

ITEM 2

To: Mayor and Council

12/11/18

From: Gary Mascaro, Aviation Director

Re: 12/11/18 Council Agenda Item 2

On consent agenda item 2, Scottsdale Jet Center, the party with whom we are contracting, desires to make minor amendments to pages 3 and 4 of contract number 197, the Lease Replacement Agreement, and page 4 of the Lease Agreement, contract number 193. The substitute pages are attached, both showing the alteration from the original and a clean copy of the new version. There are no alterations on any other page.

The changes alter the effective date from December 11, to a date when a third agreement, Scottsdale Jet Center's purchase of the existing leases close. It is anticipated that this ancillary transaction will be completed in the next 30 days.

Staff is requesting that this change be included in any motion to approve the contract.

2. No other amendments have been made to the Air Commerce Center Lease.

D. Lessor is the lessor and Lessee warrants and represents to be the lessee of a portion of the Premises pursuant to that certain lease agreement (the "Greenway Shades and Hangars") dated May 27, 1977 and recorded December 15, 1977 at Docket 12600, pages 492-513 of the public records of Maricopa County, Arizona.

1. The Greenway Shades and Hangars Lease has been assigned and amended as follows:

<u>Transaction</u>	<u>Assignor</u>	<u>Assignee</u>	<u>Date</u>
Assigned rights to Airport Properties	Hal Grammer Construction	Airport Properties	November 1, 1977

<u>Amendment</u>	<u>Parties</u>	<u>Date</u>	<u>Recording Data</u>
First Amendment	City of Scottsdale, Airport Properties	December 7, 1977	December 15, 1977 Docket 12600 Pages 519-526
Second Amendment	City of Scottsdale, Airport Properties	August 6, 1984	July 15, 1988 Document No. 88 347695

E. Lessee desires to surrender the leaseholds under the Air Commerce Center Lease, and Greenway Shades and Hangars Lease, as amended, and all rights related thereto (collectively, the "Old Leases") in exchange for a new lease (the "Scottsdale Jet Center Lease", Contract No. 2018-193-COS) upon the Premises.

F. Lessor and Lessee have mutually determined that their respective interests will be better served by accomplishing the transaction set forth in this Agreement.

G. Lessee desires to operate the Premises as a full service fixed base operator, subject to the requirements of this Agreement, the Scottsdale Jet Center Lease, and any applicable Federal Aviation Administration and City of Scottsdale Airport Rules and Regulations.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, Lessor and Lessee agree as follows:

1 Recitals. The foregoing recitals are incorporated into this Agreement.

2 ~~Old Leases Terminated~~ Effective Date; Old Leases Terminated. This Agreement shall be effective as of the Effective Date of the Lease Assignment, Assumption, Consent and Estoppel made among Lessor, Lessee, Air Commerce Center L.L.C., Airport Properties, L.L.L.P., and Airport Holdings, Inc., concurrently herewith (the "Effective Date"). Except as set forth in Section 7.1 below, the Old Leases are hereby completely and irrevocably terminated as of _____ (the "Termination ~~such Effective~~ Date"). The Old Leases shall continue to be

enforceable according to their respective terms until ~~the Termination~~such Effective Date, when they shall automatically terminate without further act of the parties.

3 Scottsdale Jet Center Lease. Immediately upon execution of this Agreement, Lessor and Lessee shall enter into and execute the Scottsdale Jet Center Lease in the form attached hereto as Exhibit "B". The Scottsdale Jet Center Lease shall be effective and become operative as of _____the Effective Date.

4 Lessee's Prior Assignees. Lessee warrants and represents that it has not assigned any of the tenant's interests under the Old Leases.

5 Recording. Within ten (10) days after the effective date of the Scottsdale Jet Center Lease, Lessee shall cause this Agreement to be recorded in the office of the Maricopa County Recorder.

6 Remedies. Lessee's failure to perform under this Agreement is also a default under the Scottsdale Jet Center Lease.

7 Miscellaneous.

7.1 Survival. All provisions of this Agreement shall survive the execution and delivery of this Agreement, all conveyances contemplated by this Agreement, and the rescission, cancellation, expiration or termination of this Agreement for any reason. This Agreement does not release the various "Lessees" under the Old Leases from any of their respective obligations and liabilities arising under the Old Leases or from any of their respective warranties and indemnities under the Old Leases, insofar as the Old Leases provide that such obligations, liabilities, warranties and indemnities survive termination of the Old Leases.

7.2 Amendments. This Agreement may not be amended except by a formal writing executed by all of the parties.

7.3 Time of Essence. Time is of the essence in each and every provision of this Agreement.

7.4 Integration. This Agreement (including the exhibits attached hereto) and the Scottsdale Jet Center Lease (including the exhibits attached thereto) constitutes the entire agreement between the parties with respect to terminating the Old Leases and creating the Scottsdale Jet Center Lease. This Agreement supersedes any prior agreement, understanding, negotiation, draft agreements, discussion outlines, correspondence and memoranda or representation regarding those matters and the Premises.

7.5 Exhibits. All exhibits attached hereto as specified herein are hereby incorporated into and made an integral part of this Agreement for all purposes.

7.6 Statutory Cancellation Right. In addition to its other rights hereunder, Lessor shall have the rights specified in A.R.S. § 38-511.

[signatures appear on the following page]

III. TERM OF AGREEMENT

3.0 Term of Agreement. Lessor hereby leases the Premises to Lessee subject to and conditioned upon Lessee's full, timely, complete and faithful performance of all performances and things to be performed or done hereunder by Lessee, and Lessee hereby accepts the Premises and this Agreement.

3.1 Term. The term of the Lease of the Premises shall commence ~~on the execution of this Lease by both Lessor and Lessee and shall expire on _____, 205~~ ~~[Insert last day of calendar month that is forty years after execution]~~, and this Lease shall become effective, on the Effective Date of the Lease Assignment, Assumption, Consent and Estoppel made among Lessor, Lessee, Air Commerce Center L.L.C., Airport Properties, L.L.P., and Airport Holdings, Inc., concurrently herewith, and the term of the Lease of the Premises shall expire on January 31, 2059.

3.2 Holding Over. In any circumstance whereby Lessee would remain in possession of the Premises after the expiration of this Agreement, such holding over shall not be deemed to operate as a renewal or extension of this Agreement, but shall only create a tenancy from month to month which may be terminated at any time by Lessor upon thirty (30) days notice to Lessee, or by Lessee upon sixty (60) days notice to Lessor.

3.3 Airport Closure. Lessor does not warrant that the Airport will remain open during the entire term of this Agreement, but Lessor does not presently have intentions to close the Airport. If the Airport is scheduled to be closed for more than a twelve (12) month period, Lessee shall have a six (6) month period (the "Decision Period") to give Lessor notice that Lessee elects to terminate this Agreement without penalty. The Decision Period shall commence on the date (the "Determination Date") which is the end of the said first six (6) month period of Airport closure. If Lessee does not so elect to terminate this Agreement by giving such notice, then the following shall apply

3.3.1 The Permitted Uses shall be expanded to include all uses then allowed under applicable zoning and other laws.

IV. LEASE PAYMENTS

4.0 Lease Payments. Lessee shall pay to Lessor all of the following payments together with all other payments required by this Agreement (all payments by Lessee to Lessor required by this Agreement for any reason are collectively the "Rent"):

4.1 Rent Payment Date. All Rent shall be payable one month in advance on the twenty-fifth day of the preceding month. In the event an amount is not known in advance, Lessor shall have the right to estimate the amount, with an adjustment to be made within sixty (60) days after the actual amount becomes known. For example, the Rent for September shall be payable on or before August 25. Rent is deemed paid only when good payment is actually received by Lessor.

4.2 Base Rent. The rental amount ("the Base Rent") Lessee shall pay to Lessor at the twenty-fifth day of the preceding month of this Agreement shall be Thirteen Thousand One Hundred Sixteen and 51/100 Dollars (\$13,116.51). On May 22, 2022, the rental amount (the "New Base Rent") Lessee shall pay to the Lessor at the twenty-fifth day of the preceding month

CITY COUNCIL REPORT



Meeting Date: December 11, 2018
General Plan Element: ***Economic Vitality***
General Plan Goal: ***Utilize redevelopment and revitalization efforts to sustain economic well-being***

ACTION

Adopt Resolution No. 11307 authorizing execution of contracts No. 2018-196-COS and No. 2018-197-COS, assignment and termination of all previous lease agreements and replacing them with a new consolidated lease agreement between the City of Scottsdale and the Scottsdale Jet Center Real Estate, LLC for a new fixed base operator at Scottsdale Airport.

BACKGROUND

The City of Scottsdale entered into two separate leases for the Greenway Hangars/Shades on May 27, 1977 and the Air Commerce Center on July 23, 1982 to conduct hangar rental and corporate office space rental. Both leases had a term of twenty-five (25) years plus options for two successive ten (10) year periods. Upon the final expiration date of each lease, the parcels would revert back to the City.

The current Lessee for both leaseholds is requesting assignment of the two leases to Scottsdale Jet Center Real Estate, LLC for the operation of a new fixed base operator (FBO) at Scottsdale Airport. It is necessary for the Scottsdale Jet Center Real Estate, LLC to first assume the existing leases for the two parcels, and then replace those two leases with an updated combined single, more modern lease to allow for fixed base operations and redevelopment of the premises.

Contract No. 2018-196-COS is the Lease Assignment, Assumption, Consent and Estoppel between the Air Commerce Center L.L.C., Airport Properties, L.L.L.P., and Airport Holdings, Inc., (collectively, "Assignor"), Scottsdale Jet Center Real Estate, LLC ("Assignee") and the City of Scottsdale ("Landlord"). The Assignor and Assignee have entered into a purchase agreement by which the Assignee will acquire, among other things, substantially all of Assignor's assets used in its office space, fuel farm, and hangar operations.

Contract No. 2018-197-COS is the Lease Replacement Agreement between the City of Scottsdale and Scottsdale Jet Center Real Estate, LLC. Under this agreement, the Lessee desires to surrender the leaseholds assigned under Contract No. 2018-196-COS in exchange for a new lease with the City of Scottsdale.

Contract No. 2018-193-COS is the new Lease Agreement between the City of Scottsdale and Scottsdale Jet Center Real Estate, LLC for the lease of the Air Commerce Center parcel of approximately 7.29 total acres and the Greenway Hangars/Shades parcel of approximately 7.01 acres. The Lessee desires to construct and perform improvements necessary to operate as a full service FBO. The term of the lease is forty (40) years and includes construction milestones for improving existing facilities and new construction as required for the operation of the new FBO. The City of Scottsdale retains all capital improvements (buildings, hangars, etc.) upon expiration of the lease agreement.

Phase I includes improvements to the Air Commerce Center building and the construction of a new FBO facility/hangar on the existing City-owned T-Hangars and Shades parcel. Existing tenants of the City-owned T-Hangars and Shades will be relocated to Greenway Hangars and Shades at their same rental rate for a period not less than twelve months. Failure to meet the construction milestone stipulated in the lease for Phase I will result in termination of the Air Commerce Center parcel lease on July 23, 2027 instead of the initial 40 year term.

Phase II includes the construction of a future hangar on the southern end of the Air Commerce Center parcel adjacent to Taxilane 2 and Taxiway Alpha. Phase III is the construction of a future hangar at the western edge of the existing Greenway Hangars and Shades parcel. Should the Lessee fail to meet the construction milestones as stipulated in the lease for Phases II and III, the land reverts back to the City for future development.

ANALYSIS & ASSESSMENT

Policy Implications

If the lease assignment, lease replacement and consolidated lease agreement are not authorized by Council, Scottsdale Jet Center Real Estate, LLC will not be able to complete the purchase agreement of the two parcels in order to operate as a fixed base operator. The current lease agreement will remain the same.

Community Involvement

The public was provided with an opportunity to comment on the three separate agreements at the Airport Advisory Commission meeting on November 26, 2018. The Airport Advisory Commission approved a motion to recommend that City Council adopt Resolution No. 11307.

RESOURCE IMPACTS

Available Funding

No additional funds will be necessary to administer this lease agreement.

Staffing, Workload Impact

No additional City staff or overtime will be necessary to monitor the lease agreement.

Maintenance Requirements

No maintenance is required as the lease agreement obligates the tenant to maintain the leasehold.

Contract No. 2018-193-COS is the new Lease Agreement between the City of Scottsdale and Scottsdale Jet Center Real Estate, LLC for the lease of the Air Commerce Center parcel of approximately 7.29 total acres and the Greenway Hangars/Shades parcel of approximately 7.01 acres. The Lessee desires to construct and perform improvements necessary to operate as a full service FBO. The term of the lease is forty (40) years and includes construction milestones for improving existing facilities and new construction as required for the operation of the new FBO. The City of Scottsdale retains all capital improvements (buildings, hangars, etc.) upon expiration of the lease agreement.

Phase I includes improvements to the Air Commerce Center building and the construction of a new FBO facility/hangar on the existing City-owned T-Hangars and Shades parcel. Existing tenants of the City-owned T-Hangars and Shades will be relocated to Greenway Hangars and Shades at their same rental rate for a period not less than twelve months. Failure to meet the construction milestone stipulated in the lease for Phase I will result in termination of the Air Commerce Center parcel lease on July 23, 2027 instead of the initial 40 year term.

Phase II includes the construction of a future hangar on the southern end of the Air Commerce Center parcel adjacent to Taxilane 2 and Taxiway Alpha. Phase III is the construction of a future hangar at the western edge of the existing Greenway Hangars and Shades parcel. Should the Lessee fail to meet the construction milestones as stipulated in the lease for Phases II and III, the land reverts back to the City for future development.

ANALYSIS & ASSESSMENT

Policy Implications

If the lease assignment, lease replacement and consolidated lease agreement are not authorized by Council, Scottsdale Jet Center Real Estate, LLC will not be able to complete the purchase agreement of the two parcels in order to operate as a fixed base operator. The current lease agreement will remain the same.

Community Involvement

The public was provided with an opportunity to comment on the three separate agreements at the Airport Advisory Commission meeting on November 26, 2018. The Airport Advisory Commission approved a motion to recommend that City Council adopt Resolution No. 11307.

RESOURCE IMPACTS

Available Funding

No additional funds will be necessary to administer this lease agreement.

Staffing, Workload Impact

No additional City staff or overtime will be necessary to monitor the lease agreement.

Maintenance Requirements

No maintenance is required as the lease agreement obligates the tenant to maintain the leasehold.

Fiscal Impacts

The Aviation Enterprise Fund will receive approximately \$157,398.12 in annual base rent revenue. As a fixed base operator, Scottsdale Jet Center Real Estate, LLC is also required to remit \$.08 per gallon fuel flowage fee, seventy-five percent of gross overnight tie down fees, two and a half percent of gross hangar/shade leasing revenues, ninety percent gross commercial landing fees and other aeronautical services fees as stipulated in the Airport Minimum Operating Standards.

OPTIONS & STAFF RECOMMENDATION

Recommended Approach

Adopt Resolution No. 11307 authorizing Contract No. 2018-196-COS and No. 2018-197-COS, terminating all previous lease agreements and replacing them with a new consolidated lease agreement Contract No. 2018-193-COS for fixed base operator services at Scottsdale Airport.

Proposed Next Steps

If this resolution is approved by the City Council, the Aviation Department will take the appropriate steps to assign and terminate the existing agreements and initiate the new lease agreement.

RESPONSIBLE DEPARTMENT(S)

Community and Economic Development, Aviation Department

STAFF CONTACTS (S)

Carmen Williams, Sr. Management Analyst, (480) 312-8475, cawilliams@scottsdaleaz.gov

APPROVED BY



Gary P. Mascaro, C.M., C.A.E. Aviation Director
(480) 312-7735, gmascaro@scottsdaleaz.gov

11/27/18
Date

ATTACHMENTS

1. Resolution No. 11307
2. 2018-196-COS, Lease Assignment, Assumption, Consent and Estoppel
3. 2018-197-COS, Lease Replacement Agreement
4. 2018-193-COS, Lease Agreement

RESOLUTION NO. 11307

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SCOTTSDALE, MARICOPA COUNTY, ARIZONA, AUTHORIZING CONTRACT NO. 2018-193-COS, A LONG TERM LEASE AGREEMENT WITH SCOTTSDALE JET CENTER REAL ESTATE, LLC, AN ARIZONA LIMITED LIABILITY COMPANY FOR TWO AIRPORT PARCELS, UPON WHICH WILL BE CONSTRUCTED IMPROVEMENTS AND THE OPERATION OF A FIXED BASED OPERATOR; AND CONSENTING BY CONTRACT NO. 2018-196-COS TO THE ASSIGNMENT OF THE EXISTING LEASES OF THE TWO PARCELS TO SCOTTSDALE JET CENTER REAL ESTATE, LLC, AND TERMINATING BY CONTRACT NO. 2018-197-COS EXISTING LEASES DATED JULY 23, 1982 AND MAY 27, 1977, AND ALL SUBSEQUENT AMENDMENTS THERETO.

WHEREAS, the City is the owner of certain real property known as the Scottsdale Airport on which City desires to see construction improvements and the operation of a fixed based operator; and

WHEREAS, Scottsdale Jet Center Real Estate, LLC seeks to enter into a long term lease and make substantial improvements on two City owned parcels, the Air Commerce Center Parcel and the Greenway Hangars and Shades Parcel; and

WHEREAS, it is necessary for Scottsdale Jet Center Real Estate, LLC to first assume existing leases for the two parcels, and then replace those two leases with an updated combined single lease; and

WHEREAS, these agreements were considered by the Airport Advisory Commission on November 26, 2018 during a public hearing with the Airport Advisory Commission recommending in favor of the Council approving these three agreements

WHEREAS, it is in the best interest of the City to enter into a new lease for both parcels with Scottsdale Jet Center Real Estate, LLC, an Arizona Limited Liability Company for construction improvements and the addition of a fixed based operator:

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Scottsdale, Maricopa County, Arizona, as follows:

Section 1. The Aviation Director is authorized and directed to execute Contract No. 2018-196-COS consenting to the assignment of the existing leases for the Air Commerce Center and Greenway Hangars and Shades Parcels to Scottsdale Jet Center Real Estate, LLC.

Section 2. The Mayor is also authorized and directed to execute Contract No. 2018-197-COS, the Lease Replacement Agreement, terminating the existing leases dated July 23, 1982 for the Air Commerce Center Parcel and May 27, 1977 for the Greenway Hangars and Shades Parcel, and all subsequent amendments thereto.

Resolution No. 11307

Page 1 of 2

16967053v5

ATTACHMENT 1

Section 3. Finally, the Mayor is authorized and directed to execute on behalf of the City of Scottsdale Contract No. 2018-193-COS, a long term lease with Scottsdale Jet Center Real Estate, LLC.

PASSED AND ADOPTED by the City Council of the City of Scottsdale, Maricopa County, Arizona this ____ day of _____, 2018.

CITY OF SCOTTSDALE, an Arizona
municipal corporation

ATTEST:

Carolyn Jagger, City Clerk

W. J. "Jim" Lane, Mayor

APPROVED AS TO FORM:

OFFICE OF THE CITY ATTORNEY

Michael Hamblin
Bruce Washburn, City Attorney
By: Michael Hamblin, Assistant City Attorney

LEASE ASSIGNMENT, ASSUMPTION, CONSENT AND ESTOPPEL

This **LEASE ASSIGNMENT, ASSUMPTION, CONSENT AND ESTOPPEL** (the "**Assignment**") is made and entered into as of ____ day of _____, 2018, by and among Air Commerce Center L.L.C., an Arizona limited liability company; Airport Properties, L.L.P., an Arizona limited liability limited partnership; and Airport Holdings, Inc., an Arizona corporation (collectively, "**Assignor**"), Scottsdale Jet Center Real Estate, LLC, an Arizona limited liability company ("**Assignee**"), and the City of Scottsdale, an Arizona municipal corporation ("**Landlord**").

WITNESSETH:

WHEREAS, Assignor and Landlord are all of the parties to that certain Lease Agreement, dated 23 July 1982, between Landlord and Assignor, as amended by the First Amendment, dated March 5, 1984, attached hereto as Exhibit A (as so amended, the "**Air Commerce Center Lease**");

WHEREAS, Assignor and Landlord are all of the parties to that certain Lease Agreement, dated 27 May 1977, between Landlord and Assignor, as amended by a First Amendment dated December 7, 1977, and a Second Amendment dated August 6, 1984, attached hereto as Exhibit B (as amended, the "**Greenway Hangars and Shades Lease**", and, together with the Air Commerce Center Lease, hereinafter designated as "**Lease Agreements**" or "**Leases**");

WHEREAS, Assignor and Assignee have entered into a purchase agreement ("**Purchase Agreement**") by which Assignee will acquire, among other things, substantially all of Assignor's assets used in its office space, fuel farm, and hangar operations at Scottsdale Airport (the "**Airport**"), including without limitation all of Assignor's rights, interests and obligations under the Lease Agreements;

WHEREAS, Assignor and Assignee desire by this instrument to confirm consent by Landlord to the assignment of the Lease Agreements and all attendant operating rights to Assignee and the assumption by Assignee of all rights and obligations under the Lease Agreements; and

WHEREAS, Landlord desires to consent to such assignment and assumption, all upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements contained herein, the parties agree as follows:

1. **Assignment.** Assignor assigns, transfers and conveys unto Assignee all of Assignor's rights and interests under the Lease Agreements, and assigns, transfers and conveys unto Assignee all of Assignor's obligations and liabilities under the Lease Agreements effective as of the Effective Date (as defined below).

2. **Assumption.** Assignee assumes and agrees to pay, discharge and perform in a full and timely manner all of Assignor's liabilities and obligations under the Leases from and after the Effective Date. Assignor attests that any and all lenders that have or may have an interest in the Leasehold interest created hereunder have given or will have given, prior to the consummation of this Assignment, their consent to the transaction.

3. **Consent and Estoppel.** Landlord hereby consents to the foregoing assignment and assumption. Landlord also hereby acknowledges, certifies and confirms to Assignee that: (i) Assignor and Landlord are the sole parties to the Leases; (ii) there are no other agreements, arrangements or understandings between Landlord and Assignor, or to which Landlord or Assignor is bound, relating to the premises under the Leases or the operation of Assignor's office space, fuel farm, and hangar operations at the Airport; (iii) the Lease is in full force and effect in accordance with its terms, which terms have not been further amended or modified; (iv) Assignor has paid to Landlord all amounts due and payable under the Leases prior to the Effective Date; (v) Assignor has performed all non-monetary obligations under the Leases arising prior to the Effective Date, ; (vi) to the best of Landlord's knowledge, no defaults on behalf of Landlord have occurred and are continuing under the Leases, nor have any events occurred which with the giving of notice, the passage of time or both would constitute defaults under the Leases; (vii) to the best of Landlord's knowledge, no defaults on behalf of Assignor are continuing under the Leases, nor have any other events occurred which with the giving of notice, the passage of time or both would constitute defaults under the Leases; (viii) there are no present charges, liens or claims of offset under the Lease; (ix) no other sums have been deposited with Landlord as expressly set forth in the Leases and such deposit is to remain in place and operation with this Assignment; (x) there are no unsatisfied capital expenditures remaining under the Leases other than the Required Improvements; and (xi) to the best of Landlord's knowledge, Landlord has no other cause of action against Assignor arising out of the Leases, the premises related thereto or any other matter, nor does the basis for any cause of action exist.

4. **No Amendment.** All terms, conditions and provisions of the Lease Agreements are continued in full force and effect and remain unaffected and unchanged by this Consent. The Consent given herein is not an amendment to the Lease Agreements, a waiver by Landlord of any rights thereunder, or a promise to issue a future Consent beyond that required by the Lease Agreements. Nothing in this Consent shall be construed or interpreted to preclude Landlord from exercising any of its rights and remedies under the Lease Agreements if Assignee, within the periods provided in the Lease Agreement, fails to cure any breach or event of default thereunder.

5. **Regulatory Approvals.** It is Assignee's obligation to secure all regulatory approvals in order for Assignee, as Lessee, to occupy or use the Leased Premises following consummation of this Assignment or any other property Assignee acquires to comply with applicable parking and/or other laws or regulations, such as business licenses, and a fixed based operator .

6. **Notices.** The addresses for notices to be sent to Landlord and Assignee are as follows:

Landlord:

City of Scottsdale
Gary P. Mascaro
Scottsdale Aviation Director
15000 North Airport Drive, Suite 100
Scottsdale, AZ 85260

Assignee:

Scottsdale Air Center Real Estate, LLC
421 E. Hickory, Suite 105
Denton, TX 76210
Attention: John Marchman

City of Scottsdale
3939 Drinkwater Blvd.
Scottsdale, AZ 85251
Attn: City Attorney

7. **Full Force and Effect.** The Lease shall continue in full force and effect except as modified herein, and the Lease is hereby ratified and confirmed by Landlord. In the event of a conflict between the terms and conditions of the Lease and this Assignment, the terms of the Lease shall prevail.

8. **Binding Effect.** This Assignment shall be binding upon and shall inure to the benefit of Assignor, Assignee, Landlord, and their respective and permitted successors and assigns forever.

9. **Counterparts.** This Assignment may be executed in any number of counterparts, each of which shall be deemed an original and all of which counterparts together shall constitute one agreement with the same effect as if the parties had signed the same signature page.

10. **Effective Date.** This Assignment is effective upon the closing of the transaction pursuant to the Purchase Agreement (the "**Effective Date**"). Assignee shall notify Landlord in writing of the date of such closing. Should the closing not occur, this Assignment is null, void and of no effect.

11. **Recording.** This Lease Assignment, Assumption, Consent, and Estoppel shall not be recorded.

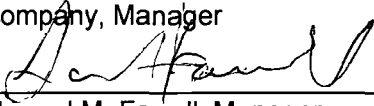
[Signatures on next page]

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals as of the day and year first written above.

ASSIGNOR: Air Commerce Center L.L.C., an Arizona limited liability company

By: Murphy Ventures, L.L.C., an Arizona limited liability company, Manager

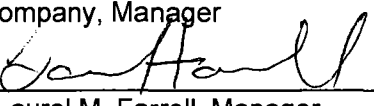
By:


Laurel M. Farrell, Manager

Airport Properties, L.L.L.P., an Arizona limited liability limited partnership

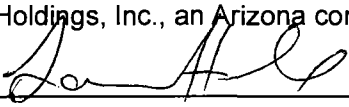
By: Murphy Ventures, L.L.C., an Arizona limited liability company, Manager

By:


Laurel M. Farrell, Manager

Airport Holdings, Inc., an Arizona corporation

By:


Laurel M. Farrell, President


ASSIGNEE: Scottsdale Jet Center Real Estate, LLC, an Arizona limited liability company

By:

Name: John Marchman
Title: Managing Member

LANDLORD: CITY OF SCOTTSDALE, an Arizona municipal corporation Scottsdale Airport

By:


Gary F. Mascaro, Aviation Director

APPROVED AS TO FORM:

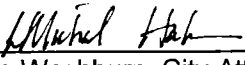

Bruce Washburn, City Attorney
By: Michael Hamblin, Assistant City Attorney

Exhibit "A"

"Air Commerce Center" Lease Agreement,
dated July 23, 1982 between City of Scottsdale and
Airport Properties Phase II

LEASE AGREEMENT

THIS AGREEMENT, made and entered into this 23 day of July, 1982, by and between the CITY OF SCOTTSDALE, a municipal corporation of the State of Arizona, hereinafter called "Lessor," and AIRPORT PROPERTIES PHASE II, an Arizona limited partnership, hereinafter called "Lessee;"

W I T N E S S E T H:

WHEREAS, Lessor owns an airport known as SCOTTSDALE MUNICIPAL AIRPORT, Located in the County of Maricopa, State of Arizona, hereinafter called the "Airport;" and

WHEREAS, certain general areas of the Airport have been designated as areas for the construction of aircraft storage hangars, office space, warehouse space, helicopter storage and automobile parking facilities and

WHEREAS, notice of its intent to lease a portion of such areas of the Airport and a call for written sealed bids to lease such portion of the Airport was published by Lessor pursuant to the requirements of the laws of the State of Arizona and the City of Scottsdale and

WHEREAS, in response to such notice, on June 29, 1981, Grammer Construction Corporation submitted a bid in which it offered to lease such portion of the Airport and to design and construct certain improvements thereon and to pay certain rents and

WHEREAS, the bid of Grammer Construction Corporation was accepted and approved by the Scottsdale City Council on behalf of Lessor on July 20, 1981 as the highest and best bid and

WHEREAS, the rights of Grammer Construction Corporation were thereafter transferred and assigned to Lessee and such transfer and assignment was accepted by Lessor although it has been further agreed between the parties that the assignor shall remain fully liable for the performance of all of the terms and

conditions of this lease agreement until the Improvements have been completed, and

WHEREAS, Lessee proceeded to prepare various plans for the development of such portion of the Airport in compliance with the terms of the bid call and Lessor and Lessee have agreed that such plans clearly show that such portion of the Airport can be best developed to their mutual benefit if the parking area reserved by Lessor is relocated in such a manner that the legal description of such portion of the Airport would be as described in Exhibit "A" attached hereto, hereafter referred to as the "Demised Premises" and

WHEREAS, Lessee has proceeded with the preparation of preliminary plans for the construction of the aircraft storage hangars, office space, warehouse space, helicopter storage and automobile facilities upon the Demised Premises and such plans are attached hereto as Exhibit "A" and all of such improvements are hereafter referred to collectively as the "Improvements".

NOW, THEREFORE, FOR AND IN CONSIDERATION of the premises and of the mutual covenants and agreements herein contained and other valuable consideration, Lessor does hereby lease to Lessee certain premises on the Airport, as follows.

I - USE

Lessor, leases to Lessee, and Lessee hires from Lessor the Demised Premises for the purpose of constructing thereon and operating the Improvements and for no other purposes.

The only maintenance and service of aircraft allowed on the Demised Premises shall be in accordance with Federal Aviation Regulations, Part 43, and all reasonable and applicable rules, regulations and ordinances of Lessor now in force. Such maintenance or service shall be limited to that performed by the aircraft owner, his full-time employee(s) or other person(s) so authorized by the Lessee.

II - DEMISED PREMISES

The Demised Premises are legally described and depicted on Exhibit "A", attached hereto.

III - TERM

Subject to earlier termination as hereinafter provided, the term of this lease shall be for a period of twenty-five years, commencing on the day that the first monthly installment of Ground Rental becomes due as hereafter provided in Section XII. Lessee has the right to renew this lease for two successive ten (10) year periods provided Lessee serves a notice in writing of its intention to exercise the option at least 180 days prior to the expiration of the original term as to the first option, and at least 180 days prior to the expiration of the first option period for the exercise of the option on the second renewal. All of the terms and provisions of this lease shall apply to the option periods.

IV - NON-DISCRIMINATION

Lessee agrees not to discriminate against any person or class of persons by reason of race, color, creed, or national origin in the use of the Demised Premises. Lessee shall make the Improvements available to the public on fair and reasonable terms without unjust discrimination on the basis of race, creed, color or national origin.

V - NON-EXCLUSIVE RIGHT

It is understood and agreed that nothing herein contained shall be construed to grant or authorize the granting of an exclusive right within the meaning of Section 308 of the Federal Aviation Act.

VI - DEVELOPMENT OF LANDING AREA

Lessor reserves the right to further develop or improve or to limit the development of the landing area of the Airport as it sees fit, regardless of the desires or view of Lessee, and without interference or hindrance.

VII - LEASE SUBORDINATE TO AGREEMENTS
WITH U.S.A.

This lease shall be subordinate to the provisions and requirements of any existing or future agreement between Lessor and the United States of America relative to the development, operation, or maintenance of the Airport.

VIII - WAR OR NATIONAL EMERGENCY

This lease and all the provisions hereof shall be subject to whatever right the United States Government has affecting the control, operation, regulation, and taking over of said Airport, or the exclusive or non-exclusive use of the Airport by the United States during the time of war or national emergency.

IX - PERFORMANCE

Lessee shall prepare, complete and submit to Lessor for approval detailed working drawings and specifications covering the construction of all of the Improvements within ninety (90) days following the execution of this lease. Lessee shall commence construction of the Improvements within sixty (60) days following the approval by Lessor of such working drawings and specifications and the issuance by Lessor of a building permit for the Improvements. The Improvements shall consist of approximately twenty-one (21) Helicopter Parking Facilities, 76,000 square feet of Airplane Hangar Space, 44,000 square feet of Office and Warehouse Space and 190 Automobile Parking Spaces. Approximately 49 of such parking spaces shall be constructed on that parcel belonging to Lessor which is designated in Exhibit "A" as "Lessor's parking area" and Lessor agrees to maintain such parking spaces and the landscaping located on such parcel during the term of this lease. At the request of Lessor, any access from the Demised Premises to the aircraft apron shall be controlled by a card-operated mechanical gate to be constructed by Lessee. Lessee shall diligently pursue the construction of at least 30% of the Improvements and shall complete construction of the Improvements within two hundred and seventy (270) days after said date and shall complete the balance

of such Facilities within two years thereafter or promptly following the occurrence of a demand for additional Improvements.

Lessee shall conduct its construction operations so that such operations will in no way interfere with the normal operation and use of the Scottsdale Municipal Airport by Lessor and other persons and organizations entitled to use of the same. Lessee agrees to comply with the notification and review requirement covered in Part 77 of the Federal Aviation Regulations.

X - BONDS

Prior to the commencement of construction of all or any portion of the Improvements, Lessee shall provide the Lessor with the following bonds:

- A. A performance Bond in an amount equal to the total estimated cost of the buildings and other facilities to be erected by the Lessee under the terms of this lease, which performance Bond shall be conditioned upon the faithful performance of the construction obligations of the Lessee in accordance with the plans, specifications and conditions approved by the City.
- B. A payment Bond in an amount equal to the full amount of the written construction contract pursuant to which such Improvements are to be erected which payment bond shall be solely for the protection of claimants supplying labor or materials to the contractor or his subcontractors in the construction of such Improvements.

Each such bond shall include a provision allowing the prevailing party in a suit on such bond to recover as a part of his judgment such reasonable attorneys' fees as may be fixed by a judge of the court.

Each such bond shall be executed by a surety company or companies duly authorized to do business in this state. Such

bonds shall be filed in the office of the Clerk of the City of Scottsdale immediately upon execution thereof.

XI - MECHANICS LIEN

Lessee agrees to keep the Demised Premises and the Improvements free of any mechanics or materialman's liens or other lien of any kind or nature for any work done, labor performed, or material furnished thereon at the instance or occasion of Lessee, and Lessee further agrees to indemnify and save harmless Lessor from and against any and all claims, liens, demands, costs, and expenses of whatsoever nature for any such work done, labor performed, or materials furnished.

XII - RENTAL

Subject to the provisions of Section III above, Lessee shall pay as rental for the Demised Premises during the term of this Lease the following enumerated ground rental and percentage of gross revenues:

A. Ground Rental

Commencing on the first day after the ninetieth (90th) day following approval by the Lessor of detailed working drawings and specifications covering the construction of the Improvements and the issuance by Lessor of a building permit for the Improvements, Lessee shall pay to Lessor as ground rental the sum of Twelve Hundred and 00/100 Dollars per month, and a like sum on the first day of each month thereafter for the full term of this lease.

In the event the ground rental payment of this Lease commences on some date other than the first day of the month, the first month's rent shall be prorated to reflect the actual period of tenancy.

B. Percentage of Gross Revenues

Lessee shall account for and pay on or before the 10th of each month a sum equal to the difference

between the amount computed from the schedule set forth below, and the amount due under Section XII-A above, providing said sum is greater than the amount due under Section XII-A above. Said percentage rentals shall be calculated on a monthly basis for the immediately preceding calendar month.

11.3% of monthly gross hangar rentals

6% of monthly gross office and warehouse rentals

Gross receipts referred to in this Lease are defined to be all money, cash receipts, assets, property, or other things of value received or earned by Lessee, its assignees or sublessees, whether collected or accrued, from the use or occupation of the Demised Premises. Any amounts received by Lessee which represent or are applied toward the payment of transaction privilege taxes or similar charges shall not be deemed to constitute gross receipts or rentals. There shall be no deduction from gross receipts for any overhead or cost or expense of operations.

Nothing contained in Paragraphs A and B of this Section shall be interpreted so as to relieve Lessee, its tenants, sublessees, patrons, invitees, and others, from field use charges, fuel flowage fees, and other charges as may be generally levied directly upon the operation of aircraft.

XIII - RECORDS OF LESSEE

Lessee shall keep true and accurate accounts, records, books, and data which shall show all the gross receipts as defined above.

With the payment of monthly percentage rentals on the tenth (10th) day of each month as hereinabove provided, Lessee shall submit to Lessor a detailed statement showing gross receipts from the operation of the business for the preceding calendar month. These reports shall show such reasonable detail and breakdown as may be required by Lessor.

Within ninety (90) days after the end of each fiscal year of Lessee during the term of this Lease or any extension thereof, Lessee shall submit to Lessor a detailed statement of gross receipts derived from business transacted on the Scottsdale Municipal Airport for the preceding year. Lessee, at his own expense, shall supply all record forms in a type, style, and form satisfactory to Lessor.

XIV - AUDIT

Lessor shall have the right during each calendar year of this Lease to require an audit of Lessee's records pertaining to its operation on the Airport. The cost of said audit shall be borne by Lessor unless the results of such audit reveal a discrepancy of more than five (5) percent between gross receipts reported in accordance with Section XII and the gross receipts as determined by audit for any twelve-month period. In case of such discrepancy, the full cost of the audit shall be borne by Lessee.

XV - RENT SCHEDULES

Lessee shall furnish Lessor with a complete schedule of all rents to be charged to the general public. Lessee agrees to charge fair, reasonable, and not unjustly discriminatory rents for the Improvements.

XVI - MONTHLY REPORTS

Lessee shall, within fifteen (15) days after commencement of the term of this lease, submit a written report to Lessor's Airport Manager listing all aircraft located on the Demised Premises. Said report shall be prepared on a form supplied by Lessor, and include aircraft make, model, registration number, owner's name, address, and telephone number.

Lessee further agrees that by the tenth (10th) day of each month to submit a list showing any additions to, or deletions from the above-mentioned report.

Lessee shall also submit a list of all Lessee's employees who are employed at the Scottsdale Municipal Airport, within fifteen (15) days of the commencement of this Lease. Said list shall be prepared on a form supplied by Lessor and include the employee's name, address and telephone number. Any changes in this list shall be reported in writing to the Lessor's Airport Manager within five (5) days after the date such change takes place.

XVII - USE OF PUBLIC AIRPORT FACILITIES

Lessee, its subtenants, assignees and the invitees of the foregoing are granted the non-exclusive use of all public Airport facilities including, but not limited to, all existing roadways, the adjacent automobile parking area described in Exhibit "C", the use of Lessor's property for the purpose of installing and maintaining, for the purpose of serving the Demised Premises, water, sewer, telephone and electric lines and directional signs, taxiways, runways, aprons, navigational aids, and facilities relating thereto for purposes of landings, take-offs, and taxiing of Lessee's and Lessee's tenants' aircraft. At the election of either party, 23 of such parking spaces shall be reserved for such persons as may be designated by Lessor, and the balance of such spaces shall be reserved for such persons as may be designated by Lessee. All such use shall be in accordance with the laws of the United States of America, the State of Arizona, and the rules and regulations promulgated by their authority with reference to aviation and air navigation, and in accordance with all reasonable and applicable rules, regulations and ordinances of Lessor now in force or hereafter prescribed or promulgated by ordinance or by law.

Lessor agrees, during the term of this Lease, to operate and maintain the Airport and its public Airport facilities in good condition as a public Airport consistent with, and pursuant to, the Sponsor's Assurances given by Lessor to the United States Government under the Federal Airport Act.

XVIII - MAINTENANCE

Lessee agrees to repair and maintain all Improvements constructed on the Demised Premises in good order and repair, and to keep the said premises in a neat, clean, and orderly condition. This includes, but is not limited to, the prevention of the accumulation of any refuse or waste materials which might be or constitute a fire hazard or a public or private nuisance. If, after written notice from Lessor's Airport Manager, the Lessee fails within thirty (30) days to make repairs or maintenance, the Lessor may cause to have such repair and maintenance made, and add the cost thereof, to the rent thereafter accruing. If said costs are not paid promptly by Lessee, this Lease shall be deemed to be in default, and Lessor shall be entitled to all legal remedies provided hereunder.

XIX - INSPECTION

Lessor's Airport Manager, or his authorized representative shall have the right at all reasonable times to inspect the Demised Premises to determine if the provisions of this Lease are being complied with.

XX - ASSIGNMENT-SUBLETTING-ENCUMBERING

Lessee may sublet or assign this Lease to a corporation in which Lessee is the principal stockholder or to partners of Lessee who hold a majority interest therein or to a partnership in which Lessee is a principal partner so long as Lessee remains personally liable thereon. Any other mortgage, pledge, hypothecation, encumbrance, subletting of three or more hangar spaces to a single person or entity or assignment of Demised Premises or any part thereof, except the month-to-month rental of all or any portion of the Improvements shall first be approved in writing by Lessor. Lessor shall not unreasonably refuse to grant such written consent. Any such transfer without said approval, whether voluntary or involuntary, shall be void and shall confer no right of occupancy upon said assignee or purchaser.

A sale of assets by or the transfer of a majority of the ownership interest in the Lessee shall be deemed an assignment of this agreement requiring the prior written consent of Lessor.

Any sublease or month-to-month rental agreements shall incorporate directly or by reference all the provisions of this Lease.

In the event of a termination of this lease by Lessor as provided herein, Lessor shall allow the tenants under all subleases executed as provided herein to continue to occupy that portion of the Demised Premises which is described in such sublease according to the terms set forth therein for a time period not to exceed the term of this lease.

XXI - DEFAULT IN TERMS OF THE LEASE BY LESSEE

This lease is made upon the condition that if Lessee shall be in arrears in the payment of ground rental and percentage of gross revenues, and shall not cure such arrearage within ten (10) days after Lessor has notified Lessee in writing of such arrearage, or shall fail to operate the Demised Premises for a period of ten (10) consecutive days, or ten (10) days within any one (1) month, or shall fail to or neglect to do or perform or observe any of the other covenants contained herein on its part to be kept and performed, other than the failure to pay ground rental and percentage of gross revenues, or the failure to operate the Demised Premises, including but not limited to construction of the Improvements within the time period prescribed, and such failure or neglect continues for a period of thirty (30) days after Lessor has notified Lessee in writing of Lessee's default hereunder, and Lessee has failed to correct such default within said thirty (30) days (such thirty (30) days notification period shall not be construed to apply to any default in payment of ground rental and percentage of gross revenues or any failure to operate the Improvements as herein required), or if any assignment of its property shall be made for the benefit of creditors, or if Lessee fails to timely complete the Improvements due to any act or

omission to act by Lessee or anyone under its direction or control, then in any of said cases or events, Lessor lawfully may, at its option, terminate this Lease and may immediately or at any time thereafter, without demand or notice, enter into and upon said Demised premises or any part thereof, and repossess the same of its former estate, and expel Lessee and those claiming by, through or under it, (other than tenants under subleases executed in compliance with the terms of this Lease) and remove Lessee's effects, if any, forcibly if necessary, without being deemed guilty of trespass and without prejudice to any remedy which otherwise might be used for arrears of ground rental and percentage of gross revenues or preceding breach of covenant. On the re-entry aforesaid, the Lease shall terminate. The right of Lessor to terminate the lease for nonpayment of gross rental and percentage of gross revenues is hereby specifically provided for and agreed to.

If, however, any default, other than the nonpayment of ground rental and percentage of gross revenues is of such nature that it cannot be remedied within (30) days and Lessee shall have commenced the elimination of such default promptly after receipt of notice from City of Scottsdale of such default, and shall continuously and diligently proceed in good faith to eliminate such default, then the period for correction of such default shall be extended for such length of time as is reasonably necessary to complete such correction, but in no event for any length of time in excess of the actual time necessary to complete such corrections. The above remedies shall be in addition to any other remedies provided by statute or common law.

XXII - SURRENDER OF POSSESSION

Upon the expiration or other termination of this lease, Lessee's right to use the premises, facilities, rights, licenses, services and privileges herein leased shall cease, and Lessee shall forthwith upon such expiration or termination, surrender the same and leave the Demised Premises in good condition except for

normal wear and tear. Title to all Improvements shall vest in Lessor.

XXIII - UTILITY SERVICE CHARGES

Lessee shall pay for all utilities used in its operation at the Airport and such utilities will be on the basis of metered charges.

XXIV - SIGNS

Lessee agrees not to construct or maintain upon the Improvements any advertising signs except those approved in writing by the Lessor. All signs installed by Lessee shall conform to the ordinances of the City of Scottsdale.

XXV - UNLAWFUL USE

Lessee agrees no improvements shall be erected, placed upon, operated nor maintained on the Demised Premises, nor shall business be conducted or carried on thereon in violation of the terms of this lease, or any regulation, laws, statutes, by-laws or ordinance of any governmental agency having jurisdiction thereover.

XXVI - RESERVATIONS TO LESSOR

The Demised Premises are accepted by Lessee subject to any and all existing easements or other encumbrances of record, and Lessor shall have the right to install, lay, construct, maintain, repair, and operate such sanitary sewers, drains, storm water sewers, pipelines, manholes, connections; water, oil and gas pipelines; and telephone and telegraph power lines, and such other appliances and appurtenances necessary or convenient to use in connection therewith, over, in, upon, through, across, and along the leased premises or any part thereof, as will not interfere with Lessee's operations hereunder, and to enter thereupon for any and all such purposes. Lessor also reserves the right to grant franchises, easements, rights-of-way, and permits in, over, and

upon, along, or across any and all portions of said Demised Premises for the same purposes, provided, however, that no right of the Lessor provided for in this paragraph shall be so exercised as to interfere unreasonably with Lessee's operations hereunder, or impair the security of any secured creditor of Lessee.

Lessor agrees that any rights granted to any parties by reason of this clause shall contain provisions that the surface shall be restored to its original condition upon the completion of any construction. Lessor further agrees that should the granting of these rights temporarily interfere with the use of any or all of the Demised Premises by Lessee, that the rental shall be reduced by the amount of any loss sustained by Lessee as a result of such interference.

XXVII - HOLD HARMLESS

Lessee shall defend, indemnify and save harmless Lessor, its officers, agents, and employees, from and against any and all claims, suits, actions, costs, counsel fees, expenses, judgments, or decrees, demands, loss or liability of any kind or nature which Lessor, its officers, agents, and employees may sustain or incur or which may be imposed upon them or any of them for injury to, or death of, persons; or damage to property arising out of or in any manner connected with the negligence or lack of care of Lessee, its officers, agents or employees in use of the Demised Premises, including the use of the Scottsdale Municipal Airport and its facilities in connection with the operation of the Demised Premises.

XXVIII - PUBLIC LIABILITY INSURANCE

As a condition precedent to the effectiveness of this Lease, Lessee shall procure and maintain in full force and effect during the term of this Lease, a policy or policies of public liability and property damage insurance from a company or companies authorized to do business in the State of Arizona with minimum coverage of \$500,000 for death or bodily injury, or loss

sustained by any one person in any one occurrence, \$1,000,000 for death or bodily injury, or loss sustained by more than one person in any one occurrence, and \$500,000 for loss by damage or injury to property in any one occurrence. Lessee shall cause to be attached to said policy of insurance an endorsement reciting Section XXVII of this Lease. The policy shall also either contain a provision providing for a broad form of contractual liability including leases, or there shall be attached thereto an endorsement providing for such coverage. The policy shall further provide that the Lessor shall be named as an additional insured, and that the coverage shall not be canceled until a 10-day written notice of cancellation has been served upon the Safety and Risk Manager of Lessor. Said insurance shall be primary to any other insurance in effect should a loss occur. Lessee shall deliver said policy of insurance or certified copy thereof, to the Safety and Risk Manager of Lessor for approval as to sufficiency. Lessor's Safety and Risk Manager shall approve or disapprove said policy within fifteen (15) days of its submission.

The procuring of such policy of insurance cannot be construed to be a limitation upon Lessee's liability or as a full performance on its part of the indemnification provisions of this lease; Lessee's obligation being, notwithstanding said policy of insurance, for the full and total amount of any damage, injury or loss caused by the negligence or neglect connected with the operation under this Lease.

The Lessor reserves the right to increase the minimum coverage requirements on the 5th, 10th, 15th, 20th, 25th, 30th, 35th, and 40th anniversary date of said lease. Any change in coverage requirements shall be reasonable and based upon exposure to loss as well as the effect of inflation on the limits prescribed at the time the lease was consummated.

XXIX - HANGAR-KEEPER'S LIABILITY INSURANCE

Lessee shall maintain in full force for the term of this Lease a policy or policies of standard hangar-keeper liability

insurance, or in-flight hangar-keeper liability insurance or bailee liability insurance, from a company or companies authorized to do business in the State of Arizona, as may be required under the uses conducted under the Lease insuring both the Lessee and naming the Lessor as an additional insured. Said insurance shall be primary coverage in case of any claim, loss, demand or suit.

Said standard hangar-keeper liability policy or policies shall have a minimum coverage of \$500,000 for any one aircraft, and \$1,000,000 for loss in any occurrence.

The in-flight hangar-keeper policy or policies shall have a minimum coverage of \$250,000 for any aircraft in any one occurrence.

The bailee liability policy or policies shall have a minimum coverage of \$250,000.

Lessee shall deliver said policy or policies of insurance or certified copies thereof to the Safety and Risk Manager for approval as to sufficiency. Lessor's Safety and Risk Manager shall approve or disapprove said policy or policies within fifteen (15) days of submission.

The Lessor reserves the right to increase the minimum coverage requirements on the 5th, 10th, 15th, 20th, 25th, 30th, 35th, and 40th anniversary date of said lease. Any change in coverage requirements shall be reasonable and be based upon exposure to loss as well as the effect of inflation on the limits prescribed at the time the lease was consummated.

This Section shall apply only during such periods of the lease term that Lessee operates the aircraft hangars within the Demised Premises as a hangar-keeper or bailee.

XXX - FIRE INSURANCE

Lessee shall maintain in full force fire and extended coverage insurance on the Demised Premises and contents to the extent of eighty (80) percent of the current replacement value of the Improvements as may be adjusted from year to year. The Lessor shall be named on a loss payable clause as its interest may

appear. Any loss adjustment shall require the consent of both the Lessee and Lessor.

XXXI - DESTRUCTION OF PREMISES

If the Demised Premises or any part thereof are damaged or destroyed by reason of any cause whatsoever, Lessee may either:

1. Within thirty (30) days commence and diligently pursue to completion the repair or reconstruction of the Demised Premises, and this Lease shall remain in full force and effect; or
2. Terminate this Lease upon thirty (30) days written notice, and return the Demised Premises to the condition existing at the time of the commencement of this Lease.

XXXII - ABANDONMENT

If Lessee shall abandon or be dispossessed by process of law or otherwise, any personal property belonging to Lessee and left on the Demised Premises sixty (60) days after such abandonment or dispossession shall be deemed to have been transferred to Lessor; and Lessor shall have the right to remove and to dispose of the same without liability to account therefore to Lessee or to any person claiming under Lessee.

XXXIII - TERMINATION

In the event the Lessor should require the Demised premises in connection with the future expansion and/or operation of the Airport, Lessee may, upon ninety (90) days written notice, cancel this Lease. Should the Federal Government or any other governmental agency assume control of the Airport or any portion thereof in a manner that would preclude Lessee from operating under the terms of the Lease, or should Lessor alter the development of the Airport in a manner that would preclude Lessee from operating the Demised Premises as provided herein, Lessor will, upon written request from Lessee, cancel this Lease or, at

the election of Lessee, extend the term of this Lease for the period of time Lessee's operation is so precluded, and no rent shall accrue during said period.

If this Lease is cancelled under the provisions of this clause, Lessor will be obligated to pay to Lessee the then fair market value, or the original construction cost less depreciation at the rate of four (4) percent per year from the date of completion, whichever is greater, of the Improvements. Fair market value of the Improvements in place shall be determined in the following manner:

1. Within thirty (30) days after service of written notice to cancel, the parties hereto may mutually agree upon the fair market value of the Improvements. If an agreement is not reached during the above-mentioned thirty (30) day period, Lessor and Lessee shall each select an acceptable qualified real estate appraiser, and the two chosen shall select a third qualified real estate appraiser. Lessor shall, upon selection of the appraisers, immediately fix a time and place for a conference between the parties and the appraisers. Said conference shall be for the purpose of agreeing upon the general instructions to be given the appraisers.
2. The appraisers selected by Lessor and Lessee shall, within forty-five (45) days after receiving their instructions deliver their fully documented written appraisals to the third appraiser, who will analyze said appraisals, conduct such investigations, interviews, and discussions with or without the other appraisers or either of them as he deems necessary.
3. At a time not to exceed fifteen (15) days after submission of the written appraisal and at a place the three appraisers shall name, the respective parties may have representatives appear and argue such appraisal matters as the parties deem appropri

ate. Within five (5) days after such time, the appraisers shall make a final written determination of the fair market value of the Improvements.

4. If the appraisers are unable to agree, then the final determination shall be made by the third appraiser.
5. Lessee and Lessor shall pay the cost of the appraiser chosen by them and equally share the cost of the third.

XXXIV - TAXES AND ASSESSMENTS

All taxes and assessments which become due and payable upon the Demised Premises or upon fixtures, equipment, or other property constructed thereon, shall be the full responsibility of Lessee, and he shall cause said taxes and assessments to be paid promptly.

XXXV - HOLDING OVER

In the event Lessee shall hold over after the term herein created, then such holdings shall be a tenancy from month to month only and governed by the same conditions and covenants contained in this Lease.

XXXVI - NOTICES

All notices given, or to be given, by either party to the other, shall be given in writing and shall be addressed to the parties at the addresses hereinafter set forth or at such other address as the parties may by written notice hereafter designate.

TO: LESSOR

Airport Manager
City of Scottsdale
Scottsdale Municipal Airport
3939 Civic Center Plaza
Scottsdale, Arizona 85251

TO: LESSEE

Airport Properties Phase II
c/o Grammer Construction Corp.
2521 East Thomas Road
Phoenix, Arizona 85016
Attn: James M. Kelly, Pres.

COPY TO: John A. Murphy, Jr.
Murphy & Posner
1500 TowneHouse Tower
100 West Clarendon
Phoenix, Arizona 85013

XXXVII - AMENDMENTS TO BE IN WRITING

This lease sets forth all of the agreements and understandings of the parties and is not subject to modification except in writing.

XXXVIII - SUCCESSORS IN INTEREST

The covenants herein contained shall, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators, and assigns of all the parties hereto; and all of the parties hereto shall be jointly and severally liable hereunder.

XXXIX - FORCE MAJEURE

If either party hereto shall be delayed or prevented from the performance of any act required hereunder by reason of acts of God, strikes, lockouts, labor troubles, inability to procure materials, restrictive governmental laws or regulations or other cause without fault and beyond the control of the party obligated (financial inability excepted), performance of such act shall be excused for the period of the delay; and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay, provided, however, nothing in this Section shall excuse Lessee from the prompt payment of any rental or other charge required of Lessee hereunder except as may be expressly provided elsewhere in this Lease.

