIS OF POTENTIAL FINANCIAL CHANGES IN THE FUTURE

It is anticipated that in fiscal year 2026/27 the fund balance in the General Fund will decrease. The decrease in fund balance will be attributable to a decrease in grant revenues. The Floodplain Fund will increase due to funds being transferred from the General Fund. The Acquisition/Construction Fund will increase due to transfer of funds from the General Fund.

Draft

	Governmental Activities
Assets	
Cash and investments	$ 2,837,692
Due from grantors	310,403
Due from other governments	30,405
Capital assets	
Non depreciable capital assets	5,883,357
Depreciable capital assets, net	177,346
Total assets	9,239,203
Deferred Outflows of Resources - Pension Requirement	410,627
Total assets and deferred outflows of resources	9,649,830
Liabilities	
Current liabilities	
Accounts payable	103,843
Due to other governments	340,416
Current portion of bond payment obligations due to other governments	234,345
Current portion of lease liability	37,435
Long-term liabilities	
Net pension liability	1,007,617
Accrued compensated absences	31,862
Bond payment obligations due to other governments, net of current portion	606,679
Lease liability, net of current portion	134,631
Total liabilities	2,496,828
Deferred Inflows of Resources - Pension Requirement	187,300
Total liabilities and deferred inflows of resources	2,684,128
Net Position	
Net position	
Net investment in capital assets	5,047,613
Unrestricted	1,918,089
Total Net Position	$ 6,965,702

Draft

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Primary government				
Governmental activities				
General government	$ 3,032,487	$ -	$ 879,805	$ (2,152,682)
General Revenue				
Ad valorem taxes				2,082,118
Investment income				117,239
Water leases				68,014
Miscellaneous				23,974
Total general revenue				2,291,345
Change in Net Position				138,663
Net Position, Beginning of Year				6,827,039
Net Position, End of Year				$ 6,965,702

Draft

	General Fund	Floodplain Fund	Acquisition Construction Fund	Total Governmental Funds
Assets				
Cash and investments	$ 1,076,755	$ 226,941	$ 1,533,996	$ 2,837,692
Due from grantors	310,403	-	-	310,403
Due from other governments	30,405	-	-	30,405
Total assets	$ 1,417,563	$ 226,941	$ 1,533,996	$ 3,178,500
Liabilities				
Accounts payable	$ 103,843	$ -	$ -	$ 103,843
Due to other governments	340,416	-	-	340,416
Total liabilities	444,259	-	-	444,259
Deferred Inflows of Resources				
Unavailable grant revenue	161,719	-	-	161,719
Fund Balance				
Committed				
Capital projects fund	-	-	1,533,996	1,533,996
Special revenue fund	-	226,941	-	226,941
Assigned				
Designated for subsequent year's expenditures	811,585	-	-	811,585
Unassigned	-	-	-	-
Total fund balance and other credits	811,585	226,941	1,533,996	2,572,522
Total Liabilities, Fund Balance and Other Credits	$ 1,417,563	$ 226,941	$ 1,533,996	$ 3,178,500

Draft

Amounts reported for governmental activities in the statement of net position are different because:

Fund Balance and Other Credits - Governmental Funds		$ 2,572,522
Capital assets used in governmental activities are not financial resources and, therefore, are not in the governmental funds		
Governmental capital assets	$ 5,912,204	
Less accumulated depreciation	(23,567)	
Right-of-use lease assets, less accumulated amortization	172,066	6,060,703
Deferred outflows of resources - pension requirements are not financial resources, and, therefore, are not in the governmental funds		410,627
Unavailable revenue- grantor was invoiced for work completed in the fiscal year but payment has not been received within 60 days. Recorded as deferred income in governmental funds but is considered income for government wide financial statements		161,719
Current and long-term liabilities which are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Accrued compensated absences	(31,862)	
Net pension liability	(1,007,617)	
Bond payment obligations due to other governments	(841,024)	
Right-of-use lease liabilities	(172,066)	(2,052,569)
Deferred inflows of resources - pension requirements are not financial resources, and, therefore, are not in the governmental funds		(187,300)
Net Position of Governmental Activities		$ 6,965,702

Draft

	General Fund	Floodplain Fund	Acquisition Construction Fund	Total Governmental Funds
Revenue				
Intergovernmental revenue				
Ad valorem taxes	$ 2,082,118	$ -	$ -	$ 2,082,118
Grants	633,238	-	-	633,238
CTWCD income	95,889	-	-	95,889
Total intergovernmental revenue	2,811,245	-	-	2,811,245
Miscellaneous				
Contributions	37,225	-	-	37,225
Investment income	41,686	13,706	61,847	117,239
Water leases	68,014	-	-	68,014
Miscellaneous	23,974	-	-	23,974
Total miscellaneous revenue	170,899	13,706	61,847	246,452
Total revenue	2,982,144	13,706	61,847	3,057,697
Expenditures				
Current				
General government				
Salaries	702,838	-	-	702,838
Benefits	295,099	-	-	295,099
Service and supplies	2,049,967	-	-	2,049,967
Debt service				
Principal	271,978	-	-	271,978
Interest	21,556	-	-	21,556
Capital outlay	174,446	-	-	174,446
Total expenditures	3,515,884	-	-	3,515,884
Other Financing Sources (Uses)				
Lease financing	172,066	-	-	172,066
Transfers from other funds	245,126	44,875	19,190	309,191
Transfers to other funds	(19,190)	(250,626)	(39,375)	(309,191)
Total transfers	398,002	(205,751)	(20,185)	172,066
Excess (Deficiency) of Revenue Over (Under) Expenditures	(135,738)	(192,045)	41,662	(286,121)
Fund Balance, Beginning of Year	947,323	418,986	1,492,334	2,858,643
Fund Balance, End of Year	$ 811,585	$ 226,941	$ 1,533,996	$ 2,572,522

Draft

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balance and Other Credits - Governmental Funds	$	(286,121)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds		
Unavailable revenues		113,453
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and only the gain or loss is recorded when assets are sold		
Capital outlay		174,446
Less current year depreciation expense		(41,302)
Government funds report the inception of a new lease as an other financing source. However this is treated as a long term liabity on the government wide financial statements.		
Lease financing		(172,066)
Some expenses in the government funds are not considered expenses In the economic resources measurement focus and should not be included in the statement of activities		
Principal payment of bond payment obligations due to other governments		229,728
Lease payments - payments for leases capitalized under GASB Statement No. 87		42,250
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		
Pension expense - actuarial liability in excess of actual contributions made		8,400
Change in long-term accrued compensated absences		69,875
Change in Net Position of Governmental Activities	$	138,663

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Note 1 - Summary of Significant Accounting Policies

Reporting Entity

Carson Water Subconservancy District ("District") was formed in 1959 to contract with local ranchers and the Bureau of Reclamation for reimbursement for the construction of Watasheamu Dam. This dam was to be constructed on the East Fork of the Carson River. The proposed purpose of the dam was to enhance water supply for irrigation, for flood control, and for water supply protection.

Although the Watasheamu Dam Project was abandoned by the Federal government in the 1980's, the District has continued to play a key role in the study and management of the Carson River. In 1989, the Nevada Legislature charged the District with the responsibility of "management and development of the water resources in the upper Carson River to alleviate reductions and loss of water supply, of the fragmented responsibilities for conservation and supply of water, and of any threats to the health, safety and welfare of the people of the upper Carson River Basin." The legislation also established a nine-member board comprised of representatives from Douglas County, Carson City, and Lyon County.

In 1999, another exciting change for the District took place when the Legislature adopted a recommendation to expand the District Board of Directors to include members from Churchill County. In 2001, Alpine County, California joined the District through a Joint Powers Agreement, and in 2021 Storey County became a member of the District through Nevada legislative action. In 2019 the Joint Powers Agreement was replaced with a Memorandum of Understanding.

The District has no component units that are required to be combined in the financial statements.

Basic Financial Statements - Government-Wide Statements

The basic financial statements include both government-wide and fund financial information. The government-wide financial statements are reflected on a full accrual, economic resource basis which recognizes all long-term assets and receivables as well as long-term debt and obligations.

Basic Financial Statements - Fund Accounting

The financial transactions of the District are reported in the general fund, special revenue fund and capital projects fund. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The District's funds are governmental funds. Governmental funds are accounted for on a current financial resources measurement focus. This means that only current assets and current liabilities are generally included on the balance sheets. The recorded fund balance (net current assets) is considered a measure of "available spendable resources". Operating statements for governmental funds present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Draft

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The funds of the financial reporting entity are described below:

Governmental Fund Types

General Fund – The General Fund is the general operating fund of the District and accounts for all financial resources except those required to be accounted for in other funds.

Capital Projects Fund – Capital Projects Funds are used to account for financial resources for the acquisition of capital facilities by the District. The Acquisition/Construction Fund is used to account for purchases of capital assets, including water rights owned by the District, and capital water projects for local governments along the Carson watershed area.

Special Revenue Fund – The Floodplains Fund is used to provide funding to projects that will protect or enhance the floodplain along the Carson watershed area.

Measurement Focus/Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred regardless of the timing of cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. This method provides for recognizing expenditures at the time liabilities are incurred, while revenue is recorded when measurable and available to finance expenditures of the fiscal period. Available is defined as being due and collected within the current period or within 60 days after fiscal year-end. When revenue is due, but will not be collected within 60 days, the receivable is recorded and an offsetting unavailable revenue account is established.

Budgets and Budgetary Accounting

The District adheres to the Local Government Budget Act incorporated within Statutes of the State of Nevada. These Statutes provide for the preparation, filing, notice, public hearing, and adoption in connection with the budgetary process for Nevada local governments. Budgets are adopted on a basis consistent with generally accepted accounting principles. Budget amendments must be approved by the Board of Directors. All annual appropriations lapse at year-end.

On or before April 15, the Board of Directors files a tentative budget with the Nevada Department of Taxation. Public hearings on the tentative budget are held and a final budget must be prepared and adopted no later than June 1.

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Note 1 - Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting (Continued)

In accordance with State Statute, actual expenditures may not exceed budgeted appropriations in the government function categories of the General Fund, except as specifically permitted in Nevada Revised Statutes ("NRS") 354.626.

An encumbrance system is not utilized by the District.

Cash and Investments

The District's cash and investments include cash on deposit at a commercial bank and in the State Treasurer's Local Government Investment Pool ("LGIP").

Investments are recorded at fair value, which is the same as the value of the pool shares. The LGIP is an unrated external investment pool that does not provide information on realized or unrealized gain or loss activity. Accordingly, changes in the investment pool are reflected as net investment income in the accompanying financial statements.

Cash balances are invested as permitted by law. Pursuant to NRS 355.170 and 355.167, the District may only invest in the following types of securities:

- Securities of the United States Treasury, United States Postal Service, or the Federal National Mortgage Association maturing within ten years from the date of purchase.
- Negotiable certificates of deposit from commercial banks and insured savings and loan associations within the State of Nevada.
- Certain securities issued by local governments of the State of Nevada.

Due from Grantors

Contract and grant funds that were expended, but not yet received, are reported as "due from grantors."

Due from Other Governments

Tax revenues which have been received from the individual counties within the first 60 days after the end of the fiscal year are reported as due from other governments in the fund financial statements. Tax revenues due to the District from the individual counties for the period ended June 30, 2026 are reported as due from other governments in the government-wide financial statements, regardless of when they are received. There are no differences between fund and government-wide financial statements in amounts due from other governments at June 30, 2026.

Capital Assets

Capital assets which include water rights and office furniture and equipment are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $500 and an estimated useful life of at least one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

Capital assets which are depreciated consist of equipment, using the straight-line method over the estimated useful lives of 3-5 years. The water rights and water usage owned by the District are not considered to be depreciable assets.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. The District has determined there were no indicators of asset impairment during the year ended June 30, 2026.

Leases

The District is a lessee for noncancellable leased assets. The District records a lease liability and an intangible right-to-use lease asset (lease asset) in the statement of net position. At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. The District has elected to use the risk free rate to discount all leases to present value as there is no stated interest rate.

Accrued Compensated Absences

Compensated absences are accounted for in accordance with GASB Statement No. 101, *Compensated Absences*, which requires that a liability for compensated absences relating to services already rendered and that are not contingent on a specified event be accounted for in the period those services are rendered or those events take place. GASB Statement No. 101 requires a more likely than not approach to reporting a liability for compensated absences. Governmental funds report compensated absences only if they have matured as a result of employee resignations, terminations and retirements. The fund liability is defined as those benefits actually paid or accrued as a result of employees who have terminated employment by June 30, 2026. The total accrued compensated absences are reported on the statement of net position.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Nevada (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources

In addition to assets, a separate section is reported for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The changes in proportion and differences between employer contributions and the proportionate share of contributions as well as contributions made after the measurement period for pensions qualify for reporting in this category.

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Note 1 - Summary of Significant Accounting Policies (Continued)

Deferred Outflows and Inflows of Resources (Continued)

In addition to liabilities, a separate section is reported for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Differences between expected and actual experience and between projected and actual investment earnings on pension plan investments qualify for reporting in this category.

Equity Classifications

In the government-wide financial statements, equity is classified as net position and displayed as follows:

Net investment in capital assets – consists of capital assets, net of accumulated depreciation, right-of-use lease assets, net of accumulated amortization, less lease liabilities and bond payment obligations.

Restricted net position – consists of net position with constraints placed on its use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The District has no items that are considered to be restricted net position.

Unrestricted net position – all other net position that does not meet the definition of "net investment in capital assets" or "restricted."

In the governmental fund financial statement, fund balances are classified as follows:

Nonspendable – represents amounts that are either not in a spendable form or are legally or contractually required to remain intact. The District includes fund balances that have been prepaid for expenses in this category.

Restricted – represents amounts which can be spent only for specific purposes because of state or federal laws, or externally imposed conditions. The District has no restricted fund balances.

Committed – represents amounts which can be used only for specific purposes determined by the members of the District's governing board's formal action through a resolution or action. The District's committed fund balances include the capital projects and special revenue funds.

Assigned – represents amounts that are intended by the District for specific purposes but do not require action by the governing Board. The District's assigned balances are due to amounts designated for the subsequent year expenditures based upon approved budgets.

Unassigned – represents all amounts not included in other classifications.

The District's policy is to first apply expenditures against non-spendable fund balances and then unassigned balances. On an annual basis assigned fund balances are determined based upon available resources.

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Note 1 - Summary of Significant Accounting Policies (Continued)

Tax Abatements

The District receives ad valorem taxes on real property that is collected by Carson City, Churchill County, Douglas County and Lyon County. The taxes are subject to certain abatements based on state statute requirements and may reduce the tax amounts available to the District. The dollar amount of specific abatements s not available to the District as they are not the levying agency, all abatements are determined by Carson City, Churchill County, Douglas County and Lyon County. There are no abatements reported for the year ended June 30, 2026.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Adoption of New Accounting Pronouncements

During the fiscal year ended June 30, 2026, the District implemented the following GASB pronouncements:

GASB Statement No. 103, *Financial Reporting Model Improvements*. Issued April 2024, the objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. In implementing this standard, the District made changes to management's discussion and analysis as well as the presentation for required supplementary information. Adoption of the standard had no impact on beginning balances.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. Issued September 2024, the objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. In implementing this standard, the District made changes to the disclosures in Note 4. Adoption of the standard had no impact on beginning balances.

New Accounting Pronouncements (not yet adopted)

The following GASB pronouncements have been issued, but are not effective as of June 30, 2026:

Statement No. 105, Subsequent Events. Issued December 2025, the objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. Statement No. 105 will be effective for the District for fiscal year ending June 30, 2027.

The District will implement new GASB pronouncements no later than the required effective date. The District is currently evaluating whether the above listed new GASB pronouncements will have a significant impact on the District 's financial statements.

Property Taxes

Property taxes are levied on July 1 of each year, and are due in four equal installments in July, October, January, and March. Taxes are considered delinquent if not paid within ten days of the due dates.

The District does not directly collect any taxes. All taxes are collected by the County and State and remitted to the District. Property tax revenues are recognized when they become available.

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Note 1 - Summary of Significant Accounting Policies (Continued)

Subsequent Events

Subsequent events have been evaluated through **Date Pending**, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

Note 2 - Compliance with Nevada Revised Statutes and the Nevada Administrative Code

The District conformed to all significant statutory constraints on its financial administration.