XL - PARTIAL INVALIDITY

If any term, covenant, condition, or provisions of this Lease is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired, or invalidated thereby.

XLI - MARGINAL CAPTIONS

The various headings and numbers herein and the grouping of the provisions of this Lease into separate sections are for the purpose of convenience only and shall not be considered a part hereof.

XLII - AMENDMENT

The parties acknowledge that Lessee has not yet obtained financing for the construction of the Improvements. Lessor agrees that it will permit the amendment or modification of this lease to conform with any reasonable requirement, except subordination of Lessor's interest in the underlying fee, imposed upon Lessee by any reputable lender, provided that the terms or conditions of such amendment or modification shall be similar to those then being required by institutional lenders doing business in the metropolitan area of Phoenix, Arizona.

XLIII - ADDITIONAL FAA REQUIRED ASSURANCES

There is hereby reserved to the Lessor, its successors and assigns, for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the surface of the premises hereby leased, together with the right to cause in said airspace such noise as may be inherent in the operation of aircraft, now known or hereafter used for navigation of or flight in the air, using said airspace for landing at, taking off from or operating on the Scottsdale Municipal Airport.

The Lessee by accepting this Lease expressly agrees for itself, its successors and assigns that it will not erect nor permit the erection of any structure or object nor permit the growth of any tree on the land leased hereunder above the height of the Improvements unless approved by the Federal Aviation Administration and Lessor. In the event the aforesaid covenant is breached, Lessor reserves the right to enter upon the land leased hereunder and to remove the offending structure or object and cut

the offending tree, all of which shall be at the expense of the Lessee.

Lessee by accepting this lease expressly agrees for itself, its successors and assigns that it will not make use of the leased premises in any manner which might interfere with the landing and taking off of aircraft from Scottsdale Municipal Airport or otherwise constitute a hazard. In the event the aforesaid covenant is breached, the Lessor reserves the right to enter upon the premises hereby leased and cause the abatement of such interference at the expense of the Lessee.

None of the provisions contained herein shall limit the right of Lessee to construct Improvements as provided herein or to the reasonable and intended use of such Improvements.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

CITY OF SCOTTSDALE, a municipal corporation

By: 

Herbert R. Drinkwater, Mayor

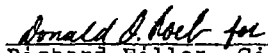
LESSOR

ATTEST: Roy R. Pederson
City Clerk

By: 

Betty Warren, Deputy City Clerk

APPROVED AS TO FORM:



Richard Filler, City Attorney

AIRPORT PROPERTIES PHASE II,
an Arizona limited partnership,

By Airport International Manage-
ment, Inc., general partner

By: 

Frank Rusk, President

LESSEE

EXHIBIT A

Contract 2018-196-COS
Page 22 of 28

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

On this 27th day of July, 1982, before me personally appeared HERBERT R. DRINKWATER, as Mayor of the City of Scottsdale, a municipal corporation, who executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Maria T. Adams
Notary Public

My Commission Expires:

April 6, 1984

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

On this 15th day of July, 1982, before me personally appeared FRANK RUSK, president of Airport International Management, Inc., a general partner of Airport Properties Phase II, an Arizona limited partnership, who executed the foregoing instrument for the purposes therein contained on behalf of Airport Properties Phase II.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Mary Lou Robideau
Notary Public

My Commission Expires:

My Commission Expires Jun. 24, 1985

Grammer Construction, Inc., an Arizona corporation, acknowledges the assignment to Airport Properties Phase II, an Arizona limited partnership, of its rights under the terms of the foregoing lease and acknowledges that such assignment does not relieve it of any liability except as set forth in the foregoing lease.

GRAMMER CONSTRUCTION, INC., an
Arizona corporation

By: James M. Kelly
James M. Kelly, President

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

On this 13th day of July, 1982, before me personally appeared JAMES M. KELLY, president of Grammer Construction, Inc., an Arizona corporation, who executed the foregoing instrument for the purposes therein contained on behalf of Grammer Construction, Inc.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Mary Lou Robideau
Notary Public

My Commission Expires:

My Commission Expires Jun. 24, 1985

EXHIBIT A

Contract 2018-196-COS
Page 23 of 28

FIRST AMENDMENT TO LEASE AGREEMENT

DATE: March 5, 1984

Mod LSE

PARTIES: CITY OF SCOTTSDALE, a municipal corporation of the State of Arizona (Lessor)

AIRPORT PROPERTIES PHASE II, an Arizona Limited Partnership (Original Lessee)

AIRPORT PROPERTIES PHASE II LIMITED PARTNERSHIP, an Arizona limited partnership (Lessee)

RECITALS:

A. On July 23, 1982, Lessor and Original Lessee entered into a Lease Agreement, a copy of which is attached to and made a part hereof.

B. Upon the execution of the Lease, the Original Lessor was formed but prior to the execution and recordation of a partnership certificate, the Arizona Uniform Limited Partnership Act was amended in such a manner that it was and currently is not possible to file such certificate. For this reason, the partners of the Original Lessee have formed Lessee pursuant to the terms of that Limited Partnership Agreement and Certificate which was filed with the Secretary of State of the State of Arizona in file number 20001701 on September 30, 1983.

C. Pursuant to the terms of the Lease, Lessee has completed detailed working drawings and specifications for the first phase of the Improvements and such drawings and specifications have been submitted to and approved by Lessor. Such drawings and specifications consist of the following:

(1) General Plans and Specifications prepared by John Eldo Brown Architect/Planner, Inc., dated December 23, 1983.

(2) Plans for water lines and the required sewer line extension prepared by Carter Associates dated January 3, 1984.

(3) Mechanical Plans prepared by r. l. Bassett & Associates dated December 12, 1983.

(4) Electrical Plans prepared by Baltes and Associates Limited dated December 19, 1983.

Murphy & Posner
1500 Townhouse Tower
Phoenix, AZ 85013
2644981

EXHIBIT A

RECORDED IN OFFICIAL RECORDS OF MARICOPA COUNTY, ARIZONA	
MAR 12 1984 -11 45	
BILL HENRY, COUNTY RECORDER	
FEE 2960	PGS 21 D.L.
Contract 2018-196-COS ²	

(5) Site and Drainage Plans prepared by Carter Associates dated December 9, 1983.

(6) Plumbing Plans prepared by R. L. Bassett & Associates, mechanical engineering originally dated December 12, 1983 and thereafter revised.

D. Lessee has negotiated an agreement with Western Savings and Loan Association (Western) which provides that Western will loan to Lessee a total of \$4,800,000.00 for the purpose of paying the cost of constructing the Improvements and certain other costs related thereto. Copies of the documents evidencing such loan agreement (Western Agreement) have been submitted to Lessor.

E. The Lease provides that it may be amended or modified in order to conform with any reasonable requirement of a lender such as Western.

AGREEMENT:

1. Assignment. Original Lessee hereby assigns to Lessee all of its rights under the Lease and Lessee assumes all of the obligations of Original Lessee under the Lease and Lessor consents to such assignment.

2. Plans for Improvements. Lessor approves the above described detailed working drawings and specifications for the first phase of the Improvements and such drawings and specifications are incorporated as a supplement to Exhibit "A" attached to the Lease. The preparation of detailed working drawings and specifications for the balance of the Improvements may be commenced at such time as Lessee becomes obligated to commence construction of the balance of the Improvements as provided in the Lease. Lessor shall maintain the taxiways, parking areas, driveways and other areas adjacent to the Demised Premises so that Lessee will be able to use all of the Improvements for their intended purposes.

3. Western Loan. Lessor consents to the execution of the Western Agreement and Lessee and Western shall both have the right to correct any default within sixty days following receipt by both of them of written notice of such default.

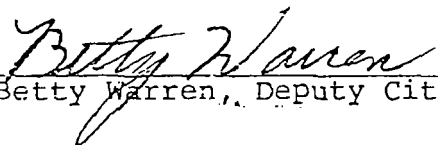
4. Renewals. Lessee hereby exercises its option to renew the Lease for the twenty years following the initial term of the Lease and the Lease shall thereafter be automatically extended until six months following receipt by Lessee from Lessor of written notice of termination.

CITY OF SCOTTSDALE, a municipal corporation

By 
Herbert R. Drinkwater, Mayor

LESSOR

ATTEST: Roy R. Pederson
City Clerk

By 
Betty Warren, Deputy City Clerk

APPROVED AS TO FORM:


Cliff Sherr, Assist. City Attorney

AIRPORT PROPERTIES PHASE II,
an Arizona limited partnership,

By Airport International Management, Inc., general partner

By: 
Frank Rusk, President

ORIGINAL LESSEE

84 101383

AIRPORT PROPERTIES PHASE II LIMITED
PARTNERSHIP, an Arizona limited
partnership,

By Airport International Manage-
ment, Inc., general partner

By: Frank Rusk
Frank Rusk, President

LESSEE

STATE OF ARIZONA

COUNTY OF MARICOPA

On this 5th day of March, 1984, before me per-
sonally appeared HERBERT R. DRINKWATER, as Mayor of the City
of Scottsdale, a municipal corporation, who executed the fore-
going instrument for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official
seal.

Elizabeth G. Vann
Notary Public

My Commission Expires:

July 28, 1986
STATE OF ARIZONA

COUNTY OF MARICOPA

On this 9 day of March, 1984, before me per-
sonally appeared FRANK RUSK, President of Airport International
Management, Inc., a general partner of Airport Properties Phase
II, an Arizona limited partnership and Airport Properties Phase
II Limited Partnership, an Arizona limited partnership, who
executed the foregoing instrument for the purposes therein
contained on behalf of Airport Properties Phase II and
Airport Properties Phase II Limited Partnership.

IN WITNESS WHEREOF, I hereunto set my hand and
official seal.

Yvonne Berdichevsky
Notary Public

My Commission Expires:

July 28, 1986

EXHIBIT A

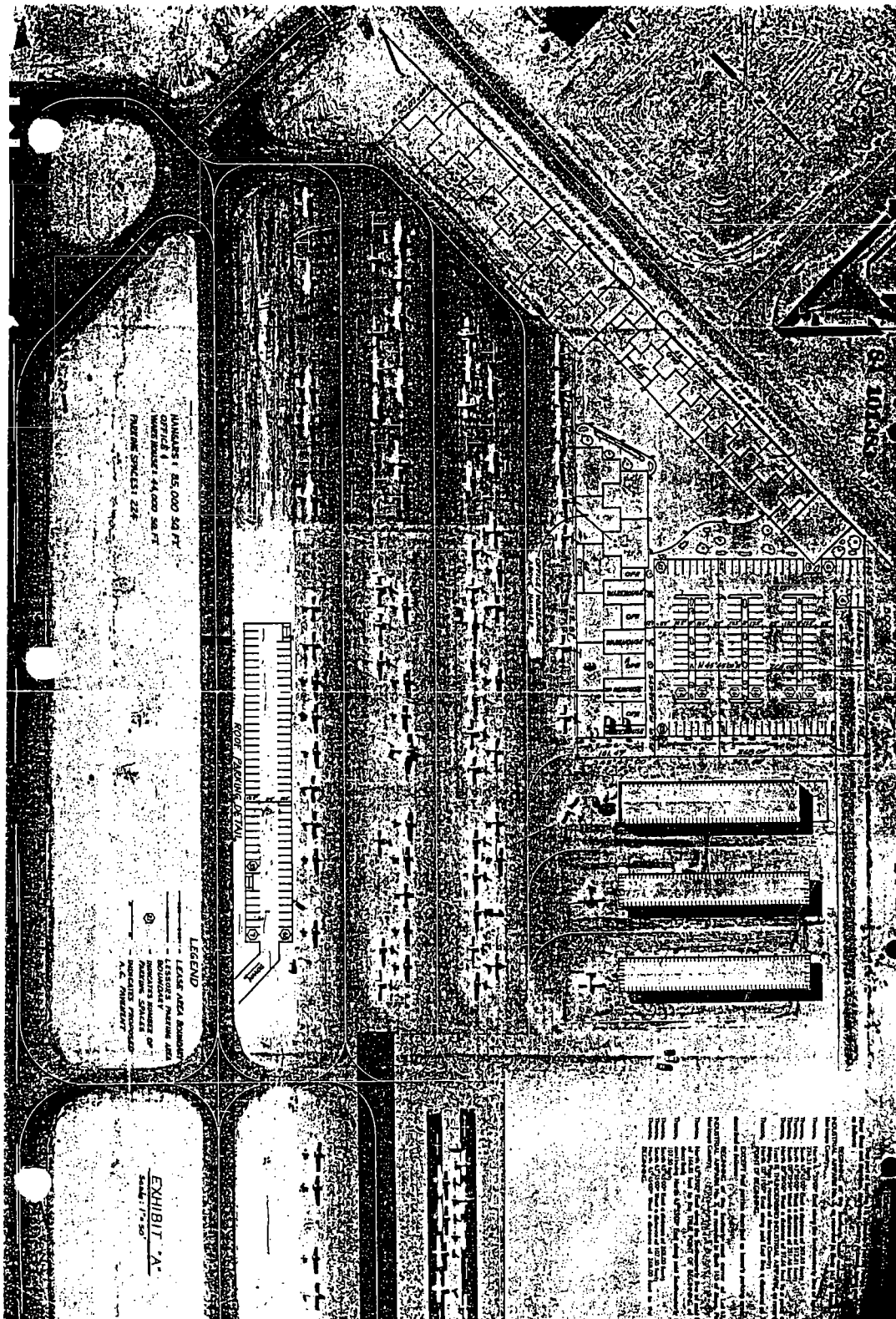


Exhibit "B"

**"Greenway Hangars and Shades Lease" Agreement,
dated May 27, 1977 between City of Scottsdale and
Hal Grammer Construction Leasing**

LEASE AGREEMENT

THIS AGREEMENT, made and entered into this 27th
day of May, 1977 by and between the CITY OF
SCOTTSDALE, a municipal corporation of the State of Arizona,
hereinafter called "lessor", and HAL GRAMMER CONSTRUCTION
LEASING hereinafter called "lessee";

W I T N E S S E T H:

WHEREAS, Lessor, owns an airport known as SCOTTSDALE
MUNICIPAL AIRPORT, located in the County of Maricopa, State of
Arizona, hereinafter called the "Airport", and

WHEREAS, certain general areas of the Airport have
been designated as areas for the construction of "T" or unit
aircraft storage hangars and shelters; and

WHEREAS, the Lessor desires to lease to the Lessee
for the construction and operation of "T" or unit aircraft storage
hangars and shelters certain areas of the Airport; and

WHEREAS, the Lessee desires to lease certain areas
for construction and operation of "T" or unit hangars and shelters
and no other purposes;

NOW, THEREFORE, FOR AND IN CONSIDERATION of the
premises and of the mutual covenants and agreements herein
contained and other valuable consideration, Lessor does hereby
lease to Lessee certain premises on the Airport, as follows,
to-wit:

I - USE

Lessor, leases to Lessee, and Lessee hires from
Lessor for construction and operation of "T" or unit aircraft
storage hangars and shelters and no other purposes, those certain
Demised Premises as hereinafter set forth. Lessee agrees to
furnish said service or facilities on a fair, equal, and not
unjustly discriminatory basis to all users.

The only maintenance and service of aircraft allowed on the Demised Premises shall be in accordance with Federal Aviation Regulations, Part 43, and all reasonable and applicable rules, regulations, and ordinances of Lessor now in force or hereafter prescribed or promulgated by ordinance or by law. Such maintenance or service shall be limited to performance by the aircraft owner, his full-time employee or other person so authorized by the Lessee.

II - DEMISED PREMISES

The premises leased to Lessee are hereinafter referred to as the Demised Premises and are described on Exhibit "A", attached hereto and made a part hereof. The approximate location of the Demised Premises is also outlined in red on the Airport Layout Plan of the Scottsdale Municipal Airport marked Exhibit "B", which is also attached hereto and made a part hereof.

III - TERM

Subject to earlier termination as hereinafter provided, the term of this agreement shall be for a period of twenty-five (25) years, commencing on the 27th day of May, 1977, and ending on the 27th day of May, 2002. Lessee has the right to renew this agreement for two successive ten (10) year periods provided Lessee serves a notice of his intention to exercise the option at least 180 days prior to the expiration of the original term as to the first option, and at least 180 days prior to the expiration of the first option period for the exercise of the option on the second renewal. All of the terms and provisions of this agreement shall apply to the option periods.

IV - NON-DISCRIMINATION

Lessee agrees not to discriminate against any person or class of persons by reason of race, color, creed, or national origin in the use of the Demised Premises. Lessee shall make its accommodations and services available to the public on fair and reasonable terms without unjust discrimination on the basis of race, creed, color, or national origin.

V - NON-EXCLUSIVE RIGHT

It is understood and agreed that nothing herein contained shall be construed to grant or authorize the granting of an exclusive right within the meaning of Section 308 of the Federal Aviation Act.

VI - DEVELOPMENT OF LANDING AREA

Lessor reserves the right to further develop or improve the landing area of the Airport as it sees fit, regardless of the desires or view of Lessee, and without interference or hindrance.

VII - LEASE SUBORDINATE TO AGREEMENTS WITH U. S. A.

This Lease shall be subordinate to the provisions and requirements of any existing or future agreement between Lessor and the United States of America relative to the development, operation, or maintenance of the Airport.

VIII - WAR OR NATIONAL EMERGENCY

This Lease and all the provisions hereof shall be subject to whatever right the United States Government has affecting the control, operation, regulation, and taking over of said Airport, or the exclusive or non-exclusive use of the Airport by the United States during the time of war or national emergency.

IX - PERFORMANCE

Lessee shall, within thirty (30) days after execution of this Lease, complete and submit to Lessor for approval detailed

working drawings and specifications covering the construction of all improvements bid by Lessee on his Bid Proposal Form and land use plan which are attached hereto and made a part hereof. Lessee shall commence construction of said improvements within thirty (30) days after approval of said drawings and specifications by Lessor or thirty (30) days after the commencement of the Lease term, as provided in Clause III, whichever date is later, and diligently pursue said construction to completion within one hundred twenty (120) days after said date.

Lessee shall conduct its construction operations so that such operations will in no way interfere with the normal operation and use of the Scottsdale Municipal Airport by Lessor and other persons and organizations entitled to use of the same. Lessee agrees to comply with the notification and review requirement covered in part 77 of the Federal Aviation Regulations.

X - BONDS

Lessee shall provide the City of Scottsdale with the following bonds:

A. A Performance Bond in an amount equal to the total cost of buildings and other facilities to be erected by Lessee under the terms of this lease. The condition of said bond shall be such that the Lessee shall faithfully perform the construction of the required facilities in accordance with the approved plans, specifications and conditions. Such bond shall be solely for the protection of the City of Scottsdale.

B. A Payment Bond in an amount equal to the total cost of the buildings and other facilities to be erected by Lessee under the terms of this lease. The condition of said bond shall be such that the Lessee shall promptly pay or cause to be paid all monies due to all persons supplying labor and materials in the construction of all required buildings or other facilities.

C. A Combined Performance and Payment Bond which satisfies the conditions contained in A and B above.

Each bond shall include a provision allowing the prevailing party in a suit on such bond to recover as a part of his judgment such reasonable attorney's fees as may be fixed by a judge of the court.

In the event a lender requires such bonds, the bond requirements herein shall be satisfied if the bonds required by the lender meet the conditions of A and B above, provided the City of Scottsdale shall be named a dual obligee.

XI - MECHANICS LIEN

Lessee agrees to keep the Demised Premises free of any mechanics or materialsman's liens or other lien of any kind or nature for any work done, labor performed, or material furnished thereon at the instance or occasion of Lessee and Lessee further agrees to indemnify and save harmless Lessor from and against any and all claims, liens, demands, costs, and expenses of whatsoever nature for any, such work done, labor performed, or materials furnished.

XII - RENTAL

Subject to the provisions of Clause III above, Lessee shall pay as rental for the Demised Premises during the term of this Lease the following-enumerated ground rental fee and percentage of gross revenues:

A. Ground Rental

Commencing ninety (90) days after approval of detailed working drawings and specifications covering the construction of all improvements shown on Exhibit "C", or ninety (90) days after the commencement of the Lease term, whichever date is later, Lessee shall pay to Lessor as ground rental the sum of Two Hundred Thirty-eight Dollars and Seventy Cents (\$238.70) per month and a like sum on the first day of each month thereafter for the full term of this Lease.

In the event the ground rental payment of this Lease commences on some date other than the first day of the month, the first month's rent shall be pro-rated to reflect the actual period of tenance.

B. Percentage of Gross Revenues

Lessee shall account for and pay on or before the 10th of each month a sum equal to the difference between 10 per cent of the gross receipts derived from the rental of storage hangars and shelters, and the amount due under Clause IXX A above, providing said sum is greater than the amount due under Clause XII A above. Said percentage rentals shall be calculated on a monthly basis for the immediately preceding calendar month.

Gross receipts as used in this Lease are defined to be all money, cash receipts, assets, property, or other things of value received or earned by Lessee, his assignees or sublessees, whether collected or accrued, from the use or occupation of the Demised Premises. In any instance where the reported gross receipts vary from that which can be computed from the schedule of prices as called for in Clause XV of this Lease, the percentage called for in this clause shall be based on the higher of the two gross amounts. There shall be no deduction from gross receipts for any overhead or cost or expense of operation.

Nothing contained in Paragraphs A and B of this Section shall be interpreted so as to relieve Lessee, its tenants, sublessees, patrons, invitees, and others, from field use charges, fuel flowage fees, and other charges as may be generally levied directly upon the operation of aircraft.

XIII - RECORDS OF LESSEE

Lessee shall keep true and accurate accounts, records, books, and data which shall show all the gross receipts as defined above.

With the payment of monthly percentage rentals on the tenth (10th) day of each month as hereinabove provided, Lessee shall submit to Lessor a detailed statement showing gross receipts from the operation of the business for the preceding calendar month. These reports shall show such reasonable detail and breakdown as may be required by Lessor.

Within ninety (90) days after the end of each fiscal year of Lessee during the term of this Lease or any extension thereof, Lessee

shall submit to Lessor a detailed statement of gross receipts derived from business transacted on the Scottsdale Municipal Airport for the preceding year. Lessee, at his own expence, shall supply all record forms in a type, style, and form satisfactory to Lessor.

XIV - AUDIT

Lessor shall have the right during each calendar year of this Lease to require an audit of Lessee's records pertaining to its operation on the Airport. The cost of said audit shall be borne by Lessor unless the results of such audit reveal a discrepancy of more than five (5) percent between gross receipts reported in accordance with Clause XII and the gross receipts as determined by audit for any twelve-month period. In case of such discrepancy, the full cost of the audit shall be borne by Lessee.

XV - RATES, RENTALS, AND OTHER CHARGES

Lessee shall furnish Lessor with a complete schedule of all prices for each unit or service to be charged to the general public. Lessee agrees to charge fair, reasonable, and not unjustly discriminatory prices for each unit or service.

XVI - MONTHLY REPORTS

Lessee shall, within fifteen (15) days after commencement of the term of this Lease, submit a written report to Lessor's Airport Director listing all aircraft located on the Demised Premises. Said report shall be prepared on a form supplied by Lessor, and include aircraft make, model, registration number, owner's name, address, and telephone number.

Lessee further agrees that by the tenth (10th) day of each month to submit a list showing any additions to, or deletions from the above mentioned report.

Lessee shall also submit a list of all Lessee's employees who are employed at the Scottsdale Municipal Airport, within fifteen (15) days of the commencement of this Lease. Said list shall be prepared on a form supplied by Lessor and include the employee's name, address, and telephone number. Any changes in this list shall be reported in writing to the Lessor's Airport Director within five (5) days after the date such change takes place.

XVII - USE OF PUBLIC AIRPORT FACILITIES

Lessee is granted the non-exclusive use of all public Airport facilities including, but not limited to, taxiways, runways, aprons, navigational aids, and facilities relating thereto for purposes of landings, take-offs, and taxiing of Lessee's and Lessee's tenants' aircraft. All such use shall be in accordance with the laws of the United States of America, the State of Arizona, and the rules and regulations promulgated by their authority with reference to aviation and air navigation, and in accordance with all reasonable and applicable rules, regulations and ordinances of Lessor now in force or hereafter prescribed or promulgated by ordinance or by law.

Lessor agrees, during the term of this Lease, to operate and maintain the Airport and its public Airport facilities as a public Airport consistent with, and pursuant to, the Sponsor's Assurances given by Lessor to the United States Government under the Federal Airport Act.

XVIII - MAINTENANCE

Lessee agrees to repair and maintain all improvements constructed on the Demised Premises in good order and repair, and to keep the said premises in a neat, clean, and orderly condition. This includes, but is not limited to, the prevention of the accumulation of any refuse or waste materials which might be or constitute a fire hazard or a public or private nuisance. If after written notice from Lessor's Airport Director the Lessee fails within thirty (30) days to make repairs or maintenance, the Lessor may cause to have such repair and maintenance made, and add the cost thereof, to the rent thereafter accruing. If said costs are not paid promptly by Lessee, this Lease shall be deemed to be in default, and Lessor shall be entitled to all legal remedies provided hereunder.

XIX - INSPECTION

Lessor's Airport Director, or his authorized representative shall have the right at all reasonable times to inspect the subject premises to determine if the provisions of this Lease are being complied with.

XX - ASSIGNMENT-SUBLETTING-ENCUMBERING

Lessee may sublet or assign this Lease to a corporation in which Lessee is the principal stockholder so long as Lessee remains personally liable thereon; but any other mortgage, pledge, hypothecation, encumbrance, subletting, or assignment of Demised Premises or any part thereof, except the month-to-month rental of individual "T" hangars and or shelters shall first approved in writing by Lessor. Lessor shall not unreasonably refuse to grant such written consent. Any such transfer without said approval, whether voluntary or involuntary, shall be void and shall confer no right of occupancy upon said assignee or purchaser.

For the purpose of this Lease, any tenant of Lessee occupying three (3) or more hangar spaces shall be considered a sublessee and must have the approval of Lessor as provided hereinabove.

Any sublease and/or month-to-month rental agreements shall incorporate directly or by reference all the provisions of this Lease.

XXI - DEFAULT IN TERMS OF THE LEASE BY LESSEE

Should Lessee default in the performance of any covenant, condition or agreement contained herein, and such default is not corrected within thirty (30) days after written notice to it by Lessor's Airport Director, Lessor may declare this Lease and all rights and interest created thereby to be terminated.

XXII - SURRENDER OF POSSESSION

Upon the expiration or other termination of this agreement, Lessee's right to use the premises, facilities,

rights, licenses, services and privileges herein leased shall cease and Lessee shall forthwith upon such expiration or termination surrender the same and leave the premises in good condition except for normal wear or tear. Title to all construction and installation of Lessee shall pass to the Lessor as provided herein.

XXIII - UTILITY SERVICE CHARGES

Lessee shall pay for all utilities used in its operation at the Airport and such utilities will be on the basis of metered charges.

XXIV - SIGNS

Lessee agrees not to construct nor maintain upon the outside of any improvements on Demised Premises any advertising signs except those approved in writing by the Lessor. All signs installed by Lessee shall conform to the requirements of the City of Scottsdale.

XXV - UNLAWFUL USE

Lessee agrees no improvements shall be erected, placed upon, operated nor maintained on the leasehold premises, nor shall business be conducted or carried on thereon in violation of the terms of this Lease, or any regulation, order of laws, statutes, by-laws or ordinance of any governmental agency having jurisdiction thereover.

XXVI - RESERVATIONS TO LESSOR

The leased premises are accepted by Lessee subject to any and all existing easements or other encumbrances; and Lessor shall have the right to install, lay, construct, maintain, repair, and operate such sanitary sewers, drains, storm water sewers, pipelines, manholes, connections; water, oil and gas pipelines; and telephone and telegraph power lines, and such other appliances and appurtenances necessary or convenient to use in connection therewith, over, in, upon, through, across, and along the leased

premise or any part thereof, as will not interfere with Lessee's operations hereunder, and to enter thereupon for any and all such purposes. Lessor also reserves the right to grant franchises, easements, rights of way, and permits in, over, and upon, along, or across any and all portions of said leased premises as Lessor may elect so to do, provided, however, that no right of the Lessor provided for in this paragraph shall be so exercised as to interfere unreasonably with Lessee's operations hereunder, or impair the security of any secured creditor of Lessee.

Lessor agrees that any rights granted to any parties by reason of this clause shall contain provisions that the surface shall be restored to its original condition upon the completion of any construction. Lessor further agrees that should the granting of these rights temporarily interfere with the use of any or all of the Demised Premises by Lessee that the rental shall be reduced in a proportion to the amount said interference bears to the total use of the Demised Premises.

XXVII - HOLD HARMLESS

Lessee shall indemnify and save harmless Lessor, its officers, agents, and employees, from and against any and all claims, suits, actions, costs, counsel fees, expenses, judgments, or decrees, demands, loss or liability of any kind or nature which Lessor, its officers, agents, and employees may sustain or incur or which may be imposed upon them or any of them for injury to, or death of, persons; or damage to property arising out of or in any manner connected with the negligence or lack of care of Lessee, its officers, agents or employees in use of the Demised Premises, including the use of the Scottsdale Municipal Airport and its facilities.

XXVIII - PUBLIC LIABILITY INSURANCE

As a condition precedent to the effectiveness of this Lease, Lessee shall procure and maintain in full force and effect during the term of this Lease, a policy or policies of

public liability and property damage insurance from a company or companies authorized to do business in the State of Arizona with minimum coverage of \$500,000 for death or bodily injury, or loss sustained by any one persons in any one occurrence, \$1,000,000 for death or bodily injury, or loss sustained by more than one person in any one occurrence, and \$250,000 for loss by damage or injury to property in any one occurrence. Lessee shall cause to be attached to said policy of insurance an endorsement reciting paragraph XXVII of this Lease. The policy shall also either contain a provision providing for a broad form of contractual liability including leases, or there shall be attached thereto an endorsement providing for such coverage. The policy shall further provide that the same shall not be cancelled until a 10-day written notice of cancellation has been served upon the Safety and Risk Manager of Lessor. Lessee shall deliver said policy of insurance or certified copy thereof, to the Safety and Risk Manager of Lessor for approval as to sufficiency. Lessor's Safety and Risk Manager shall approve or disapprove said policy within fifteen (15) days of its submission.

The procuring of such policy of insurance cannot be construed to be a limitation upon Lessee's liability or as a full performance on its part of the indemnification provisions of this Lease; Lessee's obligation being, notwithstanding said policy of insurance, for the full and total amount of any damage, injury or loss caused by the negligence or neglect connected with the operation under this Lease.

XXIX - HANGAR-KEEPER'S LIABILITY INSURANCE

Lessee shall maintain in full force for the term of this Lease a policy or policies of standard hangar-keep liability insurance, or in-flight hangar-keeper liability insurance or bailee liability insurance, from a company or companies authorized to do business in the State of Arizona, as may be required under the uses conducted under the Lease.

Said standard hangar-keeper liability policy or policies shall have a minimum coverage of \$250,000 for any one aircraft and \$500,000 for loss in any one occurrence.

The in-flight hangar-keeper policy or policies shall have a minimum coverage of \$100,000 for any aircraft in any one occurrence.

The bailee liability policy or policies shall have a minimum coverage of \$100,000.

Lessee shall deliver said policy or policies of insurance or certified copies thereof to the Safety and Risk Manager for approval as to sufficiency. Lessor's Safety and Risk Manager shall approve or disapprove said policy or policies within fifteen (15) days of submission.

XXX - FIRE INSURANCE

Lessee shall maintain in full force fire insurance with extended coverage on the Demised Premises to the extent of eighty (80) percent of the insurable value of the buildings.

XXXI - DESTRUCTION OF PREMISES

If the Demised Premises or any part thereof are damaged or destroyed by reason of any cause whatsoever, Lessee may either:

1. Within thirty (30) days commence and diligently pursue to completion the repair or reconstruction of the Demised Premises, and this Lease shall remain in full force and effect; or
2. Terminate this Lease upon thirty (30) days written notice, and return the Demised Premises to the condition existing at the time of the commencement of this Lease.

XXXII - ABANDONMENT

If Lessee shall abandon or be dispossessed by process of law or otherwise, any personal property belonging to Lessee and left on the premises sixty (60) days after such abandonment or dispossession shall be deemed to have been transferred to Lessor; and Lessor shall have the right to remove and to dispose of the same without liability to account therefor to Lessee or to any person claiming under Lessee.

XXXIV - TERMINATION

In the event the Lessor should require the Demised Premises in connection with the future expansion and/or operation of the Airport, Lessee may, upon ninety (90) days written notice, cancel this Lease. Should the Federal Government or any other governmental agency assume control of the Airport or any portion thereof in a manner that would preclude Lessee from operating under the terms of the Lease, or should the City of Scottsdale alter their development of the Airport from that shown on the attached Exhibit "B" in a manner that would preclude Lessee from operating under the terms of this Lease, Lessor will, upon written request from Lessee, cancel this Lease or extend the term of this Lease for the period of time Lessee's operation is so precluded, and no rent shall accrue during said period.

If this Lease is cancelled under the provisions of this clause, Lessor will be obligated to pay to Lessee the then fair value, fair market value, or the original construction cost less depreciation at the rate of four (4) percent per year from the date of completion, whichever is greater, of all Lessee-owned improvements located on the Demised Premises, and at such time all such improvements shall become the property of Lessor. Fair market value of the improvements in place shall be determined in the following manner:

1. Within thirty (30) days after service of written notice to cancel, the parties hereto may mutually agree upon the fair market value of the improvements. If an agreement is not reached during the above-mentioned thirty (30) day period, Lessor and Lessee shall each select an acceptable qualified real estate appraiser, and the two chosen shall select a third qualified real estate appraiser. Lessor shall, upon selection of the appraisers, immediately fix a time and place for a conference between the parties and the appraisers. Said conference shall be for the purpose of agreeing upon the general instructions to be given the appraisers.
2. The appraisers selected by Lessor and Lessee shall, within forty-five (45) days after receiving their instructions deliver their fully documented written appraisals to the third appraiser, who will analyze said appraisals, conduct such investigations, interviews, and discussions with or without the other appraisers or either of them as he deems necessary.
3. At a time not to exceed fifteen (15) days after submission of the written appraisal and at a place the three appraisers shall name, the respective parties may have representatives appear and argue such appraisal matters as the parties deem appropriate. Within five (5) days after such time, the appraisers shall make a final written determination of the fair market value of the improvements located on the Demised Premises.
4. If the appraisers are unable to agree, then the final determination shall be made by the third appraiser.
5. Lessee and Lessor shall pay the cost of the appraiser chosen by them and equally share the cost of the third.

XXXV - TAXES AND ASSESSMENTS

All taxes and assessments which become due and payable upon the Demised Premises or upon fixtures, equipment, or other property constructed thereon, shall be the full responsibility of Lessee, and he shall cause said taxes and assessments to be paid promptly.

XXXVI - HOLDING OVER

In the event Lessee shall hold over after the term herein created, then such holdings shall be a tenancy from month to month only and governed by the same conditions and covenants contained in this Lease.

XXXVII - NOTICES

All notices given, or to be given, by either party to the other, shall be given in writing and shall be addressed to the parties at the addresses hereinafter set forth at such other address as the parties may by written notice hereafter designate.

TO: LESSOR

Airport Director
City of Scottsdale
Scottsdale Municipal Airport
3939 Civic Center Plaza
Scottsdale, Arizona 85251

TO LESSEE:

XXXIII - AMENDMENTS TO BE IN WRITING

This Lease sets forth all of the agreements and understandings of the parties and is not subject to modification except in writing.

XXXIX - SUCCESSORS IN INTEREST

The covenants herein contained shall, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators, and assigns of all the parties hereto; and all of the parties hereto shall be jointly and severally liable hereunder.

XL - FORCE MAJEURE

If either party hereto shall be delayed or prevented from the performance of any act required hereunder by reason of acts of God, strikes, lockouts, labor troubles, inability to procure materials, restrictive governmental laws or regulations or other cause without fault and beyond the control of the party obligated (financial inability excepted), performance of such act shall be excused for the period of the delay; and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay, provided, however, nothing in this Section shall excuse Lessee from the prompt payment of any rental or other charge required of Lessee hereunder except as may be expressly provided elsewhere in this Lease.

XLI - PARTIAL INVALIDITY

If any term, covenant, condition, or provision of this Lease is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired, or invalidated thereby.

XLII - MARGINAL CAPTIONS

The various headings and numbers herein and the grouping of the provisions of this Lease into separate sections

and paragraphs are for the purpose of convenience only and shall not be considered a part hereof.

XLIII - AMENDMENT

The parties acknowledge that lessee has not yet obtained financing for the construction of the proposed development. Lessor agrees that it will permit the amendment or modification of ²⁹¹ ~~except subordination of Lessor's interest in the underlying~~ this agreement to conform with any reasonable requirement/imposed fee upon lessee by any reputable lender provided that the terms or conditions of such amendment or modification shall be similar to those then being required by institutional lenders doing business in the metropolitan area of Phoenix, Arizona.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

CITY OF SCOTTSDALE, a municipal corporation

By William C. Jenkins
William C. Jenkins, Mayor
LESSOR

ATTEST:

Fern Anderson Nell
Fern Anderson Nell, City Clerk

APPROVED AS TO FORM:

Richard E. Burke for
Richard Fuller, City Attorney

By James M. Kille
James M. Kille
LESSEE

ATTEST:

Barbara L. Olette
Its City Commission Expires Nov. 6, 1972

777464
SECURITY TITLE "TTCY"

911 126008 519

When recorded, return to:

MURPHY & POSNER (KBB)
1500 TowneHouse Tower
Phoenix, Arizona 85013

372772

McA Lee

FIRST AMENDMENT OF
LEASE AGREEMENT

THIS AGREEMENT made and entered into this 7th day
of ~~November~~ ^{December}, 1977, by and between the City of Scottsdale, a
municipal corporation of the State of Arizona, hereinafter
called "Lessor", and Airport Properties, an Arizona
Limited Partnership, hereinafter called "Lessee".

W I T N E S S E T H:

WHEREAS, on the 27th day of May, 1977, Lessor entered
into an Agreement with Hal Grammer Construction Leasing, a
partnership, hereinafter referred to as the "Lease Agreement",
wherein Lessor leased certain land located at Scottsdale
Municipal Airport, Scottsdale, Arizona, and

WHEREAS, on November 1, 1977, Hal Grammer Construction
Leasing assigned its rights as Lessee under the terms of the
Lease Agreement to Lessee, and

WHEREAS, Lessee desires to amend the terms of the Lease
Agreement as provided in paragraph XLIII of the Lease Agreement,

NOW, THEREFORE, the undersigned parties mutually agree
to amend the Lease Agreement as follows:

1. Right to Mortgage. Lessee may, from time to time
during the term of this Lease place Mortgages upon Lessee's
leasehold interest and the buildings and improvements to be
erected thereon by Lessee pursuant to the Lease Agreement without



SECOND AMENDMENT TO LEASE AGREEMENT

This agreement made and entered into this 6th day of August, 1984, by and between CITY OF SCOTTSDALE, a municipal corporation of the State of Arizona hereinafter called Lessor and AIRPORT PROPERTIES, an Arizona limited partnership hereinafter called Lessee.

W I T N E S S E T H:

WHEREAS, on the 27th day of May, 1977, Lessor entered into an Agreement with Hal Grammer Construction Leasing, a partnership, ("Lease Agreement") wherein Lessor leased certain land located at Scottsdale Municipal Airport, Scottsdale, Arizona, and

WHEREAS, on November 1, 1977, Hal Grammer Construction Leasing assigned its rights as Lessee under the terms of the Lease Agreement to Lessee, and

WHEREAS, on December 7, 1977, Lessor and Lessee entered into a First Amendment of Lease Agreement, ("First Amendment"), and

WHEREAS, the Lease Agreement was recorded in the office of the Maricopa County Recorder in Docket 12600 beginning at page 492 and the First Amendment was recorded in Docket 12600 beginning at page 519, and

WHEREAS, Lessor and Lessee desire to amend the terms of the Lease Agreement, as amended, for the purpose of expanding the area included within the Demised Premises.

NOW, THEREFORE, the undersigned parties mutually agree to amend the Lease Agreement as follows:

1. The land included within the Demised Premises shall be increased to include the additional land described in Exhibit A attached hereto and made a part hereof and Lessee is authorized to construct upon such additional land additional aircraft hangars.

ATTEST:

Roy R. Pederson
City Clerk

BY Betty Warren
Betty Warren, Deputy City Clerk

APPROVED AS TO FORM:

Clifford Sherr
Clifford Sherr, Assist. City Attorney

CITY OF SCOTTSDALE, a municipal corporation

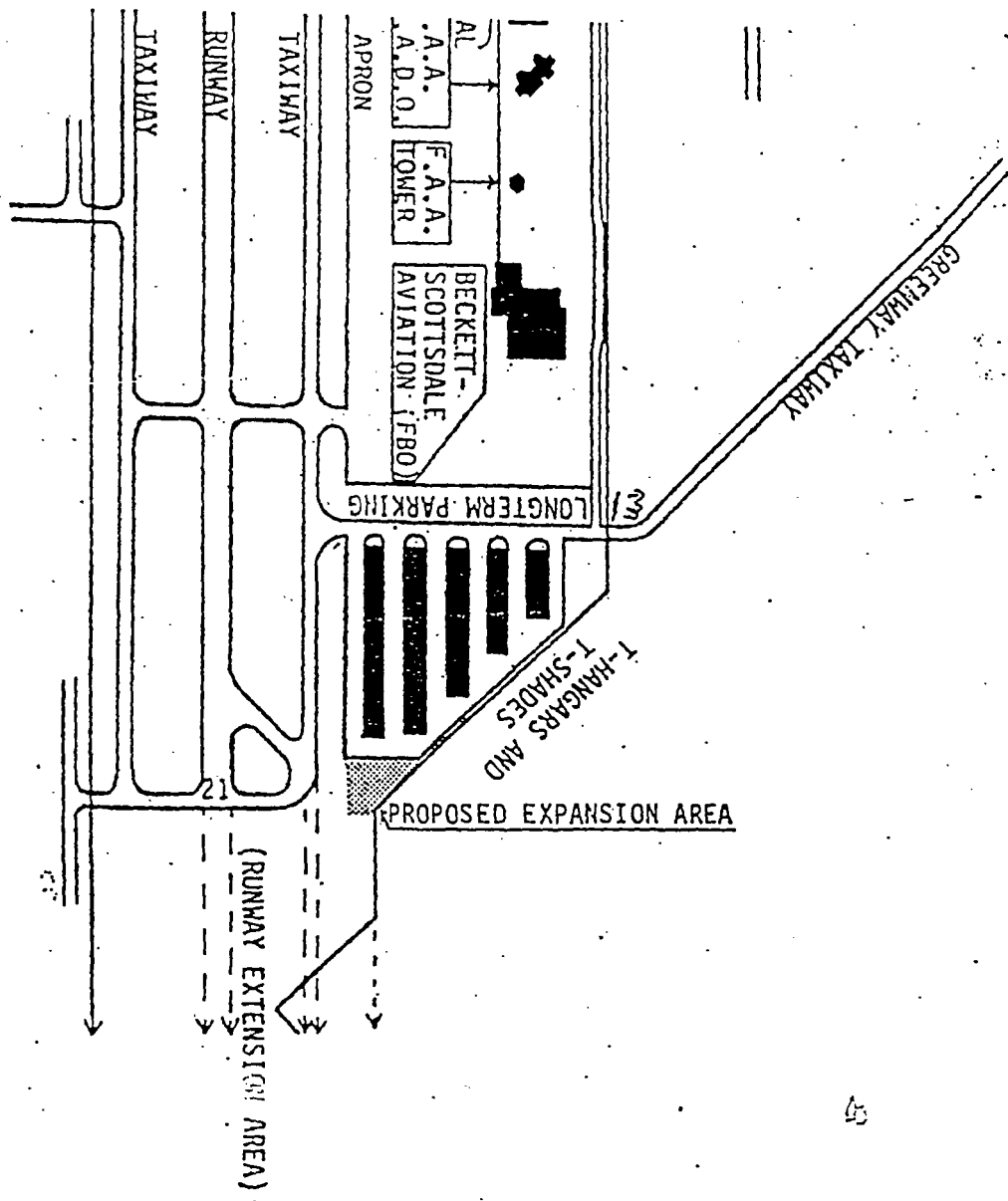
BY Herbert R. Drinkwater
Herbert R. Drinkwater, Mayor

LESSOR

EXHIBIT A
LEGAL DESCRIPTION

That part of the N.E. 1/4 of Section 11, Township 3 North, Range 4 East, of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, being more particularly described as follows:

	BEGINNING at the Southeast corner of Lot 93, THUNDERBIRD INDUSTRIAL AIRPARK No. 3A; as recorded in Book 160 of Maps, Page 8, records of Maricopa County;
thence	South 46° 04' 54" East a distance of 75.09 feet;
thence	South 43° 55' 06" West a distance of 130.69 feet;
thence	North 46° 04' 54" West a distance of 212.21 feet to a point on the South line of said THUNDERBIRD INDUSTRIAL AIRPARK No. 3A;
thence	South 89° 42' 27" East along said South line a distance of 189.42 feet to the POINT OF BEGINNING.



AIRPORT PROPERTIES, an Arizona
limited partnership,

By AIRPORT INTERNATIONAL MANAGEMENT,
INC., an Arizona corporation, general
partner

By Frank Rusk
Frank Rusk, President

LESSEE

STATE OF ARIZONA)
COUNTY OF MARICOPA) ss:

On this 6th day of August, 1984, before me personally appeared
HERBERT R. DRINKWATER, as Mayor of the City of Scottsdale, a municipal
corporation, who executed the foregoing instrument for the purposes therein
contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Marie T. Adams
Notary Public

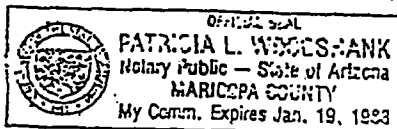
My Commission Expires:

April 6, 1988

STATE OF ARIZONA)
COUNTY OF MARICOPA) ss:

On this _____ day of August, 1984, before me personally appeared
FRANK RUSK, President of Airport International Management, Inc., a general
partner of Airport Properties, an Arizona limited partnership, who executed
the foregoing instrument for the purposes therein contained on behalf of
Airport Properties, an Arizona limited partnership.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.



Patricia L. Woodhouse
Notary Public

My Commission Expires:

Jan 19, 1988

WHEN RECORDED RETURN TO:

CITY OF SCOTTSDALE
ONE STOP SHOP/RECORDS
(Gary Mascaro)
7447 East Indian School Road, Suite 100
Scottsdale, AZ 85251

City of Scottsdale Contract No. 2018-197-COS
(Res. 11307)
(Scottsdale Jet Center)

LEASE REPLACEMENT AGREEMENT

THIS LEASE REPLACEMENT AGREEMENT (the "Agreement") is made and entered into this ____ day of _____, 2018, by and between the City of Scottsdale, an Arizona municipal corporation ("Lessor"), and Scottsdale Jet Center Real Estate, LLC, an Arizona limited liability company ("Lessee").

RECITALS

A. Lessor is the owner of the Scottsdale Airport (the "Airport") located northeast of the intersection of Scottsdale Road and Thunderbird Road in Maricopa County, Arizona.

B. The Airport includes certain real property (the "Premises") comprising two parcels of approximately 11.64 total acres (507,031 square feet) in the City of Scottsdale, Arizona, and more particularly described on Exhibit "A" attached hereto.

C. Lessor is the lessor and Lessee warrants and represents to be the lessee of a portion of the Premises pursuant to that certain lease agreement (the "Air Commerce Center") dated July 23, 1982.

1. The Air Commerce Center Lease has been assigned and amended as follows:

<u>Transaction</u>	<u>Assignor</u>	<u>Assignee</u>	<u>Date</u>
First Amendment to Lease	Airport Properties Phase II	Airport Properties Phase II Limited Partnership	March 5, 1984

<u>Transaction</u>	<u>Assignor</u>	<u>Assignee</u>	<u>Date</u>
Deed, Bill of Sale and Assignment	Airport Properties Phase II Limited Partnership	Air Commerce Center, L.L.C.	January 6, 1994
Deed, Bill of Sale and Assignment [(50%) Interest]	Air Commerce Center, L.L.C.	Pleasant Country Limited Partnership	April 10, 1995
Deed, Bill of Sale and Assignment [(50%) Interest]	Pleasant Country Limited Partnership	Air Commerce Center, L.L.C.	June 5, 1995
Deed, Bill of Sale and Assignment [(23.976%) Interest]	Air Commerce Center, L.L.C.	Judith Kelly, as Trustee of The Kelly Family Trust B	September 12, 1996
Deed, Bill of Sale and Assignment [(23.976%) Interest]	Judith Kelly, as Trustee of The Kelly Family Trust B	Pleasant Country Limited Partnership	September 20, 1996
Deed, Bill of Sale and Assignment [(23.976%) Interest]	Pleasant Country Limited Partnership	Air Commerce Center, L.L.C.	June 11, 1997
Lease Assignment, Assumption, Consent and Estoppel	Airport Properties L.L.P.	Scottsdale Jet Center Real Estate, LLC	

<u>Amendment</u>	<u>Parties</u>	<u>Date</u>	<u>Recording Data</u>
First Amendment to Lease Agreement	City of Scottsdale, Airport Properties Phase II, Airport Properties Phase II Limited Partnership	March 5, 1984	Document 84 101383, M.C.R.

2. No other amendments have been made to the Air Commerce Center Lease.

D. Lessor is the lessor and Lessee warrants and represents to be the lessee of a portion of the Premises pursuant to that certain lease agreement (the "Greenway Shades and Hangars") dated May 27, 1977 and recorded December 15, 1977 at Docket 12600, pages 492-513 of the public records of Maricopa County, Arizona.

1. The Greenway Shades and Hangars Lease has been assigned and amended as follows:

<u>Transaction</u>	<u>Assignor</u>	<u>Assignee</u>	<u>Date</u>
Assigned rights to Airport Properties	Hal Grammer Construction	Airport Properties	November 1, 1977

<u>Amendment</u>	<u>Parties</u>	<u>Date</u>	<u>Recording Data</u>
First Amendment	City of Scottsdale, Airport Properties	December 7, 1977	December 15, 1977 Docket 12600 Pages 519-526

Second Amendment	City of Scottsdale, Airport Properties	August 6, 1984	July 15, 1988 Document No. 88 347695
------------------	--	----------------	--

E. Lessee desires to surrender the leaseholds under the Air Commerce Center Lease, and Greenway Shades and Hangars Lease, as amended, and all rights related thereto (collectively, the "Old Leases") in exchange for a new lease (the "Scottsdale Jet Center Lease", Contract No. 2018-193-COS) upon the Premises.

F. Lessor and Lessee have mutually determined that their respective interests will be better served by accomplishing the transaction set forth in this Agreement.

G. Lessee desires to operate the Premises as a full service fixed base operator, subject to the requirements of this Agreement, the Scottsdale Jet Center Lease, and any applicable Federal Aviation Administration and City of Scottsdale Airport Rules and Regulations.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, Lessor and Lessee agree as follows:

1 Recitals. The foregoing recitals are incorporated into this Agreement.

2 Old Leases Terminated. Except as set forth in Section 7.1 below, the Old Leases are hereby completely and irrevocably terminated as of _____ (the "Termination Date"). The Old Leases shall continue to be enforceable according to their respective terms until the Termination Date, when they shall automatically terminate without further act of the parties.

3 Scottsdale Jet Center Lease. Immediately upon execution of this Agreement, Lessor and Lessee shall enter into and execute the Scottsdale Jet Center Lease in the form attached

hereto as Exhibit "B". The Scottsdale Jet Center Lease shall be effective and become operative as of _____.

4 Lessee's Prior Assignees. Lessee warrants and represents that it has not assigned any of the tenant's interests under the Old Leases.

5 Recording. Within ten (10) days after the effective date of the Scottsdale Jet Center Lease, Lessee shall cause this Agreement to be recorded in the office of the Maricopa County Recorder.

6 Remedies. Lessee's failure to perform under this Agreement is also a default under the Scottsdale Jet Center Lease.

7 Miscellaneous.

7.1 Survival. All provisions of this Agreement shall survive the execution and delivery of this Agreement, all conveyances contemplated by this Agreement, and the rescission, cancellation, expiration or termination of this Agreement for any reason. This Agreement does not release the various "Lessees" under the Old Leases from any of their respective obligations and liabilities arising under the Old Leases or from any of their respective warranties and indemnities under the Old Leases, insofar as the Old Leases provide that such obligations, liabilities, warranties and indemnities survive termination of the Old Leases.

7.2 Amendments. This Agreement may not be amended except by a formal writing executed by all of the parties.

7.3 Time of Essence. Time is of the essence in each and every provision of this Agreement.

7.4 Integration. This Agreement (including the exhibits attached hereto) and the Scottsdale Jet Center Lease (including the exhibits attached thereto) constitutes the entire agreement between the parties with respect to terminating the Old Leases and creating the Scottsdale Jet Center Lease. This Agreement supersedes any prior agreement, understanding, negotiation, draft agreements, discussion outlines, correspondence and memoranda or representation regarding those matters and the Premises.

7.5 Exhibits. All exhibits attached hereto as specified herein are hereby incorporated into and made an integral part of this Agreement for all purposes.

7.6 Statutory Cancellation Right. In addition to its other rights hereunder, Lessor shall have the rights specified in A.R.S. § 38-511.

[signatures appear on the following page]

EXECUTED as of the date first given above.

LESSEE: SCOTTSDALE JET CENTER REAL
ESTATE, LLC, an Arizona limited liability
company

By: 

John Marchman, Managing Member

LESSOR: CITY OF SCOTTSDALE,
an Arizona municipal corporation

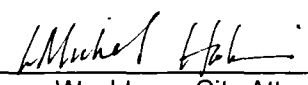
By: _____

W. J. "Jim" Lane, Mayor

ATTEST:

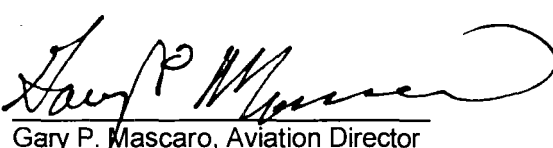
Carolyn Jagger, City Clerk

APPROVED AS TO FORM:
OFFICE OF THE CITY ATTORNEY



Bruce Washburn, City Attorney

By: Michael Hamblin, Assistant City Attorney



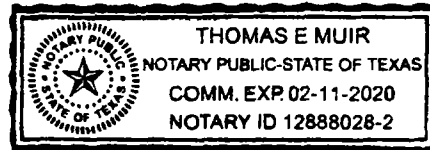
Gary P. Mascaro, Aviation Director

STATE OF ARIZONA)
County of Maricopa) ss.

The foregoing instrument was acknowledged before me this 1st day of November 2018, by John Marchman, Managing Partner of Scottsdale Jet Center Real Estate, LLC an Arizona limited liability company.