Note 3 - Cash and Investments

The following schedule summarizes cash and investments at June 30, 2026:

Cash in bank	$ 122,812
Petty cash	100
LGIP	2,714,780
	$ 2,837,692

The District maintains its checking accounts in commercial banks located in Nevada. By provisions of statutes, the District is required to deposit all money in banks or savings and loans associations located in the State of Nevada. The bank balances at June 30, 2026 totaled $138,954. Custodial credit risk is the risk that in the event of a bank or brokerage failure, the District's deposits may not be returned. District's bank deposits are covered by Federal Deposit Insurance Corporation (FDIC) insurance.

Interest rate risk is the risk that changes in interest rates will adversely affect the value of investments. The District does not have a formal policy regarding interest rate risk. The District is invested in the LGIP as of June 30, 2026, which operates under NRS and is administered by the Office of the State Treasurer. This is an unrated external investment pool. The LGIP is required by state statutes to hold securities which collateralize its deposits. The LGIP issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Office of the State Treasurer, of the State of Nevada, 101 North Carson Street, #4, Carson City, Nevada, 89701.

The District categorizes the fair value measurements of its investments in the LGIP based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value:

Level 1 – Inputs are quoted prices in active markets for identical assets;
Level 2 – Inputs are significant other observable inputs; and
Level 3 – Inputs are significant unobservable inputs.

The District does not have any investments that are measured using Level 3 inputs

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Note 3 - Cash and Investments (Continued)

At June 30, 2026, the LGIP reported Level 1 investments of $659,322 and Level 2 investments of $2,055,055 and a weighted average maturity of 46 days. The District does not have a formal policy regarding credit risk or concentration of credit risk.

Note 4 - Capital Assets

Capital assets activity for the year ended June 30 is as follows:

	June 30, 2025	Additions	Deletions	June 30, 2026
Governmental Activities:				
Capital assets, not being depreciated				
Water rights	$ 1,371,000	$ -	$ -	$ 1,371,000
Water usage capacity	4,512,357	-	-	4,512,357
Total capital assets, not being depreciated	5,883,357	-	-	5,883,357
Capital assets, being depreciated				
Office equipment	27,367	2,380	(900)	28,847
Capital assets, being amortized				
Right-of-use asset, office space	153,960	172,065	-	326,025
Total capital assets being depreciated and amortized	181,327	174,445	(900)	354,872
Less accumulated depreciation and amortization for:				
Office equipment	(21,655)	(2,812)	900	(23,567)
Right-of-use asset, office space	(115,470)	(38,489)	-	(153,959)
Total accumulated depreciation and amortization	(137,125)	(41,301)	900	(177,526)
	44,202	133,144	-	177,346
Governmental activites, capital asset, net	$ 5,927,559	$ 133,144	$ -	$ 6,060,703

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Note 5 – Long-Term Liabilities

The following schedule summarizes the changes in the District's ling-term liabilities at June 30, 2026:

	Balance June 30, 2025	Additions	Reductions	Balance June 30, 2026	Amount due in one year
Compensated absences	$ 101,737	$ 60,019	$ (129,894)	$ 31,862	$ -
Net pension liability	1,101,800	-	(94,183)	1,007,617	-
Bond obligations	1,070,752	-	(229,728)	841,024	234,345
Lease liability	42,250	172,066	(42,250)	172,066	37,435
	$ 2,316,539	$ 232,085	$ (496,055)	$ 2,052,569	$ 271,780

All long-term liabilities attributable to the governmental activities will be liquidated by the General Fund. The amount of compensated absences which will be due within one year is zero as all subsequent year uses are expected to be covered by amounts earned.

Note 6 - Long-Term Obligations

During the year ended June 30, 2011, the District entered into two contracts with Carson City and Douglas County. The counties issued bonds for the construction of large diameter pipelines. The District has agreed to reimburse the counties' semi-annual payments for the term of the bond in order to have the counties increase the capacity size of the pipeline to be constructed. In exchange for the reimbursement, the District received the upsized capacity amount of the pipelines and the District can charge for such capacity if utilized by a private party. The District makes semi-annual principal payments, with the final payments to be made in 2029. There is no interest charged to the District; however, an estimated rate of 2% was utilized to calculate the present value of the principal amount.

The annual requirements to amortize the obligation are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total Payment
2027	$ 234,345	$ 15,655	$ 250,000
2028	239,056	10,944	250,000
2029	243,861	6,139	250,000
2030	123,762	1,238	125,000
	$ 841,024	$ 33,976	$ 875,000

Total interest expense of $20,272 is included as a direct expense for the governmental activity in the accompanying statement of activities for the year ended June 30, 2026.

If during the term of these bonds the Ad Valorem rate is $0.03 per $100 asset value is reduced, the District will have the right to reduce its annual payment. There is no guarantee of the bonds by the District. The interlocal agreement covering these payments does not specify events of default, does not provide for acceleration of payments, nor does it address termination events.

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Note 7 - Lease Transactions

During the year ended June 30, 2023, the District amended the expiring lease agreement for office space in Carson City, Nevada. The amendment extended the original lease for four years and changed the underlying office suites leased. During the year ended June 30, 2026 the District exercised a four year extension option effective July 1, 2026. Accordingly the lease is treated as a modification to the original lease. The lease terminates at the end of four years with no automatic renewal. There is no interest rate specified in the lease, therefore at the time of initial measurement the District has elected to use an incremental borrowing rate equal to the risk free rate to discount the annual lease payments and to recognize the intangible right-to-use asset and lease liability as of June 30, 2026. Payments are $3,628 per month starting in July 2022 and are subject to an annual escalation.

Total interest expense of $1,284 is included as a direct expense for the governmental activity in the accompanying statement of activities for the year ended June 30, 2026.

Annual requirements to amortize long term obligations and related interest are as follows:

Years Ending June 30,	Principal	Interest	Total Payment
2027	$ 37,435	$ 7,296	$ 44,731
2028	40,365	5,708	46,073
2029	43,458	3,997	47,455
2030	46,724	2,154	48,878
2031	4,084	-	4,084
	$ 172,066	$ 19,155	$ 191,221

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The District entered into a five-year lease agreement, commencing October 1, 2020, with Carson City (City) to lease to the City up to 526.25-acre feet of water rights less 7% loss imposed by the State Engineer, subject to Nevada water law, including storage rights in Mud Lake Reservoir. The City paid $114 per acre foot during the first water delivery season, and that amount is adjusted each year determined by and equal to the percentage change in the Consumer Price Index for All Urban Consumers. Lease income from the City included in the financial statements was $68,014 for the year ended June 30, 2026. As the variable lease payments are based on usage, this lease is not within the scope of GASB Statement No. 87, *Leases*.

Note 8 - Pensions

General Information About the Pension Plan

Plan Description

The Public Employees' Retirement System (PERS or System) administers a cost-sharing, multiple-employer, defined benefit public employees' retirement system which includes both Regular and Police/Fire members. The System was established by the Nevada Legislature in 1947, effective July 1, 1948. The System is administered to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earnings capacity have been removed or substantially impaired by age or disability.

Benefits Provided

Benefits, as required by the Nevada Revised Statutes (NRS or statute), are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering the System on or after January 1, 2010 and for members entering the System on or after July 1, 2015. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.

Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering the System on or after January 1, 2010, there is a 2.5% multiplier and for regular members entering the system on or after July 1, 2015, there is a 2.25% multiplier. The System offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575 – 286.579.

Vesting

Regular members entering the system prior to January 1, 2010 are eligible for retirement at age 65 with five years of service, at age 60 with 10 years of service, or at any age with thirty years of service. Regular members entering the System on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with 10 years of service, or any age with thirty years of service. Regular members who entered the System on or after July 1, 2015 are eligible for retirement at age 65 with 5 years of service, or at age 62 with 20 years of service, or at age 55 with 30 years of service, or at any age with 33 1/3 years of service.

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Note 8 – Pensions (Continued)

General Information About the Pension Plan (Continued)

The normal ceiling limitation on monthly benefits allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Both Regular and Police/Fire members become fully vested as to benefits upon completion of five years of service.

Contributions

The authority for establishing and amending the obligation to make contributions and member contribution rates is set by statute. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983 have the option of selecting one of two contribution plans. One plan provides for matching employee and employer contributions and the other plan provides for employer-pay only.