Thomas E. Muir
Notary Public

My Commission Expires: 2/11/2020



STATE OF ARIZONA)
County of Maricopa) ss.

The foregoing instrument was acknowledged before me this ____ day of _____ 2018, by W. J. "Jim" Lane, Mayor of the City of Scottsdale, an Arizona municipal corporation.

Notary Public

My Commission Expires:

19890434253_4

GUARANTEE NUMBER: 9008979T

89 434253

THAT PART OF SECTION 11, TOWNSHIP 3 NORTH, RANGE 4 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHERLY MOST CORNER OF LOT 42, THUNDERBIRD INDUSTRIAL AIRPARK NO. 3, AS RECORDED AT BOOK 145 OF MAPS, PAGE 28, RECORDS OF MARICOPA COUNTY, ARIZONA;

THENCE NORTH 43 DEGREES 55 MINUTES 00 SECONDS EAST, ALONG THE SOUTHEASTERLY LINE OF SAID LOT 42, A DISTANCE OF 274.31 FEET;

THENCE SOUTH 45 DEGREES 45 MINUTES 00 SECONDS EAST, A DISTANCE OF 369.49 FEET;

THENCE SOUTH 43 DEGREES 55 MINUTES 00 SECONDS WEST, A DISTANCE OF 512.81 FEET;

THENCE SOUTH 00 DEGREES 39 MINUTES 54 SECONDS WEST, A DISTANCE OF 351.46 FEET;

THENCE NORTH 89 DEGREES 20 MINUTES 06 SECONDS WEST, A DISTANCE OF 97.66 FEET TO A POINT ON THE EAST LINE OF TRACT B, THUNDERBIRD INDUSTRIAL AIRPARK, AS RECORDED AT BOOK 118 OF MAPS, PAGE 9, ~~UNRECORDED~~ RECORDS OF MARICOPA COUNTY, ARIZONA;

THENCE NORTH 00 DEGREES 11 MINUTES 00 SECONDS EAST, ALONG SAID EAST LINE, A DISTANCE OF 779.94 FEET TO THE POINT OF BEGINNING;

EXCEPT THAT PORTION DESCRIBED AS LESSOR'S PARKING AREA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHERLY MOST CORNER OF LOT 42, THUNDERBIRD INDUSTRIAL AIRPARK NO. 3, AS RECORDED AT BOOK 145 OF MAPS, PAGE 28, RECORDS OF MARICOPA COUNTY, ARIZONA;

THENCE NORTH 43 DEGREES 55 MINUTES 00 SECONDS EAST, ALONG THE SOUTHEASTERLY LINE OF SAID LOT 42, A DISTANCE OF 166.81 FEET TO THE TRUE POINT OF BEGINNING OF THE PARCEL HEREIN DESCRIBED;

THENCE CONTINUING NORTH 43 DEGREES 55 MINUTES 00 SECONDS EAST, ALONG SAID SOUTHEASTERLY LINE, A DISTANCE OF 107.50 FEET;

THENCE SOUTH 45 DEGREES 45 MINUTES 00 SECONDS EAST, A DISTANCE OF 268.00 FEET;

THENCE SOUTH 43 DEGREES 55 MINUTES 00 SECONDS WEST, A DISTANCE OF 107.50 FEET;

THENCE NORTH 45 DEGREES 45 MINUTES 00 SECONDS WEST, A DISTANCE OF 268.00 FEET TO THE TRUE POINT OF BEGINNING;

EXCEPT ALL URANIUM, THORIUM, OR ANY OTHER MATERIAL WHICH IS OR MAY BE DETERMINED TO BE PECULIARLY ESSENTIAL TO THE PRODUCTION OF FISSIONABLE MATERIALS, WHETHER OR NOT OF COMMERCIAL VALUE, AS RESERVED IN PATENT FROM THE UNITED



**Legal Description
SCOTTSDALE AIRPORT
PROPOSED GREENWAY HANGARS AND SHADES**

THAT PORTION OF SECTION 11, TOWNSHIP 3 NORTH, RANGE 4 EAST OF THE GILA AND SALT RIVER MERIDIAN, MARICOPA COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHEAST CORNER OF LOT 93, THUNDERBIRD INDUSTRIAL AIRPARK NO. 3A, ACCORDING TO THE PLAT RECORDED IN BOOK 160 OF MAPS, PAGE 8, RECORDS OF MARICOPA COUNTY, ARIZONA;

THENCE SOUTH $46^{\circ}04'54''$ EAST, A DISTANCE OF 75.20 FEET;

THENCE SOUTH $43^{\circ}55'06''$ WEST, A DISTANCE OF 725.58 FEET;

THENCE NORTH $46^{\circ}05'00''$ WEST, A DISTANCE OF 605.00 FEET;

THENCE NORTH $43^{\circ}54'59''$ EAST, A DISTANCE OF 220.61 FEET TO A POINT ON THE SOUTH LINE OF LOT 89 OF SAID PLAT;

THENCE SOUTH $89^{\circ}42'27''$ EAST, ALONG THE SOUTH LINE OF LOT 89 - 93 OF SAID PLAT, A DISTANCE OF 731.92 FEET TO THE **POINT OF BEGINNING**.

THE ABOVE DESCRIBED BOUNDARY CONTAINS AN AREA OF 305,209 SQUARE FEET OF 7.01 ACRES MORE OR LESS.

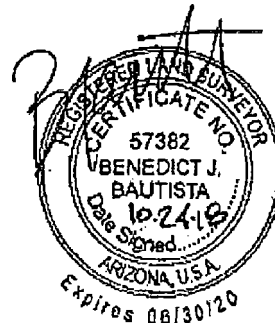


Exhibit "A" - Legal Description, Greenway Hangars/Shades

EPS Group, Inc. • 2045 S. Vineyard, Suite 101 • Mesa, AZ 85210
Tel (480) 503-2250 • Fax (480) 503-2258

Exhibit "B"

Lease Agreement 2018-193-COS
between City of Scottsdale and
Scottsdale Jet Center Real Estate

WHEN RECORDED RETURN TO:

CITY OF SCOTTSDALE
ONE STOP SHOP/RECORDS
(Gary Mascaro)
7447 East Indian School Road, Suite 100
Scottsdale, AZ 85251

City of Scottsdale Contract No. 2018-197-COS
(Res. 11307)
(Scottsdale Jet Center)

LEASE REPLACEMENT AGREEMENT

THIS LEASE REPLACEMENT AGREEMENT (the "Agreement") is made and entered into this ____ day of _____, 2018, by and between the City of Scottsdale, an Arizona municipal corporation ("Lessor"), and Scottsdale Jet Center Real Estate, LLC, an Arizona limited liability company ("Lessee").

RECITALS

A. Lessor is the owner of the Scottsdale Airport (the "Airport") located northeast of the intersection of Scottsdale Road and Thunderbird Road in Maricopa County, Arizona.

B. The Airport includes certain real property (the "Premises") comprising two parcels of approximately 11.64 total acres (507,031 square feet) in the City of Scottsdale, Arizona, and more particularly described on Exhibit "A" attached hereto.

C. Lessor is the lessor and Lessee warrants and represents to be the lessee of a portion of the Premises pursuant to that certain lease agreement (the "Air Commerce Center") dated July 23, 1982.

1. The Air Commerce Center Lease has been assigned and amended as follows:

<u>Transaction</u>	<u>Assignor</u>	<u>Assignee</u>	<u>Date</u>
First Amendment to Lease	Airport Properties Phase II	Airport Properties Phase II Limited Partnership	March 5, 1984

<u>Transaction</u>	<u>Assignor</u>	<u>Assignee</u>	<u>Date</u>
Deed, Bill of Sale and Assignment	Airport Properties Phase II Limited Partnership	Air Commerce Center, L.L.C.	January 6, 1994
Deed, Bill of Sale and Assignment [(50%) Interest]	Air Commerce Center, L.L.C.	Pleasant Country Limited Partnership	April 10, 1995
Deed, Bill of Sale and Assignment [(50%) Interest]	Pleasant Country Limited Partnership	Air Commerce Center, L.L.C.	June 5, 1995
Deed, Bill of Sale and Assignment [(23.976%) Interest]	Air Commerce Center, L.L.C.	Judith Kelly, as Trustee of The Kelly Family Trust B	September 12, 1996
Deed, Bill of Sale and Assignment [(23.976%) Interest]	Judith Kelly, as Trustee of The Kelly Family Trust B	Pleasant Country Limited Partnership	September 20, 1996
Deed, Bill of Sale and Assignment [(23.976%) Interest]	Pleasant Country Limited Partnership	Air Commerce Center, L.L.C.	June 11, 1997
Lease Assignment, Assumption, Consent and Estoppel	Airport Properties L.L.L.P.	Scottsdale Jet Center Real Estate, LLC	

<u>Amendment</u>	<u>Parties</u>	<u>Date</u>	<u>Recording Data</u>
First Amendment to Lease Agreement	City of Scottsdale, Airport Properties Phase II, Airport Properties Phase II Limited Partnership	March 5, 1984	Document 84 101383, M.C.R.

2. No other amendments have been made to the Air Commerce Center Lease.

D. Lessor is the lessor and Lessee warrants and represents to be the lessee of a portion of the Premises pursuant to that certain lease agreement (the "Greenway Shades and Hangars") dated May 27, 1977 and recorded December 15, 1977 at Docket 12600, pages 492-513 of the public records of Maricopa County, Arizona.

1. The Greenway Shades and Hangars Lease has been assigned and amended as follows:

<u>Transaction</u>	<u>Assignor</u>	<u>Assignee</u>	<u>Date</u>
Assigned rights to Airport Properties	Hal Grammer Construction	Airport Properties	November 1, 1977
<u>Amendment</u>	<u>Parties</u>	<u>Date</u>	<u>Recording Data</u>
First Amendment	City of Scottsdale, Airport Properties	December 7, 1977	December 15, 1977 Docket 12600 Pages 519-526
Second Amendment	City of Scottsdale, Airport Properties	August 6, 1984	July 15, 1988 Document No. 88 347695

E. Lessee desires to surrender the leaseholds under the Air Commerce Center Lease, and Greenway Shades and Hangars Lease, as amended, and all rights related thereto (collectively, the "Old Leases") in exchange for a new lease (the "Scottsdale Jet Center Lease", Contract No. 2018-193-COS) upon the Premises.

F. Lessor and Lessee have mutually determined that their respective interests will be better served by accomplishing the transaction set forth in this Agreement.

G. Lessee desires to operate the Premises as a full service fixed base operator, subject to the requirements of this Agreement, the Scottsdale Jet Center Lease, and any applicable Federal Aviation Administration and City of Scottsdale Airport Rules and Regulations.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, Lessor and Lessee agree as follows:

1 Recitals. The foregoing recitals are incorporated into this Agreement.

2 Old Leases Terminated. Except as set forth in Section 7.1 below, the Old Leases are hereby completely and irrevocably terminated as of _____ (the "Termination Date"). The Old Leases shall continue to be enforceable according to their respective terms until the Termination Date, when they shall automatically terminate without further act of the parties.

3 Scottsdale Jet Center Lease. Immediately upon execution of this Agreement, Lessor and Lessee shall enter into and execute the Scottsdale Jet Center Lease in the form attached 16876912v3

hereto as Exhibit "B". The Scottsdale Jet Center Lease shall be effective and become operative as of _____.

4 Lessee's Prior Assignees. Lessee warrants and represents that it has not assigned any of the tenant's interests under the Old Leases.

5 Recording. Within ten (10) days after the effective date of the Scottsdale Jet Center Lease, Lessee shall cause this Agreement to be recorded in the office of the Maricopa County Recorder.

6 Remedies. Lessee's failure to perform under this Agreement is also a default under the Scottsdale Jet Center Lease.

7 Miscellaneous.

7.1 Survival. All provisions of this Agreement shall survive the execution and delivery of this Agreement, all conveyances contemplated by this Agreement, and the rescission, cancellation, expiration or termination of this Agreement for any reason. This Agreement does not release the various "Lessees" under the Old Leases from any of their respective obligations and liabilities arising under the Old Leases or from any of their respective warranties and indemnities under the Old Leases, insofar as the Old Leases provide that such obligations, liabilities, warranties and indemnities survive termination of the Old Leases.

7.2 Amendments. This Agreement may not be amended except by a formal writing executed by all of the parties.

7.3 Time of Essence. Time is of the essence in each and every provision of this Agreement.

7.4 Integration. This Agreement (including the exhibits attached hereto) and the Scottsdale Jet Center Lease (including the exhibits attached thereto) constitutes the entire agreement between the parties with respect to terminating the Old Leases and creating the Scottsdale Jet Center Lease. This Agreement supersedes any prior agreement, understanding, negotiation, draft agreements, discussion outlines, correspondence and memoranda or representation regarding those matters and the Premises.

7.5 Exhibits. All exhibits attached hereto as specified herein are hereby incorporated into and made an integral part of this Agreement for all purposes.

7.6 Statutory Cancellation Right. In addition to its other rights hereunder, Lessor shall have the rights specified in A.R.S. § 38-511.

[signatures appear on the following page]

EXECUTED as of the date first given above.

LESSEE: SCOTTSDALE JET CENTER REAL
ESTATE LLC, an Arizona limited liability
company

By:

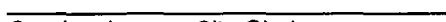

John Marchman, Managing Member

LESSOR: CITY OF SCOTTSDALE,
an Arizona municipal corporation


By:

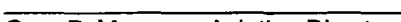
W. J. "Jim" Lane, Mayor

ATTEST:


Carolyn Jagger, City Clerk

APPROVED AS TO FORM:
OFFICE OF THE CITY ATTORNEY


Bruce Washburn, City Attorney
By: Michael Hamblin, Assistant City Attorney

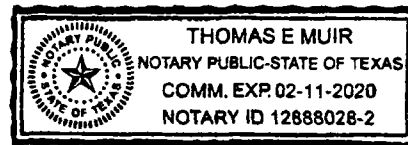

Gary P. Mascaro, Aviation Director

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 1st day of November 2018, by John Marchman, Managing Partner of Scottsdale Jet Center Real Estate, LLC an Arizona limited liability company.

Thomas E. Muir
Notary Public

My Commission Expires: 2/11/2020



STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this _____ day of _____ 2018, by W. J. "Jim" Lane, Mayor of the City of Scottsdale, an Arizona municipal corporation.

Notary Public

My Commission Expires:

19890434253_4

GUARANTEE NUMBER: 9008979T

89 434253

THAT PART OF SECTION 11, TOWNSHIP 3 NORTH, RANGE 4 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHERLY MOST CORNER OF LOT 42, THUNDERBIRD INDUSTRIAL AIRPARK NO. 3, AS RECORDED AT BOOK 145 OF MAPS, PAGE 28, RECORDS OF MARICOPA COUNTY, ARIZONA;

THENCE NORTH 43 DEGREES 55 MINUTES 00 SECONDS EAST, ALONG THE SOUTHEASTERLY LINE OF SAID LOT 42, A DISTANCE OF 274.31 FEET;

THENCE SOUTH 45 DEGREES 45 MINUTES 00 SECONDS EAST, A DISTANCE OF 369.49 FEET;

THENCE SOUTH 43 DEGREES 55 MINUTES 00 SECONDS WEST, A DISTANCE OF 512.81 FEET;

THENCE SOUTH 00 DEGREES 39 MINUTES 54 SECONDS WEST, A DISTANCE OF 351.46 FEET;

THENCE NORTH 89 DEGREES 20 MINUTES 06 SECONDS WEST, A DISTANCE OF 97.66 FEET TO A POINT ON THE EAST LINE OF TRACT B, THUNDERBIRD INDUSTRIAL AIRPARK, AS RECORDED AT BOOK 118 OF MAPS, PAGE 9, ~~Unrecorded~~ RECORDS OF MARICOPA COUNTY, ARIZONA;

THENCE NORTH 00 DEGREES 11 MINUTES 00 SECONDS EAST, ALONG SAID EAST LINE, A DISTANCE OF 779.94 FEET TO THE POINT OF BEGINNING;

EXCEPT THAT PORTION DESCRIBED AS LESSOR'S PARKING AREA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHERLY MOST CORNER OF LOT 42, THUNDERBIRD INDUSTRIAL AIRPARK NO. 3, AS RECORDED AT BOOK 145 OF MAPS, PAGE 28, RECORDS OF MARICOPA COUNTY, ARIZONA;

THENCE NORTH 43 DEGREES 55 MINUTES 00 SECONDS EAST, ALONG THE SOUTHEASTERLY LINE OF SAID LOT 42, A DISTANCE OF 166.81 FEET TO THE TRUE POINT OF BEGINNING OF THE PARCEL HEREIN DESCRIBED;

THENCE CONTINUING NORTH 43 DEGREES 55 MINUTES 00 SECONDS EAST, ALONG SAID SOUTHEASTERLY LINE, A DISTANCE OF 107.50 FEET;

THENCE SOUTH 45 DEGREES 45 MINUTES 00 SECONDS EAST, A DISTANCE OF 268.00 FEET;

THENCE SOUTH 43 DEGREES 55 MINUTES 00 SECONDS WEST, A DISTANCE OF 107.50 FEET;

THENCE NORTH 45 DEGREES 45 MINUTES 00 SECONDS WEST, A DISTANCE OF 268.00 FEET TO THE TRUE POINT OF BEGINNING;

EXCEPT ALL URANIUM, THORIUM, OR ANY OTHER MATERIAL WHICH IS OR MAY BE DETERMINED TO BE PECULIARLY ESSENTIAL TO THE PRODUCTION OF FISSIONABLE MATERIALS, WHETHER OR NOT OF COMMERCIAL VALUE, AS RESERVED IN PATENT FROM THE UNITED

16876912v3

Contract 2018-197-COS

Exhibit "A" - Legal Description, Air Commerce Center

Page 1 of 2



**Legal Description
SCOTTSDALE AIRPORT
PROPOSED GREENWAY HANGARS AND SHADES**

THAT PORTION OF SECTION 11, TOWNSHIP 3 NORTH, RANGE 4 EAST OF THE GILA AND SALT RIVER MERIDIAN, MARICOPA COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHEAST CORNER OF LOT 93, THUNDERBIRD INDUSTRIAL AIRPARK NO. 3A, ACCORDING TO THE PLAT RECORDED IN BOOK 160 OF MAPS, PAGE 8, RECORDS OF MARICOPA COUNTY, ARIZONA;

THENCE SOUTH 46°04'54" EAST, A DISTANCE OF 75.20 FEET;

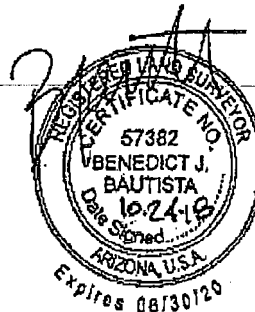
THENCE SOUTH 43°55'06" WEST, A DISTANCE OF 725.58 FEET;

THENCE NORTH 46°05'00" WEST, A DISTANCE OF 605.00 FEET;

THENCE NORTH 43°54'59" EAST, A DISTANCE OF 220.61 FEET TO A POINT ON THE SOUTH LINE OF LOT 89 OF SAID PLAT;

THENCE SOUTH 89°42'27" EAST, ALONG THE SOUTH LINE OF LOT 89 - 93 OF SAID PLAT, A DISTANCE OF 731.92 FEET TO THE **POINT OF BEGINNING**.

THE ABOVE DESCRIBED BOUNDARY CONTAINS AN AREA OF 305,209 SQUARE FEET OF 7.01 ACRES MORE OR LESS.



16876912v3

Contract 2018-197-COS

Exhibit "A" - Legal Description, Greenway Hangars/Shades

EPS Group, Inc. • 2045 S. Vineyard, Suite 101 • Mesa, AZ 85210
Tel (480) 503-2250 • Fax (480) 503-2258

WHEN RECORDED RETURN TO:

CITY OF SCOTTSDALE
ONE STOP SHOP/RECORDS
(Gary Mascaro)
7447 East Indian School Road, Suite 100
Scottsdale, AZ 85251

City of Scottsdale Contract No. 2018-193-COS
(Resolution No. 11307)
(Scottsdale Jet Center)

LEASE AGREEMENT

THIS LEASE AGREEMENT (the "Agreement") is made and entered into this ____ day of _____, by and between the City of Scottsdale, an Arizona municipal corporation ("Lessor"), and Scottsdale Jet Center Real Estate, an Arizona limited liability company ("Lessee").

RECITALS

A. Lessor is the owner of the Scottsdale Airport (the "Airport") located northeast of the intersection of Scottsdale Road and Thunderbird Road in Maricopa County, Arizona.

B. The Airport includes certain real property (the "Premises") comprising two parcels in the City of Scottsdale, Arizona, consisting of the Air Commerce Center Parcel of approximately 7.29 total acres (317,620 square feet) as described in Exhibit "A" attached hereto, and the Greenway Hangars and Shades Parcel of approximately 7.01 total acres (305,209 square feet) as described in Exhibit "B" attached hereto.

C. Lessor holds fee title and various other interests in the Premises subject to various documents recorded in the office of the Maricopa County Recorder as of the date of this Agreement (collectively, the "Site Documents").

D. The Premises includes certain office and hangar facilities as well as T-Shades and Hangars and an underground fuel farm made available for lease hereunder. As a part of this Agreement, Lessee will be granted the non-exclusive use of the aircraft parking apron located directly in front of the leased Premises.

E. Lessee desires to construct and operate all improvements necessary for convenient use of the Premises as a full service fixed base operator (collectively the "Project") upon the Premises as depicted on the drawings (collectively, the "Site Plan") attached hereto as Exhibit "C" (relating to the Air Commerce Center Parcel) and Exhibit "D" (relating to the Greenway Hangars and Shades Parcel), subject to the requirements of this Agreement.

F. Subject to the terms and conditions of this Agreement, Lessee shall construct the various improvements in three phases comprising the Project upon and adjacent to the Premises as depicted on the Site Plan under the conditions set forth herein.

NOW, THEREFORE, for and in consideration of the foregoing, the amounts hereinafter to be paid by Lessee, and the covenants and agreements contained herein to be kept and performed by Lessee, and other good and valuable consideration, Lessor and Lessee agree as follows:

I. RECITALS

1.0 Recitals. The foregoing recitals are incorporated into this Agreement.

II. PREMISES

2.0 Premises. Lessee's rights to use the Premises are limited as follows:

2.1 Reservation. Lessor specifically reserves to itself and excludes from this Agreement a non-exclusive easement (the "Reserved Easement") over the entire Premises for the exercise of all of Lessor's rights under this Agreement and for any and all purposes that do not materially interfere with Lessee's lawful conduct of the Permitted Uses under this Agreement. The Reserved Easement does not give the general public or any other Airport tenant (or the employees, vendors, or contractors of any other Airport tenant) a right to enter upon the Premises. Without limitation, the Reserved Easement also includes:

2.1.1 An underground utility easement.

2.1.2 A non-exclusive easement for pedestrian and vehicular access upon all vehicular, aircraft and pedestrian driveways, plazas, sidewalks, and maneuvering areas existing from time to time.

2.1.3 The right to install antennas utilized for airport operations upon the roofs of the buildings. Lessor shall not install, operate or allow use of equipment, methodology or technology for its antennas at the Premises that may or would interfere with the optimum effective use or operation of Lessee's antennas now or hereafter at the Premises. Lessee shall have the right to reject antennas which are visible from the parking spaces within the Premises or which interfere with other permitted uses of the roofs by Lessee and cannot be reasonably accommodated by such uses.

2.2 Public Agency Access. Lessor reserves the right for other public agencies and Lessor to enter the Premises or any part thereof at all reasonable times, for the purposes of reconstruction, maintenance, repair or service of any public improvements or public facilities located within or without the Premises. Any such entry shall be made only after reasonable notice to Lessee, and after Lessor or the other public agency has agreed to be responsible for any claims or liabilities pertaining to any entry. Any damage or injury to the Premises or to the part thereof resulting from such entry shall be promptly repaired at the sole expense of the public agency responsible for the entry. Such reserved rights do not include the interior space of any buildings that Lessee may construct upon the Premises. Lessor or the other public agency shall take commercially reasonable steps to minimize any disruption of the conduct of business on the Premises caused by the construction, reconstruction, repair, operation, maintenance and replacement of such improvements and facilities.

2.3 Rights in Adjacent Premises. Lessee's rights are expressly limited to the real property defined as the "Premises" in this Agreement. Without limitation, in the event any public right-of-way or other public or private property adjacent to the Premises is owned, dedicated, abandoned or otherwise acquired, used, improved or disposed of by Lessor, such property shall not accrue to this Agreement but shall be Lessor's only. In addition, and severable from the preceding sentence, upon any such event, Lessee shall execute and deliver to Lessor without compensation a quit-claim deed of such right-of-way or other property.

2.4 Variation in Area. In the event the Premises consist of more or less than any stated acreage, this Agreement shall nevertheless continue and Lessee's obligations hereunder shall not be increased or diminished.

2.5 Condition of Title. Lessee's rights hereunder are subject to all covenants, conditions, restrictions, easements, agreements, liens, reservations and encumbrances upon, and all other recorded or unrecorded conditions of title to, the Premises. Lessee has obtained any title insurance or information Lessee deems appropriate. Lessor does not warrant its own or Lessee's title to the Premises. Lessee's rights hereunder are further subject to all present and future building restrictions, regulations, rules, zoning laws, ordinances, resolutions, and orders of all bodies, bureaus, commissions and bodies of any municipal, county, state, or federal authority, now or hereafter having jurisdiction over the Premises or Lessee's use thereof.

2.6 Site Documents. Lessee shall do nothing at the Premises that the Site Documents would not allow Lessor to do. Lessee shall timely, fully and faithfully perform all obligations of Lessor and Lessee under the Site Documents with respect to the Premises. Lessee shall not have power to amend, modify, terminate or otherwise change the Site Documents, without Lessor's express written consent. Lessee shall pay, indemnify, defend and hold harmless the Lessor and its agents and representatives of, from and against any and all claims, demands, damages, expenses, interest or penalties of any kind or nature whatsoever, including attorneys', arbitrators' and experts' fees and court costs, which arise from or relate to violations of the Site Documents by Lessee or those claiming through Lessee. In the event the Site Documents impose affirmative duties to be performed on land outside the Premises, Lessee is not obligated to perform such duties unless the Site Documents specifically impose such duties upon the land included within the Premises.

2.7 Condition of Premises. Lessee has examined, studied and inspected the Premises, the Airport, and all other property associated with this Agreement and its environs. All of such property is being made available in an "as is" condition without any express or implied warranties of any kind, including without limitation any warranties or representations as to their condition or fitness for any use. Lessee has obtained such information and professional advice as Lessee has determined to be necessary related to this Agreement or this transaction.

2.8 Lessor's Fixtures and Personalty. No fixtures or personal property owned by Lessor upon or within the Premises are included in this Agreement. Any and all of Lessor's property as may come into the possession of Lessee or be used by Lessee, shall be returned to Lessor by Lessee at termination of this Agreement and shall be maintained in good working condition by Lessee from time to time at Lessee's expense and replaced by Lessee at Lessee's expense when worn out and shall be owned at all times by Lessor with Lessee being solely responsible for the condition thereof. All such personal property shall be provided "as is" and Lessee shall accept all responsibility for its condition and shall thoroughly inspect the same before use.

III. TERM OF AGREEMENT

3.0 Term of Agreement. Lessor hereby leases the Premises to Lessee subject to and conditioned upon Lessee's full, timely, complete and faithful performance of all performances and things to be performed or done hereunder by Lessee, and Lessee hereby accepts the Premises and this Agreement.

3.1 Term. The term of the Lease of the Premises shall commence on the execution of this Lease by both Lessor and Lessee and shall expire on December 31, 2058.

3.2 Holding Over. In any circumstance whereby Lessee would remain in possession of the Premises after the expiration of this Agreement, such holding over shall not be deemed to operate as a renewal or extension of this Agreement, but shall only create a tenancy from month to month which may be terminated at any time by Lessor upon thirty (30) days notice to Lessee, or by Lessee upon sixty (60) days notice to Lessor.

3.3 Airport Closure. Lessor does not warrant that the Airport will remain open during the entire term of this Agreement, but Lessor does not presently have intentions to close the Airport. If the Airport is scheduled to be closed for more than a twelve (12) month period, Lessee shall have a six (6) month period (the "Decision Period") to give Lessor notice that Lessee elects to terminate this Agreement without penalty. The Decision Period shall commence on the date (the "Determination Date") which is the end of the said first six (6) month period of Airport closure. If Lessee does not so elect to terminate this Agreement by giving such notice, then the following shall apply

3.3.1 The Permitted Uses shall be expanded to include all uses then allowed under applicable zoning and other laws.

IV. LEASE PAYMENTS

4.0 Lease Payments. Lessee shall pay to Lessor all of the following payments together with all other payments required by this Agreement (all payments by Lessee to Lessor required by this Agreement for any reason are collectively the "Rent"):

4.1 Rent Payment Date. All Rent shall be payable one month in advance on the twenty-fifth day of the preceding month. In the event an amount is not known in advance, Lessor shall have the right to estimate the amount, with an adjustment to be made within sixty (60) days after the actual amount becomes known. For example, the Rent for September shall be payable on or before August 25. Rent is deemed paid only when good payment is actually received by Lessor.

4.2 Base Rent. The rental amount ("the Base Rent") Lessee shall pay to Lessor at the twenty-fifth day of the preceding month of this Agreement shall be Thirteen Thousand One Hundred Sixteen and 51/100 Dollars (\$13,116.51). On May 22, 2022, the rental amount (the "New Base Rent") Lessee shall pay to the Lessor at the twenty-fifth day of the preceding month of this Agreement shall be Nineteen Thousand Seven Hundred Twenty Four and 44/100 Dollars (\$19,724.44).

4.3 Base Rent Adjustment. The Base Rent shall be automatically adjusted upward on each anniversary of this Agreement occurring in an odd numbered year, beginning with 2021.

The adjustment shall be made on the basis of changes in the United States Consumer Price Index for all Urban Consumers (CPI-U), U.S. City Average, all items, published by the United States Bureau of Labor Statistics (the "Cost of Living Index"). The amount of each new adjusted monthly installment of Base Rent (represented by the letter "R" in the formula set forth below) shall be equal to the new Cost of Living Index number (represented by the letter "C" in the formula set forth below) divided by the original Cost of Living Index number for the month during which this Agreement commences (represented by the letter "M" in the formula set forth below), and multiplied by the original monthly Base Rent amount (represented by the letter "B" in the formula set forth below) This computation is expressed by the following formula:

$$R = C/M \times B$$

provided, that in no event shall any Rent be adjusted downward from any previous period. If the Cost of Living Index has not been published on any adjustment date, Lessor shall have the right to estimate the Cost of Living Index and to make the adjustments based on such estimate. Any correction due to an error in Lessor's estimate shall be paid by Lessee to Lessor (or by Lessor to Lessee, as the case may be) within thirty (30) days after notice by either party to the other that the Cost of Living Index has been published. If such Cost of Living Index shall, for any reason whatsoever, not be published or readily identifiable at the adjustment date, then an index published by any state or federal agency or an index, formula or table accepted generally by the real estate profession shall be used as chosen by Lessor in Lessor's reasonable discretion. Any delayed adjustment shall be effective retroactively. In the event of a holdover, all Rent and every element thereof shall be increased by an additional fifty percent (50%) over the amount of Rent that would otherwise be payable under this Agreement.

4.3.1 If Lessee fails to complete, as evidenced by the issuance of a Certificate of Occupancy, the construction for Phase II by the date set forth in Section 8.2.1 below, Lessee's base rent shall be \$11,861.13.

4.3.2 If Lessee fails to complete, as evidenced by the issuance of a Certificate of Occupancy, the construction of Phase III by the date set forth in Section 8.3.1 below, Lessee's base rent shall be \$10,064.39.

4.4 Aeronautical Business Permit. To the extent required by law, all persons occupying or operating at the Premises shall obtain an Aeronautical Business Permit. This paragraph applies to any type of permit or other rule or requirement that may supplement or replace the Aeronautical Business Permit. In addition to all other Rent payment hereunder, if Lessee does not from time to time hold an Aeronautical Business Permit covering all activities relating to its own operations, activity and business at the Premises and pay all fees related thereto, Rent shall include an additional amount equal to the amount that would be payable pursuant to such an Aeronautical Business Permit regardless of whether an Aeronautical Business Permit is required by law. Notwithstanding the foregoing or Paragraph 5.1, Lessee may sublease office space (but only office space) to persons or entities who are not engaged in an aviation related business and/or who are not required to hold an Aeronautical Business Permit; provided, however, that because the Permitted Uses are otherwise limited to certain aviation related uses and Lessor desires to ensure an appropriate overall mix of aviation and non-aviation related office space on the Premises, any and all such non-aviation related office subleases are subject to Lessor's prior written consent (which consent Lessor shall not unreasonably withhold or delay).

4.5 Security Deposit. Upon execution of this Agreement, Lessee shall provide to Lessor, and maintain with Lessor at all times during the term of this Agreement, a cash security deposit in the amount equal to Fifteen Thousand Dollars (\$15,000) guaranteeing the faithful performance of this Agreement. Any funds or property of Lessee held by or available to Lessor or any issuer of a letter of credit receiver, escrow agent or other third party under or related to this Agreement shall also stand as a security deposit guaranteeing Lessee's faithful performance of this Agreement. Any portion of any security deposit to which Lessee may then be entitled, net of any setoff or other obligation of Lessee, shall be paid to Lessee by the then owner of the fee title to the Premises within sixty (60) days after the later of termination of this Agreement or complete satisfaction of all of Lessee's obligations.

4.6 Late Fees. Should any Rent not be paid on or before the due date, a late fee shall be added to the amount due in the amount of ten percent (10%) of the amount due. Furthermore, any Rent that is not timely paid shall accrue interest at the rate of .25 percent (.0025%) per month, every month thereafter until paid. Lessee expressly agrees that the forgoing represent fair and reasonable estimates by Lessor and Lessee of Lessor's costs (such as accounting and processing costs, administrative costs, etc.) in the event of a delay in payment of Rent. Lessor shall have the right to allocate payments received from Lessee among Lessee's obligations.

4.7 Rent Amounts Cumulative. All amounts payable by Lessee under any provision of this Agreement or under any tax, assessment or other existing or future ordinance or other law of the City of Scottsdale or the State of Arizona shall be cumulative and payable in addition to each other payment required hereunder, and such amounts shall not be credited toward, substituted for, or setoff against each other in any manner.

4.8 No Setoffs. Lessee shall pay all Rent directly to Lessor without setoff or deduction of any description. Lessee expressly waives any right of setoff.

V. USE RESTRICTIONS

5.0 Use Restrictions. Lessee's use and occupation of the Premises shall in all respects conform to all and each of the following cumulative provisions:

5.1 Permitted Uses. Upon completion of Phase I as set forth in Section 8.1 Lessee and those claiming through Lessee shall use the Premises solely for a full service fixed base operator (the "Permitted Uses") in accordance with the Airport Minimum Operating Standards and receiving an approved Aeronautical Business Permit for such activity. Lessee shall conduct no other activity at or from the Premises. Upon completion of Phase I, the Permitted Uses are limited to the following as set forth in Sections 5.1 through 5.1.11:

5.1.1 Commercial offices as reasonably required for conduct of the Permitted Uses.

5.1.2 Flight instruction.

5.1.3 Aircraft charter service.

5.1.4 Aircraft sales and leasing.

5.1.5 Major aircraft maintenance and repair.

5.1.6 Aircraft storage, parking and tiedown.

5.1.7 Aircraft related warehousing.

5.1.8 Aircraft lubrication.

5.1.9 Aircraft management services.

5.1.10 Aircraft parts, avionics and equipment sales.

5.1.11 Aircraft fueling subject to the limits of this Agreement and the Airport Rules and Regulations.

5.1.12 Prior to the completion of Phase I as set forth in Section 8.1 and Lessee's receipt of any aeronautical business permit for a full service fixed based operator, Lessee will be limited to the aeronautical activities listed from Sections 5.1.1 through 5.1.15.2.5.

5.1.13 Prior to receiving an approved Aeronautical Business Permit for a full service fixed base operator, the Premises shall be operated subject to the limits of this section regarding based aircraft.

5.1.13.1 Intentionally Omitted

5.1.13.2 Based Aircraft:

As used herein, "Based Location" means an aircraft which the owner physically locates on the Premises at the Airport with the intent and purpose to remain for an undetermined period; and whose presence at the Premises is not transitory in nature. "Based" includes an aircraft that is located at the Airport for a limited or seasonal duration.

5.1.13.3 Visiting aircraft.

Non-based aircraft (i.e. transient or visiting aircraft based in another location) may only access the Premises upon the Aviation Director's prior written approval of a request from: (i) the Lessee or (ii) aircraft owner/operator based at the premises, in accordance with the following:

5.1.13.3.1 Visiting aircraft may not receive fuel from the Premises, receive maintenance, unless by an approved Aeronautical Business Permittee that is allowed to conduct maintenance, or remain overnight more than ten (10) consecutive calendar days;

5.1.13.3.2 The Aviation Director will not accept any application to base a visiting aircraft permanently at the Premises while the aircraft is parked under Aircraft Visiting Notice.

5.1.13.3.3 The Lessee receiving the visitor must notify Airport Operations in writing via the Aircraft Visiting Notice or email in advance of the visiting aircraft's arrival at the Airport.

5.1.14 Prerequisites to registration and licensing of aircraft at the Premises. Prior to the completion of Phase I as set forth in Section 8.1 and Lessee's receipt of any

aeronautical business permit for a full service fixed based operator, the following requirements shall apply:

Each person owning, operating, or otherwise controlling aircraft based at the Premises shall:

5.1.14.1 Prior to basing the aircraft, obtain an Aircraft Storage Agreement approved by the Aviation Director for each aircraft and submit evidence satisfactory to the City of registration and/or aircraft leasehold interest.

5.1.14.2 Convey in writing any changes to information contained within the Aircraft Storage Agreement to the Aviation Director within fifteen (15) calendar days of the change.

5.1.14.3 If conducting storage of aircraft primarily used in conjunction with the commercial aeronautical uses at the Premises, provide evidence reasonably satisfactory to the City that:

5.1.14.3.1 The operator has been granted an approved Aeronautical Business Permit to conduct such activity at the Premises; and

5.1.14.3.2 The permitted aeronautical business occupies the amount of enclosed non-hangar gross floor area at the Premises required by the Airport Minimum Operating Standards.

5.1.15 Based aircraft storage requirements. Prior to the completion of Phase I as set forth in Section 8.1 and Lessee's receipt of any aeronautical business permit for a full service fixed based operator, the following requirements shall apply:

5.1.15.1 A based aircraft shall only park at the Premises in its "slot".

5.1.15.2 The maximum number of aircraft that may be lawfully based at Premises is calculated by the number of aircraft that can physically and operationally fit at the Premises at any time if all based aircraft were present. The Lessee shall:

5.1.15.2.1 Submit a dimensional plan-view drawing of the Premises and associated aircraft for approval or denial by Aviation Director.

5.1.15.2.2 If, in the determination of the Aviation Director, the dimensional plan-view drawing is insufficient to demonstrate the ability to base all aircraft in the hangar location, at the Aviation Director's discretion, all or some of the based and proposed based aircraft will be required to be simultaneously placed at the Premises location for review by the Aviation Director.

5.1.15.2.3 A slot is considered occupied by a based aircraft for a minimum of six (6) months or, if in excess of six (6) months, as long as the aircraft is based at the Premises.

5.1.15.2.4 Replacement aircraft may be substituted for a slot aircraft only if the Aviation Director approves a replacement aircraft:

(a) For an aircraft sold by the owner, and the replacement aircraft based in the same slot at the Premises. The replacement aircraft begins a new six (6) month period for the slot.

(b) For a specified period of time, to replace the slot aircraft while it is undergoing maintenance, repair or specialized aircraft repair services as they are described in the Airport Minimum Operating Standards. The replacement aircraft does not begin a new six (6) month period for the slot.

5.1.15.2.5 Except as provided in subsection 5.1.15.1.2.4, replacement aircraft shall not be substituted for aircraft no longer based by Lessee or sublessee at the Premises.

5.2 Additional Restrictions. Through the term of this Lease the Permitted Uses are further restricted as follows:

5.2.1 Except from vending machines, no food shall be sold at the Premises. The preceding sentence does not preclude sales of in-flight meals prepared outside the Premises.

5.2.2 No gambling activities of any sort whatsoever are permitted at the Premises.

5.2.3 Sales, sale signs, and merchandise storage and display are confined to the interior of the Premises within the building.

5.2.4 No alcohol is permitted at the Premises. The preceding sentence does not apply to de minimus quantities of alcohol provided by building occupants for their own use (and guests) or to infrequent social parties conducted by Premises occupants for their staff or customers.

5.3 Restriction on Lessee's Other Business. During the entire term of this Agreement, Lessee shall not participate directly or indirectly in the ownership, management, or operation of any other business or other operation that includes transient fueling at the Airport.

5.4 Height Limitation. Lessee shall not direct, permit, or maintain upon the Premises any structure, tree, or other stationary or attached object (except an aircraft) that penetrates the Federal Aviation Regulation Part 77 surface without consent of the Federal Aviation Administration.

5.5 Signs. Lessee shall install all signs and markings required for safe use of the Premises. Lessee shall have the right to install and maintain not more than five (5) appropriate exterior signs per building to identify Lessee's operations at the Premises provided that all of the following conditions are met:

5.5.1 Each sign shall be made of metal and match the color, materials, content, construction, lettering, style, appearance and function of other signs installed by Lessor in the operation areas of the Airport, all as reasonably determined by Lessor.

5.5.2 Lessee shall design, make, install and maintain all signage in a first class professional manner.

5.5.3 Lessee shall not erect, install, apply for a permit for, or display any sign until Lessee has submitted written request, together with descriptions and drawings showing the intended locations, size, style and colors of such signs to Lessor, and has received notice of Lessor's approval. Proposed Lessee signs shall also be subject to the same plans review and other requirements that apply to other construction work by Lessee under this Agreement.

5.5.4 Lessee shall bear all costs pertaining to the erection, installation, operation, maintenance and removal of all signs including, but not limited to, the application for and obtaining of any required building or other permits.

5.5.5 The requirements of this paragraph apply to all signs, designs, monuments, decals, graphics, banners and other manner of signage.

5.5.6 Lessee shall provide signage and other markings on the Premises as directed by Lessor from time to time to cause parking, deliveries and other vehicle and other uses to comply with this Agreement.

5.6 Publicity. Upon special or standing requests made by Lessor from time to time and not in the absence of such requests, Lessee shall include in its promotional materials and other information distributed, sent, or made available to the public or others a notation that all or any part of Lessee's activities at the Premises are accomplished "with the assistance of the City of Scottsdale" or other words of support as Lessor may reasonably select from time to time.

5.7 Prohibited Names. Lessee shall not allow use in connection with any operations at the Premises any name that directly or indirectly refers to or contains any part of Lessor's name or the Airport's name or otherwise suggests a connection between Lessor and Lessee or Lessee's activities. Lessee shall also not use in connection with its operations at the Premises any name associated with products or purveyors of any sort of alcohol, tobacco, adult entertainment or gambling related products or services.

5.8 Name of Business. Lessee shall operate the Permitted Uses at the Premises under Lessee's name, Scottsdale Jet Center, or if such name is not available or if Lessor and Lessee desire otherwise, such other aviation related name as Lessor may approve in Lessor's reasonable discretion.

5.9 Nonexclusive Uses. Lessee understands and agrees that Lessor, Lessor's other tenants, and other persons within and without the Airport and the surrounding vicinity will conduct from time to time business activities in direct competition with Lessee. Lessee has no exclusive rights to conduct any activity anywhere at the Airport. Nothing herein contained shall be construed to grant or authorize the granting of an exclusive right within the meaning of Section 308(a) of the Federal Aviation Act of 1958 (49 U.S.C. § 1349).

5.10 Communications Operations Restriction. Lessee shall not install, operate, or allow the use of equipment, methodology or technology that may or would interfere with the optimum effective use or operation of Lessor's existing or future fire, emergency or other communication equipment, methodology or technology (i.e., voice or other data carrying, receiving or transmitting equipment). If such interference should occur, Lessee shall immediately discontinue using the equipment, methodology or technology that causes the interference until Lessee takes corrective measures. Any such corrective measures shall be made at no cost to Lessor.

5.11 Outdoor Uses. Except to the extent, if any, approved by Lessor (Aviation Director) in writing in advance from time to time, all uses other than automobile and aircraft parking, aircraft fueling, pedestrian, aircraft and vehicular access, and similar incidental uses are confined to the interior of buildings at the Premises. The preceding sentence does not prohibit minor aircraft servicing outside the Premises on other portions of the Airport as may be allowed from time to time.

5.12 Coordination Meetings. Lessee shall meet with Lessor and other Airport users from time to time as requested by Lessor to coordinate and plan construction and operation of the Premises and all matters affected by this Agreement.

5.13 Governmental Relations. Lessee shall conduct its activities in coordination with Lessor as necessary to maintain good relations with all governmental and other entities having jurisdiction over the Premises. The preceding sentence does not prohibit Lessee from asserting its legal rights against such entities. Lessee shall immediately give to Lessor notice of any actual or threatened dispute, violation or other disagreement relating to the Premises. Lessee is not an agent for Lessor. Without limitation, such entities (who are not third party beneficiaries to this Agreement) include (to the extent that such entities have jurisdiction over the Premises):

5.13.1 State of Arizona

5.13.2 Maricopa County

5.13.3 Arizona Department of Environmental Quality

5.13.4 Arizona Department of Transportation

5.13.5 Federal Aviation Administration

5.14 Conduct at Premises. In entering into this Agreement, Lessor and Lessee have foremost in mind providing the public with a professional atmosphere devoid of unruly, inebriated, disorderly, or sexually oriented behavior. Lessee shall cause persons exhibiting such behavior to leave the Premises.

5.15 Quality Service. Lessee shall operate the Premises in a first-class manner; shall furnish prompt, clean and courteous service; and shall keep the Premises attractively maintained, orderly, clean, sanitary and in an inviting condition at all times, all to Lessor's reasonable satisfaction.

5.16 Lessee's Agent. Lessee shall at all times when the Premises are occupied retain on call available to Lessor upon the Premises an active, qualified, competent and experienced manager to supervise all activities upon and operation of the Premises and who shall be authorized to represent and act for Lessee in matters pertaining to all emergencies and the day-to-day operation of the Premises and other matters affecting this Agreement. Lessee shall also provide notice to Lessor of the name, street address, electronic mail address, and regular and after hours telephone numbers of a person to handle Lessee's affairs and emergencies at the Premises.

5.17 Operations and Staff Qualifications and Requirements. Lessee shall provide to the Premises adequate qualified personnel to conveniently conduct all operations at the Premises.

5.18 Hazardous Materials. Lessee's use upon or about the Premises shall be subject to the following provisions regarding any hazardous waste or materials or toxic substance or any substance now or hereafter subject to regulation under the Arizona Hazardous Waste Management Act, A.R.S. § 49-901 *et seq.*, the Resource Conservation and Recovery Act, 42 U.S.C. 6901 *et seq.*, or the Toxic Substances Control Act, 15 U.S.C. § 2601 *et seq.*, or any other federal, state, county, or local law pertaining to hazardous waste or toxic substances (collectively "Toxic Substances"):

5.18.1 Lessee shall not produce, dispose, transport, treat, use or store any Toxic Substances upon or about the Premises. The prohibitions of the preceding sentence only shall not apply to:

5.18.1.1 Aircraft fuel lawfully contained in proper tanks and dispensing equipment and offered for sale as permitted by this Agreement.

5.18.1.2 Materials necessary for aircraft servicing and restoration, provided such materials are present only in the minimum quantities reasonably necessary for such uses.

5.18.1.3 Janitorial supplies and similar materials in the minimum quantities necessary for first class modern fixed base operator uses permitted by this Agreement.

5.18.1.4 Ordinary gasoline, diesel fuel or other fuels or lubricants necessary for ordinary use in aircraft, motor vehicles and ordinary construction or landscaping machinery serving the Premises when such materials are properly and lawfully contained in ordinary quantities in ordinary tanks and receptacles installed in such vehicles and machinery.

5.18.2 Lessee shall dispose of any Toxic Substances away from the Premises as required by law.

5.18.3 Lessee shall not use the Premises in a manner inconsistent with regulations issued by the Arizona Department of Health Services.

5.18.4 In addition to any other indemnities or obligations, Lessee shall pay, indemnify, defend and hold Lessor harmless against any loss or liability incurred by reason of any Toxic Substance on or affecting the Premises attributable to or caused by Lessee or anyone using the Premises or acting or claiming under Lessee or this Agreement or otherwise relating to this Agreement. Lessee shall immediately notify Lessor of any prohibited Toxic Substance at any time discovered or existing upon the Premises.

5.18.5 Lessee understands the hazards presented to persons, property and the environment by dealing with Toxic Substances. Lessee acknowledges the possibility that the Premises may contain actual or presumed asbestos containing materials.

5.19 Chemical Containers. Lessee shall capture, control and dispose of waste oil and other waste materials from equipment and other activities at the Premises. Lessee's disposal of such items shall be according to law and away from the Premises and other property of Lessor.

5.20 Fixtures and Personality. Lessee shall provide to and maintain at the Premises all equipment and other items necessary for the Premises to be conveniently used for the Permitted Uses.

5.21 Required Operation. During the entire term of this Agreement and any renewals or extensions, Lessee shall keep the Premises open to the public with service adequate to meet public demand. If Lessor determines in Lessor's reasonable discretion that public demand requires additional operating hours, Lessor shall have the right to require additional hours of operation. The operating requirements of this paragraph shall be suspended during the allowed period of repair work to the Premises under this Agreement when and to the extent operation is prevented by damage to the Premises. Prior to completion of Phase I of the project during the required hours of operations, Lessee shall provide, hangar and shade storage and office space services. After completion of Phase I of the Project, during the required hours of operations, Lessee shall provide all of the following services:

5.21.1 Aircraft fueling and lubricants.

5.21.2 Aircraft line services.

5.21.3 Major aircraft maintenance and repair services.

5.21.4 All service required to meet the minimum standards for a fixed base operator as set forth in the Scottsdale Airport Minimum Operating Standards, as amended from time to time.

5.22 Parking off the Premises. Lessor is not required to provide any parking. Parking is allowed only in marked parking stalls on the Premises. Vehicle loading, unloading, parking and standing is not allowed on any other area of the Airport or upon adjacent streets or lands. The preceding sentence does not prohibit use of motor vehicles upon the Airport ramp or other areas as may be permitted from time to time. Lessee shall take such measures as Lessor may reasonably request (including but not limited to installing, maintaining and operating card controlled access gates) to control non-aircraft access to areas accessible to aircraft.

5.23 Parking on the Premises. To reduce effects on surrounding parking, and to encourage full use of parking at the Premises by persons visiting the Premises, Lessee shall make no charge except for valet service, if any, for parking at the Premises. For purposes of the preceding sentence, parking charges do not include charges for automobile storage while a person is using an aircraft based at the Premises. Except as Lessor may consent from time to time, Lessee shall provide all parking on site in compliance with current and future laws and regulations.

5.24 Airport Operations. Lessee acknowledges that Lessee's use of the Premises shall be subject and subordinate to Lessor's operation of the Airport, which will necessarily directly and indirectly affect Lessee and the Premises. Lessee shall not use the Premises in a way that in Lessor's reasonable discretion adversely affects Lessor's use or operation of the Airport. Cumulatively and without limitation:

5.24.1 This Agreement does not give Lessee any rights to park aircraft at any location at the Airport other than the Premises or to use any other portion of the Airport. Any use of any portion of the Airport other than the Premises by Lessee shall be only as a member of the public and subject to all rules and regulations affecting the Airport from time to time.

5.24.2 Lessor reserves the right to further develop, diminish, close, remove or otherwise change the landing area and other areas of the Airport. Lessor reserves the right, but shall not be obligated to Lessee to maintain, operate or repair the landing or other areas of the Airport and all publicly-owned facilities of the Airport.

5.24.3 There is hereby reserved to Lessor, its successors and assigns, and for the use and benefit of Lessor and the public, a right of flight for the passage of aircraft in the airspace above the surface of the Premises. This right of flight shall include the right to cause within or without said airspace any noise, vibrations or other effects relating to the operation of any aircraft used for navigation or flight through the said airspace or landing at, taking off from, or operating at, the Airport.

5.24.4 Lessee shall not interfere with or endanger or obstruct the flight, taxiing, landing and taking off of aircraft, the loading or unloading of passengers or cargo, or other Airport operations.

5.25 Actions by Others. Lessee shall be responsible to ensure compliance with this Agreement by all persons using the Premises or claiming through or under Lessee or this Agreement. Lessee shall prevent all such persons from doing anything that this Agreement prohibits Lessee from doing.

VI. IMPROVEMENTS BY LESSOR

6.0 Improvements by Lessor. Lessor has not promised to and is not obligated in any manner to make any improvements to the Premises or the Airport.

VII. LESSEE'S IMPROVEMENTS GENERALLY

7.0 Lessee's Improvements Generally. Lessee shall not perform any improvements, repairs, installation, construction, grading, structural alterations, utility alterations, parking or traffic alterations, removal, demolition or other cumulatively significant construction or similar work of any description whether or not specifically described herein upon or related to the Premises (collectively "Lessee's Improvements") except in compliance with the following:

7.1 Cost of Lessee Improvements. Should Lessee wish to further improve the Premises, all Lessee's Improvements shall be designed and constructed by Lessee at Lessee's sole cost and expense. In no event, including without limitation termination of this Agreement for any reason, shall Lessor be obligated to compensate Lessee in any manner for any of Lessee's Improvements or other work provided by Lessee during or related to this Agreement. Lessee shall timely pay for all labor, materials, work and all professional and other services related thereto and shall pay, indemnify, defend and hold harmless Lessor and Lessor's employees, officer's, contractors and agents against all claims related thereto. Lessee shall bear the cost of all work required from time to time to cause the Premises to comply with local zoning rules, environmental approvals, the Americans with Disabilities Act, building codes and similar rules. Lessee shall also bear the cost of all work required from time to time to cause any other property owned by Lessor to comply with all such rules implicated by work performed by Lessee, by Lessee's use of the Premises, or by any exercise of the rights granted to Lessee under this Agreement.

7.2 Design and Construction Professionals. All construction and plans preparation for all Lessee's Improvements from initial proposals through final construction documents and

completion of construction shall be performed by professionals selected and paid by Lessee. All of Lessee's design and construction contractors shall have substantial experience in timely and successfully constructing projects similar to Lessee's Improvements.

7.3 Improvement Quality. Any and all work performed on the Premises by Lessee shall be performed in a workman-like manner as reasonably determined by Lessor and shall be diligently pursued to completion and in conformance with all building codes and similar rules. All of Lessee's Improvements shall be high quality, safe, modern in design, and attractive in appearance, all as approved by Lessor through the plans approval processes described in this Agreement in addition to any zoning, building code or other regulatory processes that may apply.