The System's basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.

The System receives an actuarial valuation on an annual basis indicating the contribution rates required to fund the System on an actuarial reserve basis. Contributions actually made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450.

The actuary funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.

For the fiscal year ended June 30, 2026 the statutory employer/employee matching rate was 19.25% for regular employees, up from $17.5% in the prior year. The employer-pay contribution (EPC) rate was 36.75% for the fiscal year ended June 30, 2026,up from 33.5% in the prior year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2026, the District reported a liability of $1,007,617 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on total contributions due on wages paid during the measurement period. Each employer's proportion of the net pension liability is based on their combined employer and member contributions relative to the total combined employer and member contributions for all employers for the periods ended June 30, 2025. At June 30, 2025 the District’s proportion was .00583%, which was an decrease of .00017% from its proportion measured at June 30, 2024.

For the plan year ended June 30, 2026, the District recognized pension expense of $104,872. Amounts resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year.

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Note 8 – Pensions (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 240,951	$ -
Changes of assumptions	36,206	-
Net difference between projected and actual investment earnings on pension plan investments	-	145,558
Changes in proportion and differences between employer contributions and proportionate share of contributions	20,199	41,742
Contributions subsequent to the measurement date	113,271	-
	$ 410,627	$ 187,300

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, without regard to the contributions subsequent to the measurement date, will be recognized in pension expense as follows:

Years Ending June 30,	
2027	$ 126,254
2028	(3,067)
2029	(18,384)
2030	(1,976)
Thereafter	7,229
	$ 110,056

The net difference between projected and actual investment earnings on pension plan investments will be recognized over five years, all the other above deferred outflow and deferred inflows will be recognized over the average expected remaining services lives, which was 5.68 years for the measurement period ending June 30, 2025.

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Note 8 – Pensions (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Reconciliation of the net pension liability at June 30, 2026 is as follows:

Beginning net pension liability	$ 1,101,800
Pension expense	104,872
Employer contributions	(96,659)
Current year net deferred (inflows) and outflows	(102,396)
Ending net pension liability	$ 1,007,617

Actuarial Assumptions

The System's net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Actuarial assumptions used in the June 30, 2025 valuation were based on the results of the experience study covering from July 1, 2016 to June 30, 2020.

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.50%
Payroll growth	3.50%
Investment rate of return	7.25%
Productivity pay increase	0.50%
Projected salary increases	Regular: 4.20% to 9.10%, depending on service Police/Fire: 4.60% to 14.50%, depending on service Rates include all inflation and productivity increases
Consumer price index	2.50%
Other assumptions	Same as those used in the June 30, 2025 funding actuarial valuation

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2025. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2025, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2026.

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Note 8 – Pensions (Continued)

Actuarial Assumptions (Continued)

Mortality rates for healthy participants were based on the Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 30% for males and 15% for females, projected generationally with the two dimensional monthly improvement scale MP-2020. For disabled participants, mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females) with rates increased by 20% for males and 15% for females, projected generationally with the two-dimensional mortality improvement scale MP-2020.

Investment Policy

The System's policies which determine the investment portfolio target asset allocation are established by the Nevada PERS Retirement Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the System. The following was the Retirement Board's adopted policy target asset allocation as of June 30, 2025:

Asset Class	Target Allocation	Long-Term Geometric Expected Real Rate of Return*
U.S. Stocks	34%	5.50%
International stocks	14%	5.50%
U.S. Bonds	28%	2.25%
Private Markets	12%	6.65%
Short-term investments	12%	0.50%

*As of June 30, 2025, PERS' long-term inflation assumption was 2.50%.

Discount Rate and Pension Liability Discount Rate Sensitivity

The following presents the net pension liability of the PERS as of June 30, 2025, calculated using the discount rate of 7.25%, as well as what the PERS net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25%) or 1 percentage-point higher (8.25%) than the current discount rate:

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Net pension liability	$ 1,685,651	$ 1,007,617	$ 437,800

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Note 8 – Pensions (Continued)

Pension Plan Fiduciary Net Position

Additional information supporting the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer is located in the PERS Annual Comprehensive Fiscal Report (ACFR) available on the PER's website at www.nvpers.org under Quick Links – Publications.

Note 9 - Other Post Employment Retirement Benefits (OPEB)

Carson City provides other post-employment benefits (OPEB) for the District's eligible retired employees through their health insurance programs as detailed in the District's and Carson City's personnel policies.

Plan Description

The District's plan provides medical, vision, dental, and life insurance benefits to eligible retired District employees and beneficiaries. Under NRS 287.023, eligible retirees are able to participate in the plan at the same rates as active employees, thereby benefiting from an implicit subsidy. All retirees are required to pay 100% of their premiums under the plan.

Funding Policy

Retirees, if eligible would pay 100% of their premiums based on a rate that blends active participants and retirees. The District's contribution requirements for those retirees relate to the implicit and premium subsidies that result from using the blended rates and are determined in actuarial studies contracted for by the District. The District is currently not responsible for any implicit and premium subsidies.

The District's actuarial calculation did not result in a net OPEB liability as of June 30, 2026. There are no retirees currently eligible to receive benefits and none currently eligible to participate.

Note 10 - Interfund Receivables, Payables and Transfers

	Transfers In:			
Transfers Out:	General Fund	Floodplain Fund	Acquisition/ Construction Fund	Total
General Fund	$ -	$ -	$ 19,190	$ 19,190
Floodplain Fund	205,751	44,875		250,626
Acquisition/Construction Fund	39,375	-		39,375
Total Transfers	$ 245,126	$ 44,875	$ 19,190	$ 309,191

Interfund transfers reported on the governmental statement of revenues, expenditures, and changes in fund balances are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

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Note 11 - Contingencies and Risk Management

There were no claims pending or unresolved disputes involving the District at June 30, 2026.

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. There have been no significant reductions in insurance coverage and there have been no settlements in excess of insurance coverage in each of the past three years.

The District entered into several agreements for various projects through Federal grants. The costs that have been committed by the District are approximately $967,798 of which the District has expended approximately $764,430.

Note 12 – Related Parties

The District has contracts with Douglas County and Carson City for various contracts and water leases. Members of the Board of these counties also sit on the Board of the District.

The long-term obligations detailed in Note 6 reimburse both counties for bonds they issued for construction of pipelines. The District made $250,000 in payments to these counties to service the debt.

As detailed in Note 7, the District has a five year water lease agreement with Carson City. The District received $67,294 in lease payments for this lease. The District also has a one year water lease agreement with Carson City. The District received $720 in lease payments for this lease.

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Required Supplementary Information
June 30, 2026
Carson Water Subconservancy District

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	Budgeted Amounts		Variance Original vs		Variance Final Budget
	Original	Final	Final Budget	Actual	vs Actual
Revenue					
Intergovernmental revenue					
Ad valorem taxes	$ 2,084,713	$ 2,084,713	$ -	$ 2,082,118	$ (2,595)
Grants	450,304	635,243	184,939	633,238	(2,005)
CTWCD Income	102,000	95,889	(6,111)	95,889	-
Total intergovernmental revenue	2,637,017	2,815,845	178,828	2,811,245	(4,600)
Miscellaneous					
Contributions	36,795	37,725	930	37,225	(500)
Net investment income	21,962	22,972	1,010	41,686	18,714
Water lease	60,880	60,880	-	68,014	7,134
Miscellaneous	3,500	5,000	1,500	23,974	18,974
Total miscellaneous revenue	123,137	126,577	3,440	170,899	44,322
Total revenue	2,760,154	2,942,422	182,268	2,982,144	39,722
Expenditures					
Current					
General government					
Salaries	630,100	630,100	-	702,838	72,738
Benefits	300,400	300,400	-	295,099	(5,301)
Service and supplies	3,698,631	4,013,016	314,385	2,049,967	(1,963,049)
Debt service					
Principal	225,202	225,202	-	271,978	46,776
Interest	24,798	24,798	-	21,556	(3,242)
Capital outlay	7,000	-	(7,000)	174,446	174,446
Total expenditures	4,886,131	5,193,516	307,385	3,515,884	(3,208,499)
Other Financing Sources (Uses)					
Lease financing	-	-	-	172,066	172,066
Transfers from other funds	1,604,654	1,565,304	(39,350)	245,126	(1,320,178)
Transfers to other funds	-	-	-	(19,190)	(19,190)
Total other financing sources (uses)	1,604,654	1,565,304	(39,350)	398,002	(1,167,302)
Excess (Deficiency) of Revenue Over (Under) Expenditures	(521,323)	(685,790)	(164,467)	(135,738)	28,729
Fund Balance, Beginning of Year	732,077	765,722	33,645	947,323	181,601
Fund Balance, End of Year	$ 210,754	$ 79,932	$ (130,822)	$ 811,585	$ 210,330