7.4 Ownership of Lessee's Improvements. All Lessee's Improvements (including the existing Air Commerce Center improvements) shall be considered owned by Lessee throughout the term of this Agreement; provided that (a) upon the expiration or earlier termination of this Lease, title to all such improvements shall be deemed automatically transferred to Lessor, without need for action by any party, (b) the foregoing shall not excuse Lessee from any of its obligations under the this Agreement concerning such improvement, and (c) Lessee shall not have any right to remove any such Improvements upon any termination of this Lease or upon the expiration of the term of this Agreement, except as may be expressly permitted pursuant to this Agreement.

7.5 Time for Completion. Lessee shall diligently and expeditiously pursue to completion the construction of all approved Lessee's Improvements and shall complete construction of all of Lessee's Improvements, if any, no later than the earlier of i) eighteen (18) months after commencement of such construction, or ii) any earlier date required by this Agreement or by Lessor's approval of the plans. Notwithstanding anything in this paragraph to the contrary, the time period for completing restoration work in the event of damage to the premises is twenty-four (24) months after the damage.

7.6 Construction Coordination. Lessee shall conduct all of its construction activities at and about the Premises so as not to materially interfere with activities, operation, and other construction upon the Airport or surrounding properties.

7.7 Approval Required. Lessee shall not perform any construction work requiring a building permit without having first received the written consent of Lessor.

7.8 Effect of Approval. Lessor's approval of plans submitted shall be irrevocable for purposes of this Agreement and shall constitute approval (but only at the level of detail of the applicable stage of the review process) of the matters plainly shown on the plans approved. Lessor shall not reject subsequent plans to the extent the matter to which Lessor objects was clearly included in plans previously approved by Lessor and plainly shown on plans previously approved by Lessor. However, Lessor is not precluded from objecting to refinements or implementation of matters previously approved or treatment of matters previously not approved.

7.9 Utility Modifications. Any changes to utility facilities shall be strictly limited to the Premises and shall be undertaken by Lessee at its sole cost and expense.

7.10 Design Requirements. All Lessee's Improvements shall comply with the following design requirements:

7.10.1 All Lessee's Improvements shall be contained entirely within the Premises and without any encroachment or dependence upon any other property, except that Lessee's Improvements shall include construction of related curbs, gutters, pavement, landscaping, and other street improvements Lessor determines to be appropriate.

7.10.2 All Lessee Improvements shall be designed so as to present uniformity of design, function, appearance and quality throughout and consistency with other buildings and improvements located at the Airport.

7.10.3 All Lessee's Improvements shall comply with all requirements of law, any applicable insurance contracts, all Site Documents and this Agreement.

7.10.4 Lessee shall be responsible to directly obtain all necessary permits and approvals from any and all governmental or other entities having standing or jurisdiction over the Premises.

7.10.5 To the extent requested by Lessor, Lessee's plans shall include a description of construction methods employed to address environmental issues affecting or affected by the Premises and protect other facilities at the Airport and surrounding properties.

7.11 Disturbance of Toxic Substances. Prior to undertaking any construction or maintenance work, Lessee shall cause the Premises to be inspected to ensure that no potential asbestos or other Toxic Substances are disturbed, except in accordance with all applicable laws and regulations. Prior to any work of any description that bears a material risk of disturbing potential asbestos or other Toxic Substances, Lessee shall cause the contractor or other person performing such work to give to Lessor notice by the method described in this Agreement to the effect that the person will inspect for such materials, will not disturb such materials except in accordance with all applicable laws and regulations, and will indemnify, defend and hold Lessor harmless against any disturbance of such materials in the course of the contractor's or other person's work. Lessee shall cause any on-site or off-site storage, inspection, treatment, transportation, disposal, handling, or other work involving Toxic Substances by Lessee in connection with the Premises to be performed by persons, equipment, facilities and other resources who are at all times properly and lawfully trained, authorized, licensed, permitted and otherwise qualified to perform such services.

7.12 Plans Required. Lessee's design of all Lessee's Improvements shall occur in three stages culminating in final working construction documents for the Lessee's Improvements (the "Final Plans"). The three stages are, in order of submission and in increasing order of detail, as follows:

7.12.1 Conceptual plans showing the general layout, locations, elevations, configuration, and capacities of all significant improvements, topographical features, pedestrian and vehicular ways, buildings, utilities, water systems, and other features significantly affecting the appearance, design, function and operation of each element of Lessee's Improvements. The conceptual plans must also show general locations and dimensions of all rooms, hallways and other areas together with the number of square feet of building and other area that all significant uses and facilities will respectively occupy.

7.12.2 Preliminary plans showing all building finishes and treatments, finished elevations, general internal and external building design and decoration schemes (including without limitation colors, textures and materials), mechanical, communications, electrical,

plumbing and other utility systems, building materials, landscaping and all other elements necessary prior to preparation of final working construction documents and showing compliance with all requirements of this Agreement. The preliminary plans shall show all detail necessary prior to preparation of Final Plans.

7.12.3 Final Plans.

7.13 Approval Process. The following procedure shall govern Lessee's submission to Lessor of all plans for Lessee's Improvements, including any proposed changes by Lessee to previously approved plans:

7.13.1 Upon execution of this Agreement, Lessor and Lessee shall each designate a construction manager to coordinate the respective party's participation in designing and constructing the Lessee's Improvements. Each construction manager shall devote such time and effort to the Lessee's Improvements as may be necessary for timely, good faith, and convenient coordination among the parties and their representatives involved with the Lessee's Improvements and compliance with this Agreement. Lessor's construction manager will not be exclusively assigned to this Agreement or the Lessee's Improvements.

7.13.2 All plans submitted under this Agreement shall show design, appearance, style, landscaping, mechanical, utility, communication and electrical systems, building materials, layout, colors, streets, sidewalks, transportation elements, views, and other information reasonably deemed necessary by Lessor for a complete understanding of the work proposed, all in detail reasonably deemed appropriate by Lessor for the level of plans required by this Agreement.

7.13.3 All submissions by Lessee under this Agreement shall be delivered directly to Lessor's construction manager and shall be clearly labeled to indicate that they are submitted pursuant to this Agreement and not for building permits, zoning or other approvals. Each submittal of plans by Lessee for Lessor's review shall include two (2) complete sets of the plans on paper together with one (1) electronic copy of the plans in PDF.

7.13.4 Lessee shall coordinate with Lessor as necessary on significant design issues prior to preparing plans to be submitted hereunder.

7.13.5 In addition to other submissions required under this Agreement, Lessee shall simultaneously deliver to Lessor's construction manager copies of all applications and supplemental, supporting and related materials for all zoning, development review and similar processes for the Lessee's Improvements (excluding building permits).

7.13.6 No plans shall be deemed approved by Lessor until stamped "APPROVED PER ARTICLE 7 OF LEASE AGREEMENT" (or other words clearly evidencing Lessor's approval pursuant to this Agreement as distinguished from any regulatory or other approval) and dated and initialed, by Lessor's construction manager (collectively "Stamped").

7.13.7 Construction shall not commence until Lessee delivers to Lessor a formal certification in favor of Lessor by a qualified registered engineer acceptable to Lessor to the effect that the Lessee's Improvements are properly designed to be safe and functional and comply with this Agreement. Such certification shall be accompanied by and refer to such supporting information and analysis as Lessor may require. Such certification shall be on the face of the plans themselves.

7.13.8 Lessee acknowledges that Lessor's construction manager's authority with respect to the Premises is limited to the administration of the requirements of this Agreement. No oral approval, consent or direction by Lessor's construction manager or other persons affiliated with Lessor inconsistent with this Agreement shall be binding upon Lessor. Lessee shall be responsible for securing all environmental and zoning approvals, development review, and other governmental approvals and for satisfying all governmental requirements pertaining to the Lessee's Improvements and shall not rely on Lessor or Lessor's construction manager for any of the same.

7.13.9 Lessor's issuance of building permits or zoning clearances, or any other governmental reviews or actions shall not constitute approval of any plans for purposes of this Agreement. Lessee's submission of plans under this Agreement, Lessor's approval of plans for purposes of this Agreement, and the plans approval process under this Agreement, shall be separate and independent of all zoning, design review and other regulatory or similar plans submittal and approval processes, all of which shall continue to apply in addition to the requirements of this Agreement and its approvals.

7.13.10 Lessor has the right to require Lessee to obtain approval for any Lessee Improvements from the City of Scottsdale Development Review Board and any similar body.

7.13.11 Lessee shall hand deliver all plans to Lessor no later than each submission date. Submission dates shall be such dates as are necessary for Lessee to timely obtain the approvals required by this Agreement. Lessee is responsible to allow adequate time for all communications and plans revisions necessary to obtain approvals and shall schedule its performances hereunder and revise its plans as necessary to timely obtain all approvals.

7.13.12 Within thirty (30) days after Lessor's receipt of plans from Lessee, Lessor shall make available to Lessee one (1) copy of the plans Lessee submitted either Stamped or marked to indicate the reasons that Lessor does not approve the plans.

7.13.13 If changes are required, Lessee shall revise the plans incorporating the changes requested by Lessor and shall within thirty (30) days after Lessor returns the marked up plans to Lessee submit revised plans to Lessor. Within twenty (20) days after Lessor's receipt of the revised plans, Lessor shall make available to Lessee one (1) copy of the revised plans either Stamped or marked to indicate the reasons that Lessor does not approve the plans.

7.13.14 Lessee shall provide to Lessor copies of any and all designs or plans for improvements upon the Premises for Lessor's unrestricted use at the Premises or elsewhere.

7.14 Minor Changes. Lessor's consent shall not be required for minor changes discovered by Lessee during the course of construction to be necessary to complete construction as contemplated by the latest plans approved by Lessor. For purposes of the preceding sentence, "minor changes" are those that do not materially alter the structure, size, layout, location, quality, appearance, functionality or other aspects of any room, area, feature, structure, or other aspects of any improvements. Lessee shall give to Lessor as much advance notice of any minor changes as is reasonably possible. In the event advance notice to Lessor is not possible, Lessee shall as soon as possible, and in no event later than three (3) days after

the change, give Lessor notice of any such minor change. Such notice shall refer specifically to this paragraph.

7.15 Funding Assurances. In addition to the security deposit and any other payment or performance required under this Agreement, Lessee shall at least two weeks prior to the commencement of any construction work by Lessee having an estimated cost of more than Thirty Thousand Dollars (\$30,000) provide to Lessor the following assurances that Lessee will timely pay for the work to be completed (the "Funding Assurances") as follows:

7.15.1 Funding Assurances Amount. The Funding Assurance shall be in an amount (the "Funding Assurances Amount") equal to eighty percent (80%) of the full contract amounts payable directly or indirectly to all persons for the construction work. In the event the contract amounts increase, the Funding Assurances Amount shall increase by the same proportion.

7.15.2 Funding Assurances Alternatives. All Funding Assurances shall consist of one of the following:

7.15.2.1 A fully executed construction loan commitment or agreement legally obligating a reputable federally insured financial institution to fund construction.

7.15.2.2 A letter of credit meeting the requirements listed on Exhibit "E" attached hereto. The following provisions apply to any and all letters of credit provided by Lessee under this Agreement:

7.15.2.2.1 Lessee shall cause the original letter of credit to be delivered to Lessor's financial services general manager.

7.15.2.2.2 Lessee shall pay all costs associated with the letter of credit, regardless of the reason or manner such fees are required.

7.15.2.2.3 Within fourteen (14) days after Lessor gives Lessee notice that Lessor has drawn on the letter of credit, Lessee shall cause the letter of credit to be replenished to its prior amount.

7.15.2.2.4 Lessor may draw on the letter of credit upon any Event of Default related to the construction and completion of any improvement reinitiating the Funding Assurance, and in the following circumstances whether or not they are an Event of Default:

7.15.2.2.4.1 Lessee fails to cause the letter of credit to be renewed, extended, increased in amount or otherwise maintained as required by this Agreement.

7.15.2.2.4.2 Lessee fails to make monetary payments related to the construction of improvements required under this Agreement.

7.15.2.2.4.3 The issuer of the letter of credit fails to immediately honor a draft on the letter of credit or otherwise repudiates or fails to honor the letter of credit.

7.15.2.2.5 Lessor shall also have such additional rights regarding the letter of credit as may be provided elsewhere in this Agreement.

7.15.2.3 Written confirmation from a federally insured financial institution reasonably approved by Lessor having offices in Maricopa County, Arizona to the effect that said institution is holding funds (the "Construction Account") in the Funding Assurances Amount. Such funds shall be held in an interest bearing account in Lessor's name only. All interest shall remain in the Construction Account. Funds shall be disbursed to anyone other than Lessor only upon Lessor's notice to the institution that Lessor has received unrelated third party invoices for actual hard costs of construction labor or materials together with notice from Lessee that such funds may be disbursed. The invoices must be accompanied by a certificate from the third party that the third party has actually supplied the labor or materials to the Premises and by such additional information and things as Lessor may reasonably deem necessary to determine compliance with this Agreement. All distributions from the Construction Account shall be by check payable to Lessor or jointly payable to Lessee and the third party, provided that, if Lessee provides receipts to Lessor showing Lessee has already paid the third party payee, then checks reimbursing Reimbursable Funds to Lessee shall name only Lessee as payee. Lessee shall provide to Lessor no later than the tenth day of each month a detailed statement of Construction Account activity during the preceding month. All funds will be immediately available to Lessor upon demand. At no time is Lessor required to pay or advance any funds not previously deposited by Lessee.

7.15.2.4 A construction escrow agreement on terms mutually acceptable to Lessee and the Aviation Director.

7.16 Contractor Assurances. In addition to the Funding Assurances, the security deposit and any other payment or performance required under this Agreement, Lessee shall at least two weeks prior to the commencement of any construction work by Lessee having an estimated cost of more than Thirty Thousand Dollars (\$30,000) provide to Lessor evidence of the following assurances in favor of Lessee that Lessee's general contractor will timely and properly complete and pay all suppliers and subcontractors for the work completed (the "Contractor Assurances") as follows:

7.16.1 Contractor Assurance Amount. Each Contractor Assurance shall be in an amount (the "Contractor Assurance Amount") equal to one hundred percent (100%) of the full contract amount payable directly or indirectly to all persons for the construction work.

7.16.2 Contractor Assurances Required. Lessee's obligation to cause its general contractor to provide Contractor Assurances includes both of the following:

7.16.2.1 A payment bond in favor of Lessee covering all of the contracted work.

7.16.2.2 A performance bond in favor of Lessee covering all of the contracted work.

7.16.3 Contractor Assurance Qualifications. The issuer of each Contractor Assurance must be qualified to do business and in good standing in the State of Arizona and in its home state and must have a net worth of at least three times the Contractor Assurance amount. Each Contractor Assurance shall be issued by a person acceptable to Lessor and shall

also at a minimum meet the requirements of A.R.S. §§ 34-222 to 34-223, and other applicable laws.

7.17 Rules Applicable to Both Funding Assurances and Contractor Assurances. The following rules shall be applicable to both all Funding Assurances and all Contractor Assurances (collectively "Improvement Assurances"):

7.17.1 Amount Adjustment. In the event the required amount of an Improvement Assurance increases from time to time by more than ten percent (10%) above the prior amount, Lessee shall, on or before the date of the increase, deliver to Lessor an additional Improvement Assurance in the amount of such increase, or cause the existing Improvement Assurance held by Lessor to be amended to increase its amount.

7.17.2 Improvement Assurance Form. Each Improvement Assurance must be in form and substance reasonably acceptable to Lessor. The scope of Lessor's approval is to assure that the Improvement Assurance complies with this Agreement. Lessee shall deliver directly to Lessor's legal department (together with a copy to Lessor as provided for notices under this Agreement) a full and complete draft form of each Improvement Assurance and all related and supporting documentation at least twenty (20) days prior to the date the actual Improvement Assurance is required. Lessor shall give its comments concerning the draft form no later than ten (10) business days after receiving the draft form.

7.17.3 Improvement Assurance Claims. Lessor shall not make demand on an Improvement Assurance contrary to the provisions of this Agreement; but in the event of a dispute over Lessor's obtaining and using the benefits of an Improvement Assurance due to a default by Lessee, neither Lessee, the Improvement Assurance issuer, nor any third party shall be entitled to interfere in any way (including without limitation, restraining order, injunctions or other judicial remedies, all of which are hereby unconditionally and irrevocably waived) with Lessor's obtaining or using the funds or other benefits of the Improvement Assurance. This paragraph does not apply to a construction loan commitment or the Contractor Assurances.

7.17.4 Lessor's Improvement Assurance Claim. In the event Lessee is in default or the construction is not completed or timely progressing for any reason, Lessor shall have the right to set-off, deduct and withhold an amount or otherwise make claim upon any Improvement Assurance sufficient to complete the construction and to pay all other costs and expenses related to such construction. Additionally, in such event, Lessor shall have the right to claim an amount sufficient to pay all costs of litigation, attorneys' fees and costs required by a judgment or decision relating to any contingent liability that, in the opinion of Lessor, may be outstanding at the time of termination. Further, Lessor may draw on any Improvement Assurance at any time whatsoever to satisfy any of Lessee's obligations under this Agreement. This paragraph does not apply to a construction loan commitment or the Contractor Assurances.

7.17.5 Improvement Assurance Term. Lessee shall give Lessor not less than thirty (30) days nor more than sixty (60) days advance notice of expiration or other termination of an Improvement Assurance. Any replacement Improvement Assurance must be delivered to Lessor at least thirty (30) days before expiration of the Improvement Assurance being replaced. Any replacement Improvement Assurance must meet all requirements of this Agreement. No Improvement Assurance may be modified without Lessor's consent.

7.18 Release of Improvement Assurance. Within thirty (30) days after the last to occur of the following, Lessor shall deliver to Lessee notice that the Improvement Assurance is

released: i) Lessee's completion of the Lessee Improvements, ii) Lessee's payment of all design, construction, and all other amounts to be paid in connection with construction of the Lessee Improvements, iii) Lessee's performance and payment of all other obligations related to the Improvement Assurance and the construction, payment and other obligations thereto, and iv) Lessee's giving to Lessor notice requesting the release stating that the preceding conditions have been satisfied along with such supporting documentation as Lessor may reasonably require. This paragraph does not apply to a construction loan commitment or the Contractor Assurances.

VIII. LESSEE'S INITIAL PROJECT CONSTRUCTION

8.0 Lessee's Initial Project Construction. No later than the Completion Deadlines set forth herein, Lessee shall complete construction of each Phase of the Project in accordance with all requirements of this Agreement, including without limitation those relating to Lessee's Improvements, and the following time frame and conditions:

8.1 Lessee shall complete construction of Phase I in substantial conformance with the Site Plan as contained in Exhibit "C" no later than July 31, 2021.

8.1.1 Failure to complete Phase I by July 31, 2021 shall result in the termination of Lessee's leasehold interest in the Air Commerce Parcel as depicted on Exhibit "A" on July 23, 2027.

8.1.2 Any sub-tenants of hangar/shade space in the Air Commerce Parcel displaced by the construction of the Phase I Lessee Improvements shall be offered similar space in the Greenway Hangars and Shades Parcel at the same rate for a period not less than twelve (12) months.

8.2 Lessee shall complete construction of Phase II in substantial conformance with the Site Plan as contained in Exhibit "C" no later July 31, 2022.

8.2.1 Failure to complete Phase II by July 31, 2022 shall result in the immediate termination of Lessee's leasehold interest in that portion of the Air Commerce Parcel designated in Exhibit "C" as the property onto which Phase II is to be completed.

8.3 Lessee shall complete construction of Phase III in substantial conformance with the Site Plan as contained in Exhibit "D" no later than May 22, 2025.

8.3.1 Failure to complete Phase III by May 22, 2025 shall result in the immediate termination of Lessee's leasehold interest in the Greenway Hangars and Shades Parcel as set forth in Exhibit "B".

8.4 If Lessee determines that it would be advantageous to accelerate the construction of Phase II, then upon notice to Lessor, Lessee may commence construction of Phase II before Phase I, in which case the provisions of Section 8.1 and 8.1.1 above shall apply to Phase II and the provisions of Section 8.2 and 8.1.2 above shall apply to Phase I.

8.5 In the event of a significant economic downturn or other delays not caused by Lessee, Lessee may request that the Aviation Director extend by written notice each of the time limits set forth in Section 8.0 for a period not to exceed one year, and the Aviation Director shall not unreasonably withhold approval of such request. In the event of an extension of the time

limits set forth herein, the Lease term on the Greenway Hangars and Shades Parcel shall be extended by an amount equal to the extension of the deadline of the Phase III completion.

8.6 Initial Plans Approved. By entering into this Agreement, Lessor approves for purposes of this Agreement only, the design of the Lessee's Improvements comprising the Project to the extent their design is set forth in the Site Plan and other exhibits to this Agreement. For purposes of Lessee's initial Project construction, said approval satisfies the requirement under this Agreement that Lessee obtain Lessor's approval of plans to the extent of matters shown in the Site Plan and other exhibits. However, Lessee must still submit to Lessor and obtain Lessor's approval of matters not shown on the Site Plan and other exhibits, and changes, modifications, refinements and particular implementations of matters that are shown on the Site Plan and other exhibits.

8.6 Project Definition. As of the date of this Agreement, the Project is only in the preliminary design stages. Unless otherwise agreed by the parties, the Project shall conform to the Site Plan (which listing of requirements is not intended to be exhaustive of the improvements required to construct first class public fixed base operator facility and other improvements this Agreement requires Lessee to construct):

8.6.1 Main FBO Components. Lessee's Improvements include all improvements shown on the Site Plan or required by applicable law.

8.6.2 Infrastructure. Lessee's Improvements include all related work upon streets, sidewalks, drainage and other facilities upon the Premises and upon other real property near the Premises.

8.6.3 Other Design Requirements. The Project shall include all such other improvements and other facilities as may be necessary to operate the Premises in the manner contemplated by this Agreement.

8.7 Design and Construction Professionals. All construction and plans preparation for the Project from initial proposals through final construction documents and completion of construction shall be performed by professionals selected and paid by Lessee. All of Lessee's design and construction contractors shall have substantial experience in timely and successfully constructing projects similar to the Project.

8.8 Project Design and Construction Schedule. Lessee shall design and construct each Phase of the Project according to the following schedule:

8.8.1 Lessee shall obtain Lessor's approval of conceptual plans for each Phase of the Project no later than eighteen (18) months prior to the Completion Deadline for that specific Phase.

8.8.2 Lessee shall obtain Lessor's approval of preliminary plans for all components of each Phase the Project no later than fifteen (15) months prior to the Completion Deadline for that specific Phase.

8.8.3 Lessee shall obtain Lessor's approval of Final Plans for each Phase of the Project no later than twelve (12) months prior to the Completion Deadline for that specific Phase.

8.8.4 Lessee shall commence constructing for each Phase of the Project no later than eight (8) months prior to the Completion Deadline for that specific Phase.

8.8.5 Lessee shall complete construction of each Phase of the Project, obtain certificates of occupancy for each Phase of the Project, and commence operating that Phase of the Project in the manner contemplated by this Agreement, no later than the Completion Deadline for that specific Phase.

IX. MAINTENANCE AND UTILITIES

9.0 Maintenance and Utilities. Except as expressly provided below, Lessee shall be solely responsible for all maintenance, repair and utilities for the Premises during the term of this Agreement.

9.1 Maintenance by Lessor. Lessor has no maintenance or repair obligations for the Premises except that Lessor is responsible to maintain and repair any other utilities Lessor may install upon the Premises.

9.2 Utility Interruptions. Lessor is not responsible for any interruption of utilities to or upon the Premises or other difficulties related to utilities at the Premises. Without limitation:

9.2.1 Lessor is not responsible for utility interruptions caused outside the Premises.

9.2.2 Lessor is not responsible for utility interruptions not caused directly by Lessor's negligence.

9.2.3 Lessor is not responsible for the acts, breach, errors or omissions of any provider or consumer of electrical service or other utilities to the Premises.

9.3 Utility Costs. Lessee shall pay all charges, fees, deposits and other amounts for all natural gas air conditioning heating electricity and other utilities used at the Premises during the term of this Agreement.

9.4 Maintenance by Lessee. Lessee shall at all times repair and maintain and replace the Premises and all of Lessee's facilities thereat at Lessee's sole expense in a first-class, sound, clean and attractive manner, meeting or exceeding the manner of maintenance at first class comparable facilities in the western United States as determined in Lessor's reasonable discretion. Such Lessee obligations extend to any improvements Lessee may construct on public lands outside the Premises unless Lessor expressly gives Lessee written notice otherwise. By way of example and not limitation, Lessee shall be responsible for the following minimum requirements:

9.4.1 General. Lessee shall perform all irrigation, landscape, building and other maintenance required to operate the Premises in a first-class manner with appearance, landscaping, upkeep, repair and refurbishing, cleanliness and healthy vegetation.

9.4.2 Trash. Adequate and sanitary handling and disposal, away from the Premises and the Airport, of all trash, garbage and other refuse related to Lessee's use of the Premises. Without limitation, Lessee shall provide and use suitable covered receptacles for all trash and other refuse related to Lessee's use of the Premises. Piling of boxes, cartons, barrels,

debris or other items outside the Premises or in a manner visible from outside the Premises or in a manner visible to areas open to the public is prohibited. Lessee shall contract for a large metal roll-off dumpster service at the Premises. The area in which trash containers are stored shall be kept clean and free of all trash and debris and shall be shielded from public view.

9.4.3 Recycling. Lessee shall comply with such paper, plastic or other recycling or conservation programs Lessor may establish for the Airport from time to time.

X. BREACH BY LESSEE

10.0 Breach by Lessee. Lessee shall comply with, perform and do each performance and thing required of Lessee herein shall cause all persons using the Premises or claiming through or under Lessee or this Agreement to do the same. Lessee's failure to do so shall be a breach by Lessee of this Agreement.

10.1 Events of Default. This entire Agreement is made upon the condition that each and every one of the following events shall be deemed an "Event of Default" and a material breach by Lessee of Lessee's material obligations under this Agreement:

10.1.1 If Lessee shall be in arrears in the payment of Rent and shall not cure such arrearage within ten (10) days after Lessor has notified Lessee in writing of such arrearage.

10.1.2 The occurrence of any default or other failure by Lessee to perform all obligations under any of the Site Documents if Lessee shall not have cured such failure within thirty (30) days after Lessor has notified Lessee in writing of such default or other failure.

10.1.3 If Lessee shall fail to operate the facilities as herein required for a period of three (3) consecutive days or a total of five (5) days within any calendar year.

10.1.4 If Lessee shall abandon the Premises or this Agreement.

10.1.5 If Lessee shall be the subject of a voluntary or involuntary bankruptcy, insolvency or similar Proceeding or if any general assignment of any of Lessee's property shall be made for the benefit of creditors (collectively a "Lessee Insolvency") unless such Proceeding has been dismissed within ninety (90) days after it is filed.

10.1.6 If any representation or warranty made by Lessee in connection with this Agreement shall prove to have been false in any material respect when made, if Lessee shall not have taken such action as required to cause the representation or warranty to be true within ten (10) days after Lessor has notified Lessee in writing of such falsity.

10.1.7 If Lessee shall fail to obtain or maintain any licenses, permits, or other governmental approvals pertaining to the Premises or timely pay any taxes pertaining to the Premises and shall not cure such failure within thirty (30) days.

10.1.8 If Lessee shall fail or neglect to do or perform or observe any other provisions contained herein on its part to be kept or performed and such failure or neglect to do or perform or observe any of such other provisions shall continue for a period of thirty (30) days after Lessor has notified Lessee in writing of Lessee's default hereunder. In the event of a cure

which cannot be completed within thirty (30) days, Lessee shall have an extended cure period as follows:

10.1.8.1 Lessee shall complete the cure within the shortest period that may be possible, but in no event later than ninety (90) days after Lessor's initial notice.

10.1.8.2 As soon as reasonably possible, but in no event later than the end of the initial thirty (30) day period, Lessee shall give to Lessor notice describing the nonperformance, Lessee's proposed cure, the time required for the proposed cure and the reason the cure cannot be effected within the initial thirty (30) day period. Lessee shall thereafter give to Lessor such notices as are necessary to keep Lessor thoroughly apprised of the status of the cure.

10.1.9 If Lessee shall repeatedly fail to perform any requirement of this Agreement.

10.2 Lessor's Remedies. Upon the occurrence of any Event of Default or at any time thereafter, Lessor may, at its option and from time to time, exercise any or all or any combination of the following remedies in any order and repetitively at Lessor's option:

10.2.1 Lessor's right to terminate this Agreement for nonpayment of Rent or for any other Event of Default is hereby specifically provided for and agreed to.

10.2.2 Without demand or notice, enter into and upon the Premises or any part thereof, and repossess the same of its former estate, and expel Lessee and those claiming by, through or under it, and remove their effects, if any, forcibly if necessary, without being deemed guilty of trespass and without prejudice to any other remedy.

10.2.3 Claim and enforce a lien upon Lessee's property at the Premises securing all of Lessee's obligations hereunder.

10.2.4 Cause a receiver to be appointed for the Premises and for the continuing operation of Lessee's business thereon.

10.2.5 Pay or perform, for Lessee's account and at Lessee's expense, any or all payments or performances required hereunder to be paid or performed by Lessee.

10.2.6 Abate at Lessee's expense any violation of this Agreement.

10.2.7 Pursue at Lessee's expense any and all other remedies, legal or equitable, to which Lessor may be entitled.

10.2.8 Refuse without any liability to Lessee therefore to perform any obligation imposed on Lessor by this Agreement unless and until Lessee's default is cured.

10.2.9 Terminate this Agreement and thereafter be excused from further performance under this Agreement.

10.2.10 Insist upon Lessee's full and faithful performance under this Agreement and upon Lessee's full and timely payment of all Rent during the entire remaining term of this Agreement.

10.2.11 Assert or exercise any other right or remedy permitted by law.

10.3 Non-waiver.

10.3.1 Lessee acknowledges Lessee's unconditional obligation to comply with this Agreement. No failure by Lessor to demand any performance required of Lessee under this Agreement, and no acceptance by Lessor of any imperfect or partial performance under this Agreement, shall excuse such performance or impair in any way Lessor's ability to insist, prospectively and retroactively, upon full compliance with this Agreement. No acceptance by Lessor of Rent or other performances hereunder shall be deemed a compromise or settlement of any claim Lessor may have for additional or further payments or performances. Any waiver by Lessor of any breach of condition or covenant herein contained to be kept and performed by Lessee shall not be deemed or considered as a continuing waiver and shall not operate to bar or prevent Lessor from declaring a default for any succeeding or continuing breach either of the same condition or covenant or otherwise. No statement, bill or notice by Lessor concerning payments or other performances due hereunder shall excuse Lessee from compliance with this Agreement nor estop Lessor (or otherwise impair Lessor's ability) to at any time correct such notice and/or insist prospectively and retroactively upon full compliance with this Agreement. No waiver of any description (including any waiver of this sentence or paragraph) shall be effective against Lessor unless made in writing by a duly authorized representative of Lessor specifically identifying the particular provision being waived and specifically stating the scope of the waiver. LESSEE EXPRESSLY DISCLAIMS AND SHALL NOT HAVE THE RIGHT TO RELY ON ANY SUPPOSED WAIVER OR OTHER CHANGE OR MODIFICATION, WHETHER BY WORD OR CONDUCT OR OTHERWISE, NOT CONFORMING TO THIS PARAGRAPH.

10.3.2 No failure by Lessee to demand any performance required of Lessor under this Agreement, and no acceptance by Lessee of any imperfect or partial performance under this Agreement, shall excuse such performance or impair in any way Lessee's ability to insist, prospectively and retroactively, upon full compliance with this Agreement. Any waiver by Lessee of any breach of condition or covenant herein contained to be kept and performed by Lessor shall not be deemed or considered as a continuing waiver and shall not operate to bar or prevent Lessee from declaring a default for any succeeding or continuing breach either of the same condition or covenant or otherwise. No notice by Lessee concerning performance due hereunder shall excuse Lessor from compliance with this Agreement nor estop Lessee (or otherwise impair Lessee's ability) to at any time correct such notice and/or insist prospectively and retroactively upon full compliance with this Agreement. No waiver of any description (including any waiver of this sentence or paragraph) shall be effective against Lessee unless made in writing by a duly authorized representative of Lessee specifically identifying the particular provision being waived and specifically stating the scope of the waiver. LESSOR EXPRESSLY DISCLAIMS AND SHALL NOT HAVE THE RIGHT TO RELY ON ANY SUPPOSED WAIVER OR OTHER CHANGE OR MODIFICATION, WHETHER BY WORD OR CONDUCT OR OTHERWISE, NOT CONFORMING TO THIS PARAGRAPH.

10.4 Reimbursement of Remedies Lessor's Expenses. Lessee shall pay to Lessor upon demand any and all amounts expended or incurred by Lessor in performing Lessee's obligations.

10.5 Inspection. Lessor shall have access to the Premises at all times and upon reasonable notice (except, in the event of an emergency without notice) for the purpose of examining, inspecting, evaluating, planning, repairing, designing, maintaining or showing the Premises or exercising Lessor's other rights hereunder. Lessee shall promptly undertake

appropriate action to rectify any deficiency (identified by Lessor during such inspections or otherwise) in Lessee's compliance with this Agreement.

XI. TERMINATION

11.0 Rights at Termination. Termination of this Agreement due to Lessee's breach or for any other reason does not terminate Lessee's obligations existing or arising prior to or simultaneous with, or attributable to, the termination or in any way terminate any of Lessee's liability related to its breach of this Agreement.

11.1 Delivery of Possession. At the expiration of the term hereof or upon any sooner termination thereof, Lessee shall without demand, peaceably and quietly quit and deliver up the Premises to Lessor thoroughly cleaned, in good repair, and with all utilities operating, with the Premises maintained and repaired and in as good order and condition, reasonable use and wear excepted, with the Premises as the same now are or in such better condition as the Premises may hereafter be placed. Upon termination, Lessee shall deliver to Lessor any subtenant security deposits, prepaid rents, or other amounts for which Lessor deems a claim may be made respecting the Premises.

11.2 Confirmation of Termination. Upon expiration or termination of this Agreement for any reason, Lessee shall provide to Lessor upon demand quit claim deeds covering the Premises executed by Lessee and by all persons claiming through this Agreement or Lessee any interest in or right to use the Premises.

11.3 Disposition of Lessee's Equipment. All personal property owned or used by Lessee (excluding money and business records) at the Premises under this Agreement shall be divided into two categories ("Attached Items" and "Unattached Items").

11.3.1 Attached Items are any and all fixtures and structural or permanent improvements placed upon the Premises together with all pipes, fences, conduits, traffic bumpers, pumps, valves, sprinklers, meters, controls, air conditioners, heaters, water heaters and all other mechanical systems and their components, monitors, timers, utility lines and all other equipment and personal property of every description attached in any way to the Premises or installed at a fixed location upon the Premises together with every part of the utility systems serving the Premises, whether or not located upon the Premises. The Attached items include all fuel tanks, pumps, hoses, nozzles, and related items except fuel trucks. The Attached Items exclude air compressors, even if they are installed at a fixed location at the Premises.

11.3.2 Unattached Items are all fixtures, furniture, furnishings, equipment and other personal property located at the Premises excluding Attached Items.

11.4 Fixtures and Improvements. Upon termination of this Agreement through expiration, default or otherwise, if the same has not occurred earlier, title to any and all Attached Items shall automatically vest in Lessor without any payment by Lessor or any compensation to Lessee and without requirement of any deed, conveyance, or bill of sale. However, if Lessor shall request any documents in confirmation thereof, Lessee shall promptly execute, acknowledge and deliver the same. Unattached Items owned by Lessee shall continue to be owned by Lessee.

XII. INDEMNITY AND INSURANCE

12.0 Indemnity and Insurance. Lessee shall insure the Premises and its property and activities at and about the Premises and shall provide insurance and indemnification as follows:

12.1 Insurance Required. Prior to entering, occupying or using the Premises in any way all times thereafter, and in any event not later than the date thirty (30) days after the date of this Agreement, and at all times thereafter Lessee shall obtain and cause to be in force and effect the following insurance:

12.1.1 Commercial General Liability. Commercial general liability insurance with a limit of Five Million Dollars (\$5,000,000) for each occurrence and a Five Million Dollar (\$5,000,000) general aggregate limit per policy year. If a loss is reported to or becomes known by Lessee that has an impact on the annual aggregate, Lessee shall cause the annual aggregate limit to be reinstated for the remainder of the policy term affected by the impairment. The policy shall cover liability arising from premises, operations, independent contractors, products, completed operations, personal injury, bodily injury, advertising injury, any medical professionals based on the Premises, and liability assumed under an "insured contract" including this Agreement. The policy will cover Lessee's liability under the indemnity provisions of this Agreement. The policy shall contain a "separation of insureds" clause.

12.1.2 Automobile Liability. Commercial business automobile liability insurance with limit of Five Million Dollars (\$5,000,000) for each occurrence covering any and all owned, hired, and non-owned vehicles assigned to or used in any way in connection with Lessee's use of the Premises. Without limitation, all of such insurance shall cover hazards of motor vehicle use for loading and off loading. If applicable, an MCS 90 endorsement covering Toxic Substances is required providing Five Million Dollars (\$5,000,000) per occurrence limits of liability for bodily injury and property damage.

12.1.3 Workers' Compensation. Such workers' compensation and similar insurance as is required by law and employer's liability insurance with a minimum limit of Five Hundred Thousand Dollars (\$500,000) for each accident, Five Hundred Thousand Dollars (\$500,000) disease for each employee, One Million Dollars (\$1,000,000) policy limit for disease.

12.1.4 Special Risk Property. Lessee shall maintain Special Risk Causes of Loss Property coverage, as defined by Insurance Services Office, Inc., in an amount per occurrence equal to full replacement cost of the Premises and all personal property used in connection with the Premises. Property coverage shall include Pollutant Clean Up and Removal with minimum limits of coverage of \$50,000.

12.1.5 Environmental Impairment Liability. Lessee shall maintain Environmental Impairment Liability coverage for any fuel storage facility, tank, underground or aboveground piping, ancillary equipment, containment system or structure used, controlled, constructed or maintained by Lessee in the amount of \$1,000,000 Each Incident, \$2,000,000 Aggregate. The policy shall cover on-site and off-site third party bodily injury and property damage including expenses for defense, corrective action for storage tank releases and clean-up for storage tank releases.

12.1.6 Owners and Contractor's Protective. With respect to any construction involving the Premises, Lessor's and contractor's protective insurance covering the interests of contractors, Lessor and Lessee, with a minimum limit of One Million Dollars (\$1,000,000) for

each occurrence and a Two Million Dollars (\$2,000,000) general aggregate limit per policy year. This coverage may be included with the commercial general liability coverage.

12.1.7 Builders' Risk Property Insurance. If applicable, Builders' risk insurance in the amount of the entire cost of the Project or other construction work at or related to the Premises as well as subsequent modifications thereto. Such builder's risk insurance shall be maintained until final payment for the construction work and materials has been made and until no person or entity other than Lessee and Lessor has an insurable interest in the Premises, whichever is later. This insurance shall include interests of Lessor, Lessee and all subcontractors and sub-subcontractors involved in any Lessee's Improvements or other construction work at or related to the Premises during the course of any construction, and shall continue until all work is completed and accepted by Lessee and Lessor. Lessee bears full responsibility for loss or damage to all work being performed and to works under construction. Builders' risk insurance shall be on special form (all-risk) policy form and shall also cover false work and temporary buildings and shall insure against risks of direct physical loss or damage from external causes including debris removal and demolition occasioned by enforcement of any applicable legal requirements, and shall cover reasonable compensation for architect's service and expenses required as a result of such insured loss and other "soft costs". Builders' risk insurance must provide coverage from the time any covered property comes under Lessee's control and/or responsibility, and continue without interruption during construction or renovation or installation, including any time during which the covered property is being transported to the construction installation site, and while on the construction or installation site awaiting installation. The policy will continue to provide coverage when the covered Premises or any part thereof are occupied. Builders' risk insurance shall be primary and not contributory.

12.1.8 Hangarkeeper's Liability. If applicable, Lessee shall carry Hangarkeeper's Liability coverage covering the portions of the Premises used for aircraft storage in an amount equal to the full replacement cost of aircraft subject to loss or damage while in the care, custody or control of Lessee for safekeeping, storage, service or repair.

12.1.9 Other Insurance. Any other insurance Lessor may reasonably require for the protection of Lessor and Lessor's employees, officials, representatives, officers, directors, and agents (collectively "Additional Insureds"), the Premises, surrounding property, Lessee, or the activities carried on or about the Premises. Likewise, Lessor may elect by notice to Lessee to increase the amount of any insurance to account for inflation, changes in risk, or any other factor that Lessor reasonably determines to affect the prudent amount of insurance to be provided.

12.2 Form of Insurance. All insurance policies shall meet the following requirements:

12.2.1 All policies except workers' compensation must name Lessor and the other Additional Insureds as additional insureds. Lessee shall cause coverage for Additional Insureds to be incorporated into each insurance policy by endorsement. Lessor may give Lessee notice of Lessor's election from time to time that any or all the Additional Insureds not be named as Additional Insureds with respect to specific insurance coverages.

12.2.2 All property policies must name Lessor as a loss payee as their interest may appear.

12.2.3 Lessee must provide Lessor with at least thirty (30) days prior notice of any cancellation, reduction or other material change in coverage.

12.2.4 All policies shall require that notices be given to Lessor in the manner specified for notices to Lessor under this Agreement.

12.2.5 "Occurrence" coverage is required. "Claims made" insurance is not permitted except for Environmental Impairment Liability and employment liability insurance.

12.2.6 Policies must also cover and insure Lessee's activities relating to the business operations and activities conducted from the Premises.

12.2.7 Lessee must clearly show by providing copies of insurance policies, certificates, formal endorsements or other documentation acceptable to Lessor that all insurance coverage required by this Agreement is provided.

12.2.8 All insurance policies shall contain a waiver of any transfer rights of recovery (subrogation) against Lessor and all other Additional Insureds.

12.2.9 No deductibles, retentions, or "self insured" amounts shall exceed Seven Hundred Fifty Thousand Dollars (\$750,000) in the aggregate per year, per policy. If Lessee desires higher deductibles, retentions, or "self insured" amounts, Lessee shall notify Lessor in writing not more often than once per year requesting a change in the amount. Lessor shall have the right to accept, modify, limit or reject Lessee's request. Lessee shall be solely responsible for any self insurance amount or deductible. Lessor may require Lessee from time to time to secure payment of such deductible or self insured retention by a surety bond or irrevocable and unconditional letter of credit.

12.3 Insurance Certificates. Lessee shall evidence all insurance by furnishing to Lessor certificates of insurance annually and with each change in insurance. Certificates must evidence that the policy referenced by the certificate is in full force and effect and that the policy satisfies each requirement of this Agreement applicable to the policy. For example, certificates must indicate that Lessor and the other Additional Insureds are additional insureds and that insurance proceeds will be paid as required by this Agreement. Certificates must be in a form acceptable to Lessor. All certificates are in addition to the actual policies and endorsements required. Lessee shall provide updated certificates at Lessor's request.

12.4 Acceptable Insurers. All insurance policies shall be issued by insurers acceptable to Lessor. At a minimum, all insurers shall be duly licensed (or qualified unlicensed non-admitted insurer) by the State of Arizona, Department of Insurance. At a minimum, all insurers shall have and maintain an A.M. Best, Inc. rating of B++ 6.

12.5 Primary Insurance. Lessee's insurance shall be primary insurance. Any insurance or self insurance maintained by Lessor shall not contribute to Lessee's insurance.

12.6 Indemnity. In addition to all other obligations hereunder, to the fullest extent permitted by law, throughout the term of this Agreement and until all obligations and performances under or related to this Agreement are satisfied and all matters described in this paragraph are completely resolved, Lessee shall pay, indemnify, defend and hold harmless Lessor and all other Additional Insureds for, from and against any and all claims or harm related to the Premises and/or Lessee's performance of or failure to perform its obligations under this

Agreement (the "Indemnity"). Without limitation, the Indemnity shall include and apply to any and all allegations, demands, judgments, assessments, taxes, impositions, expenses, proceedings, liabilities, obligations, suits, actions, claims (including without limitation claims of personal injury, bodily injury, sickness, disease, death, property damage, destruction, loss of use or other impairment), damages, losses, expenses, penalties, fines or other matters (together with all attorney fees, court costs, and the cost of appellate proceedings) which may arise in any manner out of any use of the Premises or Lessor's property related to this Agreement or any actions, acts, errors, mistakes or omissions relating to work or services in the performance of or related to this Agreement, including any injury or damages or cause of action claimed or caused by any employees, contractors, subcontractors, tenants, subtenants, agents or other persons upon or using the Premises or surrounding areas related to this Agreement, including without limitation, claims, liability, harm or damages caused in part by Lessor or any other Additional Insured or anyone for whose mistakes, errors, omissions or negligence Lessee or Lessor may be liable. The Indemnity shall also include and apply to any environmental, personal injury or other liability relating to Lessor's or Lessee's acquisition, ownership or use of real property developed, operated, owned, used, controlled or possessed by Lessor or Lessee under this Agreement. Notwithstanding the foregoing, the Indemnity does not apply to:

12.6.1 Claims arising only from the sole negligence of Lessor.

12.6.2 Claims that the law prohibits from being imposed upon Lessee.

12.7 Risk of Loss. Lessor is not required to carry any insurance covering or affecting the Premises or use of Lessor's property related to this Agreement. Lessee assumes the risk of any and all loss, damage or claims to the Premises or related to Lessee's use of the Premises or other property of Lessor, Lessee or third parties throughout the term hereof. Lessor expressly disclaims any representation that required insurance is adequate to protect any person or property against any risks related to the Premises or any activities, uses or improvements related to the Premises. Lessee's obligations to indemnify do not diminish in any way Lessee's obligations to insure; and Lessee's obligations to insure do not diminish in any way Lessee's obligations to indemnify. Lessee's obligations to indemnify and provide insurance are in addition to, and do not limit, any and all other liabilities or obligations of Lessee under or connected with this Agreement. Lessee shall be responsible for any and all damages to its property and equipment related to this Agreement and shall hold harmless and indemnify regardless of the cause of such damages. In the event Lessee secures other insurance related to the Premises or any improvements, property or uses related thereto, Lessee shall effect an endorsement under such policy waiving any and all insurer's rights of subrogation against Lessor and the other Additional Insureds.

12.8 Insurance to be Provided by Lessees, Sublessees and Others. Any sublessees, contractors or other persons occupying, working on or about, or using the Premises pursuant to this Agreement must also provide for the protection of Lessor and all other Additional Insureds all of the insurance and indemnification required by this Agreement. The preceding sentence does not require such persons to provide insurance that merely duplicates insurance Lessee provides. Lessee shall cause any persons basing aircraft at the Premises to name Lessee and the Additional Insureds as additional insureds under their aircraft liability policies. Such policies shall contain waivers of subrogation as to Lessee and Lessor and the other Additional Insureds.

12.9 Fuel and Other Hazardous Material Delivery. Any vendor or sub-contractor bringing fuel or hazardous material on site must provide the commercial vehicle insurance as

listed in 12.1.2. This shall include the MCS 90 endorsement and listing of the lessee and Lessor as additional insured.

XIII. CONDEMNATION

13.0 Condemnation. The following shall govern any condemnation of any part of or interest in the Premises (the "Part Taken") and any conveyance to a condemnor in avoidance or settlement of condemnation or a threat of condemnation (but shall not apply to any condemnation by Lessor):

13.1 Termination as to Part Taken. This Agreement shall terminate as to the Part Taken on the date (the "Condemnation Date"), which is the earlier of the date title to the Part Taken vests in the condemnor, or the date upon which the condemnor is let into possession of the Part Taken. Lessee shall execute and deliver to Lessor deeds or other instruments reasonably requested by Lessor conveying and assigning to Lessor Lessee's entire interest in the Part Taken. In the event of a partial taking, this Agreement shall continue in full force and effect as to the part of the Premises not taken. In the case of an Interfering Condemnation (as defined below) applicable to the Greenway Hangar and Shades Parcel or as to the Air Commerce Parcel, Lessee may terminate this Agreement insofar as it applies to the applicable Parcel, subject to Lessee's rights to compensation under this Section 13.

13.2 Determining Partial or Total Condemnation. A condemnation of the Premises which renders the Premises unsuitable for the Permitted Uses (an "Interfering Condemnation"), or which takes the entire Premises, shall be deemed to be a total condemnation. Any other condemnation shall be a partial condemnation. Within fifteen (15) days after the commencement of any condemnation, Lessee and Lessor shall each give to the other a notice stating its respective opinion as to whether the condemnation is total or partial and the reasons for the opinion. Within fifteen (15) days thereafter, Lessor shall determine in Lessor's reasonable discretion whether the condemnation is total or partial.

13.3 Rent Adjustment. In the event of a partial condemnation, Base Rent shall be reduced by a percentage equal to the percentage of the Premises land area taken. The effective date of the Base Rent adjustment shall be the Condemnation Date.

13.4 Condemnation Proceeds. Lessee hereby assigns and transfers to Lessor Lessee's entire interest in all condemnation damages, interest, severance damages, and any other payments or proceeds of any kind relating to the condemnation (collectively the "Condemnation Proceeds"). Lessee shall execute and deliver to Lessor assignments or other instruments reasonably requested by Lessor confirming such assignment and transfer. Lessee shall immediately pay to Lessor any Condemnation Proceeds Lessee may receive. The Condemnation Proceeds shall not include relocation benefits awarded specifically to Lessee to cover expenses of relocating Lessee's business located at the Premises at the time of the condemnation. Such relocation benefits shall be owned by and paid directly to Lessee only.

13.5 Proceeds Account Deposit. Separate and apart from any condemnation action, Lessor shall deposit into the Proceeds Account (the "Condemnation Deposit") a portion of the Condemnation Proceeds (the "Condemnation Deposit Amount") as follows:

13.5.1 The Condemnation Deposit Amount shall be calculated as follows:

13.5.1.1 First, begin with the actual fair market value of the Lessee's Improvements condemned (as if they were owned by Lessee in fee, excluding any land value, without regard to the term of this Agreement).

13.5.1.2 Second, reduce said fair market value three and 33/100 percent (3.33%) for each year or portion of a year having passed from the time of construction.

13.5.1.4 Fourth, subtract any amount necessary to insure that the Condemnation Deposit Amount does not exceed the net amount actually received by Lessor with respect to such Lessee's Improvements.

13.5.2 Lessor shall make the Condemnation Deposit within ten (10) days after Lessor receives the condemnation proceeds.

13.6 Lessee's Condemnation Work. In the event of a partial condemnation, Lessee shall restore the remainder of the Premises to its condition at the time of such condemnation less the portion lost in the taking. In the event of an Interfering Condemnation, Lessee shall perform such demolition or restorative work upon the remaining Premises as Lessor may direct, except that the cost of such work shall not exceed the cost of demolishing the improvements then existing upon the remaining Premises. Disbursements from the Proceeds Account shall be subject to the rules applicable to the Proceeds Account. Notwithstanding the preceding sentence, any portion of the Condemnation Deposit remaining in the Proceeds Account after the work is completely paid for and any claims by Lessor against Lessee are satisfied shall be disbursed to Lessee.

13.7 Power to Condemn. Lessee acknowledges that Lessor and others from time to time may use the power to condemn the Premises or any interest therein or rights thereto. Lessor has not relinquished any right of condemnation or eminent domain over the Premises. Lessor does not warrant that Lessor will not condemn the Premises during the term of this Agreement, but Lessor does not presently have intentions to condemn the Premises. Notwithstanding anything to the contrary in this Lease Agreement, in the event of any condemnation of all or any portion of the Premises by Lessor, Lessee shall have all rights and remedies available at law and in equity.

XIV. DAMAGE TO OR DESTRUCTION OF PREMISES

14.0 Damage to or Destruction of Premises. The following provisions shall govern damage to the Premises:

14.1 Damage to Entire Premises. If the Premises are partially damaged by fire, explosion, the elements, the public enemy, or other casualty, and the cost of restoring the damage would exceed fifty percent (50%) of the then estimated cost of constructing all improvements upon the Premises, Lessee shall have a ninety (90) day period following such damage to notify Lessor that Lessee elects to terminate this Agreement. Such notice shall not be effective unless it is also signed by Primary Lienholder, if any. Lessee's failure to give such notice shall constitute Lessee's election not to terminate this Agreement. In the event of damage to the Premises to a lesser degree or extent this Agreement shall not terminate.

14.2 Restoration Work. Whether or not this Agreement is terminated, Lessee shall perform certain construction work at Lessee's expense ("the Restoration Work"). If this Agreement is terminated, the Restoration Work shall be all engineering, design and construction

work necessary to demolish, clear and clean the Premises to the extent and as directed by Lessor. If this Agreement is not terminated, then the Restoration Work shall be all engineering, design and construction work necessary to restore the Premises to the condition existing prior to the damage.

14.3 Restoration Process. Lessee's performance of the Restoration Work shall be subject to the approval process and other requirements for Lessee's Improvements. Lessee shall perform the Restoration Work with due diligence and at Lessee's sole cost and expense.

14.4 Insurance Proceeds. All property insurance proceeds (whether actually paid before or after termination of this Agreement) shall be paid directly to Lessor and owned by Lessor. Lessor shall deposit said proceeds in an account (the "Proceeds Account") with a federally insured financial institution having offices in Maricopa County, Arizona. The preceding sentence does not apply to insurance proceeds of aircraft, vehicles or other personalty not attached to the Premises. The Proceeds Account shall be an interest bearing account in Lessor's name only. All interest shall remain in the Proceeds Account. All funds will be immediately available to Lessor upon demand. At no time is Lessor required to pay or advance any funds not in the Proceeds Account.

14.5 Proceeds Account Use Priorities. The Proceeds Account funds shall be used for the following purposes:

14.5.1 Funds in the Proceeds Account shall be used only for paying for the Restoration Work until the cost of the Restoration Work has been disbursed by Lessor to Lessee or to third parties in connection with the Restoration Work. Inadequacy of funds in the Proceeds Account does not excuse Lessee from Lessee's obligation to perform the Restoration Work.

14.5.2 A certain payment (the "Regulatory Payment") to Lessee, if required by this Agreement.

14.5.3 Funds in the Proceeds Account shall next be used for compensating Lessor for the loss of revenues that would have been realized from the operation of the relevant Lessee Improvements during the period of the Restoration Work, and for any damage to or loss of any other property of Lessor due to the damage.

14.5.4 Any remaining funds in the Proceeds Account shall be distributed as follows:

14.5.4.1 If this Agreement is not terminated, then any remaining funds in the Proceeds Account (the "Type 2 Funds") shall be distributed to Lessee and any other interested parties as their interests may appear.

14.5.4.2 If this Agreement is terminated, then any remaining funds in the Proceeds Account shall be distributed to Lessor.