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	Floodplain				
	Budgeted Amounts		Variance Original vs		Variance Final Budget
	Original	Final	Final Budget	Actual	vs Actual
Revenue					
Miscellaneous					
Investment income	$ 9,348	$ 9,348	$ -	$ 13,706	$ 4,358
Miscellaneous	-	-	-	-	-
Total miscellaneous revenue	9,348	9,348	-	13,706	4,358
Expenditures					
Current					
General government					
Services and supplies	-	-	-	-	-
Other Financing Sources					
Transfers from other funds	-	-	-	44,875	44,875
Transfers to other funds	(265,304)	(265,304)	-	(250,626)	14,678
Total transfers	(265,304)	(265,304)	-	(205,751)	59,553
Excess (Deficiency) of Revenue Over (Under) Expenditures	(255,956)	(255,956)	-	(192,045)	63,911
Fund Balance, Beginning of Year	311,594	311,594	-	418,986	107,392
Fund Balance, End of Year	$ 55,638	$ 55,638	$ -	$ 226,941	$ 171,303

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	General Fund over (under)
Budgetary Revenues	
Differences - final budget to original budget	
The original budget for grants was increased in the final budget to reflect new grants awarded during the fiscal year.	$ 184,939
Budgetary Expenditures	
Differences - final budget to original budget	
The original budget for services and supplies was increased in the final budget to reflect additional project expenses.	$ 314,385
Budgetary Other Financial Sources (Uses)	
Differences - final budget to original budget	
The original budget reflected higher transfers, these were decreased in the final budget to address projects in progress.	$ (39,350)
Differences Actual to Final Budget	
Salaries were higher than budget due to non cash pension items that were not budgeted for.	$ 72,738
Services and supplies were lower than budget due to a reduction in projects in process during the period	$(1,963,049)
Debt service principal was higher than budget due to lease financing transactions that are typically not budgeted	$ 46,776
Capital outlay for the lease extension was not budgeted for	$ 174,446
Lease financing was not budget for.	$ 172,066
Transfers from other funds were lower than budget due to a reduction of projects in process during the period	$(1,320,178)

	Floodplains Fund over (under)
Differences Actual to Final Budget	
Transfers in for projects not completed in the prior year were not budgeted for	$ 44,875
Transfers out were lower than budget due to projects not completed	$ (14,678)

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Note 1 - Budgets and Budgetary Accounting

The District adheres to the Local Government Budget Act incorporated within the Statutes of the State of Nevada. These Statutes provide for the preparation, filing, notice, public hearing, and adoption in connection with the budgetary process of Nevada local government. Budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at year-end. Budget augmentations, amendments, and transfers of appropriations must be approved by the Board of Directors. In accordance with the Statutes, expenditures may not legally exceed budgeted appropriations at the function level.

Note 2 – Notes to Pension Schedules

Changes of Benefit Terms

There have been no material changes in benefit terms since the last valuation.

Changes of Assumptions

The following are changes in the actuarial assumptions since the last valuation:

- Dates of hire from the Public Employees' Retirement System of the State of Nevada (Nevada PERS) June 30, 2024 pension valuation were used to determine each employee's total State service and their respective benefit tier.
- Retirement, turnover, disability, mortality, inflation, and salary increase assumptions were updated based on the 2020 Nevada PERS Actuarial Experience Study.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule of contributions are determined on an annual basis by PERS. The following actuarial methods and assumptions were used to determine actuarial contribution rates:

Actuarial cost method:	Entry age normal
Amortization method:	Level percentage
Amortization period:	The unfunded actuarial accrued liability is being amortized by level percentage-of-payroll payments over a year-by-year closed amortization period. Any new UAAL as a result of actuarial gains or losses or a change in actuarial assumptions or methods will be amortized over 20 years.
Asset valuation method:	Fair value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the actuarial value and is recognized over a five-year period.
Inflation rate:	2.5%
Salary increases:	4.20-9.10% per year plus 0.50% productivity pay increases
Investment rate of return:	7.25% including inflation

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Note 2 – Notes to Pension Schedules (Continued)

Covered Employee Payroll

Covered employee payroll includes salaries and wages for Board employees that are provided with a pension through PERS

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	2025	2024	2023	2022	2021
Proportion of the net pension liability	0.00583%	0.00600%	0.00681%	0.00581%	0.00574%
Proportionate share of the net pension liability	$1,007,617	$1,101,800	$1,166,297	$1,086,365	$ 543,248
Covered payroll	$ 573,213	$ 514,094	$ 524,806	$ 430,605	$ 412,134
Proportionate share of the net pension liability as a percentage of its covered payroll	175.78%	214.32%	222.23%	252.29%	131.81%
Plan fiduciary net position as a percentage of the total pension liability	80.47%	78.11%	76.16%	75.12%	86.51%

	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.00550%	0.00555%	0.00569%	0.00585%	0.00551%
Proportionate share of the net pension liability	$ 785,467	$ 763,898	$ 766,760	$ 778,457	$ 741,110
Covered payroll	$ 392,591	$ 381,586	$ 376,885	$ 376,689	$ 275,660
Proportionate share of the net pension liability as a percentage of its covered payroll	200.07%	200.19%	203.45%	206.66%	268.85%
Plan fiduciary net position as a percentage of the total pension liability	77.04%	76.46%	75.24%	74.40%	72.20%

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	2026	2025	2024	2023	2022
Contractually required contribution	$ 113,271	$ 96,658	$ 86,232	$ 78,847	$ 63,873
Contributions in relation to the contractually required contribution	$ (113,271)	$ (96,658)	$ (86,232)	$ (78,847)	$ (63,873)
Contribution deficiency/excess	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 610,089	$ 573,213	$ 514,094	$ 524,806	$ 430,605
Contributions as a percentage of covered payroll	18.57%	16.86%	16.77%	15.02%	14.83%

	2021	2020	2019	2018	2017
Contractually required contribution	$ 60,057	$ 57,359	$ 53,422	$ 52,745	$ 52,736
Contributions in relation to the contractually required contribution	$ (60,057)	$ (57,359)	$ (53,422)	$ (52,745)	$ (86,250)
	$ -	$ -	$ -	$ -	$ (33,514)
District's covered payroll	$ 412,134	$ 392,591	$ 381,586	$ 376,885	$ 376,689
Contributions as a percentage of covered payroll	14.57%	14.61%	14.00%	13.99%	14.00%

Draft

Supplementary Information

June 30, 2026

Carson Water Subconservancy District

Draft

Carson Water Subconservancy District

Statement of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Projects Fund

Year Ended June 30, 2026

	Acquisition/Construction Fund				
	Budgeted Amounts		Variance Original vs		Variance Final Budget
	Original	Final	Final Budget	Actual	vs Actual
Revenue					
Miscellaneous					
Investment income	$ 44,526	$ 44,526	-	$ 61,847	$ 65,488
Expenditures					
Current					
General government					
Services and supplies	-	-	-	-	-
Total expenditures	-	-	-	-	-
Other Financing Sources (Uses)					
Transfers from other funds	-	-	-	19,190	150,000
Transfers to other funds	(1,300,000)	(1,300,000)	-	(39,375)	-
Total transfers	(1,300,000)	(1,300,000)	-	(20,185)	150,000
Excess (Deficiency) of Revenue Over (Under) Expenditures	(1,255,474)	(1,255,474)	-	41,662	215,488
Fund Balance, Beginning of Year	1,484,216	1,484,216	-	1,492,334	1,276,846
Fund Balance, End of Year	$ 228,742	$ 228,742	$ -	$ 1,533,996	$ 1,492,334

Draft

Compliance Section
June 30, 2026
Carson Water Subconservancy District

Draft

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Carson Water Subconservancy District
Carson City, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Carson Water Subconservancy District (District), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon **Date Pending**.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weakness or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2026-01 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Draft

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carson City, Nevada
Date Pending

Draft

Section II - Financial Statement Findings

SIGNIFICANT DEFICIENCY

2026-01 **Financial Reporting**

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. One of the key components of an effective system of internal control over financial reporting is having the capability to prepare full disclosure financial statements in accordance with generally accepted accounting principles (GAAP).