14.6 Regulatory Payment. Lessee shall receive a Regulatory Payment if and only if certain regulatory changes ("Major Regulatory Changes") occur. Whether Lessee receives the Regulatory Payment, and the amount of the Regulatory Payment, shall be determined as follows:

14.6.1 Major Regulatory Changes are one or more additional future regulatory burdens (such as future increased burdens under the Americans with Disabilities Act or a future outright prohibition on reconstructing the damaged improvement) that, after the date the damaged improvement was constructed (or construction was stopped because of the damage), are imposed upon the Restoration Work that would be necessary to restore the damaged improvement and which in the aggregate either:

14.6.1.1 Prohibit the Restoration Work that would be required to restore the damaged improvement; or

14.6.1.2 Increase the cost of such work such that the uninsured portion of the cost of such Restoration Work exceeds more than the greater of i) Five Hundred Thousand Dollars (\$500,000) or ii) twenty percent (20%) of the total amount that such work would have cost in the absence of the Major Regulatory Changes. Lessor in Lessor's sole and absolute discretion may elect to contribute to the cost of such work in order to reduce the uninsured portion of the cost of the work to twenty percent (20%) or to Five Hundred Thousand Dollars (\$500,000), as the case may be.

14.6.2 In the event Lessee receives a Regulatory Payment due to a Major Regulatory Change, the amount of the Regulatory Payment shall be calculated as follows:

14.6.2.1 Begin with the lesser of the actual original cost to construct the damaged improvement which is not rebuilt because of the Major Regulatory Change, or the amount of insurance proceeds deposited into the Proceeds Account with respect to such improvements.

14.6.2.2 Calculate an amortization figure by dividing said original cost or amount deposited by the number of whole years (not calendar years) that were remaining in the term of this Agreement (including both extensions) at the time the improvements were completed (or construction was stopped because of the damage).

14.6.2.3 Calculate the amount of the Regulatory Payment by subtracting from said original cost or amount of insurance proceeds deposited a number that is derived by multiplying the amortization figure by the number of whole years that passed from the date of completion to the date of destruction.

14.6.3 The portion of the Regulatory Payment attributable to each building or other improvement shall be calculated separately.

14.6.4 The Regulatory Payment shall not be Type 2 Funds.

14.7 Use of Proceeds Account for Restoration Work. The following shall govern disbursement of funds from the Proceeds Account for the Restoration Work:

14.7.1 All distributions from the Proceeds Account shall be by check payable to Lessor or jointly payable to Lessee and the third party. If Lessee provides receipts showing Lessee has already paid the third party payee, then checks reimbursing Reimbursable Funds to Lessee shall name only Lessee as payee.

14.7.2 Lessee's applications for payment shall be prepared according to a schedule of values for the work prepared by Lessee's architect, subject to Lessor's reasonable approval.

14.7.3 Funds shall be disbursed within fourteen (14) days after Lessor has received notice from Lessee requesting that such funds be disbursed. Such notice shall be accompanied by the following:

14.7.3.1 A description of the work completed.

14.7.3.2 Unrelated third party invoices for design, engineering or related professional services rendered or actual hard costs of demolition or construction labor or materials.

14.7.3.3 Certificates from the third party payee that the third party has actually supplied the labor or materials to the Premises.

14.7.3.4 Appropriate mechanics and materialmen's lien waivers.

14.7.3.5 Such additional documentation and confirmations as Lessor may reasonably deem necessary to confirm compliance with this Agreement.

14.7.4 The Proceeds Account shall qualify as a satisfactory Funding Assurance.

14.8 Accelerated Funding. In order to avoid delay in completing the Restoration Work due to time constraints of the Proceeds Account, Lessee may do either or both of the following:

14.8.1 Advance its own funds (the "Reimbursable Funds") for the Restoration Work from time to time and subsequently obtain reimbursement from the Proceeds Account subject to compliance with the requirements for disbursements from the Proceeds Account. If Lessee provides receipts showing Lessee has already paid the third party payee, then checks reimbursing Reimbursable Funds to Lessee shall name only Lessee as payee.

14.8.2 Unilaterally request that Lessor make a one-time single disbursement to Lessee (the "Working Funds"). Lessee shall hold the Working Funds in a separate bank account and shall use the Working Funds only during the course of the Restoration Work to make progress payments to third parties for the Restoration Work. The amount of the Working Funds shall not exceed the greater of One Hundred Fifty Thousand Dollars (\$150,000) (which amount shall be adjusted from time to time according to the Cost of Living Index in the same manner provided for adjustment of Base Rent) or ten percent (10%) of the estimated cost of the Restoration Work. Upon completion of the Restoration Work, Lessee shall return any excess Working Funds to the Proceeds Account.

14.9 Monthly Restoration Work Report. Lessee shall provide to Lessor no later than the tenth day of each month a written report of the progress of the Restoration Work along with detailed statement of Proceeds Account, Reimbursable Funds and Working Funds activity during the preceding month.

14.10 Proceeds Account Variations. Lessee's city manager or designee shall have the authority to cooperate with Lessee's lienholder to implement variations to the requirements and administration of the Proceeds Account. Any such variations must provide to Lessor the

substantive protections of the Proceeds Account afforded by this Agreement in said city manager or designee's sole and absolute discretion, must not allow insurance proceeds (except any Type 2 Funds that may be disbursed to Lessee) to be used to pay the debt, must be approved in writing in advance by said city manager or designee and by Lessor's city attorney in their sole and absolute discretion, and must otherwise be acceptable to Lessor's city manager or designee and Lessor's city attorney in their sole and absolute discretion.

XV. LESSEE'S RECORDS

15.0 Lessee's Records. Lessee will maintain in a secure place at Lessee's corporate headquarters within the continental United States or at a secure location within Maricopa County, Arizona proper and accurate books, records, ledgers, correspondence, and other papers and repositories of information, relating in any manner to this Agreement and to all of Lessee's obligations hereunder.

15.1 Standards for Records. Lessee shall keep and maintain all books and records relating to the Premises in accordance with generally accepted accounting principles applied on a consistent basis. Lessee shall retain all records related to this Agreement or Lessee's performances hereunder for a period of seven (7) years after the period reported in the record.

15.2 Reporting. Lessee will furnish or cause to be furnished to Lessor, as soon as the same are available, and in any event within one hundred twenty (120) days after the end of each calendar year a certificate signed by the chief financial officer or managing general partner, as the case may be, of Lessee stating that the rental revenues and related information provided during the preceding year is correct and there exists no Event of Default and no condition, event or act, which with notice or lapse of time or both, would become an Event of Default or, if any such Event of Default or any such condition, event or act exists, specifying the nature and period of existence thereof and what action Lessee proposes to take with respect thereto. Lessee shall furnish, from time to time, such financial and other information as Lessor may reasonably request pertaining to Lessee's and Lessor's respective rights and obligations with respect to this Agreement as reasonably determined by Lessor.

15.3 Right of Inspection. Until the date three (3) years after termination of this Agreement, Lessee will (i) permit and assist Lessor and its representatives at all reasonable times to inspect, audit, copy and examine, as applicable, Lessee's facilities, activities and records, (ii) cause its employees, agents and, if reasonably necessary, accountants to give their full cooperation and assistance in connection with any such visits or inspections, (iii) make available such further information concerning Lessee's business and affairs relating to the Premises as Lessor may from time to time reasonably request, and (iv) make available to Lessor at the Premises (or at the offices of Lessor within the corporate limits of the City of Scottsdale) any and all records and reasonable accommodations for Lessor's audit and inspection. The preceding sentence does not require Lessee to pay for copies Lessor requests or Lessor's employees' or other agents' time or travel expenses. Such inspection shall be limited to matters relevant to Lessor's and Lessee's rights and obligations under this Agreement and activities related to the Premises as reasonably determined by Lessor.

15.4 Records Included. Lessee's records subject to this Agreement include, but are not limited to, any and all information, materials and data of every kind and character, including without limitation, records, books, papers, documents, subscriptions, recordings, agreements, purchase orders, computer data, invoices, cash register tapes and similar records, contracts, logs, accounts, commitments, arrangements, notes, diaries, ledgers, correspondence, reports,

drawings, receipts, vouchers, memoranda and any and all other agreements, sources and repositories of information and matters that may in Lessor's reasonable judgment bear on any matters, rights, duties or obligations under or covered by this Agreement or any performance hereunder. Lessee need not disclose information that does not concern the Premises or Lessor's or Lessee's rights and obligations related to the Premises in Lessor's reasonable judgment.

15.5 Costs of Audit. If an audit, inspection or examination of Lessee's performance discloses underpayments (or other adjustments in favor of Lessor) of any nature in excess of three percent (3%) of any payments or single payment, Lessee shall pay to Lessor Lessor's actual cost (based on the amount paid by Lessor, or based on reasonable charges charged by private auditors and other service providers for comparable work if the audit is performed by Lessor's employees) of the audit, inspection or examination, together with late fees, interest, and other amount payable in connection with such adjustments or payments. Any adjustments and/or payments which must be made as a result of any such audit, inspection or examination (whether or not performed in-house by Lessor), shall be made within a reasonable amount of time (not to exceed 30 days) after Lessor gives to Lessee notice of Lessor's findings.

15.6 Monthly Reports. No later than the due date for each Rent Payment for each month, but in no event later than the end of each month, Lessee shall deliver to Lessor a report containing the information described on Exhibit "F" attached hereto. Except for fuel flowage information, each such report shall indicate by highlighting or similar marking any changes from the preceding month's report.

15.7 Applicable to Sublessees. By claiming under this Agreement, sublessees and others conducting a business based at the Premises shall also be deemed to have agreed to provide to Lessor upon request information relevant to compliance with this Agreement by Lessee or others.

XVI. COMPLIANCE WITH LAW

16.0 Compliance with Law. Lessee shall conduct only lawful operations and activities at the Premises and at the Airport in accordance with all federal, state, county and local laws, ordinances, regulations or other rules or policies as are now in effect or as may hereafter be adopted or amended and shall use and occupy the Premises in conformance with all of the same. The provisions of this Agreement obligating Lessee to comply with applicable law do not deny Lessee such right, if any, as Lessee may have under applicable law to continue a use which was lawful (and permitted by this Agreement) when commenced. Lessee acknowledges that this Agreement does not constitute, and Lessor has not promised or offered, any type of waiver of, or agreement to waive (or show any type of forbearance or favoritism to Lessee with regard to), any law, ordinance, power, regulation, tax, assessment or other legal requirement now or hereafter imposed by the City of Scottsdale or any other governmental body upon or affecting Lessee, the Premises, the Airport or Lessee's use of the Premises or Airport. Lessee acknowledges that all of Lessee's obligations hereunder are in addition to, and cumulative upon (and not to any extent in substitution or satisfaction of), all laws and regulations applicable to Lessee. Lessee further agrees that this Agreement is not intended to diminish any performances to the City of Scottsdale that would be required of Lessee by law if this Agreement had been made between Lessee and a private citizen. Lessor has not relinquished any right of condemnation or eminent domain over the Premises. This Agreement does not impair the City of Scottsdale power to enact, apply or enforce any laws or regulations, or exercise any

governmental powers, affecting in any way Lessee or the Premises. Without limiting in any way the generality of the foregoing, Lessee shall comply with all and each of the following:

16.1 Government Property Lease Excise Tax. Lessee shall be responsible for any and all property taxes and all government property lease excise taxes described in A.R.S. § 42-6201 *et seq.* or similar laws in force from time to time that are lawfully assessed against the Premises or against Lessor or Lessee with respect to the Premises. Pursuant to A.R.S. § 42-6206, failure by Lessee to pay the taxes after notice and an opportunity to cure is an event of default that could result in divesting Lessee of any interest in or right of occupancy of the Premises.

16.2 Taxes, Liens and Assessments. In addition to all other amounts herein provided, Lessee shall pay, when the same become due and payable, all taxes and general and special fees, charges and assessments of every description which during the term of this Agreement may be lawfully levied upon or assessed against Lessee, the Premises, the operations conducted therein, any amounts paid or other performances under this Agreement by either party, and all possessory interest in the Premises and improvements and other property thereon, whether belonging to Lessor or Lessee. The preceding sentence does not apply to obligations of Lessee not related to the Premises. Lessee shall have the right to contest, but not the right to refuse to timely pay, any taxes and assessments. Lessee shall pay all sales, transaction privilege, and similar taxes which it is legally obligated to pay.

16.3 Special Supplemental Indemnity. Without limitation, the indemnities of this Agreement require Lessee to pay, indemnify, defend and hold Lessor harmless against fines or penalties for any breach of security arising from the unauthorized entry of any persons from the Premises (or their vehicles or aircraft) onto the passenger loading areas, taxiways, runways, aircraft movement areas and any other restricted portion of the Airport. The preceding sentence does not apply to persons not conducting business at the Premises or who enter the Premises using a password or gate entry card issued by Lessor.

16.4 Federal Agreements. This Agreement shall be subordinate to the provisions and requirements of any existing or future grant assurances and other agreements between the Lessor and the United States, relative to the development, operation or maintenance of the Airport.

16.5 Based Aircraft. Lessee shall not allow to be based at the Premises any aircraft that has not been registered with the Airport to the extent required by applicable laws and regulations.

XVII. ASSIGNABILITY

17.0 Assignability. This Agreement is not assignable by Lessee and any assignment shall be void and create in the assignee no rights except in strict compliance with the following:

17.1 Assignments Prohibited. Every assignment of Lessee's interest in the Premises or this Agreement or any of Lessee's rights or interests hereunder is prohibited unless Lessor's consent to the assignment is contained in this Agreement or Lessee first receives from Lessor a separate notice of Lessor's consent to the assignment. References in this Agreement to assignments by Lessee shall be deemed also to apply to all of the following transactions, circumstances and conditions:

17.1.1 Any voluntary or involuntary assignment, conveyance, transfer or sublease of the Premises or any interest therein or any rights under this Agreement.

17.1.2 Any voluntary or involuntary pledge, lien, mortgage, security interest, judgment, deed of trust, claim or demand, whether arising from any contract, any agreement, any work of construction, repair, restoration, maintenance or removal, or otherwise (collectively "Liens").

17.1.3 The use, occupation, management, control or operation of the Premises or any part thereof by others.

17.1.4 Any transfer of membership interests, corporate stock or any other direct or indirect transfer of the majority of the ownership, management or control of Lessee except (a) transfers between two or more members, (b) a transfer from a member to a trust or legal entity that is 100% controlled by the transferring member, or (c) transfers caused by the death of a shareholder or other owner.

17.1.5 Any assignment by Lessee for the benefit of creditors, voluntary or involuntary.

17.1.6 Any bankruptcy or reorganization of Lessee not completely resolved in Lessee's favor within one hundred twenty (120) days after it is initiated.

17.1.7 The occurrence of any of the foregoing by operation of law or otherwise.

17.1.8 The occurrence of any of the foregoing with respect to any assignee or other successor to Lessee except for sublessees.

17.2 Effect of Assignment. No action or inaction by Lessor shall be deemed a waiver of the prohibition on assignments or any other provision of this Agreement, or the acceptance of the assignee, sublessee or occupant as Lessee, or a release of Lessee from the further performance by Lessee of the provisions of this Agreement. The consent by Lessor to an assignment shall not relieve Lessee from obtaining Lessor's consent to any further assignment. No assignment shall release Lessee from any liability hereunder except that Lessee shall be released from future obligations under this Agreement in the event of a complete assignment of Lessee's entire interest made with Lessor's consent. This Agreement shall also run with the land and continue to be a burden upon the Premises and every interest therein in favor of Lessor.

17.3 Enforceability after Assignment. This Agreement shall control any conflict between this Agreement and the terms of any assignment. Upon execution of this Agreement, and upon each subsequent assignment, Lessee shall provide a complete copy of this Agreement and any amendments to each sublessee or other assignee.

17.4 Grounds for Refusal. No assignments of this Agreement are contemplated or bargained for except for those to which Lessor has given consent in this Agreement. Lessor has the absolute right for any reason or for no reason in its sole discretion to give or withhold consent to any assignment or to impose any conditions upon any assignment, except as expressly provided in this Agreement.

17.5 Form of Assignment. Any permitted assignment or subletting shall be by agreement in form and content acceptable to Lessor. Assignees other than sublessees shall assume this Agreement. In the event Lessor terminates this Agreement due to a default by Lessee, Lessor at Lessor's sole option may succeed to the position of Lessee as to any sublessee or assignee of Lessee without liability for any prior breaches or performances.

17.6 Employees. Lessee's hiring and discharging of employees shall not constitute a change of management amounting to an assignment of this Agreement by Lessee.

17.7 Liens Prohibited. Notwithstanding the prohibition on Liens, Lessee is permitted with Lessor's consent (not to be unreasonably withheld) to impose a single mortgage or deed of trust (the "Primary Lien") upon Lessee's leasehold interest in the Premises under this Agreement to secure a loan obtained by Lessee to obtain funds for Lessee to use to construct new Lessee's Improvements.

17.8 Lien Payment. Lessee shall pay all Liens as the same become due, and in any event before any action is brought to enforce the Lien. Lessee agrees to pay, indemnify, defend and hold Lessor and the Premises free and harmless from all liability and against any and all Liens, together with all costs and expenses in connection therewith, including attorney's fees. Lessor shall have the right at any time to post and maintain on the Premises such notices, pay such amounts, file or record such notices, or take such other actions as Lessor may deem necessary to protect Lessor and its property interests against all Liens. Every Lien shall cover Lessee's entire leasehold interest in this Agreement and the Premises.

17.9 Lien Priorities. In no event shall any Lien (whether arising before, concurrent with, or after the date of this Agreement) cover, affect or have any priority higher than or equal to any of Lessor's rights in the Premises or under this Agreement at any time.

17.10 Lessor's Rights to Pay Lienholder. Prior to foreclosure, deed in lieu, or the conclusion of other enforcement of a Lien, Lessor shall have the right at any time to purchase any Lien, by payment to the holder of the Lien the amount of the unpaid debt, plus any accrued and unpaid interest.

17.11 Primary Permitted Lien. The Primary Lien is subject to the following provisions:

17.11.1 Until Lessee's Improvements are completed, the Primary Lien shall not be cross collateralized or cross defaulted with any debt or lien related to property other than the Premises. Until Lessee's Improvements are completed, the Primary Lien shall cover no interests in any real property other than Lessee's interests in the Premises and the rents and profits under any permitted subleases.

17.11.2 The holder of the Primary Lien (the "Primary Lienholder") shall promptly give notice to Lessor of the creation of the Primary Lien and any modification, renewal, termination, default or enforcement of the Primary Lien, and any notices to Lessee related thereto. Such notices shall be accompanied by true copies of the Primary Lien or other correspondence or instruments pertaining to the notice. Primary Lienholder shall notify Lessor of the address to which notices to Primary Lienholder shall be sent.

17.11.3 The Primary Lien shall contain no provisions inconsistent with or purporting to alter in any way the provisions of this Agreement. This Agreement shall control

any inconsistent terms or provisions in the Primary Lien or in any document of any description related to the Primary Lien.

17.11.4 Primary Lienholder shall have a limited right to cure deficiencies in Lessee's performance under this Agreement (the "Cure Right") as follows:

17.11.4.1 The Cure Right is that, in the event of an Event of Default:

17.11.4.1.1 Lessor shall not terminate this Agreement without first giving Primary Lienholder notice of the Event of Default; and

17.11.4.1.2 Upon Lessor's giving such notice, Primary Lienholder shall have an opportunity to cure the Event of Default as specifically described herein.

17.11.4.2 The Cure Right only applies to Events of Default that are capable of cure by Primary Lienholder within one hundred eighty (180) days after Lessor's notice to Primary Lienholder. In the event of an Event of Default that cannot be cured within that time period, Primary Lienholder and/or Lessee shall have the right to call for a meeting to consult with Lessor's city manager and/or aviation director to develop a plan for curing the Event of Default. Lessor's city manager and aviation director shall each have authority to consider such a plan and give notice on behalf of Lessor extending the time period for curing the particular Event of Default in accordance with the plan.

17.11.4.3 If an event or circumstance occurs which will become an Event of Default with the passage of time or giving of notice or both, Lessor may elect to provide Primary Lienholder's notice of the Event of Default prior to, after, or simultaneously with any notice Lessor may give to Lessee, and prior to, after, or simultaneously with the expiration of any applicable cure or grace period.

17.11.4.4 Primary Lienholder may elect to exercise the Cure Right by giving Lessor notice (a "Cure Notice") of such election not later than forty-five (45) days after Lessor's notice to Primary Lienholder. Primary Lienholder's failure to timely give a Cure Notice shall be Primary Lienholder's rejection and waiver of the Cure Right. Primary Lienholder's giving of a Cure Notice shall constitute Primary Lienholder's promise to Lessor that Primary Lienholder shall immediately undertake and diligently pursue to completion on Lessee's behalf all payments and performances necessary to cure an Event of Default and otherwise cause Lessee's performance to comply in all respects with the requirements of this Agreement. Each Cure Notice shall include payment of any and all amounts then payable to Lessor under this Agreement.

17.11.4.5 In the event Primary Lienholder exercises the Cure Right, Primary Lienholder shall immediately commence and thereafter diligently prosecute the cure to completion no later than thirty (30) days after Primary Lienholder's Cure Notice to Lessor. In the event of a cure that cannot be completed within thirty (30) days, Primary Lienholder shall complete the cure within the shortest period that may be possible, but in no event later than one hundred eighty (180) days after Primary Lienholder's Cure Notice exercising the Cure Right (or such longer period as Lessor's city manager or aviation director may allow). In the case of a Lessee Insolvency, if the Premises are operating as required by this Agreement and all payments by Lessee are current and all other defaults are cured, then

the one hundred eighty (180) day period specified in the preceding sentence shall be extended to eighteen (18) months to cure the Lessee Insolvency. Such extension applies only to the Lessee Insolvency.

17.11.5 If this Agreement is terminated due to rejection by a bankruptcy trustee for Lessee, then Primary Lienholder shall have a thirty (30) day period after such rejection to give notice to Lessor that Lessee elects to obtain from Lessor a new replacement lease. Primary Lienholder's rights and obligations under the replacement lease shall be the same as those applicable to Lessee at the time of the rejection. A default by Lessee under the Primary Lien shall not amount to a default by Lessee under this Agreement.

17.11.6 Until completion of Lessee's Improvements, the Primary Lien must be held by an FDIC insured financial institution having offices in Maricopa County, Arizona, a pension fund or insurance company authorized to do business in Arizona, or sophisticated investors qualified under federal securities law to purchase unregistered securities in private placements.

17.11.7 This Agreement's provisions relating to the Primary Lien are for the sole benefit of Lessor and Primary Lienholder, and are not for the benefit of Lessee, other than Section 17.7 which is for the benefit of Lessee as well as the Primary Lienholder.

17.11.8 Lessee shall immediately give notice to Lessor and Primary Lienholder of any notice Lessee may receive relating to this Agreement or to the Primary Lien.

17.11.9 Primary Lienholder shall immediately give notice to Lessor and Lessee of any notice Primary Lienholder may receive relating to this Agreement or to the Primary Lien.

17.11.10 The provisions of this Agreement permitting the Primary Lien shall apply to any subsequent refinancing of the Primary Lien so long as the following requirements are satisfied:

17.11.10.1 Any replacement Primary Lien must satisfy all requirements of this Agreement.

17.11.10.2 No new Primary Lien may be created while a Primary Lien exists or is of record.

17.11.10.3 Only one Primary Lien may exist or be of record at a time.

17.11.11 Primary Lienholder shall become personally liable to perform Lessee's obligations hereunder only if and when Primary Lienholder gives a Cure Notice (and in such case only to the extent of the cure set forth in the Cure Notice), becomes the owner of all or part of the leasehold estate pursuant to judicial or non-judicial foreclosure, assignment or transfer in lieu of foreclosure or otherwise, or takes possession of all or part of the Premises. The occurrence or existence of any of the foregoing shall constitute an assumption by Primary Lienholder of Lessee's obligations under this Agreement.

17.12 Confirmation of Status. By notice to the other (a "Confirmation Request Notice"), either Lessor or Lessee (the "Requesting Party") may request that the other provide to the Requesting Party written confirmation of certain matters (an "Estoppel Certificate") as follows:

17.12.1 Lessee may give a Confirmation Request Notice only when a Primary Lien is being created or assigned, when Lessee's entire interest in the Premises is being assigned, or as otherwise reasonably necessary for Lessee's business purposes. Any Confirmation Notice by Lessee must meet the following additional requirements:

17.12.1.1 The Confirmation Request Notice shall be executed and joined in by the prospective Primary Lienholder, assignee of a Primary Lien, or assignee of Lessee's entire interest in the Premises (the "Confirmation Assignee").

17.12.1.2 The Confirmation Request Notice shall describe the proposed transaction between Lessee and the Confirmation Assignee.

17.12.1.3 The Confirmation Request Notice must include warranties and representations by the Confirmation Assignee that the matters to be confirmed are true to the best of its knowledge.

17.12.1.4 The Confirmation Request Notice must include warranties and representations by Lessee that the matters to be confirmed are true and that the information contained in the Confirmation Request Notice is complete and true.

17.12.1.5 If a Primary Lien is being created or assigned, the Confirmation Request Notice must warrant and represent that the proposed Primary Lienholder and its Lien qualify in every way for Primary Lien status under this Agreement.

17.12.2 The Confirmation Request Notice must specify the matters the other party is requested to confirm. The Confirmation Request Notice shall request only that the other party confirm whether or not one or more of the following matters are true, to the best of such other party's knowledge:

17.12.2.1 That this Agreement is in effect and has not been amended except as stated in the Confirmation Request Notice.

17.12.2.2 If Lessee is the Requesting Party, that an Event of Default by Lessee does not exist (except that Estoppel Certificates by Lessor shall exclude matters of zoning or other regulatory compliance other than, to the actual knowledge of the Aviation Director, compliance with Airport standards and regulations). If Lessor is the Requesting Party, that Lessor has performed its obligations and is in compliance with this Agreement.

17.12.2.3 If a Primary Lien is being created, that upon Primary Lienholder's providing to Lessor copies of the recorded instrument creating Primary Lienholder's Primary Lien and a recorded instrument releasing any prior Primary Lien, Lessor will acknowledge Primary Lienholder as the Primary Lienholder under this Agreement.

17.12.2.4 If Lessee is the Requesting Party, that Lessor consents to the proposed transaction between Lessee and the Confirmation Assignee.

17.12.2.5 That Rent has been paid through the date set forth in the Confirmation Request Notice.

17.12.3 The other party shall provide the Estoppel Certificate to the Requesting Party not less than thirty (30) days after a proper Confirmation Request Notice.

17.13 Assignment Payment. In addition to all other Rent payable hereunder, in the event of any assignment (including without limitation a Lien enforcement) which transfers possession of more than 30% of the interior building space of the Premises or has a duration of five (5) or more years, Lessee shall pay to Lessor the amount of Twenty Thousand Dollars (\$20,000). Lessor's contract administrator shall have authority to waive or reduce such payment in the event of an assignment to an affiliate of Lessee. Lessee shall pay to Lessor the sum of Two Thousand Five Hundred Dollars (\$2,500) as a fee for legal and administrative expenses related to creation of a Primary Lien or any assignment or request for consent to an assignment. Lessee shall pay to Lessor the sum of One Thousand Dollars (\$1,000) as a fee for legal and administrative expenses related to any request for an Estoppel Certificate.

17.14 Aircraft Storage Agreement. If an aircraft is to be stored or based at the Premises or the Airport more than fourteen (14) days, then Lessor's consent to an assignment is not effective until an Aircraft Storage Agreement is in effect between the City of Scottsdale and the aircraft owner.

17.15 Approved Assignments. Lessee shall attach to each assignment not described in this paragraph, a copy of Lessor's notice to Lessee of Lessor's consent to the assignment. No consent by Lessor to an assignment shall be effective unless and until Lessee receives notice of Lessor's consent pursuant to this Agreement. This Agreement shall continue to be enforceable according to its terms in spite of any provisions of any Estoppel Certificate or other documents relating to an Assignment. Lessor hereby consents to the following assignments:

17.15.1 The creation of a Primary Lien that meets all of the requirements of this Agreement.

17.15.2 Lessee's granting to its customers in the ordinary course of its business rights of incidental use of small lockers at the Premises for temporary storage of miscellaneous personalty provided such rights are terminable by Lessee upon not more than thirty (30) days notice.

17.15.3 Lessee's complete assignment of all of Lessee's rights and interests in the Premises and this Agreement to a single assignee that meets the following requirements, as determined by Lessor in Lessor's reasonable discretion (a "Qualified FBO"):

17.15.3.1 The assignee must have a net worth in excess of One Million Dollars (\$1,000,000) adjusted upward from the date of this Agreement based on changes in the Cost of Living Index in the same manner as Base Rent is adjusted.

17.15.3.2 The assignee must provide to Lessor a written assumption of Lessee's obligations under this Agreement.

17.15.3.3 The assignee must have the management and financial capacity and other resources necessary to successfully perform under this Agreement.

17.15.3.4 The assignee or its core management team must have substantial recent experience in successfully operating a first-class, fixed-base operator operation comparable to the Premises.

17.15.3.5 The assignee must have active, involved executive, managerial and production level leadership staff with substantial recent experience in successfully operating a first-class, fixed-base operator operation comparable to the Premises.

17.15.3.6 The assignee shall provide to Lessor such information and materials (including presentations) as Lessor may reasonably request to confirm the assignee's qualifications and to assist Lessor to make such determination. Without limitation, Lessor may require the assignee to provide an information package containing all of the information required of Lessee in connection with the original granting of this Agreement. Lessor may take into account any such information and factors in determining the assignee's qualifications.

17.15.4 Retail subleases by Lessee in the ordinary course of business to occupants of hangar space for individual aircraft so long as no rent (excluding amounts Lessee uses for tenant improvements) shall be prepaid more than twelve (12) months.

17.15.5 Office subleases by Lessee in the ordinary course of business to occupants of commercial office space so long as no rent (excluding amounts Lessee uses for tenant improvements) is prepaid more than twelve (12) months.

17.16 Assignment by Lessor. Lessor's interests in this Agreement shall be automatically deemed to be assigned to and assumed by any person who acquires fee title to the Premises. Upon any such assignment, Lessor's liability with regard to this Agreement shall terminate.

XVIII. MISCELLANEOUS

18.0 Miscellaneous.

18.1 Severability. If any provision of this Agreement is declared void or defective, that declaration shall not affect the validity or any other provision of this Agreement.

18.2 Amendments. This Agreement may not be amended except by a formal writing executed by all of the parties. Amendments shall require Primary Lienholder consent to the amendment which consent shall not be unreasonably withheld or delayed.

18.3 Conflicts of Interest. No member, official or employee of Lessor shall have any direct or indirect interest in this Agreement, nor participate in any decision relating to the Agreement that is prohibited by law.

18.4 No Partnership. This Agreement and the transactions and performances contemplated hereby shall not create any sort of partnership, joint venture or similar relationship between the parties.

18.5 Nonliability of Lessor Officials and Employees. No member, official, representative or employee of Lessor shall be personally liable to any party, or to any successor in interest to any party, in the event of any default or breach by Lessor or for any amount which

may become due to any party or successor, or with respect to any obligation of Lessor or otherwise under the terms of this Agreement or related to this Agreement.

18.6 Notices. Except as otherwise indicated, all notices, waivers, demands, requests and other communications required or permitted by this Agreement (collectively, "Notices") shall be in writing and shall be effective only if sent by one or more of the following methods: (a) personal delivery; (b) generally-recognized overnight commercial courier regularly providing proof of delivery, with delivery charges prepaid or duly charged; or (c) United States registered or certified mail, return-receipt requested, postage prepaid, addressed to the parties at the respective addresses set forth opposite their names below, or to any other address or addresses as any party shall designate from time to time by notice given to the other in the manner provided in this paragraph:

If to Lessor: Scottsdale Aviation Director
15000 N. Airport Dr., Suite 100
Scottsdale, AZ 85260

City of Scottsdale
3939 Drinkwater Blvd.
Scottsdale, AZ 85251
Attn: City Attorney

If to Lessee: Scottsdale Jet Center
421 E. Hickory, Suite 105
Denton, TX 76210
Attention: John Marchman

Notices to Lessee may also be hand-delivered to Lessee's management office at the Premises. Notices given or served by personal delivery shall be deemed to have been received upon tender to the respective party. Notices given or served by mail or commercial courier shall be deemed to have been given or served as of the date of delivery (whether accepted or refused) established by the United States Postal Service return-receipt or the overnight courier's proof of delivery, as the case may be.

18.7 Time of Essence. Time is of the essence of each and every provision of this Agreement.

18.8 Integration. This Agreement constitutes the entire agreement between Lessor and Lessee with respect to the subject matter hereof and supersedes any prior agreement, understanding, negotiation, draft agreements, discussion outlines, correspondence and memoranda or representation regarding the Premises, as, and to the extent, set forth in that certain Lease Replacement Agreement between the parties of even date herewith.

18.9 Construction. Whenever the context of this Agreement requires, the singular shall include the plural, and the masculine shall include the feminine. This Agreement was negotiated on the basis that it shall be construed according to its plain meaning and neither for nor against any party, regardless of their respective roles in preparing this Agreement. The terms of this Agreement were established in light of the plain meaning of this Agreement and this Agreement shall therefore be interpreted according to its plain meaning and without regard to rules of interpretation, if any, which might otherwise favor Lessee.

18.10 Lessee Payments Cumulative. All amounts payable by Lessee to Lessor hereunder or under any tax, assessment or other existing or future ordinance or other law of City of Scottsdale or the State of Arizona shall be cumulative and payable in addition to each other payment required hereunder, and such amounts shall not be credited toward, substituted for, or setoff against each other by Lessee in any manner.

18.11 Paragraph Headings. The paragraph headings contained herein are for convenience in reference and not intended to define or limit the scope of any provision of this Agreement.

18.12 No Third Party Beneficiaries. Except for the limited provisions expressly stated to be for the benefit of a Primary Lienholder, no person or entity shall be a third party beneficiary to this Agreement or shall have any right or cause of action hereunder. Lessor shall have no liability to third parties for any approval of plans, Lessee's construction of improvements, Lessee's negligence, Lessee's failure to comply with the provisions of this Agreement (including any absence or inadequacy of insurance required to be carried by Lessee), or otherwise as a result of the existence of this Agreement.

18.13 Exhibits. All attached exhibits, which are specifically referenced in this Agreement, are hereby incorporated into and made an integral part of this Agreement for all purposes.

18.14 Attorneys' Fees.

18.14.1 In the event any action or suit or proceeding is brought by Lessor to collect the Rent due or to become due hereunder or any portion hereof or to take possession of the Premises or to enforce compliance with this Agreement or for Lessee's failure to observe any of the covenants of this Agreement or to vindicate or exercise any of Lessor's rights or remedies hereunder, and if Lessor is the prevailing party, Lessee agrees to pay all costs of such action or suit and all expenses of such action or suit together with such sum as the court may adjudge reasonable as attorneys' fees to be allowed in said suit, action or proceeding.

18.14.2 In the event any action or suit or proceeding is brought by Lessee to enforce compliance with this Agreement or for Lessor's failure to observe any of the covenants of this Agreement or to vindicate or exercise any of Lessee's rights or remedies hereunder, and if Lessee is the prevailing party, Lessor agrees to pay all costs of such action or suit and all expenses of such action or suit together with such sum as the court may adjudge reasonable as attorneys' fees to be allowed in said suit, action or proceeding.

18.15 Choice of Law. This Agreement shall be governed by the internal laws of the State of Arizona without regard to choice of law rules. Exclusive proper venue for any action regarding this Agreement shall be Maricopa County.

18.16 Approvals and Inspections. All approvals, reviews and inspections by Lessor under this Agreement or otherwise are for Lessor's sole benefit and not for the benefit of Lessee, its contractors, engineers or other consultants or agents, or any other person.

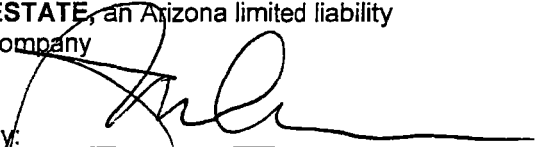
18.17 Recording. Within ten (10) days after the effective date of this Agreement, Lessee shall cause this Agreement to be recorded in the office of the Maricopa County Recorder.

18.18 Statutory Cancellation Right. In addition to its other rights hereunder, Lessor shall have the rights specified in A.R.S. § 38-511.

[SIGNATURE PAGES FOLLOW]

EXECUTED as of the date first given above.

LESSEE: **SCOTTSDALE JET CENTER REAL ESTATE**, an Arizona limited liability company

By: 
John Marchman
Its. Managing Member

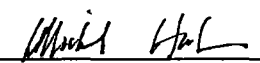
LESSOR: **CITY OF SCOTTSDALE**,
an Arizona municipal corporation

By: _____
W. J. "Jim" Lane, Mayor

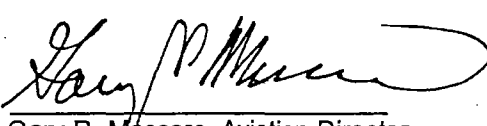
ATTEST:

Carolyn Jagger, City Clerk

APPROVED AS TO FORM:



Bruce Washburn, City Attorney
By: Michael Hamblin, Assistant City Attorney



Gary P. Mascaro, Aviation Director



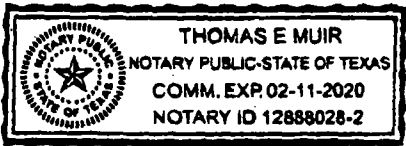
Katie Calloway, Risk Management Director

STATE OF TEXAS)
) ss.
County of Harris)

The foregoing instrument was acknowledged before me this 1st day of November 2018, by John Marchman, Managing Member of Scottsdale Jet Center Real Estate, LLC, an Arizona limited liability company.

Thomas E Muir
Notary Public

My Commission Expires:
2/11/2020



STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this _____ day of _____ 2018, by W. J. "Jim" Lane, Mayor of the City of Scottsdale, an Arizona municipal corporation.

Notary Public

My Commission Expires:

Exhibit A



**Legal Description
SCOTTSDALE AIRPORT
PROPOSED AIR COMMERCE CENTER LEASE**

THAT PORTION OF SECTION 11, TOWNSHIP 3 NORTH, RANGE 4 EAST OF THE GILA AND SALT RIVER MERIDIAN, MARICOPA COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHERLY MOST CORNER OF LOT 42, THUNDERBIRD INDUSTRIAL AIRPARK NO. 3, ACCORDING TO THE PLAT RECORDED IN BOOK 145 OF MAPS, PAGE 28, RECORDS OF MARICOPA COUNTY, ARIZONA (M.C.R.);

THENCE NORTH 43°55'06" EAST, ALONG THE SOUTHEASTERLY LINE OF SAID LOT 42, A DISTANCE OF 274.09 FEET;

THENCE DEPARTING PERPENDICULAR TO SAID SOUTHEASTERLY LINE, SOUTH 46°04'54" EAST, A DISTANCE OF 37.80 FEET;

THENCE NORTH 43°55'06" EAST, PARRALEL WITH SAID SOUTHEASTERLY LINE, A DISTANCE OF 346.44 FEET TO THE SOUTHWEST CORNER OF LANDMARK LEASEHOLD, SOUTH PARCEL AS DESCRIBED IN DOCUMENT NO. 2010-958702, M.C.R.;

THENCE SOUTH 46°05'00" EAST, ALONG THE SOUTHERLY LINE OF SAID SOUTH PARCEL, A DISTANCE OF 332.37 FEET;

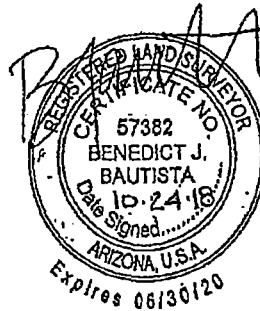
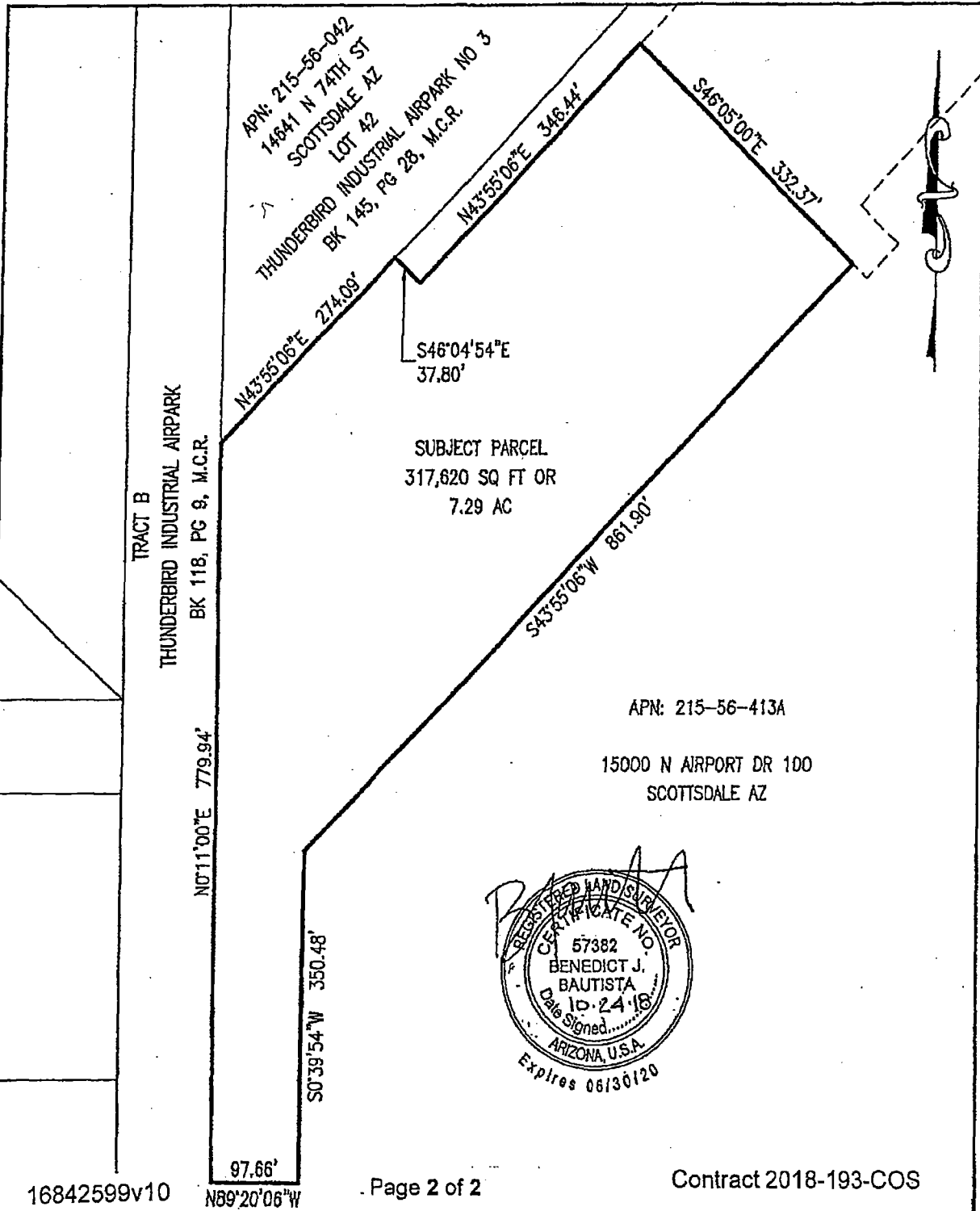
THENCE DEPARTING SAID SOUTHERY LINE, SOUTH 43°55'06" WEST, A DISTANCE OF 861.90 FEET;

THENCE SOUTH 00°39'54" WEST, A DISTANCE OF 350.48 FEET;

THENCE NORTH 89°20'06" WEST, A DISTANCE OF 97.66 FEET TO A POINT ON THE EAST LINE OF TRACT B, THUNDERBIRD INDUSTRIAL AIRPARK, ACCORDING TO THE PLAT RECORDED IN BOOK 118 OF MAPS, PAGE 9, M.C.R.;

THENCE NORTH 00°11'00" EAST, ALONG SAID EAST LINE, A DISTANCE OF 779.94 FEET TO THE **POINT OF BEGINNING**.

THE ABOVE DESCRIBED PARCEL CONTAINS AN AREA OF 317,620 SQUARE FEET OF 7.29 ACRES MORE OR LESS.



Page 2 of 2

Contract 2018-193-COS



2045 S. Vineyard Ave.
Ste. 101 Mesa, AZ 85210
T:480.503.2250 | F:480.503.2258
www.epsgrouplnc.com

Project Name

SCOTTSDALE AIRPORT
PROPOSED AIR COMMERCE CENTER LEASE

DESIGN	BJB	SCALE	SHEET
DRAWN	BJB	1"=140'	1 OF 1

Exhibit B



Legal Description
SCOTTSDALE AIRPORT
PROPOSED GREENWAY HANGARS AND SHADES

THAT PORTION OF SECTION 11, TOWNSHIP 3 NORTH, RANGE 4 EAST OF THE GILA AND SALT RIVER MERIDIAN, MARICOPA COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHEAST CORNER OF LOT 93, THUNDERBIRD INDUSTRIAL AIRPARK NO. 3A, ACCORDING TO THE PLAT RECORDED IN BOOK 160 OF MAPS, PAGE 8, RECORDS OF MARICOPA COUNTY, ARIZONA;

THENCE SOUTH 46°04'54" EAST, A DISTANCE OF 75.20 FEET;

THENCE SOUTH 43°55'06" WEST, A DISTANCE OF 725.58 FEET;

THENCE NORTH 46°05'00" WEST, A DISTANCE OF 605.00 FEET;

THENCE NORTH 43°54'59" EAST, A DISTANCE OF 220.61 FEET TO A POINT ON THE SOUTH LINE OF LOT 89 OF SAID PLAT;

THENCE SOUTH 89°42'27" EAST, ALONG THE SOUTH LINE OF LOT 89 - 93 OF SAID PLAT, A DISTANCE OF 731.92 FEET TO THE **POINT OF BEGINNING**.

THE ABOVE DESCRIBED BOUNDARY CONTAINS AN AREA OF 305,209 SQUARE FEET OF 7.01 ACRES MORE OR LESS.

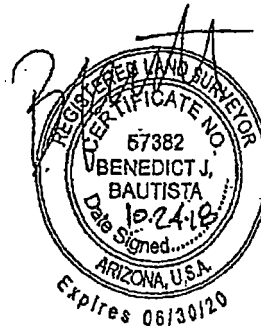
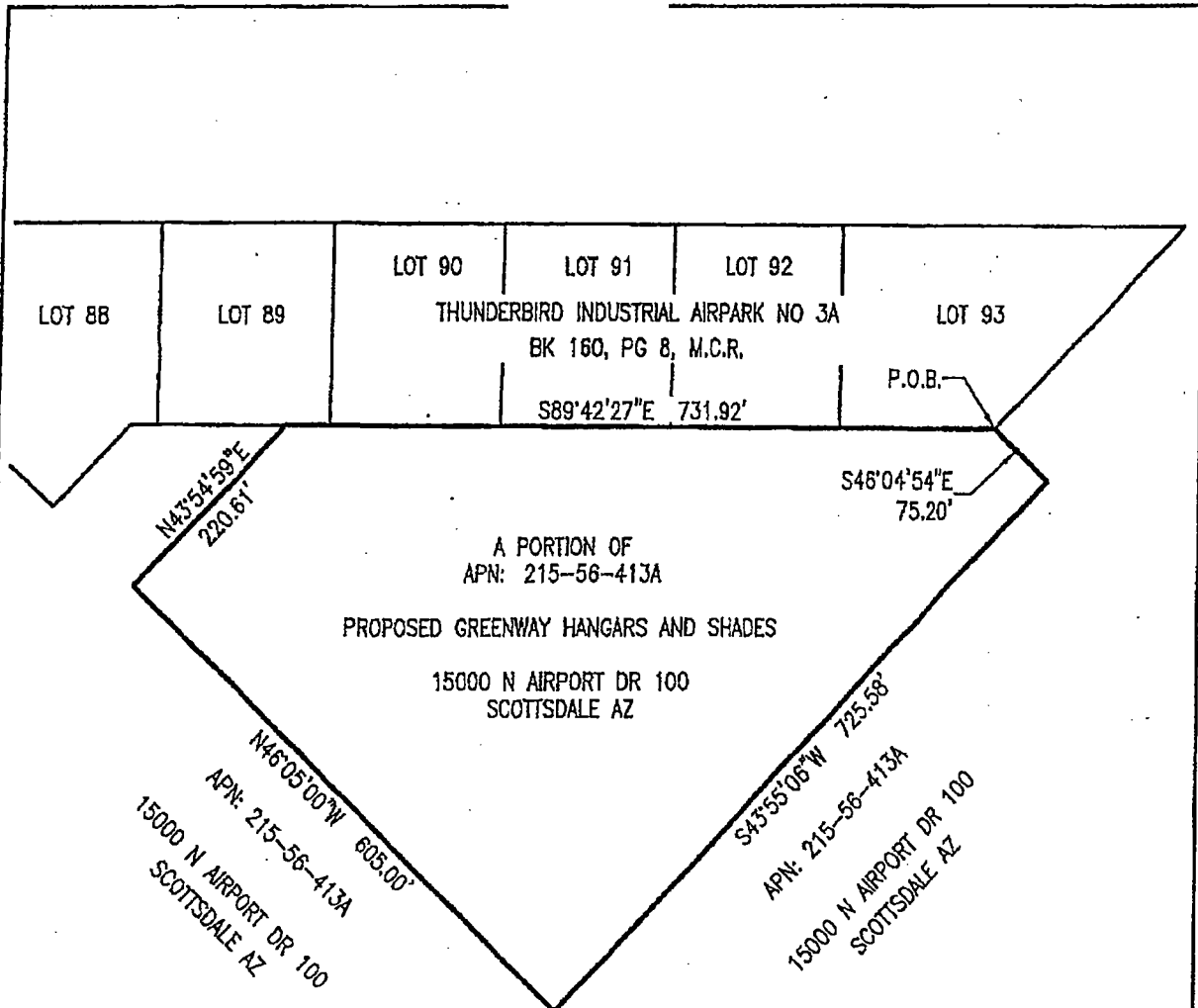


Exhibit B



16842599v10

Page 2 of 2

Contract 2018-193-COS

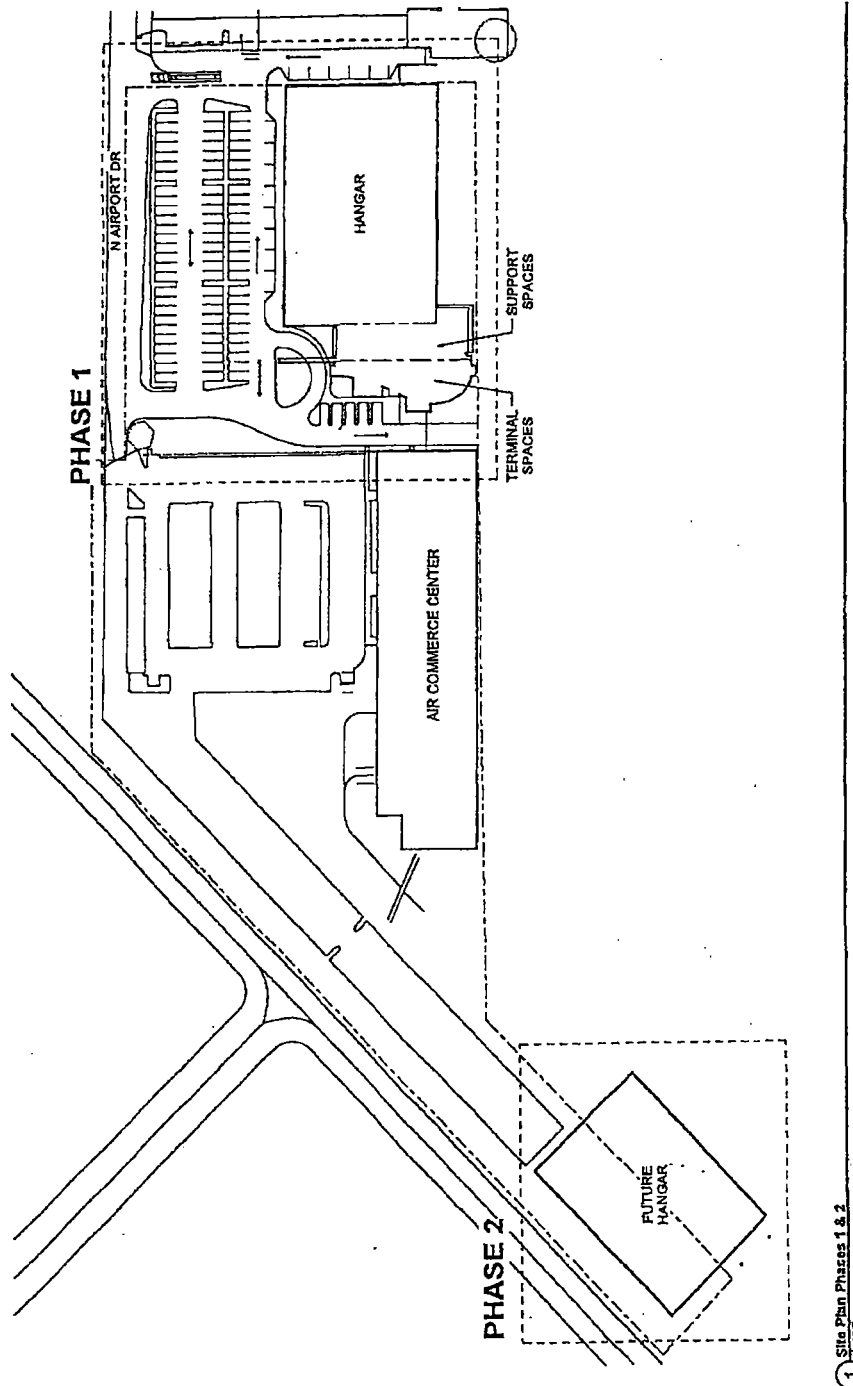


2045 S. Vineyard Ave.
Ste. 101 Mesa, AZ 85210
T:480.503.2250 | F:480.503.2258
www.epsgroupinc.com

Project Name			
SCOTTSDALE AIRPORT PROPOSED GREENWAY HANGARS & SHADES			
DESIGN	BJB	SCALE	SHEET
DRAWN	BJB	1"=100'	1 OF 1

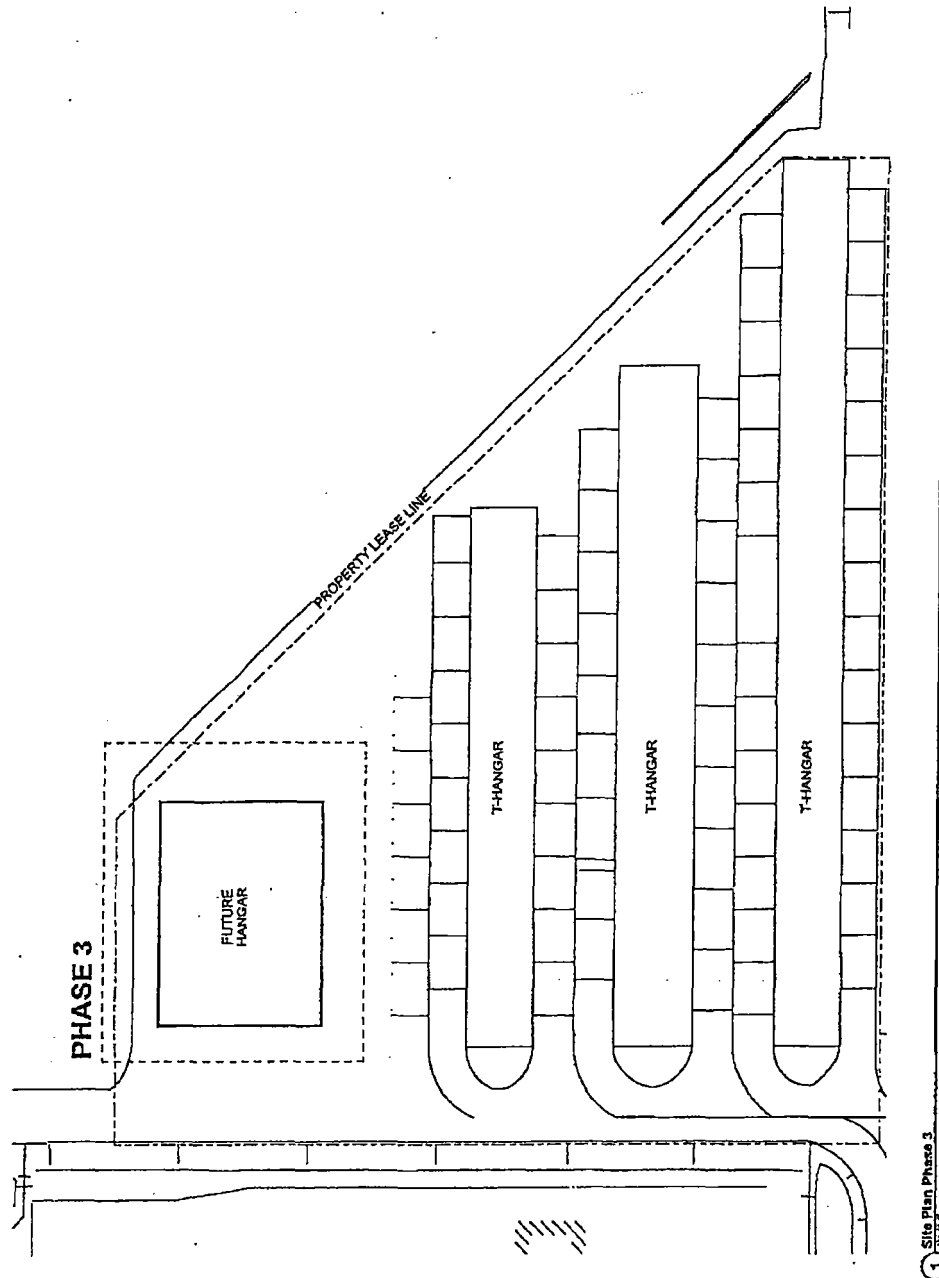
Oct. 24, 2018 1:53pm C:\Users\bjbautista\Desktop\Misc Jobs\Jet Center\PROPOSED ACC LEASE - GREENWAY HANGARS AND SHADES.dwg

Exhibit C



Site Plan for Air Commerce Parcel

Exhibit D



Site Plan for Greenway Hangars and
Shades Parcel

Exhibit E

Standards for Letters of Credit

In addition to any other requirements imposed upon a letter of credit (the "Letter of Credit") issued pursuant to this Agreement, each Letter of Credit shall meet and be governed by the following additional standards and requirements:

1. Letter of Credit Requirements. The Letter of Credit shall be printed on Bank Safety Paper. The following terms and no others shall be stated on the face of the Letter of Credit:

- 1.1. The Letter of Credit is clean, unconditional, and irrevocable.
- 1.2. The Letter of Credit is payable to City upon presentation of the City's draft.
- 1.3. City may make partial draws upon the Letter of Credit.
- 1.4. The Letter of Credit is conditioned for payment solely upon presentation of a sight draft and a copy of the Letter of Credit.
- 1.5. Within ten (10) days after City's draft on the Letter of Credit is honored, City must make the original of the Letter of Credit available to the issuer in Maricopa County, Arizona upon which the issuer may endorse its payments.
- 1.6. The issuer specifies a telefax number, email address and street address at which City may present drafts on the Letter of Credit at a specified.
- 1.7. The Letter of Credit is valid until a specified date.
- 1.8. The Letter of Credit will be automatically renewed for successive one (1) year periods, unless at least one hundred twenty (120) days prior to expiration the issuer notifies City in writing, by either registered or certified mail, that issuer elects not to renew the Letter of Credit for additional period. In the event of such notification, any then unused portion of the Letter of Credit shall be available by draft on or before the then current expiration date.
- 1.9. The Letter of Credit is otherwise subject to the most recent edition of the Uniform Customs and Practices for Documentary Credits published by the International Chamber of Commerce.
- 1.10. The Letter of Credit need not be transferable.

2. Approved Forms. The form of the Letter of Credit and of drafts upon the Letter of Credit shall be as follows:

2.1. Except as approved in writing by City's Chief Financial Officer or designee, the form of the Letter of Credit shall be in the form set out below.

2.2. Except as approved in writing by City's Chief Financial Officer or designee, the form of drafts upon the Letter of Credit shall be in the form set out below.

3. Issuer Requirements. The issuer of the Letter of Credit shall meet all of the following requirements:

3.1. The issuer shall be a federally insured financial institution with offices in Maricopa County, Arizona, at which drafts upon the Letter of Credit may be presented.

3.2. The issuer shall be a member of the New York Clearing House Association or a commercial bank or trust company satisfactory to City.

3.3. The issuer shall have a net worth of not less than \$1 billion.

FORM OF LETTER OF CREDIT

Date _____, 20__

Letter of Credit No.: _____

City Treasurer
City of Scottsdale
Suite 210
7447 E. Indian School Road
Scottsdale, AZ 85253

Dear Sir or Madam:

We hereby establish our clean, unconditional and irrevocable Letter of Credit in your favor at the request and for the account of _____ in the aggregate amount of _____ (\$_____), available upon presentation of your draft in the form attached hereto as **Schedule "1"**.

We will honor each draft presented to us at our above office in compliance with the terms of this Letter of Credit. Partial draws are permitted. Each draft must be accompanied by a copy of this Letter of Credit. Within ten (10) days after we honor your draft, you must make the original of this Letter of Credit available to us in Maricopa County, Arizona upon which we may endorse our payment. Drafts may be presented by any of the following means:

1. By telefax to (____) _____.
2. By _____ email _____ to _____.
3. By hand or overnight courier service delivery to:

This Letter of Credit is valid until _____, 20__ and shall thereafter be automatically renewed for successive one (1) year periods, unless at least one hundred twenty (120) days prior to expiration we notify you in writing, by either registered or certified mail, that we elect not to renew the Letter of Credit for such additional period. In the event of such notification, any then unused portion of the Letter of Credit shall be available upon your presenting to us your draft on or before the then current expiration date.

This Letter of Credit is subject to the most recent edition as of the date of this Letter of Credit of the Uniform Customs and Practices for Documentary Credits published by the International Chamber of Commerce. This Letter of Credit is not assignable.

_____[bank name]_____, a _____
By _____[bank officer's signature]_____
_____[bank officer's name printed]_____
Its _____[bank officer's title]_____
Phone _____ bank officer's phone number] _____

FORM OF DRAFT ON LETTER OF CREDIT

To: _____

From: City Treasurer
City of Scottsdale
Suite 210
7447 E. Indian School Road
Scottsdale, Arizona 85253

Date: _____, 20____

Ladies and Gentlemen:

Pursuant to your Credit No. _____, the City of Scottsdale hereby demands cash payment in the amount of _____ (\$_____).

Please make your payment to the City of Scottsdale in the form of a wire deposit to:

If such deposit cannot be accomplished immediately for any reason, please make your payment in the form of a cashier's check issued by your institution and delivered to me at the address listed above.

I certify that I am the City Treasurer of the City of Scottsdale.

If there is any imperfection or defect in this draft or its presentation, please inform me immediately at 480-312-2427 so that I can correct it. Also, please immediately notify the City Attorney at 480-312-2405.

Thank you.

City of Scottsdale, City Treasurer

Exhibit F

MONTHLY REPORT ITEMS

1. For each portion of the Premises:
 - 1.1 The name of the user or occupant.
 - 1.2 The name and date of the agreement permitting such use or occupancy.
 - 1.3 The names of the parties to such agreement.
 - 1.4 The suite number, location and square footage of the space used or occupied.
 - 1.5 The name and business phone number of the user or occupant and the name and after hours phone number of a responsible representative for such user or occupant.
 - 1.6 The business name and type of business activity being conducted.
2. For any new use or occupancy commenced, a complete copy of the executed agreement permitting such use or occupancy, together with copies of all permits, licenses or similar permissions, registrations or agreements related to such use or occupancy will be provided, upon request to the Lessor.
3. For each portion of the Premises capable of aircraft storage:
 - 3.1 The number of aircraft based at such portion of the Premises.
 - 3.2 For each aircraft based at such portion of the Premises:
 - 3.2.1 Make, model, year and registration number.
 - 3.2.2 Owner's name, address and telephone number.

WHEN RECORDED RETURN TO:
CITY OF SCOTTSDALE
ONE STOP SHOP/RECORDS
(Gary Mascaro)
7447 East Indian School Road, Suite 100
Scottsdale, AZ 85251

City of Scottsdale Contract No. 2018-193-COS
(Resolution No. 11307)
(Scottsdale Jet Center)

LEASE AGREEMENT

THIS LEASE AGREEMENT (the "Agreement") is made and entered into this ____ day of _____, by and between the City of Scottsdale, an Arizona municipal corporation ("Lessor"), and Scottsdale Jet Center Real Estate, an Arizona limited liability company ("Lessee").

RECITALS

A. Lessor is the owner of the Scottsdale Airport (the "Airport") located northeast of the intersection of Scottsdale Road and Thunderbird Road in Maricopa County, Arizona.

B. The Airport includes certain real property (the "Premises") comprising two parcels in the City of Scottsdale, Arizona, consisting of the Air Commerce Center Parcel of approximately 7.29 total acres (317,620 square feet) as described in Exhibit "A" attached hereto, and the Greenway Hangars and Shades Parcel of approximately 7.01 total acres (305,209 square feet) as described in Exhibit "B" attached hereto.

C. Lessor holds fee title and various other interests in the Premises subject to various documents recorded in the office of the Maricopa County Recorder as of the date of this Agreement (collectively, the "Site Documents").

D. The Premises includes certain office and hangar facilities as well as T-Shades and Hangars and an underground fuel farm made available for lease hereunder. As a part of this Agreement, Lessee will be granted the non-exclusive use of the aircraft parking apron located directly in front of the leased Premises.

E. Lessee desires to construct and operate all improvements necessary for convenient use of the Premises as a full service fixed base operator (collectively the "Project") upon the Premises as depicted on the drawings (collectively, the "Site Plan") attached hereto as Exhibit "C" (relating to the Air Commerce Center Parcel) and Exhibit "D" (relating to the Greenway Hangars and Shades Parcel), subject to the requirements of this Agreement.

F. Subject to the terms and conditions of this Agreement, Lessee shall construct the various improvements in three phases comprising the Project upon and adjacent to the Premises as depicted on the Site Plan under the conditions set forth herein.

NOW, THEREFORE, for and in consideration of the foregoing, the amounts hereinafter to be paid by Lessee, and the covenants and agreements contained herein to be kept and performed by Lessee, and other good and valuable consideration, Lessor and Lessee agree as follows:

I. RECITALS

1.0 Recitals. The foregoing recitals are incorporated into this Agreement.

II. PREMISES

2.0 Premises. Lessee's rights to use the Premises are limited as follows:

2.1 Reservation. Lessor specifically reserves to itself and excludes from this Agreement a non-exclusive easement (the "Reserved Easement") over the entire Premises for the exercise of all of Lessor's rights under this Agreement and for any and all purposes that do not materially interfere with Lessee's lawful conduct of the Permitted Uses under this Agreement. The Reserved Easement does not give the general public or any other Airport tenant (or the employees, vendors, or contractors of any other Airport tenant) a right to enter upon the Premises. Without limitation, the Reserved Easement also includes:

2.1.1 An underground utility easement.

2.1.2 A non-exclusive easement for pedestrian and vehicular access upon all vehicular, aircraft and pedestrian driveways, plazas, sidewalks, and maneuvering areas existing from time to time.

2.1.3 The right to install antennas utilized for airport operations upon the roofs of the buildings. Lessor shall not install, operate or allow use of equipment, methodology or technology for its antennas at the Premises that may or would interfere with the optimum effective use or operation of Lessee's antennas now or hereafter at the Premises. Lessee shall have the right to reject antennas which are visible from the parking spaces within the Premises or which interfere with other permitted uses of the roofs by Lessee and cannot be reasonably accommodated by such uses.

2.2 Public Agency Access. Lessor reserves the right for other public agencies and Lessor to enter the Premises or any part thereof at all reasonable times, for the purposes of reconstruction, maintenance, repair or service of any public improvements or public facilities located within or without the Premises. Any such entry shall be made only after reasonable notice to Lessee, and after Lessor or the other public agency has agreed to be responsible for any claims or liabilities pertaining to any entry. Any damage or injury to the Premises or to the part thereof resulting from such entry shall be promptly repaired at the sole expense of the public agency responsible for the entry. Such reserved rights do not include the interior space of any buildings that Lessee may construct upon the Premises. Lessor or the other public agency shall take commercially reasonable steps to minimize any disruption of the conduct of business on the Premises caused by the construction, reconstruction, repair, operation, maintenance and replacement of such improvements and facilities.

2.3 Rights in Adjacent Premises. Lessee's rights are expressly limited to the real property defined as the "Premises" in this Agreement. Without limitation, in the event any public right-of-way or other public or private property adjacent to the Premises is owned, dedicated, abandoned or otherwise acquired, used, improved or disposed of by Lessor, such property shall not accrue to this Agreement but shall be Lessor's only. In addition, and severable from the preceding sentence, upon any such event, Lessee shall execute and deliver to Lessor without compensation a quit-claim deed of such right-of-way or other property.

2.4 Variation in Area. In the event the Premises consist of more or less than any stated acreage, this Agreement shall nevertheless continue and Lessee's obligations hereunder shall not be increased or diminished.

2.5 Condition of Title. Lessee's rights hereunder are subject to all covenants, conditions, restrictions, easements, agreements, liens, reservations and encumbrances upon, and all other recorded or unrecorded conditions of title to, the Premises. Lessee has obtained any title insurance or information Lessee deems appropriate. Lessor does not warrant its own or Lessee's title to the Premises. Lessee's rights hereunder are further subject to all present and future building restrictions, regulations, rules, zoning laws, ordinances, resolutions, and orders of all bodies, bureaus, commissions and bodies of any municipal, county, state, or federal authority, now or hereafter having jurisdiction over the Premises or Lessee's use thereof.

2.6 Site Documents. Lessee shall do nothing at the Premises that the Site Documents would not allow Lessor to do. Lessee shall timely, fully and faithfully perform all obligations of Lessor and Lessee under the Site Documents with respect to the Premises. Lessee shall not have power to amend, modify, terminate or otherwise change the Site Documents, without Lessor's express written consent. Lessee shall pay, indemnify, defend and hold harmless the Lessor and its agents and representatives of, from and against any and all claims, demands, damages, expenses, interest or penalties of any kind or nature whatsoever, including attorneys', arbitrators' and experts' fees and court costs, which arise from or relate to violations of the Site Documents by Lessee or those claiming through Lessee. In the event the Site Documents impose affirmative duties to be performed on land outside the Premises, Lessee is not obligated to perform such duties unless the Site Documents specifically impose such duties upon the land included within the Premises.

2.7 Condition of Premises. Lessee has examined, studied and inspected the Premises, the Airport, and all other property associated with this Agreement and its environs. All of such property is being made available in an "as is" condition without any express or implied warranties of any kind, including without limitation any warranties or representations as to their condition or fitness for any use. Lessee has obtained such information and professional advice as Lessee has determined to be necessary related to this Agreement or this transaction.

2.8 Lessor's Fixtures and Personalty. No fixtures or personal property owned by Lessor upon or within the Premises are included in this Agreement. Any and all of Lessor's property as may come into the possession of Lessee or be used by Lessee, shall be returned to Lessor by Lessee at termination of this Agreement and shall be maintained in good working condition by Lessee from time to time at Lessee's expense and replaced by Lessee at Lessee's expense when worn out and shall be owned at all times by Lessor with Lessee being solely responsible for the condition thereof. All such personal property shall be provided "as is" and Lessee shall accept all responsibility for its condition and shall thoroughly inspect the same before use.

III. TERM OF AGREEMENT

3.0 Term of Agreement. Lessor hereby leases the Premises to Lessee subject to and conditioned upon Lessee's full, timely, complete and faithful performance of all performances and things to be performed or done hereunder by Lessee, and Lessee hereby accepts the Premises and this Agreement.

3.1 Term. The term of the Lease of the Premises shall commence on the execution of this Lease by both Lessor and Lessee and shall expire on December 31, 2058.

3.2 Holding Over. In any circumstance whereby Lessee would remain in possession of the Premises after the expiration of this Agreement, such holding over shall not be deemed to operate as a renewal or extension of this Agreement, but shall only create a tenancy from month to month which may be terminated at any time by Lessor upon thirty (30) days notice to Lessee, or by Lessee upon sixty (60) days notice to Lessor.

3.3 Airport Closure. Lessor does not warrant that the Airport will remain open during the entire term of this Agreement, but Lessor does not presently have intentions to close the Airport. If the Airport is scheduled to be closed for more than a twelve (12) month period, Lessee shall have a six (6) month period (the "Decision Period") to give Lessor notice that Lessee elects to terminate this Agreement without penalty. The Decision Period shall commence on the date (the "Determination Date") which is the end of the said first six (6) month period of Airport closure. If Lessee does not so elect to terminate this Agreement by giving such notice, then the following shall apply

3.3.1 The Permitted Uses shall be expanded to include all uses then allowed under applicable zoning and other laws.

IV. LEASE PAYMENTS

4.0 Lease Payments. Lessee shall pay to Lessor all of the following payments together with all other payments required by this Agreement (all payments by Lessee to Lessor required by this Agreement for any reason are collectively the "Rent"):

4.1 Rent Payment Date. All Rent shall be payable one month in advance on the twenty-fifth day of the preceding month. In the event an amount is not known in advance, Lessor shall have the right to estimate the amount, with an adjustment to be made within sixty (60) days after the actual amount becomes known. For example, the Rent for September shall be payable on or before August 25. Rent is deemed paid only when good payment is actually received by Lessor.

4.2 Base Rent. The rental amount ("the Base Rent") Lessee shall pay to Lessor at the twenty-fifth day of the preceding month of this Agreement shall be Thirteen Thousand One Hundred Sixteen and 51/100 Dollars (\$13,116.51). On May 22, 2022, the rental amount (the "New Base Rent") Lessee shall pay to the Lessor at the twenty-fifth day of the preceding month of this Agreement shall be Nineteen Thousand Seven Hundred Twenty Four and 44/100 Dollars (\$19,724.44).

4.3 Base Rent Adjustment. The Base Rent shall be automatically adjusted upward on each anniversary of this Agreement occurring in an odd numbered year, beginning with 2021.

The adjustment shall be made on the basis of changes in the United States Consumer Price Index for all Urban Consumers (CPI-U), U.S. City Average, all items, published by the United States Bureau of Labor Statistics (the "Cost of Living Index"). The amount of each new adjusted monthly installment of Base Rent (represented by the letter "R" in the formula set forth below) shall be equal to the new Cost of Living Index number (represented by the letter "C" in the formula set forth below) divided by the original Cost of Living Index number for the month during which this Agreement commences (represented by the letter "M" in the formula set forth below), and multiplied by the original monthly Base Rent amount (represented by the letter "B" in the formula set forth below) This computation is expressed by the following formula:

$$R = C/M \times B$$

provided, that in no event shall any Rent be adjusted downward from any previous period. If the Cost of Living Index has not been published on any adjustment date, Lessor shall have the right to estimate the Cost of Living Index and to make the adjustments based on such estimate. Any correction due to an error in Lessor's estimate shall be paid by Lessee to Lessor (or by Lessor to Lessee, as the case may be) within thirty (30) days after notice by either party to the other that the Cost of Living Index has been published. If such Cost of Living Index shall, for any reason whatsoever, not be published or readily identifiable at the adjustment date, then an index published by any state or federal agency or an index, formula or table accepted generally by the real estate profession shall be used as chosen by Lessor in Lessor's reasonable discretion. Any delayed adjustment shall be effective retroactively. In the event of a holdover, all Rent and every element thereof shall be increased by an additional fifty percent (50%) over the amount of Rent that would otherwise be payable under this Agreement.

4.3.1 If Lessee fails to complete, as evidenced by the issuance of a Certificate of Occupancy, the construction for Phase II by the date set forth in Section 8.2.1 below, Lessee's base rent shall be \$11,861.13.

4.3.2 If Lessee fails to complete, as evidenced by the issuance of a Certificate of Occupancy, the construction of Phase III by the date set forth in Section 8.3.1 below, Lessee's base rent shall be \$10,064.39.

4.4 Aeronautical Business Permit. To the extent required by law, all persons occupying or operating at the Premises shall obtain an Aeronautical Business Permit. This paragraph applies to any type of permit or other rule or requirement that may supplement or replace the Aeronautical Business Permit. In addition to all other Rent payment hereunder, if Lessee does not from time to time hold an Aeronautical Business Permit covering all activities relating to its own operations, activity and business at the Premises and pay all fees related thereto, Rent shall include an additional amount equal to the amount that would be payable pursuant to such an Aeronautical Business Permit regardless of whether an Aeronautical Business Permit is required by law. Notwithstanding the foregoing or Paragraph 5.1, Lessee may sublease office space (but only office space) to persons or entities who are not engaged in an aviation related business and/or who are not required to hold an Aeronautical Business Permit; provided, however, that because the Permitted Uses are otherwise limited to certain aviation related uses and Lessor desires to ensure an appropriate overall mix of aviation and non-aviation related office space on the Premises, any and all such non-aviation related office subleases are subject to Lessor's prior written consent (which consent Lessor shall not unreasonably withhold or delay).

4.5 Security Deposit. Upon execution of this Agreement, Lessee shall provide to Lessor, and maintain with Lessor at all times during the term of this Agreement, a cash security deposit in the amount equal to Fifteen Thousand Dollars (\$15,000) guaranteeing the faithful performance of this Agreement. Any funds or property of Lessee held by or available to Lessor or any issuer of a letter of credit receiver, escrow agent or other third party under or related to this Agreement shall also stand as a security deposit guaranteeing Lessee's faithful performance of this Agreement. Any portion of any security deposit to which Lessee may then be entitled, net of any setoff or other obligation of Lessee, shall be paid to Lessee by the then owner of the fee title to the Premises within sixty (60) days after the later of termination of this Agreement or complete satisfaction of all of Lessee's obligations.

4.6 Late Fees. Should any Rent not be paid on or before the due date, a late fee shall be added to the amount due in the amount of ten percent (10%) of the amount due. Furthermore, any Rent that is not timely paid shall accrue interest at the rate of .25 percent (.0025%) per month, every month thereafter until paid. Lessee expressly agrees that the forgoing represent fair and reasonable estimates by Lessor and Lessee of Lessor's costs (such as accounting and processing costs, administrative costs, etc.) in the event of a delay in payment of Rent. Lessor shall have the right to allocate payments received from Lessee among Lessee's obligations.

4.7 Rent Amounts Cumulative. All amounts payable by Lessee under any provision of this Agreement or under any tax, assessment or other existing or future ordinance or other law of the City of Scottsdale or the State of Arizona shall be cumulative and payable in addition to each other payment required hereunder, and such amounts shall not be credited toward, substituted for, or setoff against each other in any manner.

4.8 No Setoffs. Lessee shall pay all Rent directly to Lessor without setoff or deduction of any description. Lessee expressly waives any right of setoff.

V. USE RESTRICTIONS

5.0 Use Restrictions. Lessee's use and occupation of the Premises shall in all respects conform to all and each of the following cumulative provisions:

5.1 Permitted Uses. Upon completion of Phase I as set forth in Section 8.1 Lessee and those claiming through Lessee shall use the Premises solely for a full service fixed base operator (the "Permitted Uses") in accordance with the Airport Minimum Operating Standards and receiving an approved Aeronautical Business Permit for such activity. Lessee shall conduct no other activity at or from the Premises. Upon completion of Phase I, the Permitted Uses are limited to the following as set forth in Sections 5.1 through 5.1.11:

5.1.1 Commercial offices as reasonably required for conduct of the Permitted Uses.

5.1.2 Flight instruction.

5.1.3 Aircraft charter service.

5.1.4 Aircraft sales and leasing.

5.1.5 Major aircraft maintenance and repair.

5.1.6 Aircraft storage, parking and tiedown.

5.1.7 Aircraft related warehousing.

5.1.8 Aircraft lubrication.

5.1.9 Aircraft management services.

5.1.10 Aircraft parts, avionics and equipment sales.

5.1.11 Aircraft fueling subject to the limits of this Agreement and the Airport Rules and Regulations.

5.1.12 Prior to the completion of Phase I as set forth in Section 8.1 and Lessee's receipt of any aeronautical business permit for a full service fixed based operator, Lessee will be limited to the aeronautical activities listed from Sections 5.1.1 through 5.1.15.1.2.5.

5.1.13 Prior to receiving an approved Aeronautical Business Permit for a full service fixed base operator, the Premises shall be operated subject to the limits of this section regarding based aircraft.

5.1.13.1 Intentionally Omitted

5.1.13.2 Based Aircraft:

As used herein, "Based Location" means an aircraft which the owner physically locates on the Premises at the Airport with the intent and purpose to remain for an undetermined period; and whose presence at the Premises is not transitory in nature. "Based" includes an aircraft that is located at the Airport for a limited or seasonal duration.

5.1.13.3 Visiting aircraft.

Non-based aircraft (i.e. transient or visiting aircraft based in another location) may only access the Premises upon the Aviation Director's prior written approval of a request from: (i) the Lessee or (ii) aircraft owner/operator based at the premises, in accordance with the following:

5.1.13.3.1 Visiting aircraft may not receive fuel from the Premises, receive maintenance, unless by an approved Aeronautical Business Permittee that is allowed to conduct maintenance, or remain overnight more than ten (10) consecutive calendar days;

5.1.13.3.2 The Aviation Director will not accept any application to base a visiting aircraft permanently at the Premises while the aircraft is parked under Aircraft Visiting Notice.

5.1.13.3.3 The Lessee receiving the visitor must notify Airport Operations in writing via the Aircraft Visiting Notice or email in advance of the visiting aircraft's arrival at the Airport.

5.1.14 Prerequisites to registration and licensing of aircraft at the Premises. Prior to the completion of Phase I as set forth in Section 8.1 and Lessee's receipt of any

aeronautical business permit for a full service fixed based operator, the following requirements shall apply:

Each person owning, operating, or otherwise controlling aircraft based at the Premises shall:

5.1.14.1 Prior to basing the aircraft, obtain an Aircraft Storage Agreement approved by the Aviation Director for each aircraft and submit evidence satisfactory to the City of registration and/or aircraft leasehold interest.

5.1.14.2 Convey in writing any changes to information contained within the Aircraft Storage Agreement to the Aviation Director within fifteen (15) calendar days of the change.

5.1.14.3 If conducting storage of aircraft primarily used in conjunction with the commercial aeronautical uses at the Premises, provide evidence reasonably satisfactory to the City that:

5.1.14.3.1 The operator has been granted an approved Aeronautical Business Permit to conduct such activity at the Premises; and

5.1.14.3.2 The permitted aeronautical business occupies the amount of enclosed non-hangar gross floor area at the Premises required by the Airport Minimum Operating Standards.

5.1.15 Based aircraft storage requirements. Prior to the completion of Phase I as set forth in Section 8.1 and Lessee's receipt of any aeronautical business permit for a full service fixed based operator, the following requirements shall apply:

5.1.15.1 A based aircraft shall only park at the Premises in its "slot".

5.1.15.2 The maximum number of aircraft that may be lawfully based at Premises is calculated by the number of aircraft that can physically and operationally fit at the Premises at any time if all based aircraft were present. The Lessee shall:

5.1.15.2.1 Submit a dimensional plan-view drawing of the Premises and associated aircraft for approval or denial by Aviation Director.

5.1.15.2.2 If, in the determination of the Aviation Director, the dimensional plan-view drawing is insufficient to demonstrate the ability to base all aircraft in the hangar location, at the Aviation Director's discretion, all or some of the based and proposed based aircraft will be required to be simultaneously placed at the Premises location for review by the Aviation Director.

5.1.15.2.3 A slot is considered occupied by a based aircraft for a minimum of six (6) months or, if in excess of six (6) months, as long as the aircraft is based at the Premises.

5.1.15.2.4 Replacement aircraft may be substituted for a slot aircraft only if the Aviation Director approves a replacement aircraft:

(a) For an aircraft sold by the owner, and the replacement aircraft based in the same slot at the Premises. The replacement aircraft begins a new six (6) month period for the slot.

(b) For a specified period of time, to replace the slot aircraft while it is undergoing maintenance, repair or specialized aircraft repair services as they are described in the Airport Minimum Operating Standards. The replacement aircraft does not begin a new six (6) month period for the slot.

5.1.15.2.5 Except as provided in subsection 5.1.15.1.2.4, replacement aircraft shall not be substituted for aircraft no longer based by Lessee or sublessee at the Premises.

5.2 Additional Restrictions. Through the term of this Lease the Permitted Uses are further restricted as follows:

5.2.1 Except from vending machines, no food shall be sold at the Premises. The preceding sentence does not preclude sales of in-flight meals prepared outside the Premises.

5.2.2 No gambling activities of any sort whatsoever are permitted at the Premises.

5.2.3 Sales, sale signs, and merchandise storage and display are confined to the interior of the Premises within the building.

5.2.4 No alcohol is permitted at the Premises. The preceding sentence does not apply to de minimus quantities of alcohol provided by building occupants for their own use (and guests) or to infrequent social parties conducted by Premises occupants for their staff or customers.

5.3 Restriction on Lessee's Other Business. During the entire term of this Agreement, Lessee shall not participate directly or indirectly in the ownership, management, or operation of any other business or other operation that includes transient fueling at the Airport.

5.4 Height Limitation. Lessee shall not direct, permit, or maintain upon the Premises any structure, tree, or other stationary or attached object (except an aircraft) that penetrates the Federal Aviation Regulation Part 77 surface without consent of the Federal Aviation Administration.

5.5 Signs. Lessee shall install all signs and markings required for safe use of the Premises. Lessee shall have the right to install and maintain not more than five (5) appropriate exterior signs per building to identify Lessee's operations at the Premises provided that all of the following conditions are met:

5.5.1 Each sign shall be made of metal and match the color, materials, content, construction, lettering, style, appearance and function of other signs installed by Lessor in the operation areas of the Airport, all as reasonably determined by Lessor.

5.5.2 Lessee shall design, make, install and maintain all signage in a first class professional manner.

5.5.3 Lessee shall not erect, install, apply for a permit for, or display any sign until Lessee has submitted written request, together with descriptions and drawings showing the intended locations, size, style and colors of such signs to Lessor, and has received notice of Lessor's approval. Proposed Lessee signs shall also be subject to the same plans review and other requirements that apply to other construction work by Lessee under this Agreement.

5.5.4 Lessee shall bear all costs pertaining to the erection, installation, operation, maintenance and removal of all signs including, but not limited to, the application for and obtaining of any required building or other permits.

5.5.5 The requirements of this paragraph apply to all signs, designs, monuments, decals, graphics, banners and other manner of signage.

5.5.6 Lessee shall provide signage and other markings on the Premises as directed by Lessor from time to time to cause parking, deliveries and other vehicle and other uses to comply with this Agreement.

5.6 Publicity. Upon special or standing requests made by Lessor from time to time and not in the absence of such requests, Lessee shall include in its promotional materials and other information distributed, sent, or made available to the public or others a notation that all or any part of Lessee's activities at the Premises are accomplished "with the assistance of the City of Scottsdale" or other words of support as Lessor may reasonably select from time to time.

5.7 Prohibited Names. Lessee shall not allow use in connection with any operations at the Premises any name that directly or indirectly refers to or contains any part of Lessor's name or the Airport's name or otherwise suggests a connection between Lessor and Lessee or Lessee's activities. Lessee shall also not use in connection with its operations at the Premises any name associated with products or purveyors of any sort of alcohol, tobacco, adult entertainment or gambling related products or services.

5.8 Name of Business. Lessee shall operate the Permitted Uses at the Premises under Lessee's name, Scottsdale Jet Center, or if such name is not available or if Lessor and Lessee desire otherwise, such other aviation related name as Lessor may approve in Lessor's reasonable discretion.

5.9 Nonexclusive Uses. Lessee understands and agrees that Lessor, Lessor's other tenants, and other persons within and without the Airport and the surrounding vicinity will conduct from time to time business activities in direct competition with Lessee. Lessee has no exclusive rights to conduct any activity anywhere at the Airport. Nothing herein contained shall be construed to grant or authorize the granting of an exclusive right within the meaning of Section 308(a) of the Federal Aviation Act of 1958 (49 U.S.C. § 1349).

5.10 Communications Operations Restriction. Lessee shall not install, operate, or allow the use of equipment, methodology or technology that may or would interfere with the optimum effective use or operation of Lessor's existing or future fire, emergency or other communication equipment, methodology or technology (i.e., voice or other data carrying, receiving or transmitting equipment). If such interference should occur, Lessee shall immediately discontinue using the equipment, methodology or technology that causes the interference until Lessee takes corrective measures. Any such corrective measures shall be made at no cost to Lessor.

5.11 Outdoor Uses. Except to the extent, if any, approved by Lessor (Aviation Director) in writing in advance from time to time, all uses other than automobile and aircraft parking, aircraft fueling, pedestrian, aircraft and vehicular access, and similar incidental uses are confined to the interior of buildings at the Premises. The preceding sentence does not prohibit minor aircraft servicing outside the Premises on other portions of the Airport as may be allowed from time to time.

5.12 Coordination Meetings. Lessee shall meet with Lessor and other Airport users from time to time as requested by Lessor to coordinate and plan construction and operation of the Premises and all matters affected by this Agreement.

5.13 Governmental Relations. Lessee shall conduct its activities in coordination with Lessor as necessary to maintain good relations with all governmental and other entities having jurisdiction over the Premises. The preceding sentence does not prohibit Lessee from asserting its legal rights against such entities. Lessee shall immediately give to Lessor notice of any actual or threatened dispute, violation or other disagreement relating to the Premises. Lessee is not an agent for Lessor. Without limitation, such entities (who are not third party beneficiaries to this Agreement) include (to the extent that such entities have jurisdiction over the Premises):

5.13.1 State of Arizona

5.13.2 Maricopa County

5.13.3 Arizona Department of Environmental Quality

5.13.4 Arizona Department of Transportation

5.13.5 Federal Aviation Administration

5.14 Conduct at Premises. In entering into this Agreement, Lessor and Lessee have foremost in mind providing the public with a professional atmosphere devoid of unruly, inebriated, disorderly, or sexually oriented behavior. Lessee shall cause persons exhibiting such behavior to leave the Premises.

5.15 Quality Service. Lessee shall operate the Premises in a first-class manner; shall furnish prompt, clean and courteous service; and shall keep the Premises attractively maintained, orderly, clean, sanitary and in an inviting condition at all times, all to Lessor's reasonable satisfaction.

5.16 Lessee's Agent. Lessee shall at all times when the Premises are occupied retain on call available to Lessor upon the Premises an active, qualified, competent and experienced manager to supervise all activities upon and operation of the Premises and who shall be authorized to represent and act for Lessee in matters pertaining to all emergencies and the day-to-day operation of the Premises and other matters affecting this Agreement. Lessee shall also provide notice to Lessor of the name, street address, electronic mail address, and regular and after hours telephone numbers of a person to handle Lessee's affairs and emergencies at the Premises.

5.17 Operations and Staff Qualifications and Requirements. Lessee shall provide to the Premises adequate qualified personnel to conveniently conduct all operations at the Premises.

5.18 Hazardous Materials. Lessee's use upon or about the Premises shall be subject to the following provisions regarding any hazardous waste or materials or toxic substance or any substance now or hereafter subject to regulation under the Arizona Hazardous Waste Management Act, A.R.S. § 49-901 *et seq.*, the Resource Conservation and Recovery Act, 42 U.S.C. 6901 *et seq.*, or the Toxic Substances Control Act, 15 U.S.C. § 2601 *et seq.*, or any other federal, state, county, or local law pertaining to hazardous waste or toxic substances (collectively "Toxic Substances"):

5.18.1 Lessee shall not produce, dispose, transport, treat, use or store any Toxic Substances upon or about the Premises. The prohibitions of the preceding sentence only shall not apply to:

5.18.1.1 Aircraft fuel lawfully contained in proper tanks and dispensing equipment and offered for sale as permitted by this Agreement.

5.18.1.2 Materials necessary for aircraft servicing and restoration, provided such materials are present only in the minimum quantities reasonably necessary for such uses.

5.18.1.3 Janitorial supplies and similar materials in the minimum quantities necessary for first class modern fixed base operator uses permitted by this Agreement.

5.18.1.4 Ordinary gasoline, diesel fuel or other fuels or lubricants necessary for ordinary use in aircraft, motor vehicles and ordinary construction or landscaping machinery serving the Premises when such materials are properly and lawfully contained in ordinary quantities in ordinary tanks and receptacles installed in such vehicles and machinery.

5.18.2 Lessee shall dispose of any Toxic Substances away from the Premises as required by law.

5.18.3 Lessee shall not use the Premises in a manner inconsistent with regulations issued by the Arizona Department of Health Services.

5.18.4 In addition to any other indemnities or obligations, Lessee shall pay, indemnify, defend and hold Lessor harmless against any loss or liability incurred by reason of any Toxic Substance on or affecting the Premises attributable to or caused by Lessee or anyone using the Premises or acting or claiming under Lessee or this Agreement or otherwise relating to this Agreement. Lessee shall immediately notify Lessor of any prohibited Toxic Substance at any time discovered or existing upon the Premises.

5.18.5 Lessee understands the hazards presented to persons, property and the environment by dealing with Toxic Substances. Lessee acknowledges the possibility that the Premises may contain actual or presumed asbestos containing materials.

5.19 Chemical Containers. Lessee shall capture, control and dispose of waste oil and other waste materials from equipment and other activities at the Premises. Lessee's disposal of such items shall be according to law and away from the Premises and other property of Lessor.

5.20 Fixtures and Personality. Lessee shall provide to and maintain at the Premises all equipment and other items necessary for the Premises to be conveniently used for the Permitted Uses.

5.21 Required Operation. During the entire term of this Agreement and any renewals or extensions, Lessee shall keep the Premises open to the public with service adequate to meet public demand. If Lessor determines in Lessor's reasonable discretion that public demand requires additional operating hours, Lessor shall have the right to require additional hours of operation. The operating requirements of this paragraph shall be suspended during the allowed period of repair work to the Premises under this Agreement when and to the extent operation is prevented by damage to the Premises. Prior to completion of Phase I of the project during the required hours of operations, Lessee shall provide, hangar and shade storage and office space services. After completion of Phase I of the Project, during the required hours of operations, Lessee shall provide all of the following services:

5.21.1 Aircraft fueling and lubricants.

5.21.2 Aircraft line services.

5.21.3 Major aircraft maintenance and repair services.

5.21.4 All service required to meet the minimum standards for a fixed base operator as set forth in the Scottsdale Airport Minimum Operating Standards, as amended from time to time.

5.22 Parking off the Premises. Lessor is not required to provide any parking. Parking is allowed only in marked parking stalls on the Premises. Vehicle loading, unloading, parking and standing is not allowed on any other area of the Airport or upon adjacent streets or lands. The preceding sentence does not prohibit use of motor vehicles upon the Airport ramp or other areas as may be permitted from time to time. Lessee shall take such measures as Lessor may reasonably request (including but not limited to installing, maintaining and operating card controlled access gates) to control non-aircraft access to areas accessible to aircraft.

5.23 Parking on the Premises. To reduce effects on surrounding parking, and to encourage full use of parking at the Premises by persons visiting the Premises, Lessee shall make no charge except for valet service, if any, for parking at the Premises. For purposes of the preceding sentence, parking charges do not include charges for automobile storage while a person is using an aircraft based at the Premises. Except as Lessor may consent from time to time, Lessee shall provide all parking on site in compliance with current and future laws and regulations.

5.24 Airport Operations. Lessee acknowledges that Lessee's use of the Premises shall be subject and subordinate to Lessor's operation of the Airport, which will necessarily directly and indirectly affect Lessee and the Premises. Lessee shall not use the Premises in a way that in Lessor's reasonable discretion adversely affects Lessor's use or operation of the Airport. Cumulatively and without limitation:

5.24.1 This Agreement does not give Lessee any rights to park aircraft at any location at the Airport other than the Premises or to use any other portion of the Airport. Any use of any portion of the Airport other than the Premises by Lessee shall be only as a member of the public and subject to all rules and regulations affecting the Airport from time to time.

5.24.2 Lessor reserves the right to further develop, diminish, close, remove or otherwise change the landing area and other areas of the Airport. Lessor reserves the right, but shall not be obligated to Lessee to maintain, operate or repair the landing or other areas of the Airport and all publicly-owned facilities of the Airport.

5.24.3 There is hereby reserved to Lessor, its successors and assigns, and for the use and benefit of Lessor and the public, a right of flight for the passage of aircraft in the airspace above the surface of the Premises. This right of flight shall include the right to cause within or without said airspace any noise, vibrations or other effects relating to the operation of any aircraft used for navigation or flight through the said airspace or landing at, taking off from, or operating at, the Airport.

5.24.4 Lessee shall not interfere with or endanger or obstruct the flight, taxiing, landing and taking off of aircraft, the loading or unloading of passengers or cargo, or other Airport operations.

5.25 Actions by Others. Lessee shall be responsible to ensure compliance with this Agreement by all persons using the Premises or claiming through or under Lessee or this Agreement. Lessee shall prevent all such persons from doing anything that this Agreement prohibits Lessee from doing.

VI. IMPROVEMENTS BY LESSOR

6.0 Improvements by Lessor. Lessor has not promised to and is not obligated in any manner to make any improvements to the Premises or the Airport.

VII. LESSEE'S IMPROVEMENTS GENERALLY

7.0 Lessee's Improvements Generally. Lessee shall not perform any improvements, repairs, installation, construction, grading, structural alterations, utility alterations, parking or traffic alterations, removal, demolition or other cumulatively significant construction or similar work of any description whether or not specifically described herein upon or related to the Premises (collectively "Lessee's Improvements") except in compliance with the following:

7.1 Cost of Lessee Improvements. Should Lessee wish to further improve the Premises, all Lessee's Improvements shall be designed and constructed by Lessee at Lessee's sole cost and expense. In no event, including without limitation termination of this Agreement for any reason, shall Lessor be obligated to compensate Lessee in any manner for any of Lessee's Improvements or other work provided by Lessee during or related to this Agreement. Lessee shall timely pay for all labor, materials, work and all professional and other services related thereto and shall pay, indemnify, defend and hold harmless Lessor and Lessor's employees, officer's, contractors and agents against all claims related thereto. Lessee shall bear the cost of all work required from time to time to cause the Premises to comply with local zoning rules, environmental approvals, the Americans with Disabilities Act, building codes and similar rules. Lessee shall also bear the cost of all work required from time to time to cause any other property owned by Lessor to comply with all such rules implicated by work performed by Lessee, by Lessee's use of the Premises, or by any exercise of the rights granted to Lessee under this Agreement.

7.2 Design and Construction Professionals. All construction and plans preparation for all Lessee's Improvements from initial proposals through final construction documents and

completion of construction shall be performed by professionals selected and paid by Lessee. All of Lessee's design and construction contractors shall have substantial experience in timely and successfully constructing projects similar to Lessee's Improvements.

7.3 Improvement Quality. Any and all work performed on the Premises by Lessee shall be performed in a workman-like manner as reasonably determined by Lessor and shall be diligently pursued to completion and in conformance with all building codes and similar rules. All of Lessee's Improvements shall be high quality, safe, modern in design, and attractive in appearance, all as approved by Lessor through the plans approval processes described in this Agreement in addition to any zoning, building code or other regulatory processes that may apply.

7.4 Ownership of Lessee's Improvements. All Lessee's Improvements (including the existing Air Commerce Center improvements) shall be considered owned by Lessee throughout the term of this Agreement; provided that (a) upon the expiration or earlier termination of this Lease, title to all such improvements shall be deemed automatically transferred to Lessor, without need for action by any party, (b) the foregoing shall not excuse Lessee from any of its obligations under the this Agreement concerning such improvement, and (c) Lessee shall not have any right to remove any such Improvements upon any termination of this Lease or upon the expiration of the term of this Agreement, except as may be expressly permitted pursuant to this Agreement.

7.5 Time for Completion. Lessee shall diligently and expeditiously pursue to completion the construction of all approved Lessee's Improvements and shall complete construction of all of Lessee's Improvements, if any, no later than the earlier of i) eighteen (18) months after commencement of such construction, or ii) any earlier date required by this Agreement or by Lessor's approval of the plans. Notwithstanding anything in this paragraph to the contrary, the time period for completing restoration work in the event of damage to the premises is twenty-four (24) months after the damage.

7.6 Construction Coordination. Lessee shall conduct all of its construction activities at and about the Premises so as not to materially interfere with activities, operation, and other construction upon the Airport or surrounding properties.

7.7 Approval Required. Lessee shall not perform any construction work requiring a building permit without having first received the written consent of Lessor.

7.8 Effect of Approval. Lessor's approval of plans submitted shall be irrevocable for purposes of this Agreement and shall constitute approval (but only at the level of detail of the applicable stage of the review process) of the matters plainly shown on the plans approved. Lessor shall not reject subsequent plans to the extent the matter to which Lessor objects was clearly included in plans previously approved by Lessor and plainly shown on plans previously approved by Lessor. However, Lessor is not precluded from objecting to refinements or implementation of matters previously approved or treatment of matters previously not approved.

7.9 Utility Modifications. Any changes to utility facilities shall be strictly limited to the Premises and shall be undertaken by Lessee at its sole cost and expense.

7.10 Design Requirements. All Lessee's Improvements shall comply with the following design requirements:

7.10.1 All Lessee's Improvements shall be contained entirely within the Premises and without any encroachment or dependence upon any other property, except that Lessee's Improvements shall include construction of related curbs, gutters, pavement, landscaping, and other street improvements Lessor determines to be appropriate.

7.10.2 All Lessee Improvements shall be designed so as to present uniformity of design, function, appearance and quality throughout and consistency with other buildings and improvements located at the Airport.

7.10.3 All Lessee's Improvements shall comply with all requirements of law, any applicable insurance contracts, all Site Documents and this Agreement.

7.10.4 Lessee shall be responsible to directly obtain all necessary permits and approvals from any and all governmental or other entities having standing or jurisdiction over the Premises.

7.10.5 To the extent requested by Lessor, Lessee's plans shall include a description of construction methods employed to address environmental issues affecting or affected by the Premises and protect other facilities at the Airport and surrounding properties.

7.11 Disturbance of Toxic Substances. Prior to undertaking any construction or maintenance work, Lessee shall cause the Premises to be inspected to ensure that no potential asbestos or other Toxic Substances are disturbed, except in accordance with all applicable laws and regulations. Prior to any work of any description that bears a material risk of disturbing potential asbestos or other Toxic Substances, Lessee shall cause the contractor or other person performing such work to give to Lessor notice by the method described in this Agreement to the effect that the person will inspect for such materials, will not disturb such materials except in accordance with all applicable laws and regulations, and will indemnify, defend and hold Lessor harmless against any disturbance of such materials in the course of the contractor's or other person's work. Lessee shall cause any on-site or off-site storage, inspection, treatment, transportation, disposal, handling, or other work involving Toxic Substances by Lessee in connection with the Premises to be performed by persons, equipment, facilities and other resources who are at all times properly and lawfully trained, authorized, licensed, permitted and otherwise qualified to perform such services.

7.12 Plans Required. Lessee's design of all Lessee's Improvements shall occur in three stages culminating in final working construction documents for the Lessee's Improvements (the "Final Plans"). The three stages are, in order of submission and in increasing order of detail, as follows:

7.12.1 Conceptual plans showing the general layout, locations, elevations, configuration, and capacities of all significant improvements, topographical features, pedestrian and vehicular ways, buildings, utilities, water systems, and other features significantly affecting the appearance, design, function and operation of each element of Lessee's Improvements. The conceptual plans must also show general locations and dimensions of all rooms, hallways and other areas together with the number of square feet of building and other area that all significant uses and facilities will respectively occupy.

7.12.2 Preliminary plans showing all building finishes and treatments, finished elevations, general internal and external building design and decoration schemes (including without limitation colors, textures and materials), mechanical, communications, electrical,

plumbing and other utility systems, building materials, landscaping and all other elements necessary prior to preparation of final working construction documents and showing compliance with all requirements of this Agreement. The preliminary plans shall show all detail necessary prior to preparation of Final Plans.

7.12.3 Final Plans.

7.13 Approval Process. The following procedure shall govern Lessee's submission to Lessor of all plans for Lessee's Improvements, including any proposed changes by Lessee to previously approved plans:

7.13.1 Upon execution of this Agreement, Lessor and Lessee shall each designate a construction manager to coordinate the respective party's participation in designing and constructing the Lessee's Improvements. Each construction manager shall devote such time and effort to the Lessee's Improvements as may be necessary for timely, good faith, and convenient coordination among the parties and their representatives involved with the Lessee's Improvements and compliance with this Agreement. Lessor's construction manager will not be exclusively assigned to this Agreement or the Lessee's Improvements.

7.13.2 All plans submitted under this Agreement shall show design, appearance, style, landscaping, mechanical, utility, communication and electrical systems, building materials, layout, colors, streets, sidewalks, transportation elements, views, and other information reasonably deemed necessary by Lessor for a complete understanding of the work proposed, all in detail reasonably deemed appropriate by Lessor for the level of plans required by this Agreement.

7.13.3 All submissions by Lessee under this Agreement shall be delivered directly to Lessor's construction manager and shall be clearly labeled to indicate that they are submitted pursuant to this Agreement and not for building permits, zoning or other approvals. Each submittal of plans by Lessee for Lessor's review shall include two (2) complete sets of the plans on paper together with one (1) electronic copy of the plans in PDF.

7.13.4 Lessee shall coordinate with Lessor as necessary on significant design issues prior to preparing plans to be submitted hereunder.

7.13.5 In addition to other submissions required under this Agreement, Lessee shall simultaneously deliver to Lessor's construction manager copies of all applications and supplemental, supporting and related materials for all zoning, development review and similar processes for the Lessee's Improvements (excluding building permits).

7.13.6 No plans shall be deemed approved by Lessor until stamped "APPROVED PER ARTICLE 7 OF LEASE AGREEMENT" (or other words clearly evidencing Lessor's approval pursuant to this Agreement as distinguished from any regulatory or other approval) and dated and initialed, by Lessor's construction manager (collectively "Stamped").

7.13.7 Construction shall not commence until Lessee delivers to Lessor a formal certification in favor of Lessor by a qualified registered engineer acceptable to Lessor to the effect that the Lessee's Improvements are properly designed to be safe and functional and comply with this Agreement. Such certification shall be accompanied by and refer to such supporting information and analysis as Lessor may require. Such certification shall be on the face of the plans themselves.

7.13.8 Lessee acknowledges that Lessor's construction manager's authority with respect to the Premises is limited to the administration of the requirements of this Agreement. No oral approval, consent or direction by Lessor's construction manager or other persons affiliated with Lessor inconsistent with this Agreement shall be binding upon Lessor. Lessee shall be responsible for securing all environmental and zoning approvals, development review, and other governmental approvals and for satisfying all governmental requirements pertaining to the Lessee's Improvements and shall not rely on Lessor or Lessor's construction manager for any of the same.

7.13.9 Lessor's issuance of building permits or zoning clearances, or any other governmental reviews or actions shall not constitute approval of any plans for purposes of this Agreement. Lessee's submission of plans under this Agreement, Lessor's approval of plans for purposes of this Agreement, and the plans approval process under this Agreement, shall be separate and independent of all zoning, design review and other regulatory or similar plans submittal and approval processes, all of which shall continue to apply in addition to the requirements of this Agreement and its approvals.

7.13.10 Lessor has the right to require Lessee to obtain approval for any Lessee Improvements from the City of Scottsdale Development Review Board and any similar body.

7.13.11 Lessee shall hand deliver all plans to Lessor no later than each submission date. Submission dates shall be such dates as are necessary for Lessee to timely obtain the approvals required by this Agreement. Lessee is responsible to allow adequate time for all communications and plans revisions necessary to obtain approvals and shall schedule its performances hereunder and revise its plans as necessary to timely obtain all approvals.

7.13.12 Within thirty (30) days after Lessor's receipt of plans from Lessee, Lessor shall make available to Lessee one (1) copy of the plans Lessee submitted either Stamped or marked to indicate the reasons that Lessor does not approve the plans.

7.13.13 If changes are required, Lessee shall revise the plans incorporating the changes requested by Lessor and shall within thirty (30) days after Lessor returns the marked up plans to Lessee submit revised plans to Lessor. Within twenty (20) days after Lessor's receipt of the revised plans, Lessor shall make available to Lessee one (1) copy of the revised plans either Stamped or marked to indicate the reasons that Lessor does not approve the plans.

7.13.14 Lessee shall provide to Lessor copies of any and all designs or plans for improvements upon the Premises for Lessor's unrestricted use at the Premises or elsewhere.

7.14 Minor Changes. Lessor's consent shall not be required for minor changes discovered by Lessee during the course of construction to be necessary to complete construction as contemplated by the latest plans approved by Lessor. For purposes of the preceding sentence, "minor changes" are those that do not materially alter the structure, size, layout, location, quality, appearance, functionality or other aspects of any room, area, feature, structure, or other aspects of any improvements. Lessee shall give to Lessor as much advance notice of any minor changes as is reasonably possible. In the event advance notice to Lessor is not possible, Lessee shall as soon as possible, and in no event later than three (3) days after

the change, give Lessor notice of any such minor change. Such notice shall refer specifically to this paragraph.

7.15 Funding Assurances. In addition to the security deposit and any other payment or performance required under this Agreement, Lessee shall at least two weeks prior to the commencement of any construction work by Lessee having an estimated cost of more than Thirty Thousand Dollars (\$30,000) provide to Lessor the following assurances that Lessee will timely pay for the work to be completed (the "Funding Assurances") as follows:

7.15.1 Funding Assurances Amount. The Funding Assurance shall be in an amount (the "Funding Assurances Amount") equal to eighty percent (80%) of the full contract amounts payable directly or indirectly to all persons for the construction work. In the event the contract amounts increase, the Funding Assurances Amount shall increase by the same proportion.