Effect: Financial information prepared by the Board may not comply with generally accepted accounting principles.

Condition: As auditors, we assisted in the preparation of the financial statements including recording entries to convert the fund financial statements to government wide financial statements. Management and staff of the Board do not have the experience to prepare full disclosure financial statements in accordance with generally accepted accounting principles.

Cause: Procedures have not been implemented to ensure that standards are identified and implemented in a timely manner, to enable the Board to prepare full disclosure financial statements in accordance with generally accepted accounting principles.

Recommendation: We recommend the Board implement procedures to identify new standards and to provide training in implementation to enable the preparation of governmental full disclosure financial statements in accordance with generally accepted accounting principles.

Views of responsible officials and planned corrective actions:

The Board agrees with this finding and has accepted the risk relative to having the auditors assist in the preparation of financial statements.

Draft

2025-01: Financial Reporting – Material Weakness

Finding Summary: As auditors, we assisted in the preparation of financial statements including implementing accounting standards promulgated by the Government Accounting Standards Board. Management and staff do not have the experience to prepare full disclosure financial statements in accordance with generally accepted accounting principles.

Current Status: The District engaged a bookkeeper to assist with financial reporting adjustments necessary for compliance; however additional assistance from the auditor was still required.

Draft

To the Board of Directors
Carson Water Subconservancy District
Carson City, Nevada

In connection with our audit of the financial statements of the Carson Water Subconservancy District (District) as of and for the year ended June 30, 2026, and the related notes to the financial statements, nothing came to our attention that caused us to believe that the District failed to comply with the specific requirements of Nevada Revised Statutes cited below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the requirements of Nevada Revised Statutes cited below, insofar as they relate to accounting matters.

Current Year Statute Compliance

The required disclosure on compliance with the Nevada Revised Statutes and the Nevada Administrative Code is contained in Note 2 to the financial statements.

Progress on Prior Year Statute Compliance

The District monitored all significant constraints on its financial administration during the year June 30, 2026

Current Year Recommendations

No material weaknesses or significant deficiencies were reported over Nevada Revised Statutes.

Progress on Prior Year Recommendations

No material weaknesses or significant deficiencies were reported.

Nevada Revised Statute 354.6241

In connection with our audit, nothing came to our attention that caused us to believe that the District had not complied in all material respects with NRS 354.6241, including:

- Use of funds established
- Use of generally accepted accounting principles
- Limitations on reserves
- Recording sources of revenue and transfers available
- Statutory and regulatory requirements applicable to the fund
- Ending retained earning amounts

Reno, Nevada
Date Pending

Draft

AGENDA ITEM #11

CARSON WATER SUBCONSERVANCY DISTRICT

TO: Board of Directors

FROM: Reed Cozens

DATE: November 18, 2026

SUBJECT: Agenda Item #11 - For Possible Action: Senate Bill 44 Proposed District Name Change

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DISCUSSION: Senate Bill 44 (SB 44), sponsored by Senator Robin Titus, was pre-filed on November 9, 2026, for consideration during the 2027 Nevada Legislative Session. The proposed legislation would change the name of the Carson Water Subconservancy District (CWSD) to the Carson Water Conservancy District.

The proposed name change would remove the prefix "Sub" from the District's name, providing a more straightforward designation consistent with its regional responsibilities and role in water resource management throughout the Carson River Watershed.

SB 44 proposes amendments to the District's enabling legislation and related statutory references to reflect the new name. As currently drafted, the legislation does not propose changes to the District's existing powers, responsibilities, governance structure, or taxing authority.

If enacted, the name change would require administrative updates to District materials, including its website, official documents, agreements, and public communications. These changes may involve some minor associated costs.

The proposed legislation provides an opportunity for the Board to discuss the name change, consider any potential implications, and determine whether to express a formal position on SB 44 during the legislative process.

STAFF RECOMMENDATION: Staff recommends that the Board review and discuss Senate Bill 44 and provide direction to staff as appropriate. Depending on the outcome of the discussion, the Board may wish to consider taking a formal position on the proposed legislation.

SENATE BILL NO. 44–SENATOR TITUS

PREFILED NOVEMBER 9, 2026

Referred to Committee on Legislative Operations and Elections

SUMMARY—Revises provisions relating to the Carson Water Subconservancy District. (BDR 17-14)

FISCAL NOTE: Effect on Local Government: May have Fiscal Impact.
Effect on the State: No.
Effect on the State Highway Fund: No.

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EXPLANATION – Matter in ***bolded italics*** is new; matter between brackets [~~omitted material~~] is material to be omitted.

AN ACT relating to the Carson Water Subconservancy District; revising the name of the Carson Water Subconservancy District to the Carson Water Conservancy District; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Existing law creates the Carson Water Subconservancy District. (Carson Water Subconservancy District Act § 10) **Section 3** of this bill revises the name of the Carson Water Subconservancy District to the Carson Water Conservancy District. **Sections 1, 2, 4 and 5** of this bill make conforming changes to reflect the name change of the district.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 218E.525 is hereby amended to read as follows:

218E.525 In addition to any other powers or duties, the Committee on Public Lands:

1. Shall:

(a) Actively support the efforts of state and local governments in the western states regarding public lands and state sovereignty as impaired by federal ownership of land.

(b) Advance knowledge and understanding in local, regional and national forums of Nevada's unique situation with respect to public lands.

(c) Support legislation that will enhance state and local roles in the management of public lands and will increase the disposal of public lands.

(d) Review the programs and activities of:

(1) The Colorado River Commission of Nevada;

(2) All public water authorities, districts and systems in the State of Nevada, including, without limitation, the Southern Nevada Water Authority, the Truckee Meadows Water Authority, the Virgin Valley Water District, the Carson Water ~~[Subconservancy]~~ ***Conservancy*** District, the Humboldt River Basin Water Authority and the Truckee-Carson Irrigation District; and

(3) All other public or private entities with which any county in the State has an agreement regarding the planning, development or distribution of water resources, or any combination thereof.

2. May review and comment on other issues relating to water resources in this State, including, without limitation:

(a) The laws, regulations and policies regulating the use, allocation and management of water in this State; and

(b) The status of existing information and studies relating to water use, surface water resources and groundwater resources in this State.

Sec. 2. Section 9 of the Carson Water Subconservancy District Act, being chapter 621, Statutes of Nevada 1989, at page 1408, is hereby amended to read as follows:

Sec. 9. The Legislature hereby finds and declares that:

1. Reductions in the supply of available water, fragmented responsibility for the conservation and supply of water, and certain limitations on the authority of existing water conservancy districts are threatening the health, safety and welfare of the people living in the Carson River Basin;

2. This threat can be alleviated through the inclusion of the urban portion of Carson City in the Carson Water ~~[Subconservancy]~~ ***Conservancy*** District and expanding the authority of the ~~[subconservancy]~~ ***conservancy*** district and the local governments in which it is situated;

3. The intent of the Legislature in adopting this act is that the powers conferred by this act will be exercised in a manner that will foster cooperation among the local governments participating in the Carson Water ~~[Subconservancy]~~ ***Conservancy*** District; and

4. The unique division of water and financial resources among the local governments participating in the Carson Water ~~[Subconservancy]~~ ***Conservancy*** District prevents making a general law applicable.

Sec. 3. Section 10 of the Carson Water Subconservancy District Act, being chapter 621, Statutes of Nevada 1989, as last amended by chapter 160, Statutes of Nevada 2021, at page 719, is hereby amended to read as follows:

Sec. 10. 1. The Carson Water ~~[Subconservancy]~~ ***Conservancy*** District, as expanded to include the urban area of Carson City, is hereby expanded to include those portions of Churchill County and Storey County within the Carson River hydrologic basin. The assets and liabilities of the existing district become the assets and liabilities of the newly formed district on July 1, 2021.