7.15.2 Funding Assurances Alternatives. All Funding Assurances shall consist of one of the following:

7.15.2.1 A fully executed construction loan commitment or agreement legally obligating a reputable federally insured financial institution to fund construction.

7.15.2.2 A letter of credit meeting the requirements listed on Exhibit "E" attached hereto. The following provisions apply to any and all letters of credit provided by Lessee under this Agreement:

7.15.2.2.1 Lessee shall cause the original letter of credit to be delivered to Lessor's financial services general manager.

7.15.2.2.2 Lessee shall pay all costs associated with the letter of credit, regardless of the reason or manner such fees are required.

7.15.2.2.3 Within fourteen (14) days after Lessor gives Lessee notice that Lessor has drawn on the letter of credit, Lessee shall cause the letter of credit to be replenished to its prior amount.

7.15.2.2.4 Lessor may draw on the letter of credit upon any Event of Default related to the construction and completion of any improvement reinitiating the Funding Assurance, and in the following circumstances whether or not they are an Event of Default:

7.15.2.2.4.1 Lessee fails to cause the letter of credit to be renewed, extended, increased in amount or otherwise maintained as required by this Agreement.

7.15.2.2.4.2 Lessee fails to make monetary payments related to the construction of improvements required under this Agreement.

7.15.2.2.4.3 The issuer of the letter of credit fails to immediately honor a draft on the letter of credit or otherwise repudiates or fails to honor the letter of credit.

7.15.2.2.5 Lessor shall also have such additional rights regarding the letter of credit as may be provided elsewhere in this Agreement.

7.15.2.3 Written confirmation from a federally insured financial institution reasonably approved by Lessor having offices in Maricopa County, Arizona to the effect that said institution is holding funds (the "Construction Account") in the Funding Assurances Amount. Such funds shall be held in an interest bearing account in Lessor's name only. All interest shall remain in the Construction Account. Funds shall be disbursed to anyone other than Lessor only upon Lessor's notice to the institution that Lessor has received unrelated third party invoices for actual hard costs of construction labor or materials together with notice from Lessee that such funds may be disbursed. The invoices must be accompanied by a certificate from the third party that the third party has actually supplied the labor or materials to the Premises and by such additional information and things as Lessor may reasonably deem necessary to determine compliance with this Agreement. All distributions from the Construction Account shall be by check payable to Lessor or jointly payable to Lessee and the third party, provided that, if Lessee provides receipts to Lessor showing Lessee has already paid the third party payee, then checks reimbursing Reimbursable Funds to Lessee shall name only Lessee as payee. Lessee shall provide to Lessor no later than the tenth day of each month a detailed statement of Construction Account activity during the preceding month. All funds will be immediately available to Lessor upon demand. At no time is Lessor required to pay or advance any funds not previously deposited by Lessee.

7.15.2.4 A construction escrow agreement on terms mutually acceptable to Lessee and the Aviation Director.

7.16 Contractor Assurances. In addition to the Funding Assurances, the security deposit and any other payment or performance required under this Agreement, Lessee shall at least two weeks prior to the commencement of any construction work by Lessee having an estimated cost of more than Thirty Thousand Dollars (\$30,000) provide to Lessor evidence of the following assurances in favor of Lessee that Lessee's general contractor will timely and properly complete and pay all suppliers and subcontractors for the work completed (the "Contractor Assurances") as follows:

7.16.1 Contractor Assurance Amount. Each Contractor Assurance shall be in an amount (the "Contractor Assurance Amount") equal to one hundred percent (100%) of the full contract amount payable directly or indirectly to all persons for the construction work.

7.16.2 Contractor Assurances Required. Lessee's obligation to cause its general contractor to provide Contractor Assurances includes both of the following:

7.16.2.1 A payment bond in favor of Lessee covering all of the contracted work.

7.16.2.2 A performance bond in favor of Lessee covering all of the contracted work.

7.16.3 Contractor Assurance Qualifications. The issuer of each Contractor Assurance must be qualified to do business and in good standing in the State of Arizona and in its home state and must have a net worth of at least three times the Contractor Assurance amount. Each Contractor Assurance shall be issued by a person acceptable to Lessor and shall

also at a minimum meet the requirements of A.R.S. §§ 34-222 to 34-223, and other applicable laws.

7.17 Rules Applicable to Both Funding Assurances and Contractor Assurances. The following rules shall be applicable to both all Funding Assurances and all Contractor Assurances (collectively "Improvement Assurances"):

7.17.1 Amount Adjustment. In the event the required amount of an Improvement Assurance increases from time to time by more than ten percent (10%) above the prior amount, Lessee shall, on or before the date of the increase, deliver to Lessor an additional Improvement Assurance in the amount of such increase, or cause the existing Improvement Assurance held by Lessor to be amended to increase its amount.

7.17.2 Improvement Assurance Form. Each Improvement Assurance must be in form and substance reasonably acceptable to Lessor. The scope of Lessor's approval is to assure that the Improvement Assurance complies with this Agreement. Lessee shall deliver directly to Lessor's legal department (together with a copy to Lessor as provided for notices under this Agreement) a full and complete draft form of each Improvement Assurance and all related and supporting documentation at least twenty (20) days prior to the date the actual Improvement Assurance is required. Lessor shall give its comments concerning the draft form no later than ten (10) business days after receiving the draft form.

7.17.3 Improvement Assurance Claims. Lessor shall not make demand on an Improvement Assurance contrary to the provisions of this Agreement; but in the event of a dispute over Lessor's obtaining and using the benefits of an Improvement Assurance due to a default by Lessee, neither Lessee, the Improvement Assurance issuer, nor any third party shall be entitled to interfere in any way (including without limitation, restraining order, injunctions or other judicial remedies, all of which are hereby unconditionally and irrevocably waived) with Lessor's obtaining or using the funds or other benefits of the Improvement Assurance. This paragraph does not apply to a construction loan commitment or the Contractor Assurances.

7.17.4 Lessor's Improvement Assurance Claim. In the event Lessee is in default or the construction is not completed or timely progressing for any reason, Lessor shall have the right to set-off, deduct and withhold an amount or otherwise make claim upon any Improvement Assurance sufficient to complete the construction and to pay all other costs and expenses related to such construction. Additionally, in such event, Lessor shall have the right to claim an amount sufficient to pay all costs of litigation, attorneys' fees and costs required by a judgment or decision relating to any contingent liability that, in the opinion of Lessor, may be outstanding at the time of termination. Further, Lessor may draw on any Improvement Assurance at any time whatsoever to satisfy any of Lessee's obligations under this Agreement. This paragraph does not apply to a construction loan commitment or the Contractor Assurances.

7.17.5 Improvement Assurance Term. Lessee shall give Lessor not less than thirty (30) days nor more than sixty (60) days advance notice of expiration or other termination of an Improvement Assurance. Any replacement Improvement Assurance must be delivered to Lessor at least thirty (30) days before expiration of the Improvement Assurance being replaced. Any replacement Improvement Assurance must meet all requirements of this Agreement. No Improvement Assurance may be modified without Lessor's consent.

7.18 Release of Improvement Assurance. Within thirty (30) days after the last to occur of the following, Lessor shall deliver to Lessee notice that the Improvement Assurance is

released: i) Lessee's completion of the Lessee Improvements, ii) Lessee's payment of all design, construction, and all other amounts to be paid in connection with construction of the Lessee Improvements, iii) Lessee's performance and payment of all other obligations related to the Improvement Assurance and the construction, payment and other obligations thereto, and iv) Lessee's giving to Lessor notice requesting the release stating that the preceding conditions have been satisfied along with such supporting documentation as Lessor may reasonably require. This paragraph does not apply to a construction loan commitment or the Contractor Assurances.

VIII. LESSEE'S INITIAL PROJECT CONSTRUCTION

8.0 Lessee's Initial Project Construction. No later than the Completion Deadlines set forth herein, Lessee shall complete construction of each Phase of the Project in accordance with all requirements of this Agreement, including without limitation those relating to Lessee's Improvements, and the following time frame and conditions:

8.1 Lessee shall complete construction of Phase I in substantial conformance with the Site Plan as contained in Exhibit "C" no later than July 31, 2021.

8.1.1 Failure to complete Phase I by July 31, 2021 shall result in the termination of Lessee's leasehold interest in the Air Commerce Parcel as depicted on Exhibit "A" on July 23, 2027.

8.1.2 Any sub-tenants of hangar/shade space in the Air Commerce Parcel displaced by the construction of the Phase I Lessee Improvements shall be offered similar space in the Greenway Hangars and Shades Parcel at the same rate for a period not less than twelve (12) months.

8.2 Lessee shall complete construction of Phase II in substantial conformance with the Site Plan as contained in Exhibit "C" no later July 31, 2022.

8.2.1 Failure to complete Phase II by July 31, 2022 shall result in the immediate termination of Lessee's leasehold interest in that portion of the Air Commerce Parcel designated in Exhibit "C" as the property onto which Phase II is to be completed.

8.3 Lessee shall complete construction of Phase III in substantial conformance with the Site Plan as contained in Exhibit "D" no later than May 22, 2025.

8.3.1 Failure to complete Phase III by May 22, 2025 shall result in the immediate termination of Lessee's leasehold interest in the Greenway Hangars and Shades Parcel as set forth in Exhibit "B".

8.4 If Lessee determines that it would be advantageous to accelerate the construction of Phase II, then upon notice to Lessor, Lessee may commence construction of Phase II before Phase I, in which case the provisions of Section 8.1 and 8.1.1 above shall apply to Phase II and the provisions of Section 8.2 and 8.1.2 above shall apply to Phase I.

8.5 In the event of a significant economic downturn or other delays not caused by Lessee, Lessee may request that the Aviation Director extend by written notice each of the time limits set forth in Section 8.0 for a period not to exceed one year, and the Aviation Director shall not unreasonably withhold approval of such request. In the event of an extension of the time

limits set forth herein, the Lease term on the Greenway Hangars and Shades Parcel shall be extended by an amount equal to the extension of the deadline of the Phase III completion.

8.6 Initial Plans Approved. By entering into this Agreement, Lessor approves for purposes of this Agreement only, the design of the Lessee's Improvements comprising the Project to the extent their design is set forth in the Site Plan and other exhibits to this Agreement. For purposes of Lessee's initial Project construction, said approval satisfies the requirement under this Agreement that Lessee obtain Lessor's approval of plans to the extent of matters shown in the Site Plan and other exhibits. However, Lessee must still submit to Lessor and obtain Lessor's approval of matters not shown on the Site Plan and other exhibits, and changes, modifications, refinements and particular implementations of matters that are shown on the Site Plan and other exhibits.

8.6 Project Definition. As of the date of this Agreement, the Project is only in the preliminary design stages. Unless otherwise agreed by the parties, the Project shall conform to the Site Plan (which listing of requirements is not intended to be exhaustive of the improvements required to construct first class public fixed base operator facility and other improvements this Agreement requires Lessee to construct):

8.6.1 Main FBO Components. Lessee's Improvements include all improvements shown on the Site Plan or required by applicable law.

8.6.2 Infrastructure. Lessee's Improvements include all related work upon streets, sidewalks, drainage and other facilities upon the Premises and upon other real property near the Premises.

8.6.3 Other Design Requirements. The Project shall include all such other improvements and other facilities as may be necessary to operate the Premises in the manner contemplated by this Agreement.

8.7 Design and Construction Professionals. All construction and plans preparation for the Project from initial proposals through final construction documents and completion of construction shall be performed by professionals selected and paid by Lessee. All of Lessee's design and construction contractors shall have substantial experience in timely and successfully constructing projects similar to the Project.

8.8 Project Design and Construction Schedule. Lessee shall design and construct each Phase of the Project according to the following schedule:

8.8.1 Lessee shall obtain Lessor's approval of conceptual plans for each Phase of the Project no later than eighteen (18) months prior to the Completion Deadline for that specific Phase.

8.8.2 Lessee shall obtain Lessor's approval of preliminary plans for all components of each Phase the Project no later than fifteen (15) months prior to the Completion Deadline for that specific Phase.

8.8.3 Lessee shall obtain Lessor's approval of Final Plans for each Phase of the Project no later than twelve (12) months prior to the Completion Deadline for that specific Phase.

8.8.4 Lessee shall commence constructing for each Phase of the Project no later than eight (8) months prior to the Completion Deadline for that specific Phase.

8.8.5 Lessee shall complete construction of each Phase of the Project, obtain certificates of occupancy for each Phase of the Project, and commence operating that Phase of the Project in the manner contemplated by this Agreement, no later than the Completion Deadline for that specific Phase.

IX. MAINTENANCE AND UTILITIES

9.0 Maintenance and Utilities. Except as expressly provided below, Lessee shall be solely responsible for all maintenance, repair and utilities for the Premises during the term of this Agreement.

9.1 Maintenance by Lessor. Lessor has no maintenance or repair obligations for the Premises except that Lessor is responsible to maintain and repair any other utilities Lessor may install upon the Premises.

9.2 Utility Interruptions. Lessor is not responsible for any interruption of utilities to or upon the Premises or other difficulties related to utilities at the Premises. Without limitation:

9.2.1 Lessor is not responsible for utility interruptions caused outside the Premises.

9.2.2 Lessor is not responsible for utility interruptions not caused directly by Lessor's negligence.

9.2.3 Lessor is not responsible for the acts, breach, errors or omissions of any provider or consumer of electrical service or other utilities to the Premises.

9.3 Utility Costs. Lessee shall pay all charges, fees, deposits and other amounts for all natural gas air conditioning heating electricity and other utilities used at the Premises during the term of this Agreement.

9.4 Maintenance by Lessee. Lessee shall at all times repair and maintain and replace the Premises and all of Lessee's facilities thereat at Lessee's sole expense in a first-class, sound, clean and attractive manner, meeting or exceeding the manner of maintenance at first class comparable facilities in the western United States as determined in Lessor's reasonable discretion. Such Lessee obligations extend to any improvements Lessee may construct on public lands outside the Premises unless Lessor expressly gives Lessee written notice otherwise. By way of example and not limitation, Lessee shall be responsible for the following minimum requirements:

9.4.1 General. Lessee shall perform all irrigation, landscape, building and other maintenance required to operate the Premises in a first-class manner with appearance, landscaping, upkeep, repair and refurbishing, cleanliness and healthy vegetation.

9.4.2 Trash. Adequate and sanitary handling and disposal, away from the Premises and the Airport, of all trash, garbage and other refuse related to Lessee's use of the Premises. Without limitation, Lessee shall provide and use suitable covered receptacles for all trash and other refuse related to Lessee's use of the Premises. Piling of boxes, cartons, barrels,

debris or other items outside the Premises or in a manner visible from outside the Premises or in a manner visible to areas open to the public is prohibited. Lessee shall contract for a large metal roll-off dumpster service at the Premises. The area in which trash containers are stored shall be kept clean and free of all trash and debris and shall be shielded from public view.

9.4.3 Recycling. Lessee shall comply with such paper, plastic or other recycling or conservation programs Lessor may establish for the Airport from time to time.

X. BREACH BY LESSEE

10.0 Breach by Lessee. Lessee shall comply with, perform and do each performance and thing required of Lessee herein shall cause all persons using the Premises or claiming through or under Lessee or this Agreement to do the same. Lessee's failure to do so shall be a breach by Lessee of this Agreement.

10.1 Events of Default. This entire Agreement is made upon the condition that each and every one of the following events shall be deemed an "Event of Default" and a material breach by Lessee of Lessee's material obligations under this Agreement:

10.1.1 If Lessee shall be in arrears in the payment of Rent and shall not cure such arrearage within ten (10) days after Lessor has notified Lessee in writing of such arrearage.

10.1.2 The occurrence of any default or other failure by Lessee to perform all obligations under any of the Site Documents if Lessee shall not have cured such failure within thirty (30) days after Lessor has notified Lessee in writing of such default or other failure.

10.1.3 If Lessee shall fail to operate the facilities as herein required for a period of three (3) consecutive days or a total of five (5) days within any calendar year.

10.1.4 If Lessee shall abandon the Premises or this Agreement.

10.1.5 If Lessee shall be the subject of a voluntary or involuntary bankruptcy, insolvency or similar Proceeding or if any general assignment of any of Lessee's property shall be made for the benefit of creditors (collectively a "Lessee Insolvency") unless such Proceeding has been dismissed within ninety (90) days after it is filed.

10.1.6 If any representation or warranty made by Lessee in connection with this Agreement shall prove to have been false in any material respect when made, if Lessee shall not have taken such action as required to cause the representation or warranty to be true within ten (10) days after Lessor has notified Lessee in writing of such falsity.

10.1.7 If Lessee shall fail to obtain or maintain any licenses, permits, or other governmental approvals pertaining to the Premises or timely pay any taxes pertaining to the Premises and shall not cure such failure within thirty (30) days.

10.1.8 If Lessee shall fail or neglect to do or perform or observe any other provisions contained herein on its part to be kept or performed and such failure or neglect to do or perform or observe any of such other provisions shall continue for a period of thirty (30) days after Lessor has notified Lessee in writing of Lessee's default hereunder. In the event of a cure

which cannot be completed within thirty (30) days, Lessee shall have an extended cure period as follows:

10.1.8.1 Lessee shall complete the cure within the shortest period that may be possible, but in no event later than ninety (90) days after Lessor's initial notice.

10.1.8.2 As soon as reasonably possible, but in no event later than the end of the initial thirty (30) day period, Lessee shall give to Lessor notice describing the nonperformance, Lessee's proposed cure, the time required for the proposed cure and the reason the cure cannot be effected within the initial thirty (30) day period. Lessee shall thereafter give to Lessor such notices as are necessary to keep Lessor thoroughly apprised of the status of the cure.

10.1.9 If Lessee shall repeatedly fail to perform any requirement of this Agreement.

10.2 Lessor's Remedies. Upon the occurrence of any Event of Default or at any time thereafter, Lessor may, at its option and from time to time, exercise any or all or any combination of the following remedies in any order and repetitively at Lessor's option:

10.2.1 Lessor's right to terminate this Agreement for nonpayment of Rent or for any other Event of Default is hereby specifically provided for and agreed to.

10.2.2 Without demand or notice, enter into and upon the Premises or any part thereof, and repossess the same of its former estate, and expel Lessee and those claiming by, through or under it, and remove their effects, if any, forcibly if necessary, without being deemed guilty of trespass and without prejudice to any other remedy.

10.2.3 Claim and enforce a lien upon Lessee's property at the Premises securing all of Lessee's obligations hereunder.

10.2.4 Cause a receiver to be appointed for the Premises and for the continuing operation of Lessee's business thereon.

10.2.5 Pay or perform, for Lessee's account and at Lessee's expense, any or all payments or performances required hereunder to be paid or performed by Lessee.

10.2.6 Abate at Lessee's expense any violation of this Agreement.

10.2.7 Pursue at Lessee's expense any and all other remedies, legal or equitable, to which Lessor may be entitled.

10.2.8 Refuse without any liability to Lessee therefore to perform any obligation imposed on Lessor by this Agreement unless and until Lessee's default is cured.

10.2.9 Terminate this Agreement and thereafter be excused from further performance under this Agreement.

10.2.10 Insist upon Lessee's full and faithful performance under this Agreement and upon Lessee's full and timely payment of all Rent during the entire remaining term of this Agreement.

10.2.11 Assert or exercise any other right or remedy permitted by law.

10.3 Non-waiver.

10.3.1 Lessee acknowledges Lessee's unconditional obligation to comply with this Agreement. No failure by Lessor to demand any performance required of Lessee under this Agreement, and no acceptance by Lessor of any imperfect or partial performance under this Agreement, shall excuse such performance or impair in any way Lessor's ability to insist, prospectively and retroactively, upon full compliance with this Agreement. No acceptance by Lessor of Rent or other performances hereunder shall be deemed a compromise or settlement of any claim Lessor may have for additional or further payments or performances. Any waiver by Lessor of any breach of condition or covenant herein contained to be kept and performed by Lessee shall not be deemed or considered as a continuing waiver and shall not operate to bar or prevent Lessor from declaring a default for any succeeding or continuing breach either of the same condition or covenant or otherwise. No statement, bill or notice by Lessor concerning payments or other performances due hereunder shall excuse Lessee from compliance with this Agreement nor estop Lessor (or otherwise impair Lessor's ability) to at any time correct such notice and/or insist prospectively and retroactively upon full compliance with this Agreement. No waiver of any description (including any waiver of this sentence or paragraph) shall be effective against Lessor unless made in writing by a duly authorized representative of Lessor specifically identifying the particular provision being waived and specifically stating the scope of the waiver. LESSEE EXPRESSLY DISCLAIMS AND SHALL NOT HAVE THE RIGHT TO RELY ON ANY SUPPOSED WAIVER OR OTHER CHANGE OR MODIFICATION, WHETHER BY WORD OR CONDUCT OR OTHERWISE, NOT CONFORMING TO THIS PARAGRAPH.

10.3.2 No failure by Lessee to demand any performance required of Lessor under this Agreement, and no acceptance by Lessee of any imperfect or partial performance under this Agreement, shall excuse such performance or impair in any way Lessee's ability to insist, prospectively and retroactively, upon full compliance with this Agreement. Any waiver by Lessee of any breach of condition or covenant herein contained to be kept and performed by Lessor shall not be deemed or considered as a continuing waiver and shall not operate to bar or prevent Lessee from declaring a default for any succeeding or continuing breach either of the same condition or covenant or otherwise. No notice by Lessee concerning performance due hereunder shall excuse Lessor from compliance with this Agreement nor estop Lessee (or otherwise impair Lessee's ability) to at any time correct such notice and/or insist prospectively and retroactively upon full compliance with this Agreement. No waiver of any description (including any waiver of this sentence or paragraph) shall be effective against Lessee unless made in writing by a duly authorized representative of Lessee specifically identifying the particular provision being waived and specifically stating the scope of the waiver. LESSOR EXPRESSLY DISCLAIMS AND SHALL NOT HAVE THE RIGHT TO RELY ON ANY SUPPOSED WAIVER OR OTHER CHANGE OR MODIFICATION, WHETHER BY WORD OR CONDUCT OR OTHERWISE, NOT CONFORMING TO THIS PARAGRAPH.

10.4 Reimbursement of Remedies Lessor's Expenses. Lessee shall pay to Lessor upon demand any and all amounts expended or incurred by Lessor in performing Lessee's obligations.

10.5 Inspection. Lessor shall have access to the Premises at all times and upon reasonable notice (except, in the event of an emergency without notice) for the purpose of examining, inspecting, evaluating, planning, repairing, designing, maintaining or showing the Premises or exercising Lessor's other rights hereunder. Lessee shall promptly undertake

appropriate action to rectify any deficiency (identified by Lessor during such inspections or otherwise) in Lessee's compliance with this Agreement.

XI. TERMINATION

11.0 Rights at Termination. Termination of this Agreement due to Lessee's breach or for any other reason does not terminate Lessee's obligations existing or arising prior to or simultaneous with, or attributable to, the termination or in any way terminate any of Lessee's liability related to its breach of this Agreement.

11.1 Delivery of Possession. At the expiration of the term hereof or upon any sooner termination thereof, Lessee shall without demand, peaceably and quietly quit and deliver up the Premises to Lessor thoroughly cleaned, in good repair, and with all utilities operating, with the Premises maintained and repaired and in as good order and condition, reasonable use and wear excepted, with the Premises as the same now are or in such better condition as the Premises may hereafter be placed. Upon termination, Lessee shall deliver to Lessor any subtenant security deposits, prepaid rents, or other amounts for which Lessor deems a claim may be made respecting the Premises.

11.2 Confirmation of Termination. Upon expiration or termination of this Agreement for any reason, Lessee shall provide to Lessor upon demand quit claim deeds covering the Premises executed by Lessee and by all persons claiming through this Agreement or Lessee any interest in or right to use the Premises.

11.3 Disposition of Lessee's Equipment. All personal property owned or used by Lessee (excluding money and business records) at the Premises under this Agreement shall be divided into two categories ("Attached Items" and "Unattached Items").

11.3.1 Attached Items are any and all fixtures and structural or permanent improvements placed upon the Premises together with all pipes, fences, conduits, traffic bumpers, pumps, valves, sprinklers, meters, controls, air conditioners, heaters, water heaters and all other mechanical systems and their components, monitors, timers, utility lines and all other equipment and personal property of every description attached in any way to the Premises or installed at a fixed location upon the Premises together with every part of the utility systems serving the Premises, whether or not located upon the Premises. The Attached items include all fuel tanks, pumps, hoses, nozzles, and related items except fuel trucks. The Attached Items exclude air compressors, even if they are installed at a fixed location at the Premises.

11.3.2 Unattached Items are all fixtures, furniture, furnishings, equipment and other personal property located at the Premises excluding Attached Items.

11.4 Fixtures and Improvements. Upon termination of this Agreement through expiration, default or otherwise, if the same has not occurred earlier, title to any and all Attached Items shall automatically vest in Lessor without any payment by Lessor or any compensation to Lessee and without requirement of any deed, conveyance, or bill of sale. However, if Lessor shall request any documents in confirmation thereof, Lessee shall promptly execute, acknowledge and deliver the same. Unattached Items owned by Lessee shall continue to be owned by Lessee.

XII. INDEMNITY AND INSURANCE

12.0 Indemnity and Insurance. Lessee shall insure the Premises and its property and activities at and about the Premises and shall provide insurance and indemnification as follows:

12.1 Insurance Required. Prior to entering, occupying or using the Premises in any way all times thereafter, and in any event not later than the date thirty (30) days after the date of this Agreement, and at all times thereafter Lessee shall obtain and cause to be in force and effect the following insurance:

12.1.1 Commercial General Liability. Commercial general liability insurance with a limit of Five Million Dollars (\$5,000,000) for each occurrence and a Five Million Dollar (\$5,000,000) general aggregate limit per policy year. If a loss is reported to or becomes known by Lessee that has an impact on the annual aggregate, Lessee shall cause the annual aggregate limit to be reinstated for the remainder of the policy term affected by the impairment. The policy shall cover liability arising from premises, operations, independent contractors, products, completed operations, personal injury, bodily injury, advertising injury, any medical professionals based on the Premises, and liability assumed under an "insured contract" including this Agreement. The policy will cover Lessee's liability under the indemnity provisions of this Agreement. The policy shall contain a "separation of insureds" clause.

12.1.2 Automobile Liability. Commercial business automobile liability insurance with limit of Five Million Dollars (\$5,000,000) for each occurrence covering any and all owned, hired, and non-owned vehicles assigned to or used in any way in connection with Lessee's use of the Premises. Without limitation, all of such insurance shall cover hazards of motor vehicle use for loading and off loading. If applicable, an MCS 90 endorsement covering Toxic Substances is required providing Five Million Dollars (\$5,000,000) per occurrence limits of liability for bodily injury and property damage.

12.1.3 Workers' Compensation. Such workers' compensation and similar insurance as is required by law and employer's liability insurance with a minimum limit of Five Hundred Thousand Dollars (\$500,000) for each accident, Five Hundred Thousand Dollars (\$500,000) disease for each employee, One Million Dollars (\$1,000,000) policy limit for disease.

12.1.4 Special Risk Property. Lessee shall maintain Special Risk Causes of Loss Property coverage, as defined by Insurance Services Office, Inc., in an amount per occurrence equal to full replacement cost of the Premises and all personal property used in connection with the Premises. Property coverage shall include Pollutant Clean Up and Removal with minimum limits of coverage of \$50,000.

12.1.5 Environmental Impairment Liability. Lessee shall maintain Environmental Impairment Liability coverage for any fuel storage facility, tank, underground or aboveground piping, ancillary equipment, containment system or structure used, controlled, constructed or maintained by Lessee in the amount of \$1,000,000 Each Incident, \$2,000,000 Aggregate. The policy shall cover on-site and off-site third party bodily injury and property damage including expenses for defense, corrective action for storage tank releases and clean-up for storage tank releases.

12.1.6 Owners and Contractor's Protective. With respect to any construction involving the Premises, Lessor's and contractor's protective insurance covering the interests of contractors, Lessor and Lessee, with a minimum limit of One Million Dollars (\$1,000,000) for

each occurrence and a Two Million Dollars (\$2,000,000) general aggregate limit per policy year. This coverage may be included with the commercial general liability coverage.

12.1.7 Builders' Risk Property Insurance. If applicable, Builders' risk insurance in the amount of the entire cost of the Project or other construction work at or related to the Premises as well as subsequent modifications thereto. Such builder's risk insurance shall be maintained until final payment for the construction work and materials has been made and until no person or entity other than Lessee and Lessor has an insurable interest in the Premises, whichever is later. This insurance shall include interests of Lessor, Lessee and all subcontractors and sub-subcontractors involved in any Lessee's Improvements or other construction work at or related to the Premises during the course of any construction, and shall continue until all work is completed and accepted by Lessee and Lessor. Lessee bears full responsibility for loss or damage to all work being performed and to works under construction. Builders' risk insurance shall be on special form (all-risk) policy form and shall also cover false work and temporary buildings and shall insure against risks of direct physical loss or damage from external causes including debris removal and demolition occasioned by enforcement of any applicable legal requirements, and shall cover reasonable compensation for architect's service and expenses required as a result of such insured loss and other "soft costs". Builders' risk insurance must provide coverage from the time any covered property comes under Lessee's control and/or responsibility, and continue without interruption during construction or renovation or installation, including any time during which the covered property is being transported to the construction installation site, and while on the construction or installation site awaiting installation. The policy will continue to provide coverage when the covered Premises or any part thereof are occupied. Builders' risk insurance shall be primary and not contributory.

12.1.8 Hangarkeeper's Liability. If applicable, Lessee shall carry Hangarkeeper's Liability coverage covering the portions of the Premises used for aircraft storage in an amount equal to the full replacement cost of aircraft subject to loss or damage while in the care, custody or control of Lessee for safekeeping, storage, service or repair.

12.1.9 Other Insurance. Any other insurance Lessor may reasonably require for the protection of Lessor and Lessor's employees, officials, representatives, officers, directors, and agents (collectively "Additional Insureds"), the Premises, surrounding property, Lessee, or the activities carried on or about the Premises. Likewise, Lessor may elect by notice to Lessee to increase the amount of any insurance to account for inflation, changes in risk, or any other factor that Lessor reasonably determines to affect the prudent amount of insurance to be provided.

12.2 Form of Insurance. All insurance policies shall meet the following requirements:

12.2.1 All policies except workers' compensation must name Lessor and the other Additional Insureds as additional insureds. Lessee shall cause coverage for Additional Insureds to be incorporated into each insurance policy by endorsement. Lessor may give Lessee notice of Lessor's election from time to time that any or all the Additional Insureds not be named as Additional Insureds with respect to specific insurance coverages.

12.2.2 All property policies must name Lessor as a loss payee as their interest may appear.

12.2.3 Lessee must provide Lessor with at least thirty (30) days prior notice of any cancellation, reduction or other material change in coverage.

12.2.4 All policies shall require that notices be given to Lessor in the manner specified for notices to Lessor under this Agreement.

12.2.5 "Occurrence" coverage is required. "Claims made" insurance is not permitted except for Environmental Impairment Liability and employment liability insurance.

12.2.6 Policies must also cover and insure Lessee's activities relating to the business operations and activities conducted from the Premises.

12.2.7 Lessee must clearly show by providing copies of insurance policies, certificates, formal endorsements or other documentation acceptable to Lessor that all insurance coverage required by this Agreement is provided.

12.2.8 All insurance policies shall contain a waiver of any transfer rights of recovery (subrogation) against Lessor and all other Additional Insureds.

12.2.9 No deductibles, retentions, or "self insured" amounts shall exceed Seven Hundred Fifty Thousand Dollars (\$750,000) in the aggregate per year, per policy. If Lessee desires higher deductibles, retentions, or "self insured" amounts, Lessee shall notify Lessor in writing not more often than once per year requesting a change in the amount. Lessor shall have the right to accept, modify, limit or reject Lessee's request. Lessee shall be solely responsible for any self insurance amount or deductible. Lessor may require Lessee from time to time to secure payment of such deductible or self insured retention by a surety bond or irrevocable and unconditional letter of credit.

12.3 Insurance Certificates. Lessee shall evidence all insurance by furnishing to Lessor certificates of insurance annually and with each change in insurance. Certificates must evidence that the policy referenced by the certificate is in full force and effect and that the policy satisfies each requirement of this Agreement applicable to the policy. For example, certificates must indicate that Lessor and the other Additional Insureds are additional insureds and that insurance proceeds will be paid as required by this Agreement. Certificates must be in a form acceptable to Lessor. All certificates are in addition to the actual policies and endorsements required. Lessee shall provide updated certificates at Lessor's request.

12.4 Acceptable Insurers. All insurance policies shall be issued by insurers acceptable to Lessor. At a minimum, all insurers shall be duly licensed (or qualified unlicensed non-admitted insurer) by the State of Arizona, Department of Insurance. At a minimum, all insurers shall have and maintain an A.M. Best, Inc. rating of B++ 6.

12.5 Primary Insurance. Lessee's insurance shall be primary insurance. Any insurance or self insurance maintained by Lessor shall not contribute to Lessee's insurance.

12.6 Indemnity. In addition to all other obligations hereunder, to the fullest extent permitted by law, throughout the term of this Agreement and until all obligations and performances under or related to this Agreement are satisfied and all matters described in this paragraph are completely resolved, Lessee shall pay, indemnify, defend and hold harmless Lessor and all other Additional Insureds for, from and against any and all claims or harm related to the Premises and/or Lessee's performance of or failure to perform its obligations under this

Agreement (the "Indemnity"). Without limitation, the Indemnity shall include and apply to any and all allegations, demands, judgments, assessments, taxes, impositions, expenses, proceedings, liabilities, obligations, suits, actions, claims (including without limitation claims of personal injury, bodily injury, sickness, disease, death, property damage, destruction, loss of use or other impairment), damages, losses, expenses, penalties, fines or other matters (together with all attorney fees, court costs, and the cost of appellate proceedings) which may arise in any manner out of any use of the Premises or Lessor's property related to this Agreement or any actions, acts, errors, mistakes or omissions relating to work or services in the performance of or related to this Agreement, including any injury or damages or cause of action claimed or caused by any employees, contractors, subcontractors, tenants, subtenants, agents or other persons upon or using the Premises or surrounding areas related to this Agreement, including without limitation, claims, liability, harm or damages caused in part by Lessor or any other Additional Insured or anyone for whose mistakes, errors, omissions or negligence Lessee or Lessor may be liable. The Indemnity shall also include and apply to any environmental, personal injury or other liability relating to Lessor's or Lessee's acquisition, ownership or use of real property developed, operated, owned, used, controlled or possessed by Lessor or Lessee under this Agreement. Notwithstanding the foregoing, the Indemnity does not apply to:

12.6.1 Claims arising only from the sole negligence of Lessor.

12.6.2 Claims that the law prohibits from being imposed upon Lessee.

12.7 Risk of Loss. Lessor is not required to carry any insurance covering or affecting the Premises or use of Lessor's property related to this Agreement. Lessee assumes the risk of any and all loss, damage or claims to the Premises or related to Lessee's use of the Premises or other property of Lessor, Lessee or third parties throughout the term hereof. Lessor expressly disclaims any representation that required insurance is adequate to protect any person or property against any risks related to the Premises or any activities, uses or improvements related to the Premises. Lessee's obligations to indemnify do not diminish in any way Lessee's obligations to insure; and Lessee's obligations to insure do not diminish in any way Lessee's obligations to indemnify. Lessee's obligations to indemnify and provide insurance are in addition to, and do not limit, any and all other liabilities or obligations of Lessee under or connected with this Agreement. Lessee shall be responsible for any and all damages to its property and equipment related to this Agreement and shall hold harmless and indemnify regardless of the cause of such damages. In the event Lessee secures other insurance related to the Premises or any improvements, property or uses related thereto, Lessee shall effect an endorsement under such policy waiving any and all insurer's rights of subrogation against Lessor and the other Additional Insureds.

12.8 Insurance to be Provided by Lessees, Sublessees and Others. Any sublessees, contractors or other persons occupying, working on or about, or using the Premises pursuant to this Agreement must also provide for the protection of Lessor and all other Additional Insureds all of the insurance and indemnification required by this Agreement. The preceding sentence does not require such persons to provide insurance that merely duplicates insurance Lessee provides. Lessee shall cause any persons basing aircraft at the Premises to name Lessee and the Additional Insureds as additional insureds under their aircraft liability policies. Such policies shall contain waivers of subrogation as to Lessee and Lessor and the other Additional Insureds.

12.9 Fuel and Other Hazardous Material Delivery. Any vendor or sub-contractor bringing fuel or hazardous material on site must provide the commercial vehicle insurance as

listed in 12.1.2. This shall include the MCS 90 endorsement and listing of the lessee and Lessor as additional insured.

XIII. CONDEMNATION

13.0 Condemnation. The following shall govern any condemnation of any part of or interest in the Premises (the "Part Taken") and any conveyance to a condemnor in avoidance or settlement of condemnation or a threat of condemnation (but shall not apply to any condemnation by Lessor):

13.1 Termination as to Part Taken. This Agreement shall terminate as to the Part Taken on the date (the "Condemnation Date"), which is the earlier of the date title to the Part Taken vests in the condemnor, or the date upon which the condemnor is let into possession of the Part Taken. Lessee shall execute and deliver to Lessor deeds or other instruments reasonably requested by Lessor conveying and assigning to Lessor Lessee's entire interest in the Part Taken. In the event of a partial taking, this Agreement shall continue in full force and effect as to the part of the Premises not taken. In the case of an Interfering Condemnation (as defined below) applicable to the Greenway Hangar and Shades Parcel or as to the Air Commerce Parcel, Lessee may terminate this Agreement insofar as it applies to the applicable Parcel, subject to Lessee's rights to compensation under this Section 13.

13.2 Determining Partial or Total Condemnation. A condemnation of the Premises which renders the Premises unsuitable for the Permitted Uses (an "Interfering Condemnation"), or which takes the entire Premises, shall be deemed to be a total condemnation. Any other condemnation shall be a partial condemnation. Within fifteen (15) days after the commencement of any condemnation, Lessee and Lessor shall each give to the other a notice stating its respective opinion as to whether the condemnation is total or partial and the reasons for the opinion. Within fifteen (15) days thereafter, Lessor shall determine in Lessor's reasonable discretion whether the condemnation is total or partial.

13.3 Rent Adjustment. In the event of a partial condemnation, Base Rent shall be reduced by a percentage equal to the percentage of the Premises land area taken. The effective date of the Base Rent adjustment shall be the Condemnation Date.

13.4 Condemnation Proceeds. Lessee hereby assigns and transfers to Lessor Lessee's entire interest in all condemnation damages, interest, severance damages, and any other payments or proceeds of any kind relating to the condemnation (collectively the "Condemnation Proceeds"). Lessee shall execute and deliver to Lessor assignments or other instruments reasonably requested by Lessor confirming such assignment and transfer. Lessee shall immediately pay to Lessor any Condemnation Proceeds Lessee may receive. The Condemnation Proceeds shall not include relocation benefits awarded specifically to Lessee to cover expenses of relocating Lessee's business located at the Premises at the time of the condemnation. Such relocation benefits shall be owned by and paid directly to Lessee only.

13.5 Proceeds Account Deposit. Separate and apart from any condemnation action, Lessor shall deposit into the Proceeds Account (the "Condemnation Deposit") a portion of the Condemnation Proceeds (the "Condemnation Deposit Amount") as follows:

13.5.1 The Condemnation Deposit Amount shall be calculated as follows:

13.5.1.1 First, begin with the actual fair market value of the Lessee's Improvements condemned (as if they were owned by Lessee in fee, excluding any land value, without regard to the term of this Agreement).

13.5.1.2 Second, reduce said fair market value three and 33/100 percent (3.33%) for each year or portion of a year having passed from the time of construction.

13.5.1.4 Fourth, subtract any amount necessary to insure that the Condemnation Deposit Amount does not exceed the net amount actually received by Lessor with respect to such Lessee's Improvements.

13.5.2 Lessor shall make the Condemnation Deposit within ten (10) days after Lessor receives the condemnation proceeds.

13.6 Lessee's Condemnation Work. In the event of a partial condemnation, Lessee shall restore the remainder of the Premises to its condition at the time of such condemnation less the portion lost in the taking. In the event of an Interfering Condemnation, Lessee shall perform such demolition or restorative work upon the remaining Premises as Lessor may direct, except that the cost of such work shall not exceed the cost of demolishing the improvements then existing upon the remaining Premises. Disbursements from the Proceeds Account shall be subject to the rules applicable to the Proceeds Account. Notwithstanding the preceding sentence, any portion of the Condemnation Deposit remaining in the Proceeds Account after the work is completely paid for and any claims by Lessor against Lessee are satisfied shall be disbursed to Lessee.

13.7 Power to Condemn. Lessee acknowledges that Lessor and others from time to time may use the power to condemn the Premises or any interest therein or rights thereto. Lessor has not relinquished any right of condemnation or eminent domain over the Premises. Lessor does not warrant that Lessor will not condemn the Premises during the term of this Agreement, but Lessor does not presently have intentions to condemn the Premises. Notwithstanding anything to the contrary in this Lease Agreement, in the event of any condemnation of all or any portion of the Premises by Lessor, Lessee shall have all rights and remedies available at law and in equity.

XIV. DAMAGE TO OR DESTRUCTION OF PREMISES

14.0 Damage to or Destruction of Premises. The following provisions shall govern damage to the Premises:

14.1 Damage to Entire Premises. If the Premises are partially damaged by fire, explosion, the elements, the public enemy, or other casualty, and the cost of restoring the damage would exceed fifty percent (50%) of the then estimated cost of constructing all improvements upon the Premises, Lessee shall have a ninety (90) day period following such damage to notify Lessor that Lessee elects to terminate this Agreement. Such notice shall not be effective unless it is also signed by Primary Lienholder, if any. Lessee's failure to give such notice shall constitute Lessee's election not to terminate this Agreement. In the event of damage to the Premises to a lesser degree or extent this Agreement shall not terminate.

14.2 Restoration Work. Whether or not this Agreement is terminated, Lessee shall perform certain construction work at Lessee's expense ("the Restoration Work"). If this Agreement is terminated, the Restoration Work shall be all engineering, design and construction

work necessary to demolish, clear and clean the Premises to the extent and as directed by Lessor. If this Agreement is not terminated, then the Restoration Work shall be all engineering, design and construction work necessary to restore the Premises to the condition existing prior to the damage.

14.3 Restoration Process. Lessee's performance of the Restoration Work shall be subject to the approval process and other requirements for Lessee's Improvements. Lessee shall perform the Restoration Work with due diligence and at Lessee's sole cost and expense.

14.4 Insurance Proceeds. All property insurance proceeds (whether actually paid before or after termination of this Agreement) shall be paid directly to Lessor and owned by Lessor. Lessor shall deposit said proceeds in an account (the "Proceeds Account") with a federally insured financial institution having offices in Maricopa County, Arizona. The preceding sentence does not apply to insurance proceeds of aircraft, vehicles or other personalty not attached to the Premises. The Proceeds Account shall be an interest bearing account in Lessor's name only. All interest shall remain in the Proceeds Account. All funds will be immediately available to Lessor upon demand. At no time is Lessor required to pay or advance any funds not in the Proceeds Account.

14.5 Proceeds Account Use Priorities. The Proceeds Account funds shall be used for the following purposes:

14.5.1 Funds in the Proceeds Account shall be used only for paying for the Restoration Work until the cost of the Restoration Work has been disbursed by Lessor to Lessee or to third parties in connection with the Restoration Work. Inadequacy of funds in the Proceeds Account does not excuse Lessee from Lessee's obligation to perform the Restoration Work.

14.5.2 A certain payment (the "Regulatory Payment") to Lessee, if required by this Agreement.

14.5.3 Funds in the Proceeds Account shall next be used for compensating Lessor for the loss of revenues that would have been realized from the operation of the relevant Lessee Improvements during the period of the Restoration Work, and for any damage to or loss of any other property of Lessor due to the damage.

14.5.4 Any remaining funds in the Proceeds Account shall be distributed as follows:

14.5.4.1 If this Agreement is not terminated, then any remaining funds in the Proceeds Account (the "Type 2 Funds") shall be distributed to Lessee and any other interested parties as their interests may appear.

14.5.4.2 If this Agreement is terminated, then any remaining funds in the Proceeds Account shall be distributed to Lessor.

14.6 Regulatory Payment. Lessee shall receive a Regulatory Payment if and only if certain regulatory changes ("Major Regulatory Changes") occur. Whether Lessee receives the Regulatory Payment, and the amount of the Regulatory Payment, shall be determined as follows:

14.6.1 Major Regulatory Changes are one or more additional future regulatory burdens (such as future increased burdens under the Americans with Disabilities Act or a future outright prohibition on reconstructing the damaged improvement) that, after the date the damaged improvement was constructed (or construction was stopped because of the damage), are imposed upon the Restoration Work that would be necessary to restore the damaged improvement and which in the aggregate either:

14.6.1.1 Prohibit the Restoration Work that would be required to restore the damaged improvement; or

14.6.1.2 Increase the cost of such work such that the uninsured portion of the cost of such Restoration Work exceeds more than the greater of i) Five Hundred Thousand Dollars (\$500,000) or ii) twenty percent (20%) of the total amount that such work would have cost in the absence of the Major Regulatory Changes. Lessor in Lessor's sole and absolute discretion may elect to contribute to the cost of such work in order to reduce the uninsured portion of the cost of the work to twenty percent (20%) or to Five Hundred Thousand Dollars (\$500,000), as the case may be.

14.6.2 In the event Lessee receives a Regulatory Payment due to a Major Regulatory Change, the amount of the Regulatory Payment shall be calculated as follows:

14.6.2.1 Begin with the lesser of the actual original cost to construct the damaged improvement which is not rebuilt because of the Major Regulatory Change, or the amount of insurance proceeds deposited into the Proceeds Account with respect to such improvements.

14.6.2.2 Calculate an amortization figure by dividing said original cost or amount deposited by the number of whole years (not calendar years) that were remaining in the term of this Agreement (including both extensions) at the time the improvements were completed (or construction was stopped because of the damage).

14.6.2.3 Calculate the amount of the Regulatory Payment by subtracting from said original cost or amount of insurance proceeds deposited a number that is derived by multiplying the amortization figure by the number of whole years that passed from the date of completion to the date of destruction.

14.6.3 The portion of the Regulatory Payment attributable to each building or other improvement shall be calculated separately.

14.6.4 The Regulatory Payment shall not be Type 2 Funds.

14.7 Use of Proceeds Account for Restoration Work. The following shall govern disbursement of funds from the Proceeds Account for the Restoration Work:

14.7.1 All distributions from the Proceeds Account shall be by check payable to Lessor or jointly payable to Lessee and the third party. If Lessee provides receipts showing Lessee has already paid the third party payee, then checks reimbursing Reimbursable Funds to Lessee shall name only Lessee as payee.

14.7.2 Lessee's applications for payment shall be prepared according to a schedule of values for the work prepared by Lessee's architect, subject to Lessor's reasonable approval.

14.7.3 Funds shall be disbursed within fourteen (14) days after Lessor has received notice from Lessee requesting that such funds be disbursed. Such notice shall be accompanied by the following:

14.7.3.1 A description of the work completed.

14.7.3.2 Unrelated third party invoices for design, engineering or related professional services rendered or actual hard costs of demolition or construction labor or materials.

14.7.3.3 Certificates from the third party payee that the third party has actually supplied the labor or materials to the Premises.

14.7.3.4 Appropriate mechanics and materialmen's lien waivers.

14.7.3.5 Such additional documentation and confirmations as Lessor may reasonably deem necessary to confirm compliance with this Agreement.

14.7.4 The Proceeds Account shall qualify as a satisfactory Funding Assurance.

14.8 Accelerated Funding. In order to avoid delay in completing the Restoration Work due to time constraints of the Proceeds Account, Lessee may do either or both of the following:

14.8.1 Advance its own funds (the "Reimbursable Funds") for the Restoration Work from time to time and subsequently obtain reimbursement from the Proceeds Account subject to compliance with the requirements for disbursements from the Proceeds Account. If Lessee provides receipts showing Lessee has already paid the third party payee, then checks reimbursing Reimbursable Funds to Lessee shall name only Lessee as payee.

14.8.2 Unilaterally request that Lessor make a one-time single disbursement to Lessee (the "Working Funds"). Lessee shall hold the Working Funds in a separate bank account and shall use the Working Funds only during the course of the Restoration Work to make progress payments to third parties for the Restoration Work. The amount of the Working Funds shall not exceed the greater of One Hundred Fifty Thousand Dollars (\$150,000) (which amount shall be adjusted from time to time according to the Cost of Living Index in the same manner provided for adjustment of Base Rent) or ten percent (10%) of the estimated cost of the Restoration Work. Upon completion of the Restoration Work, Lessee shall return any excess Working Funds to the Proceeds Account.

14.9 Monthly Restoration Work Report. Lessee shall provide to Lessor no later than the tenth day of each month a written report of the progress of the Restoration Work along with detailed statement of Proceeds Account, Reimbursable Funds and Working Funds activity during the preceding month.

14.10 Proceeds Account Variations. Lessee's city manager or designee shall have the authority to cooperate with Lessee's lienholder to implement variations to the requirements and administration of the Proceeds Account. Any such variations must provide to Lessor the

substantive protections of the Proceeds Account afforded by this Agreement in said city manager or designee's sole and absolute discretion, must not allow insurance proceeds (except any Type 2 Funds that may be disbursed to Lessee) to be used to pay the debt, must be approved in writing in advance by said city manager or designee and by Lessor's city attorney in their sole and absolute discretion, and must otherwise be acceptable to Lessor's city manager or designee and Lessor's city attorney in their sole and absolute discretion.

XV. LESSEE'S RECORDS

15.0 Lessee's Records. Lessee will maintain in a secure place at Lessee's corporate headquarters within the continental United States or at a secure location within Maricopa County, Arizona proper and accurate books, records, ledgers, correspondence, and other papers and repositories of information, relating in any manner to this Agreement and to all of Lessee's obligations hereunder.

15.1 Standards for Records. Lessee shall keep and maintain all books and records relating to the Premises in accordance with generally accepted accounting principles applied on a consistent basis. Lessee shall retain all records related to this Agreement or Lessee's performances hereunder for a period of seven (7) years after the period reported in the record.

15.2 Reporting. Lessee will furnish or cause to be furnished to Lessor, as soon as the same are available, and in any event within one hundred twenty (120) days after the end of each calendar year a certificate signed by the chief financial officer or managing general partner, as the case may be, of Lessee stating that the rental revenues and related information provided during the preceding year is correct and there exists no Event of Default and no condition, event or act, which with notice or lapse of time or both, would become an Event of Default or, if any such Event of Default or any such condition, event or act exists, specifying the nature and period of existence thereof and what action Lessee proposes to take with respect thereto. Lessee shall furnish, from time to time, such financial and other information as Lessor may reasonably request pertaining to Lessee's and Lessor's respective rights and obligations with respect to this Agreement as reasonably determined by Lessor.

15.3 Right of Inspection. Until the date three (3) years after termination of this Agreement, Lessee will (i) permit and assist Lessor and its representatives at all reasonable times to inspect, audit, copy and examine, as applicable, Lessee's facilities, activities and records, (ii) cause its employees, agents and, if reasonably necessary, accountants to give their full cooperation and assistance in connection with any such visits or inspections, (iii) make available such further information concerning Lessee's business and affairs relating to the Premises as Lessor may from time to time reasonably request, and (iv) make available to Lessor at the Premises (or at the offices of Lessor within the corporate limits of the City of Scottsdale) any and all records and reasonable accommodations for Lessor's audit and inspection. The preceding sentence does not require Lessee to pay for copies Lessor requests or Lessor's employees' or other agents' time or travel expenses. Such inspection shall be limited to matters relevant to Lessor's and Lessee's rights and obligations under this Agreement and activities related to the Premises as reasonably determined by Lessor.

15.4 Records Included. Lessee's records subject to this Agreement include, but are not limited to, any and all information, materials and data of every kind and character, including without limitation, records, books, papers, documents, subscriptions, recordings, agreements, purchase orders, computer data, invoices, cash register tapes and similar records, contracts, logs, accounts, commitments, arrangements, notes, diaries, ledgers, correspondence, reports,

drawings, receipts, vouchers, memoranda and any and all other agreements, sources and repositories of information and matters that may in Lessor's reasonable judgment bear on any matters, rights, duties or obligations under or covered by this Agreement or any performance hereunder. Lessee need not disclose information that does not concern the Premises or Lessor's or Lessee's rights and obligations related to the Premises in Lessor's reasonable judgment.

15.5 Costs of Audit. If an audit, inspection or examination of Lessee's performance discloses underpayments (or other adjustments in favor of Lessor) of any nature in excess of three percent (3%) of any payments or single payment, Lessee shall pay to Lessor Lessor's actual cost (based on the amount paid by Lessor, or based on reasonable charges charged by private auditors and other service providers for comparable work if the audit is performed by Lessor's employees) of the audit, inspection or examination, together with late fees, interest, and other amount payable in connection with such adjustments or payments. Any adjustments and/or payments which must be made as a result of any such audit, inspection or examination (whether or not performed in-house by Lessor), shall be made within a reasonable amount of time (not to exceed 30 days) after Lessor gives to Lessee notice of Lessor's findings.

15.6 Monthly Reports. No later than the due date for each Rent Payment for each month, but in no event later than the end of each month, Lessee shall deliver to Lessor a report containing the information described on Exhibit "F" attached hereto. Except for fuel flowage information, each such report shall indicate by highlighting or similar marking any changes from the preceding month's report.

15.7 Applicable to Sublessees. By claiming under this Agreement, sublessees and others conducting a business based at the Premises shall also be deemed to have agreed to provide to Lessor upon request information relevant to compliance with this Agreement by Lessee or others.