2. The Carson Water ~~[Subconservancy]~~ ***Conservancy*** District shall be deemed to have been created pursuant to chapter 541 of NRS, with the same powers and duties, and subject to the same limitations as a water conservancy district created pursuant to that chapter except that the provisions of this act supersede the provisions of chapter 541 of NRS where the provisions of that chapter conflict with the express provisions of this act.

3. The Board of Directors of the Carson Water ~~[Subconservancy]~~ ***Conservancy*** District consists of 13 members to be appointed as follows:

(a) Two members who are residents of Carson City appointed by the Board of Supervisors of Carson City;

(b) Two members who are residents of Lyon County appointed by the Board of County Commissioners of Lyon County;

(c) Five members who are residents of Douglas County, at least two of whom must represent agricultural interests in the county, appointed by the Board of County Commissioners of Douglas County;

(d) Two members who are residents of Churchill County appointed by the Board of County Commissioners of Churchill County; and

(e) Two members who are residents of Storey County appointed by the Board of County Commissioners of Storey County.

➥ No action may be taken by the Board of Directors without the affirmative vote of a majority of its members.

4. The Board of Directors may levy a tax upon all taxable property within the Carson Water ~~[Subconservancy]~~ ***Conservancy*** District, other than taxable property located in Storey County, at a rate of not more than 3 cents on each $100 of assessed valuation for carrying out the activities of the district. The tax must be collected in the manner provided

in chapter 541 of NRS. The limitations in chapter 354 of NRS upon revenue from taxes ad valorem do not apply to revenue received from a tax levied pursuant to this subsection.

5. If the Board of Directors levies a tax as described in subsection 4, the Board of County Commissioners of Storey County shall pay to the Carson Water ~~[Subconservancy]~~ ***Conservancy*** District from the general fund of Storey County an amount that is equal to the amount that would have been generated if the Board of Directors imposed a tax pursuant to subsection 4 on the taxable property located in that portion of Storey County that is within the Carson River hydrologic basin.

6. The Board of Directors may issue general or special obligations to carry out the activities of the district, including, without limitation, the acquisition of water rights and the acquisition, construction or completion of waterworks, facilities, flood control or drainage projects or other projects in accordance with NRS 350.500 to 350.720, inclusive. Any general obligations issued pursuant to this subsection must comply with the provisions of NRS 350.020. The provisions of NRS 541.340 to 541.370, inclusive, do not apply to obligations issued pursuant to this subsection.

7. The Board of Directors may pledge:

(a) Any money received from the proceeds of the tax imposed pursuant to subsection 4 and from Storey County pursuant to subsection 5;

(b) The gross or net revenues derived from water rights, waterworks, facilities, flood control or drainage projects or other projects; and

(c) The special assessments collected by the district for maintaining and operating waterworks, facilities, flood control or drainage projects and other projects,

➥ for the payment of general or special obligations issued pursuant to subsection 6. For the purposes of subsection 3 of NRS 350.020 and NRS 350.500 to 350.720, inclusive, money pledged by the board pursuant to this subsection shall be deemed to be pledged revenue of the project.

8. The Carson Water ~~[Subconservancy]~~ ***Conservancy*** District shall not acquire water rights, or other property for the purpose of obtaining the appurtenant water rights, through the exercise of the power of eminent domain.

9. Carson City and each county located in part or in whole within the Carson Water ~~[Subconservancy]~~ ***Conservancy*** District may establish a special district consisting of all or any portion of the land within the

boundaries of the local government. The governing body of the local government is ex officio the board of directors of the district. Each special district may levy a tax upon all taxable property within its boundaries at a rate of not more than 7 cents on each $100 of assessed valuation. The tax must be collected in the same manner as other taxes ad valorem collected by the local government. The revenue from the tax must be used to allow the district to plan, construct, maintain and operate waterworks, facilities, flood control or drainage projects or other projects, and to obtain water and water rights for the benefit of the district. The limitations in chapter 354 of NRS upon revenue from taxes ad valorem do not apply to revenue received from a tax levied pursuant to this subsection. A district for which a tax is levied pursuant to this subsection is not entitled to receive any distribution of supplemental city-county relief tax. Districts established pursuant to this subsection may enter into cooperative agreements pursuant to chapter 277 of NRS concerning the management of the waterworks or resources.

10. The Carson Water ~~[Subconservancy]~~ ***Conservancy*** District may, for the payment of general or special obligations issued pursuant to subsection 6, pledge any money received from the proceeds of a tax imposed by a special district established pursuant to subsection 9 if:

(a) The Carson Water ~~[Subconservancy]~~ ***Conservancy*** District and the special district established pursuant to subsection 9 have entered into a cooperative agreement pursuant to chapter 277 of NRS; and

(b) The cooperative agreement authorizes the Carson Water ~~[Subconservancy]~~ ***Conservancy*** District to pledge the money received from the proceeds of that tax.

Sec. 4. Section 10.5 of the Carson Water Subconservancy District Act, being chapter 319, Statutes of Nevada 1997, at page 1202, is hereby amended to read as follows:

Sec. 10.5. 1. The Board of Supervisors of Carson City and the board of county commissioners of each county located in part or in whole within the Carson Water ~~[Subconservancy]~~ ***Conservancy*** District may levy a tax upon all taxable property within its boundaries at a rate of not more than 7 cents on each $100 of assessed valuation for the acquisition, construction or completion of waterworks, facilities, flood control or drainage projects or other projects. The tax must be collected in the same manner as other taxes ad valorem collected by the local government. The limitations in chapter 354 of NRS upon revenue from taxes ad valorem

do not apply to revenue received from a tax levied pursuant to this subsection.

2. The Board of Supervisors of Carson City and the board of county commissioners of each county located in part or in whole within the Carson Water ~~[Subconservancy]~~ ***Conservancy*** District may issue general or special obligations to acquire, construct or complete waterworks, facilities, flood control or drainage projects or other projects in accordance with NRS 350.500 to 350.720, inclusive. Any general obligations issued pursuant to this subsection must comply with the provisions of NRS 350.020. The provisions of NRS 541.340 to 541.370, inclusive, do not apply to obligations issued pursuant to this subsection.

3. The Board of Supervisors of Carson City and the board of county commissioners of each county located in whole or in part within the Carson Water ~~[Subconservancy]~~ ***Conservancy*** District may pledge:

(a) Any money received from the proceeds of the tax imposed pursuant to subsection 1;

(b) The gross or net revenues derived from waterworks, facilities, flood control or drainage projects or other projects; and

(c) The special assessments collected by the local government for maintaining and operating waterworks, facilities, flood control or drainage projects or other projects,

➥ for the payment of general or special obligations issued pursuant to subsection 2. For the purposes of subsection 3 of NRS 350.020 and NRS 350.500 to 350.720, inclusive, money pledged by the governing body of a local government pursuant to this subsection shall be deemed to be pledged revenue of the project.

Sec. 5. Section 11 of the Carson Water Subconservancy District Act, being chapter 621, Statutes of Nevada 1989, as amended by chapter 160, Statutes of Nevada 2021, at page 721, is hereby amended to read as follows:

Sec. 11. 1. The establishment of any water conservancy district or subdistrict pursuant to chapter 541 of NRS before the effective date of this act, all actions taken by such districts and subdistricts, and the appointment of director for such districts and subdistricts, are hereby ratified. All such districts and subdistricts shall amend the petitions by which they were established within 6 months after the effective date of this act to specify the composition of their boards of directors. If a district or subdistrict includes land within more than one county, each county must have at least one

representative on the board, and the representative or representatives of each county must be appointed from a list of two or more nominees submitted by the board of county commissioners of the represented county.

2. As soon as practicable after the effective date of this act, the authorities specified in subsection 3 of section 10 of this act shall appoint the initial members of the Board of Directors of the Carson Water ~~[Subconservancy]~~ ***Conservancy*** District. Three of the members initially appointed by Douglas County and one of the members initially appointed by Lyon County and Carson City shall serve until the end of the second calendar year next succeeding their appointment. The remaining members of the board initially appointed shall serve until the end of the fourth calendar year next succeeding their appointment.

3. As soon as practicable after July 1, 2021, the Board of County Commissioners of Storey County shall appoint two members of the Board of Directors of the Carson Water ~~[Subconservancy]~~ ***Conservancy*** District. One of the members initially appointed by Storey County shall serve until the end of the second calendar year next succeeding the appointment. The second member of the board initially appointed by Storey County shall serve until the end of the fourth calendar year next succeeding their appointment.

4. After the initial terms, members of the Board of Directors of the Carson Water ~~[Subconservancy]~~ ***Conservancy*** District hold office for terms of 4 years or until their successors have been appointed. Any vacancy on the Board must be filled for the remainder of the unexpired term by the authority that appointed the member whose position is vacant.

Sec. 6. The Legislative Counsel shall, in preparing supplements to the Nevada Administrative Code, appropriately change any references to an officer, agency or other entity whose name is changed or whose responsibilities are transferred pursuant to the provisions of this act to refer to the appropriate officer, agency or other entity.

Sec. 7. 1. Any administrative regulations adopted by an officer or an agency whose name has been changed or whose responsibilities have been transferred pursuant to the provisions of this act to another officer or agency remain in force until amended by the officer or agency to which the responsibility for the adoption of the regulations has been transferred.

2. Any contracts or other agreements entered into by an officer or agency whose name has been changed or whose responsibilities

have been transferred pursuant to the provisions of this act to another officer or agency are binding upon the officer or agency to which the responsibility for the administration of the provisions of the contract or other agreement has been transferred. Such contracts and other agreements may be enforced by the officer or agency to which the responsibility for the enforcement of the provisions of the contract or other agreement has been transferred.

3. Any action taken by an officer or agency whose name has been changed or whose responsibilities have been transferred pursuant to the provisions of this act to another officer or agency remains in effect as if taken by the officer or agency to which the responsibility for the enforcement of such actions has been transferred.

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STAFF REPORTS

CARSON WATER SUBCONSERVANCY DISTRICT

TO: Board of Directors

FROM: Reed Cozens

DATE: November 18, 2026

SUBJECT: Agenda Item #12 - For Information Only: Staff Reports

DISCUSSION: The following are summary reports from Staff highlighting activities since the last Board meeting.

Lindsay Budija

Since the last reporting period, two presentations submitted by CWSD staff were selected for inclusion in the 2026 Nevada Geographic Information Society Conference in Reno. I will be presenting both sessions and have been actively developing the presentation materials following their acceptance.

I also assisted with incorporating final EPA comments into the Quality Assurance Project Plan (QAPP) and supported its subsequent resubmittal. Additionally, I participated in the Carson River "Get on the Bus Tour," which was highly successful due to the outstanding efforts and coordination of Kelly and Brenda.

Other work advanced since the previous meeting includes GIS mapping support for the 208 Planning Grant, as well as a variety of ongoing administrative and operational tasks in support of District programs and watershed management objectives.

Reed Cozens

Water Supply and Management: Continued working with Alpine County on the East Fork Carson River Watershed Plan, including preparation of an interlocal agreement outlining CWSD's technical assistance. We also coordinated with a private landowner on the proposed donation of decreed Carson River water rights to the District. Staff updated the regional water supply information on CWSD's website, including water purveyor information and the USGS 30-year water resources report.

Water Quality and Watershed Programs: Staff continued addressing EPA comments on the water-quality Quality Assurance Project Plan (QAPP) and coordinating with NDEP on our Section 208 water quality planning and monitoring programs. Reimbursement requests and supporting documentation were also completed and submitted for both programs.

Work continued on the Regenerative Agriculture program, with an emphasis on improving grant documentation and ensuring staff time and project expenditures are accurately attributed to individual conservation practices.

Floodplain Management: Staff continued administering FEMA-funded projects, including COMS2 closeout activities, MAS14 coordination, and updates to our inventory of potential flood mitigation projects. We also began updating CWSD's FEMA Information Sharing Access Agreement (ISAA) and continued working with local government partners on floodplain management and mitigation efforts.

Outreach and Other Activities: Staff coordinated the October 27–28 Carson River Coalition Get on the Bus tour, providing participants an opportunity to visit projects and learn about watershed management efforts throughout the Carson River Watershed.

District Administration: The FY 2025–26 financial audit was completed, and we have begun evaluating opportunities to strengthen the District's financial reporting procedures and internal controls. I have reached out to our auditor to discuss recommended improvements and potential training opportunities for staff.

Preliminary work on the FY 2027–28 budget is underway, including reviewing revenue projections, personnel costs, benefits, and operating expenses. Staff also continued following up on outstanding grant reimbursements and improving our financial reporting practices.

Finally, Senate Bill 44 was pre-filed on November 9 and proposes changing the District's name to the Carson Water Conservancy District. The legislation is included as a separate agenda item for Board discussion and possible action.

Brenda Hunt

Over this reporting period, Kelly, Reed and I met with National Park Service Rivers Trails and Conservation staff for our bi-weekly meeting to develop a planning framework to update our Carson River Adaptive Stewardship Plan. I coordinated the incorporation of USEPA comments in the Quality Assurance Project Plan (QAPP) with Lindsay and Kelly and resubmitted this document for USEPA approval on Oct. 23, 2026. The Carson River “Get on the Bus” Tour was held Oct. 27 & 28, 2026. Worked with Kelly and frankly, the whole staff, to complete final preparations and ensuring the two-day event ran smoothly. Kelly did a stellar job of coordinating speakers, final site locations, lunches, continuing education credits and more!

Coordinated and held Carson River Coalition Floodplain Management Working Group on November 4, 2026. A very good meeting with Lyndsey Boyer, Carson City Parks and Open Space presented on the Carson River Master Plan and Matt Setty, Nevada Environmental Consulting presented on the privately owned Middle Carson Preserve. Completed invoicing for Watershed Program grants (NDEP 319 and 208). Met with US Army Corps of Engineers, Kimley Horn Nov. 13, 2026, to review designs, and discuss permitting and notification requirements to implement irrigation outfall water quality improvements at both Break-A-Heart Ranch and Rambling River Ranches. Continued to work on administrative work regarding transfer of files to SharePoint system, provide input on CWSD website update and program accomplishments for end of year reporting.

Debbie Neddenriep

My work since the last Board meeting has included bus tour support and execution as well as a brief presentation about floodplain management with a flyer to access floodplain resources. I finished FEMA Communication and Mitigation Strategy (COMS 2) grant performance final report for November 16, 2026, submittal. I began draft of CWSD annual Community Rating System report for Douglas, Carson City, and Storey County. I have received confirmation from FEMA Region 9 that CWSD will receive the Fiscal Year 2026 FEMA CTP grant application (Mapping Activity Statement 14) and attended an awardee training November 10, 2926, However, we are still waiting to find out which projects were approved and what amount will be awarded. I also

arranged speakers for Floodplain Manager Association quarterly luncheons in 2027. Stakeholder and training meetings, and risk communication outreach included:

- October 23, 2026 – Planning meetings for No Adverse Impact (NAI) training with NDWR and Association of State Floodplain Managers (ASFPM) staff for spring 2027 in person training for community planners, lawyers, public works, floodplain and emergency managers; also met with ASFPM Arid Regions Subcommittee to plan NAI 101 and NAI Legal webinars on November 19, 2026, and January 21, 2027, and discuss in person trainings in Utah and Arizona, using Nevada model.
- October 27-28, 2026 – CWSD bus tour.
- November 4, 2026 – Attended ASFPM Committee Co-Chair meeting and helped facilitate CRC Floodplain Management Working group meeting.
- November 5, 2026 – Attended East Dayton Bridge Technical Advisory Committee meeting; created notes and discussed meeting with Reed and Brenda.
- November 9, 2026 – Completed CWSD User Survey
- November 10, 2026 – Attended FEMA training for CTP grant administration.

Kelly Nicholas

During the last Board meeting I was attending the biannual Nevada Weed Management Area Conference in Sparks and learned not only about projects around the state but also entities far afield that work in the CR watershed area. After that I turned attention to the bus tour and am currently wrapping up details from that – CEU certificates, evaluation compilations, and a final budget audit. I've supported Lindsay with Water Supply documentation, performed general website and mailing list maintenance, and will be moving forward with Forum planning, CRASP planning, compiling more article notes, and compiling staff web user experience surveys to prepare for a December meeting with our web maintenance contractor.

STAFF RECOMMENDATION: Receive and file.