XVI. COMPLIANCE WITH LAW

16.0 Compliance with Law. Lessee shall conduct only lawful operations and activities at the Premises and at the Airport in accordance with all federal, state, county and local laws, ordinances, regulations or other rules or policies as are now in effect or as may hereafter be adopted or amended and shall use and occupy the Premises in conformance with all of the same. The provisions of this Agreement obligating Lessee to comply with applicable law do not deny Lessee such right, if any, as Lessee may have under applicable law to continue a use which was lawful (and permitted by this Agreement) when commenced. Lessee acknowledges that this Agreement does not constitute, and Lessor has not promised or offered, any type of waiver of, or agreement to waive (or show any type of forbearance or favoritism to Lessee with regard to), any law, ordinance, power, regulation, tax, assessment or other legal requirement now or hereafter imposed by the City of Scottsdale or any other governmental body upon or affecting Lessee, the Premises, the Airport or Lessee's use of the Premises or Airport. Lessee acknowledges that all of Lessee's obligations hereunder are in addition to, and cumulative upon (and not to any extent in substitution or satisfaction of), all laws and regulations applicable to Lessee. Lessee further agrees that this Agreement is not intended to diminish any performances to the City of Scottsdale that would be required of Lessee by law if this Agreement had been made between Lessee and a private citizen. Lessor has not relinquished any right of condemnation or eminent domain over the Premises. This Agreement does not impair the City of Scottsdale power to enact, apply or enforce any laws or regulations, or exercise any

governmental powers, affecting in any way Lessee or the Premises. Without limiting in any way the generality of the foregoing, Lessee shall comply with all and each of the following:

16.1 Government Property Lease Excise Tax. Lessee shall be responsible for any and all property taxes and all government property lease excise taxes described in A.R.S. § 42-6201 *et seq.* or similar laws in force from time to time that are lawfully assessed against the Premises or against Lessor or Lessee with respect to the Premises. Pursuant to A.R.S. § 42-6206, failure by Lessee to pay the taxes after notice and an opportunity to cure is an event of default that could result in divesting Lessee of any interest in or right of occupancy of the Premises.

16.2 Taxes, Liens and Assessments. In addition to all other amounts herein provided, Lessee shall pay, when the same become due and payable, all taxes and general and special fees, charges and assessments of every description which during the term of this Agreement may be lawfully levied upon or assessed against Lessee, the Premises, the operations conducted therein, any amounts paid or other performances under this Agreement by either party, and all possessory interest in the Premises and improvements and other property thereon, whether belonging to Lessor or Lessee. The preceding sentence does not apply to obligations of Lessee not related to the Premises. Lessee shall have the right to contest, but not the right to refuse to timely pay, any taxes and assessments. Lessee shall pay all sales, transaction privilege, and similar taxes which it is legally obligated to pay.

16.3 Special Supplemental Indemnity. Without limitation, the indemnities of this Agreement require Lessee to pay, indemnify, defend and hold Lessor harmless against fines or penalties for any breach of security arising from the unauthorized entry of any persons from the Premises (or their vehicles or aircraft) onto the passenger loading areas, taxiways, runways, aircraft movement areas and any other restricted portion of the Airport. The preceding sentence does not apply to persons not conducting business at the Premises or who enter the Premises using a password or gate entry card issued by Lessor.

16.4 Federal Agreements. This Agreement shall be subordinate to the provisions and requirements of any existing or future grant assurances and other agreements between the Lessor and the United States, relative to the development, operation or maintenance of the Airport.

16.5 Based Aircraft. Lessee shall not allow to be based at the Premises any aircraft that has not been registered with the Airport to the extent required by applicable laws and regulations.

XVII. ASSIGNABILITY

17.0 Assignability. This Agreement is not assignable by Lessee and any assignment shall be void and create in the assignee no rights except in strict compliance with the following:

17.1 Assignments Prohibited. Every assignment of Lessee's interest in the Premises or this Agreement or any of Lessee's rights or interests hereunder is prohibited unless Lessor's consent to the assignment is contained in this Agreement or Lessee first receives from Lessor a separate notice of Lessor's consent to the assignment. References in this Agreement to assignments by Lessee shall be deemed also to apply to all of the following transactions, circumstances and conditions:

17.1.1 Any voluntary or involuntary assignment, conveyance, transfer or sublease of the Premises or any interest therein or any rights under this Agreement.

17.1.2 Any voluntary or involuntary pledge, lien, mortgage, security interest, judgment, deed of trust, claim or demand, whether arising from any contract, any agreement, any work of construction, repair, restoration, maintenance or removal, or otherwise (collectively "Liens").

17.1.3 The use, occupation, management, control or operation of the Premises or any part thereof by others.

17.1.4 Any transfer of membership interests, corporate stock or any other direct or indirect transfer of the majority of the ownership, management or control of Lessee except (a) transfers between two or more members, (b) a transfer from a member to a trust or legal entity that is 100% controlled by the transferring member, or (c) transfers caused by the death of a shareholder or other owner.

17.1.5 Any assignment by Lessee for the benefit of creditors, voluntary or involuntary.

17.1.6 Any bankruptcy or reorganization of Lessee not completely resolved in Lessee's favor within one hundred twenty (120) days after it is initiated.

17.1.7 The occurrence of any of the foregoing by operation of law or otherwise.

17.1.8 The occurrence of any of the foregoing with respect to any assignee or other successor to Lessee except for sublessees.

17.2 Effect of Assignment. No action or inaction by Lessor shall be deemed a waiver of the prohibition on assignments or any other provision of this Agreement, or the acceptance of the assignee, sublessee or occupant as Lessee, or a release of Lessee from the further performance by Lessee of the provisions of this Agreement. The consent by Lessor to an assignment shall not relieve Lessee from obtaining Lessor's consent to any further assignment. No assignment shall release Lessee from any liability hereunder except that Lessee shall be released from future obligations under this Agreement in the event of a complete assignment of Lessee's entire interest made with Lessor's consent. This Agreement shall also run with the land and continue to be a burden upon the Premises and every interest therein in favor of Lessor.

17.3 Enforceability after Assignment. This Agreement shall control any conflict between this Agreement and the terms of any assignment. Upon execution of this Agreement, and upon each subsequent assignment, Lessee shall provide a complete copy of this Agreement and any amendments to each sublessee or other assignee.

17.4 Grounds for Refusal. No assignments of this Agreement are contemplated or bargained for except for those to which Lessor has given consent in this Agreement. Lessor has the absolute right for any reason or for no reason in its sole discretion to give or withhold consent to any assignment or to impose any conditions upon any assignment, except as expressly provided in this Agreement.

17.5 Form of Assignment. Any permitted assignment or subletting shall be by agreement in form and content acceptable to Lessor. Assignees other than sublessees shall assume this Agreement. In the event Lessor terminates this Agreement due to a default by Lessee, Lessor at Lessor's sole option may succeed to the position of Lessee as to any sublessee or assignee of Lessee without liability for any prior breaches or performances.

17.6 Employees. Lessee's hiring and discharging of employees shall not constitute a change of management amounting to an assignment of this Agreement by Lessee.

17.7 Liens Prohibited. Notwithstanding the prohibition on Liens, Lessee is permitted with Lessor's consent (not to be unreasonably withheld) to impose a single mortgage or deed of trust (the "Primary Lien") upon Lessee's leasehold interest in the Premises under this Agreement to secure a loan obtained by Lessee to obtain funds for Lessee to use to construct new Lessee's Improvements.

17.8 Lien Payment. Lessee shall pay all Liens as the same become due, and in any event before any action is brought to enforce the Lien. Lessee agrees to pay, indemnify, defend and hold Lessor and the Premises free and harmless from all liability and against any and all Liens, together with all costs and expenses in connection therewith, including attorney's fees. Lessor shall have the right at any time to post and maintain on the Premises such notices, pay such amounts, file or record such notices, or take such other actions as Lessor may deem necessary to protect Lessor and its property interests against all Liens. Every Lien shall cover Lessee's entire leasehold interest in this Agreement and the Premises.

17.9 Lien Priorities. In no event shall any Lien (whether arising before, concurrent with, or after the date of this Agreement) cover, affect or have any priority higher than or equal to any of Lessor's rights in the Premises or under this Agreement at any time.

17.10 Lessor's Rights to Pay Lienholder. Prior to foreclosure, deed in lieu, or the conclusion of other enforcement of a Lien, Lessor shall have the right at any time to purchase any Lien, by payment to the holder of the Lien the amount of the unpaid debt, plus any accrued and unpaid interest.

17.11 Primary Permitted Lien. The Primary Lien is subject to the following provisions:

17.11.1 Until Lessee's Improvements are completed, the Primary Lien shall not be cross collateralized or cross defaulted with any debt or lien related to property other than the Premises. Until Lessee's Improvements are completed, the Primary Lien shall cover no interests in any real property other than Lessee's interests in the Premises and the rents and profits under any permitted subleases.

17.11.2 The holder of the Primary Lien (the "Primary Lienholder") shall promptly give notice to Lessor of the creation of the Primary Lien and any modification, renewal, termination, default or enforcement of the Primary Lien, and any notices to Lessee related thereto. Such notices shall be accompanied by true copies of the Primary Lien or other correspondence or instruments pertaining to the notice. Primary Lienholder shall notify Lessor of the address to which notices to Primary Lienholder shall be sent.

17.11.3 The Primary Lien shall contain no provisions inconsistent with or purporting to alter in any way the provisions of this Agreement. This Agreement shall control

any inconsistent terms or provisions in the Primary Lien or in any document of any description related to the Primary Lien.

17.11.4 Primary Lienholder shall have a limited right to cure deficiencies in Lessee's performance under this Agreement (the "Cure Right") as follows:

17.11.4.1 The Cure Right is that, in the event of an Event of Default:

17.11.4.1.1 Lessor shall not terminate this Agreement without first giving Primary Lienholder notice of the Event of Default; and

17.11.4.1.2 Upon Lessor's giving such notice, Primary Lienholder shall have an opportunity to cure the Event of Default as specifically described herein.

17.11.4.2 The Cure Right only applies to Events of Default that are capable of cure by Primary Lienholder within one hundred eighty (180) days after Lessor's notice to Primary Lienholder. In the event of an Event of Default that cannot be cured within that time period, Primary Lienholder and/or Lessee shall have the right to call for a meeting to consult with Lessor's city manager and/or aviation director to develop a plan for curing the Event of Default. Lessor's city manager and aviation director shall each have authority to consider such a plan and give notice on behalf of Lessor extending the time period for curing the particular Event of Default in accordance with the plan.

17.11.4.3 If an event or circumstance occurs which will become an Event of Default with the passage of time or giving of notice or both, Lessor may elect to provide Primary Lienholder's notice of the Event of Default prior to, after, or simultaneously with any notice Lessor may give to Lessee, and prior to, after, or simultaneously with the expiration of any applicable cure or grace period.

17.11.4.4 Primary Lienholder may elect to exercise the Cure Right by giving Lessor notice (a "Cure Notice") of such election not later than forty-five (45) days after Lessor's notice to Primary Lienholder. Primary Lienholder's failure to timely give a Cure Notice shall be Primary Lienholder's rejection and waiver of the Cure Right. Primary Lienholder's giving of a Cure Notice shall constitute Primary Lienholder's promise to Lessor that Primary Lienholder shall immediately undertake and diligently pursue to completion on Lessee's behalf all payments and performances necessary to cure an Event of Default and otherwise cause Lessee's performance to comply in all respects with the requirements of this Agreement. Each Cure Notice shall include payment of any and all amounts then payable to Lessor under this Agreement.

17.11.4.5 In the event Primary Lienholder exercises the Cure Right, Primary Lienholder shall immediately commence and thereafter diligently prosecute the cure to completion no later than thirty (30) days after Primary Lienholder's Cure Notice to Lessor. In the event of a cure that cannot be completed within thirty (30) days, Primary Lienholder shall complete the cure within the shortest period that may be possible, but in no event later than one hundred eighty (180) days after Primary Lienholder's Cure Notice exercising the Cure Right (or such longer period as Lessor's city manager or aviation director may allow). In the case of a Lessee Insolvency, if the Premises are operating as required by this Agreement and all payments by Lessee are current and all other defaults are cured, then

the one hundred eighty (180) day period specified in the preceding sentence shall be extended to eighteen (18) months to cure the Lessee Insolvency. Such extension applies only to the Lessee Insolvency.

17.11.5 If this Agreement is terminated due to rejection by a bankruptcy trustee for Lessee, then Primary Lienholder shall have a thirty (30) day period after such rejection to give notice to Lessor that Lessee elects to obtain from Lessor a new replacement lease. Primary Lienholder's rights and obligations under the replacement lease shall be the same as those applicable to Lessee at the time of the rejection. A default by Lessee under the Primary Lien shall not amount to a default by Lessee under this Agreement.

17.11.6 Until completion of Lessee's Improvements, the Primary Lien must be held by an FDIC insured financial institution having offices in Maricopa County, Arizona, a pension fund or insurance company authorized to do business in Arizona, or sophisticated investors qualified under federal securities law to purchase unregistered securities in private placements.

17.11.7 This Agreement's provisions relating to the Primary Lien are for the sole benefit of Lessor and Primary Lienholder, and are not for the benefit of Lessee, other than Section 17.7 which is for the benefit of Lessee as well as the Primary Lienholder.

17.11.8 Lessee shall immediately give notice to Lessor and Primary Lienholder of any notice Lessee may receive relating to this Agreement or to the Primary Lien.

17.11.9 Primary Lienholder shall immediately give notice to Lessor and Lessee of any notice Primary Lienholder may receive relating to this Agreement or to the Primary Lien.

17.11.10 The provisions of this Agreement permitting the Primary Lien shall apply to any subsequent refinancing of the Primary Lien so long as the following requirements are satisfied:

17.11.10.1 Any replacement Primary Lien must satisfy all requirements of this Agreement.

17.11.10.2 No new Primary Lien may be created while a Primary Lien exists or is of record.

17.11.10.3 Only one Primary Lien may exist or be of record at a time.

17.11.11 Primary Lienholder shall become personally liable to perform Lessee's obligations hereunder only if and when Primary Lienholder gives a Cure Notice (and in such case only to the extent of the cure set forth in the Cure Notice), becomes the owner of all or part of the leasehold estate pursuant to judicial or non-judicial foreclosure, assignment or transfer in lieu of foreclosure or otherwise, or takes possession of all or part of the Premises. The occurrence or existence of any of the foregoing shall constitute an assumption by Primary Lienholder of Lessee's obligations under this Agreement.

17.12 Confirmation of Status. By notice to the other (a "Confirmation Request Notice"), either Lessor or Lessee (the "Requesting Party") may request that the other provide to the Requesting Party written confirmation of certain matters (an "Estoppel Certificate") as follows:

17.12.1 Lessee may give a Confirmation Request Notice only when a Primary Lien is being created or assigned, when Lessee's entire interest in the Premises is being assigned, or as otherwise reasonably necessary for Lessee's business purposes. Any Confirmation Notice by Lessee must meet the following additional requirements:

17.12.1.1 The Confirmation Request Notice shall be executed and joined in by the prospective Primary Lienholder, assignee of a Primary Lien, or assignee of Lessee's entire interest in the Premises (the "Confirmation Assignee").

17.12.1.2 The Confirmation Request Notice shall describe the proposed transaction between Lessee and the Confirmation Assignee.

17.12.1.3 The Confirmation Request Notice must include warranties and representations by the Confirmation Assignee that the matters to be confirmed are true to the best of its knowledge.

17.12.1.4 The Confirmation Request Notice must include warranties and representations by Lessee that the matters to be confirmed are true and that the information contained in the Confirmation Request Notice is complete and true.

17.12.1.5 If a Primary Lien is being created or assigned, the Confirmation Request Notice must warrant and represent that the proposed Primary Lienholder and its Lien qualify in every way for Primary Lien status under this Agreement.

17.12.2 The Confirmation Request Notice must specify the matters the other party is requested to confirm. The Confirmation Request Notice shall request only that the other party confirm whether or not one or more of the following matters are true, to the best of such other party's knowledge:

17.12.2.1 That this Agreement is in effect and has not been amended except as stated in the Confirmation Request Notice.

17.12.2.2 If Lessee is the Requesting Party, that an Event of Default by Lessee does not exist (except that Estoppel Certificates by Lessor shall exclude matters of zoning or other regulatory compliance other than, to the actual knowledge of the Aviation Director, compliance with Airport standards and regulations). If Lessor is the Requesting Party, that Lessor has performed its obligations and is in compliance with this Agreement.

17.12.2.3 If a Primary Lien is being created, that upon Primary Lienholder's providing to Lessor copies of the recorded instrument creating Primary Lienholder's Primary Lien and a recorded instrument releasing any prior Primary Lien, Lessor will acknowledge Primary Lienholder as the Primary Lienholder under this Agreement.

17.12.2.4 If Lessee is the Requesting Party, that Lessor consents to the proposed transaction between Lessee and the Confirmation Assignee.

17.12.2.5 That Rent has been paid through the date set forth in the Confirmation Request Notice.

17.12.3 The other party shall provide the Estoppel Certificate to the Requesting Party not less than thirty (30) days after a proper Confirmation Request Notice.

17.13 Assignment Payment. In addition to all other Rent payable hereunder, in the event of any assignment (including without limitation a Lien enforcement) which transfers possession of more than 30% of the interior building space of the Premises or has a duration of five (5) or more years, Lessee shall pay to Lessor the amount of Twenty Thousand Dollars (\$20,000). Lessor's contract administrator shall have authority to waive or reduce such payment in the event of an assignment to an affiliate of Lessee. Lessee shall pay to Lessor the sum of Two Thousand Five Hundred Dollars (\$2,500) as a fee for legal and administrative expenses related to creation of a Primary Lien or any assignment or request for consent to an assignment. Lessee shall pay to Lessor the sum of One Thousand Dollars (\$1,000) as a fee for legal and administrative expenses related to any request for an Estoppel Certificate.

17.14 Aircraft Storage Agreement. If an aircraft is to be stored or based at the Premises or the Airport more than fourteen (14) days, then Lessor's consent to an assignment is not effective until an Aircraft Storage Agreement is in effect between the City of Scottsdale and the aircraft owner.

17.15 Approved Assignments. Lessee shall attach to each assignment not described in this paragraph, a copy of Lessor's notice to Lessee of Lessor's consent to the assignment. No consent by Lessor to an assignment shall be effective unless and until Lessee receives notice of Lessor's consent pursuant to this Agreement. This Agreement shall continue to be enforceable according to its terms in spite of any provisions of any Estoppel Certificate or other documents relating to an Assignment. Lessor hereby consents to the following assignments:

17.15.1 The creation of a Primary Lien that meets all of the requirements of this Agreement.

17.15.2 Lessee's granting to its customers in the ordinary course of its business rights of incidental use of small lockers at the Premises for temporary storage of miscellaneous personalty provided such rights are terminable by Lessee upon not more than thirty (30) days notice.

17.15.3 Lessee's complete assignment of all of Lessee's rights and interests in the Premises and this Agreement to a single assignee that meets the following requirements, as determined by Lessor in Lessor's reasonable discretion (a "Qualified FBO"):

17.15.3.1 The assignee must have a net worth in excess of One Million Dollars (\$1,000,000) adjusted upward from the date of this Agreement based on changes in the Cost of Living Index in the same manner as Base Rent is adjusted.

17.15.3.2 The assignee must provide to Lessor a written assumption of Lessee's obligations under this Agreement.

17.15.3.3 The assignee must have the management and financial capacity and other resources necessary to successfully perform under this Agreement.

17.15.3.4 The assignee or its core management team must have substantial recent experience in successfully operating a first-class, fixed-base operator operation comparable to the Premises.

17.15.3.5 The assignee must have active, involved executive, managerial and production level leadership staff with substantial recent experience in successfully operating a first-class, fixed-base operator operation comparable to the Premises.

17.15.3.6 The assignee shall provide to Lessor such information and materials (including presentations) as Lessor may reasonably request to confirm the assignee's qualifications and to assist Lessor to make such determination. Without limitation, Lessor may require the assignee to provide an information package containing all of the information required of Lessee in connection with the original granting of this Agreement. Lessor may take into account any such information and factors in determining the assignee's qualifications.

17.15.4 Retail subleases by Lessee in the ordinary course of business to occupants of hangar space for individual aircraft so long as no rent (excluding amounts Lessee uses for tenant improvements) shall be prepaid more than twelve (12) months.

17.15.5 Office subleases by Lessee in the ordinary course of business to occupants of commercial office space so long as no rent (excluding amounts Lessee uses for tenant improvements) is prepaid more than twelve (12) months.

17.16 Assignment by Lessor. Lessor's interests in this Agreement shall be automatically deemed to be assigned to and assumed by any person who acquires fee title to the Premises. Upon any such assignment, Lessor's liability with regard to this Agreement shall terminate.

XVIII. MISCELLANEOUS

18.0 Miscellaneous.

18.1 Severability. If any provision of this Agreement is declared void or defective, that declaration shall not affect the validity or any other provision of this Agreement.

18.2 Amendments. This Agreement may not be amended except by a formal writing executed by all of the parties. Amendments shall require Primary Lienholder consent to the amendment which consent shall not be unreasonably withheld or delayed.

18.3 Conflicts of Interest. No member, official or employee of Lessor shall have any direct or indirect interest in this Agreement, nor participate in any decision relating to the Agreement that is prohibited by law.

18.4 No Partnership. This Agreement and the transactions and performances contemplated hereby shall not create any sort of partnership, joint venture or similar relationship between the parties.

18.5 Nonliability of Lessor Officials and Employees. No member, official, representative or employee of Lessor shall be personally liable to any party, or to any successor in interest to any party, in the event of any default or breach by Lessor or for any amount which

may become due to any party or successor, or with respect to any obligation of Lessor or otherwise under the terms of this Agreement or related to this Agreement.

18.6 Notices. Except as otherwise indicated, all notices, waivers, demands, requests and other communications required or permitted by this Agreement (collectively, "Notices") shall be in writing and shall be effective only if sent by one or more of the following methods: (a) personal delivery; (b) generally-recognized overnight commercial courier regularly providing proof of delivery, with delivery charges prepaid or duly charged; or (c) United States registered or certified mail, return-receipt requested, postage prepaid, addressed to the parties at the respective addresses set forth opposite their names below, or to any other address or addresses as any party shall designate from time to time by notice given to the other in the manner provided in this paragraph:

If to Lessor: Scottsdale Aviation Director
15000 N. Airport Dr., Suite 100
Scottsdale, AZ 85260

City of Scottsdale
3939 Drinkwater Blvd.
Scottsdale, AZ 85251
Attn: City Attorney

If to Lessee: Scottsdale Jet Center
421 E. Hickory, Suite 105
Denton, TX 76210
Attention: John Marchman

Notices to Lessee may also be hand-delivered to Lessee's management office at the Premises. Notices given or served by personal delivery shall be deemed to have been received upon tender to the respective party. Notices given or served by mail or commercial courier shall be deemed to have been given or served as of the date of delivery (whether accepted or refused) established by the United States Postal Service return-receipt or the overnight courier's proof of delivery, as the case may be.

18.7 Time of Essence. Time is of the essence of each and every provision of this Agreement.

18.8 Integration. This Agreement constitutes the entire agreement between Lessor and Lessee with respect to the subject matter hereof and supersedes any prior agreement, understanding, negotiation, draft agreements, discussion outlines, correspondence and memoranda or representation regarding the Premises, as, and to the extent, set forth in that certain Lease Replacement Agreement between the parties of even date herewith.

18.9 Construction. Whenever the context of this Agreement requires, the singular shall include the plural, and the masculine shall include the feminine. This Agreement was negotiated on the basis that it shall be construed according to its plain meaning and neither for nor against any party, regardless of their respective roles in preparing this Agreement. The terms of this Agreement were established in light of the plain meaning of this Agreement and this Agreement shall therefore be interpreted according to its plain meaning and without regard to rules of interpretation, if any, which might otherwise favor Lessee.

18.10 Lessee Payments Cumulative. All amounts payable by Lessee to Lessor hereunder or under any tax, assessment or other existing or future ordinance or other law of City of Scottsdale or the State of Arizona shall be cumulative and payable in addition to each other payment required hereunder, and such amounts shall not be credited toward, substituted for, or setoff against each other by Lessee in any manner.

18.11 Paragraph Headings. The paragraph headings contained herein are for convenience in reference and not intended to define or limit the scope of any provision of this Agreement.

18.12 No Third Party Beneficiaries. Except for the limited provisions expressly stated to be for the benefit of a Primary Lienholder, no person or entity shall be a third party beneficiary to this Agreement or shall have any right or cause of action hereunder. Lessor shall have no liability to third parties for any approval of plans, Lessee's construction of improvements, Lessee's negligence, Lessee's failure to comply with the provisions of this Agreement (including any absence or inadequacy of insurance required to be carried by Lessee), or otherwise as a result of the existence of this Agreement.

18.13 Exhibits. All attached exhibits, which are specifically referenced in this Agreement, are hereby incorporated into and made an integral part of this Agreement for all purposes.

18.14 Attorneys' Fees.

18.14.1 In the event any action or suit or proceeding is brought by Lessor to collect the Rent due or to become due hereunder or any portion hereof or to take possession of the Premises or to enforce compliance with this Agreement or for Lessee's failure to observe any of the covenants of this Agreement or to vindicate or exercise any of Lessor's rights or remedies hereunder, and if Lessor is the prevailing party, Lessee agrees to pay all costs of such action or suit and all expenses of such action or suit together with such sum as the court may adjudge reasonable as attorneys' fees to be allowed in said suit, action or proceeding.

18.14.2 In the event any action or suit or proceeding is brought by Lessee to enforce compliance with this Agreement or for Lessor's failure to observe any of the covenants of this Agreement or to vindicate or exercise any of Lessee's rights or remedies hereunder, and if Lessee is the prevailing party, Lessor agrees to pay all costs of such action or suit and all expenses of such action or suit together with such sum as the court may adjudge reasonable as attorneys' fees to be allowed in said suit, action or proceeding.

18.15 Choice of Law. This Agreement shall be governed by the internal laws of the State of Arizona without regard to choice of law rules. Exclusive proper venue for any action regarding this Agreement shall be Maricopa County.

18.16 Approvals and Inspections. All approvals, reviews and inspections by Lessor under this Agreement or otherwise are for Lessor's sole benefit and not for the benefit of Lessee, its contractors, engineers or other consultants or agents, or any other person.

18.17 Recording. Within ten (10) days after the effective date of this Agreement, Lessee shall cause this Agreement to be recorded in the office of the Maricopa County Recorder.

18.18 Statutory Cancellation Right. In addition to its other rights hereunder, Lessor shall have the rights specified in A.R.S. § 38-511.

[SIGNATURE PAGES FOLLOW]

EXECUTED as of the date first given above.

LESSEE: **SCOTTSDALE JET CENTER REAL ESTATE**, an Arizona limited liability company

By: 

John Marchman
Managing Member

LESSOR: **CITY OF SCOTTSDALE**,
an Arizona municipal corporation

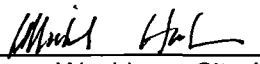
By: _____

W. J. "Jim" Lane, Mayor

ATTEST:

Carolyn Jagger, City Clerk

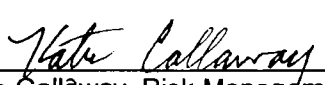
APPROVED AS TO FORM:



Bruce Washburn, City Attorney
By: Michael Hamblin, Assistant City Attorney



Gary P. Mascaro, Aviation Director



Katie Callaway, Risk Management Director

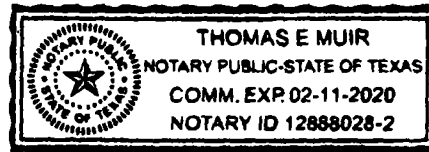
STATE OF TEXAS)
) ss.
County of Harris)

The foregoing instrument was acknowledged before me this 1st day of November 2018, by John Marchman, Managing Member of Scottsdale Jet Center Real Estate, LLC, an Arizona limited liability company.

Thomas E Muir
Notary Public

My Commission Expires:

2/11/2020



STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this _____ day of _____ 2018, by W. J. "Jim" Lane, Mayor of the City of Scottsdale, an Arizona municipal corporation.

Notary Public

My Commission Expires:

Exhibit A



**Legal Description
SCOTTSDALE AIRPORT
PROPOSED AIR COMMERCE CENTER LEASE**

THAT PORTION OF SECTION 11, TOWNSHIP 3 NORTH, RANGE 4 EAST OF THE GILA AND SALT RIVER MERIDIAN, MARICOPA COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHERLY MOST CORNER OF LOT 42, THUNDERBIRD INDUSTRIAL AIRPARK NO. 3, ACCORDING TO THE PLAT RECORDED IN BOOK 145 OF MAPS, PAGE 28, RECORDS OF MARICOPA COUNTY, ARIZONA (M.C.R.);

THENCE NORTH 43°55'06" EAST, ALONG THE SOUTHEASTERLY LINE OF SAID LOT 42, A DISTANCE OF 274.09 FEET;

THENCE DEPARTING PERPENDICULAR TO SAID SOUTHEASTERLY LINE, SOUTH 46°04'54" EAST, A DISTANCE OF 37.80 FEET;

THENCE NORTH 43°55'06" EAST, PARRALEL WITH SAID SOUTHEASTERLY LINE, A DISTANCE OF 346.44 FEET TO THE SOUTHWEST CORNER OF LANDMARK LEASEHOLD, SOUTH PARCEL AS DESCRIBED IN DOCUMENT NO. 2010-958702, M.C.R.;

THENCE SOUTH 46°05'00" EAST, ALONG THE SOUTHERLY LINE OF SAID SOUTH PARCEL, A DISTANCE OF 332.37 FEET;

THENCE DEPARTING SAID SOUTHERY LINE, SOUTH 43°55'06" WEST, A DISTANCE OF 861.90 FEET;

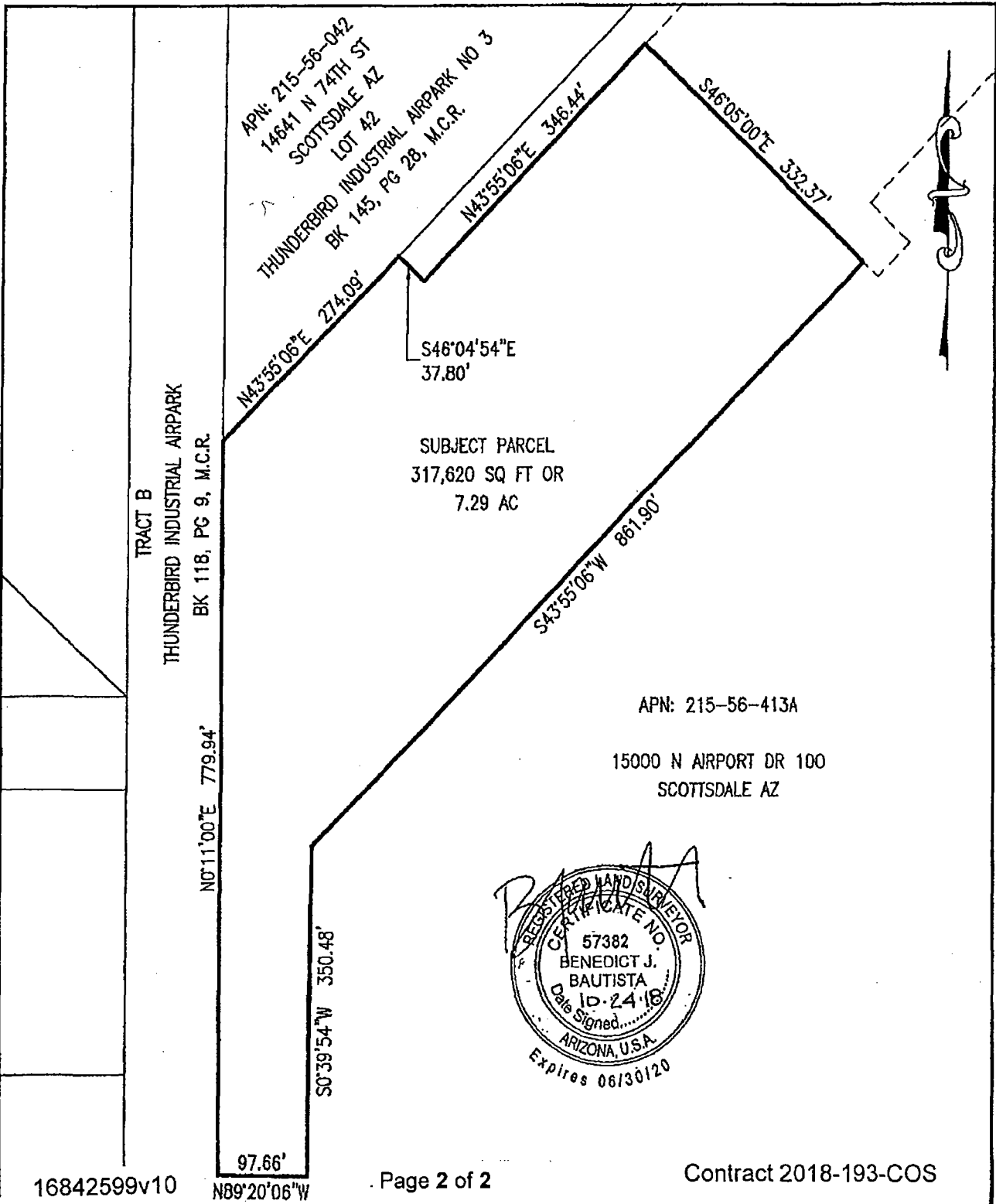
THENCE SOUTH 00°39'54" WEST, A DISTANCE OF 350.48 FEET;

THENCE NORTH 89°20'06" WEST, A DISTANCE OF 97.66 FEET TO A POINT ON THE EAST LINE OF TRACT B, THUNDERBIRD INDUSTRIAL AIRPARK, ACCORDING TO THE PLAT RECORDED IN BOOK 118 OF MAPS, PAGE 9, M.C.R.;

THENCE NORTH 00°11'00" EAST, ALONG SAID EAST LINE, A DISTANCE OF 779.94 FEET TO THE **POINT OF BEGINNING**.

THE ABOVE DESCRIBED PARCEL CONTAINS AN AREA OF 317,620 SQUARE FEET OF 7.29 ACRES MORE OR LESS.

Oct 24, 2018 12:14pm C:\Users\bjbautista\Desktop\Misc Jobs\Jet Center\PROPOSED AIR COMMERCE CENTER LEASE.dwg



16842599v10

N89°20'06"W

Page 2 of 2

Contract 2018-193-COS



2045 S. Vineyard Ave.
Ste. 101 Mesa, AZ 85210
T:480.503.2250 | F:480.503.2258
www.epsgroupinc.com

Project Name			
SCOTTSDALE AIRPORT PROPOSED AIR COMMERCE CENTER LEASE			
DESIGN	BJB	SCALE	SHEET
DRAWN	BJB	1"=140'	1 OF 1

Exhibit B



**Legal Description
SCOTTSDALE AIRPORT
PROPOSED GREENWAY HANGARS AND SHADES**

THAT PORTION OF SECTION 11, TOWNSHIP 3 NORTH, RANGE 4 EAST OF THE GILA AND SALT RIVER MERIDIAN, MARICOPA COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHEAST CORNER OF LOT 93, THUNDERBIRD INDUSTRIAL AIRPARK NO. 3A, ACCORDING TO THE PLAT RECORDED IN BOOK 160 OF MAPS, PAGE 8, RECORDS OF MARICOPA COUNTY, ARIZONA;

THENCE SOUTH 46°04'54" EAST, A DISTANCE OF 75.20 FEET;

THENCE SOUTH 43°55'06" WEST, A DISTANCE OF 725.58 FEET;

THENCE NORTH 46°05'00" WEST, A DISTANCE OF 605.00 FEET;

THENCE NORTH 43°54'59" EAST, A DISTANCE OF 220.61 FEET TO A POINT ON THE SOUTH LINE OF LOT 89 OF SAID PLAT;

THENCE SOUTH 89°42'27" EAST, ALONG THE SOUTH LINE OF LOT 89 - 93 OF SAID PLAT, A DISTANCE OF 731.92 FEET TO THE **POINT OF BEGINNING**.

THE ABOVE DESCRIBED BOUNDARY CONTAINS AN AREA OF 305,209 SQUARE FEET OF 7.01 ACRES MORE OR LESS.

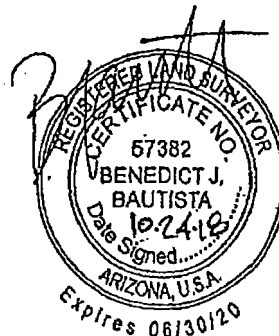
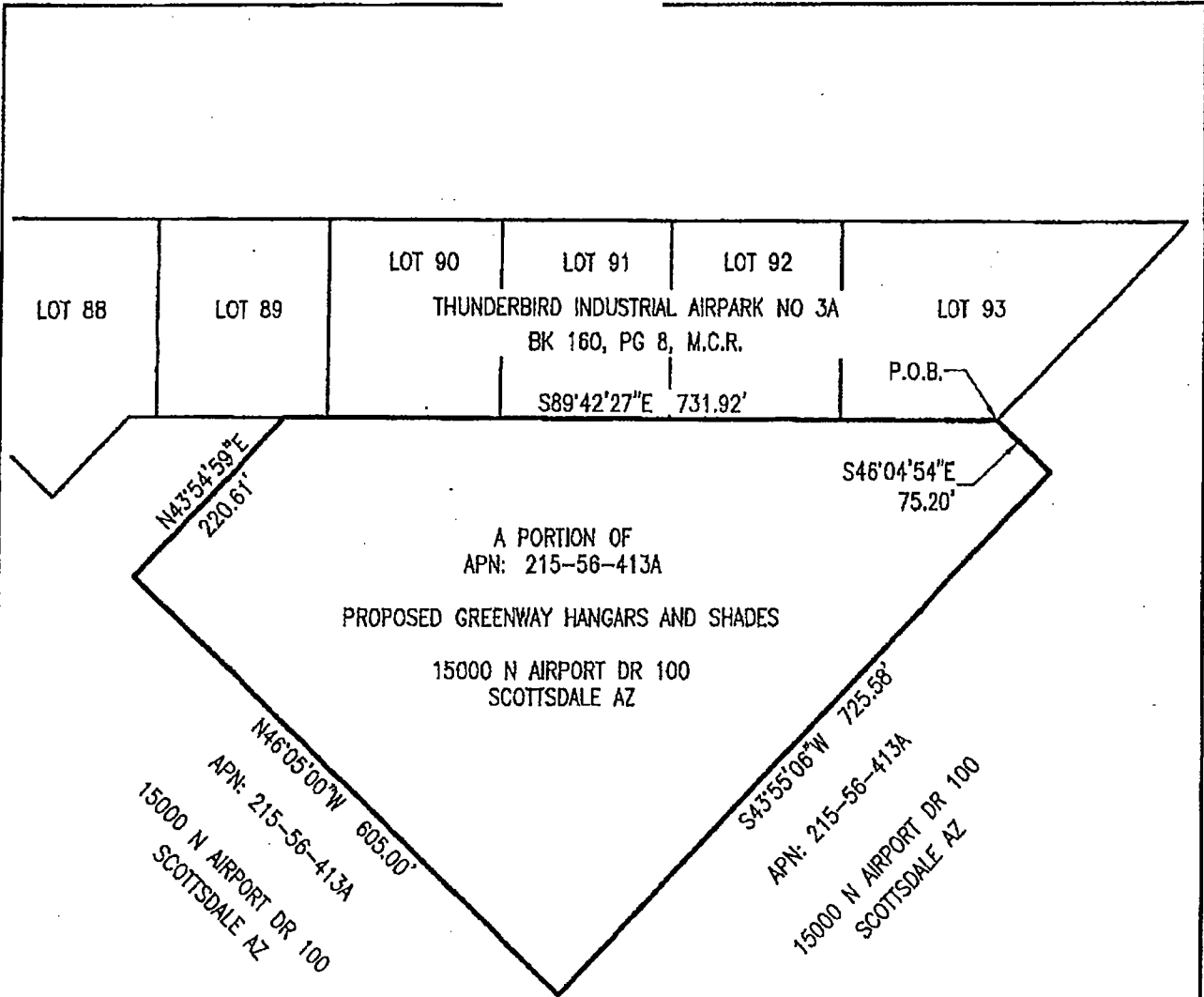


Exhibit B



16842599v10

Page 2 of 2

Contract 2018-193-COS



EPS
GROUP

2045 S. Vineyard Ave.
Ste. 101 Mesa, AZ 85210
T:480.503.2250 | F:480.503.2258
www.epsgrrouponc.com

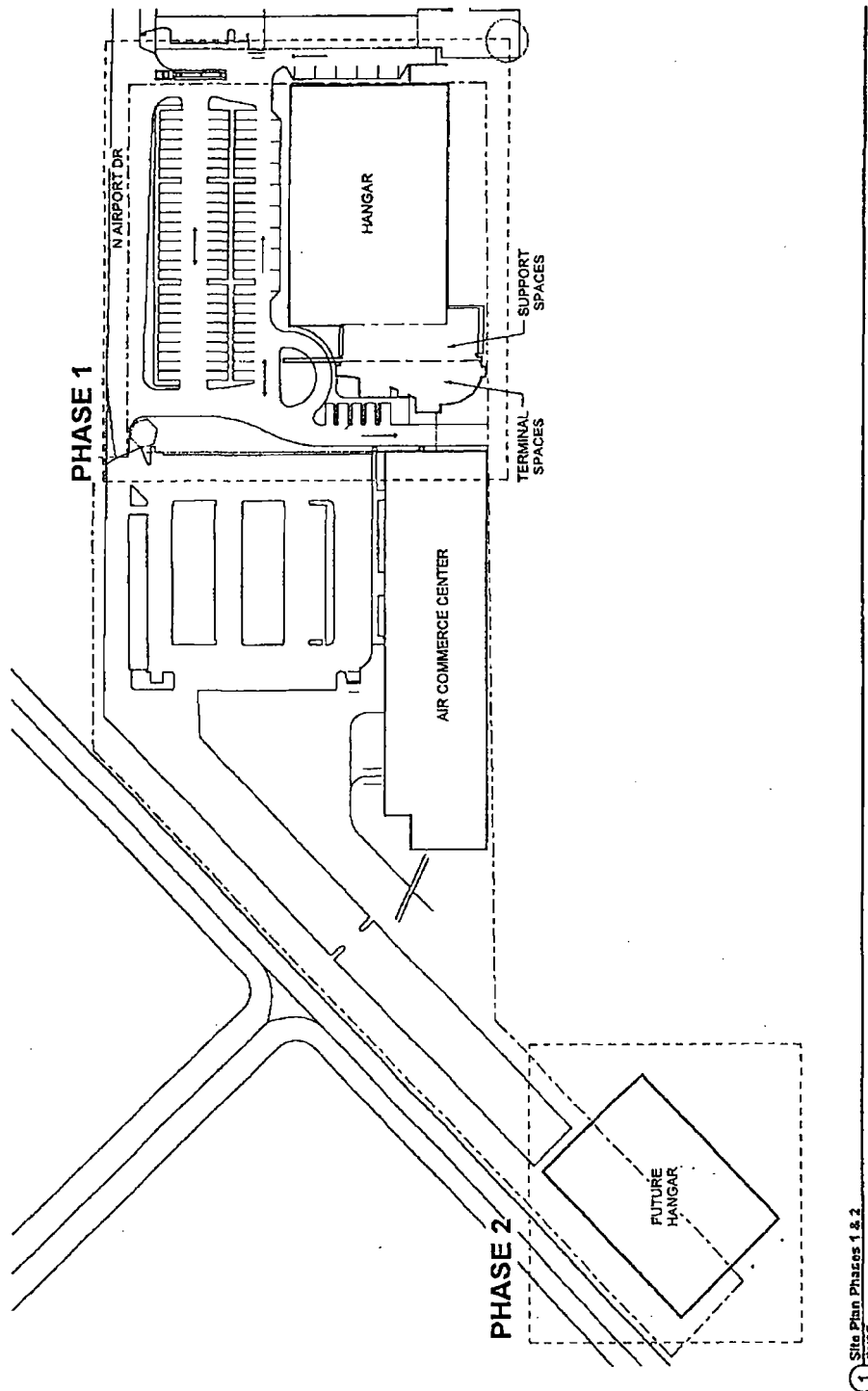
Project Name

SCOTTSDALE AIRPORT
PROPOSED GREENWAY HANGARS & SHADES

DESIGN	BJB	SCALE	SHEET
DRAWN	BJB	1"=100'	1 OF 1

Oct 24, 2018 1:53pm C:\Users\bjbautista\Desktop\Misc Jobs\Jet Center\PROPOSED ACC LEASE - GREENWAY HANGARS AND SHADES.dwg

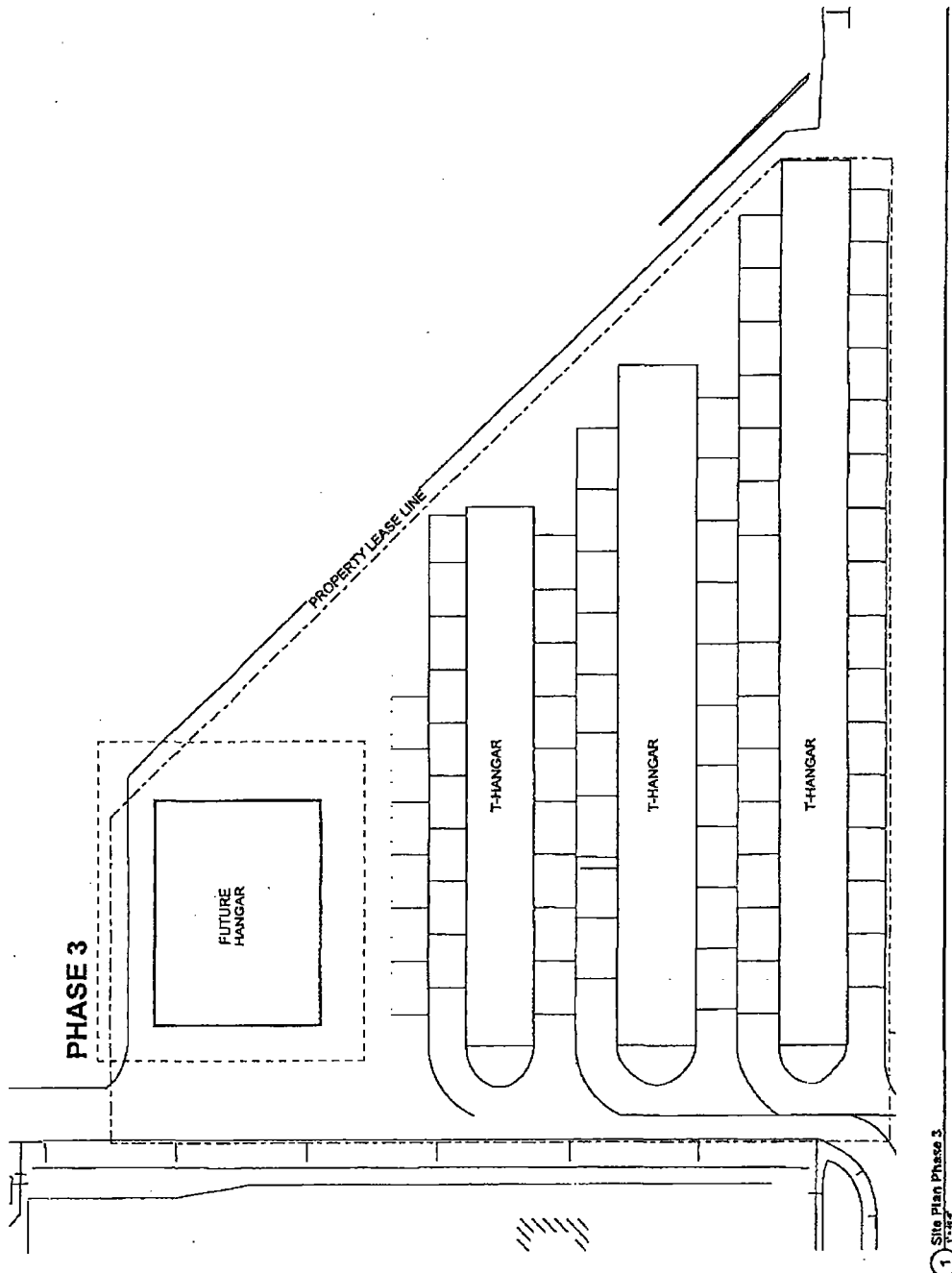
Exhibit C



Site Plan for Air Commerce Parcel

① Site Plan Phases 1 & 2

Exhibit D



Site Plan for Greenway Hangars and
Shades Parcel

Exhibit E

Standards for Letters of Credit

In addition to any other requirements imposed upon a letter of credit (the "Letter of Credit") issued pursuant to this Agreement, each Letter of Credit shall meet and be governed by the following additional standards and requirements:

1. Letter of Credit Requirements. The Letter of Credit shall be printed on Bank Safety Paper. The following terms and no others shall be stated on the face of the Letter of Credit:

- 1.1. The Letter of Credit is clean, unconditional, and irrevocable.
- 1.2. The Letter of Credit is payable to City upon presentation of the City's draft.
- 1.3. City may make partial draws upon the Letter of Credit.
- 1.4. The Letter of Credit is conditioned for payment solely upon presentation of a sight draft and a copy of the Letter of Credit.
- 1.5. Within ten (10) days after City's draft on the Letter of Credit is honored, City must make the original of the Letter of Credit available to the issuer in Maricopa County, Arizona upon which the issuer may endorse its payments.
- 1.6. The issuer specifies a telefax number, email address and street address at which City may present drafts on the Letter of Credit at a specified.
- 1.7. The Letter of Credit is valid until a specified date.
- 1.8. The Letter of Credit will be automatically renewed for successive one (1) year periods, unless at least one hundred twenty (120) days prior to expiration the issuer notifies City in writing, by either registered or certified mail, that issuer elects not to renew the Letter of Credit for additional period. In the event of such notification, any then unused portion of the Letter of Credit shall be available by draft on or before the then current expiration date.
- 1.9. The Letter of Credit is otherwise subject to the most recent edition of the Uniform Customs and Practices for Documentary Credits published by the International Chamber of Commerce.
- 1.10. The Letter of Credit need not be transferable.

2. Approved Forms. The form of the Letter of Credit and of drafts upon the Letter of Credit shall be as follows:

2.1. Except as approved in writing by City's Chief Financial Officer or designee, the form of the Letter of Credit shall be in the form set out below.

2.2. Except as approved in writing by City's Chief Financial Officer or designee, the form of drafts upon the Letter of Credit shall be in the form set out below.

3. Issuer Requirements. The issuer of the Letter of Credit shall meet all of the following requirements:

3.1. The issuer shall be a federally insured financial institution with offices in Maricopa County, Arizona, at which drafts upon the Letter of Credit may be presented.

3.2. The issuer shall be a member of the New York Clearing House Association or a commercial bank or trust company satisfactory to City.

3.3. The issuer shall have a net worth of not less than \$1 billion.

FORM OF LETTER OF CREDIT

Date _____, 20__

Letter of Credit No.: _____

City Treasurer
City of Scottsdale
Suite 210
7447 E. Indian School Road
Scottsdale, AZ 85253

Dear Sir or Madam:

We hereby establish our clean, unconditional and irrevocable Letter of Credit in your favor at the request and for the account of _____ in the aggregate amount of _____ (\$_____), available upon presentation of your draft in the form attached hereto as **Schedule "1"**.

We will honor each draft presented to us at our above office in compliance with the terms of this Letter of Credit. Partial draws are permitted. Each draft must be accompanied by a copy of this Letter of Credit. Within ten (10) days after we honor your draft, you must make the original of this Letter of Credit available to us in Maricopa County, Arizona upon which we may endorse our payment. Drafts may be presented by any of the following means:

1. By telefax to (____) _____.
2. By _____ email _____ to _____.
3. By hand or overnight courier service delivery to:

This Letter of Credit is valid until _____, 20__ and shall thereafter be automatically renewed for successive one (1) year periods, unless at least one hundred twenty (120) days prior to expiration we notify you in writing, by either registered or certified mail, that we elect not to renew the Letter of Credit for such additional period. In the event of such notification, any then unused portion of the Letter of Credit shall be available upon your presenting to us your draft on or before the then current expiration date.

This Letter of Credit is subject to the most recent edition as of the date of this Letter of Credit of the Uniform Customs and Practices for Documentary Credits published by the International Chamber of Commerce. This Letter of Credit is not assignable.

_____[bank name]_____, a _____
By _____[bank officer's signature]_____
_____[bank officer's name printed]_____
Its _____[bank officer's title]_____
Phone _____ bank officer's phone number] _____

FORM OF DRAFT ON LETTER OF CREDIT

To: _____

From: City Treasurer
City of Scottsdale
Suite 210
7447 E. Indian School Road
Scottsdale, Arizona 85253

Date: _____, 20____

Ladies and Gentlemen:

Pursuant to your Credit No. _____, the City of Scottsdale hereby demands cash payment in the amount of _____ (\$_____).

Please make your payment to the City of Scottsdale in the form of a wire deposit to:

If such deposit cannot be accomplished immediately for any reason, please make your payment in the form of a cashier's check issued by your institution and delivered to me at the address listed above.

I certify that I am the City Treasurer of the City of Scottsdale.

If there is any imperfection or defect in this draft or its presentation, please inform me immediately at 480-312-2427 so that I can correct it. Also, please immediately notify the City Attorney at 480-312-2405.

Thank you.

City of Scottsdale, City Treasurer

Exhibit F

MONTHLY REPORT ITEMS

1. For each portion of the Premises:
 - 1.1 The name of the user or occupant.
 - 1.2 The name and date of the agreement permitting such use or occupancy.
 - 1.3 The names of the parties to such agreement.
 - 1.4 The suite number, location and square footage of the space used or occupied.
 - 1.5 The name and business phone number of the user or occupant and the name and after hours phone number of a responsible representative for such user or occupant.
 - 1.6 The business name and type of business activity being conducted.
2. For any new use or occupancy commenced, a complete copy of the executed agreement permitting such use or occupancy, together with copies of all permits, licenses or similar permissions, registrations or agreements related to such use or occupancy will be provided, upon request to the Lessor.
3. For each portion of the Premises capable of aircraft storage:
 - 3.1 The number of aircraft based at such portion of the Premises.
 - 3.2 For each aircraft based at such portion of the Premises:
 - 3.2.1 Make, model, year and registration number.
 - 3.2.2 Owner's name, address and telephone number.

Item 2



Lease Rate Comparison

	Ross Aviation	Signature Flight Support	Scottsdale Jet Center
Lease Rate	\$0.33	\$0.37	\$0.38

Per square foot per year

City Code Provision

- Upon recommendation of the city manager or designee, sell or exchange any real property or interest therein by resolution of the city council to any person who owns an interest in the same real property or who owns an interest in adjoining real property. Such sale or exchange shall require a determination by the city manager or designee that the public benefit will be served by uniting ownership of the city's real property or real property interest with the real property or real property interest of said person. Such determination may take into account, without limitation, the range of possible uses for the real property or interests, the proposed uses for the real property or interests by the proposed grantee, the size, configuration and other characteristics of the real property or interests, existing or proposed restrictions upon the development or use of the real property or interests, and the value of the real property or interests.

Federal Requirements Applicable to FBOS

- Grant Assurance 22, Economic Nondiscrimination.
- Grant Assurance 23, Exclusive Rights
- Grant Assurance 24, Fee and Rental Structure
- FAA 5190.6B Airport Compliance Manual
- Advisory Circular (AC) 150-5190-7 Minimum Standards for Commercial Aeronautical Activities
- "The FAA has historically relied on market supply and demand to determine availability of commercial aeronautical services."



Scottsdale Jet Center Partners

Herb
Marchman

Ron
Tarrson

Troy
Padilla

John
Marchman

- Over 35 years of demonstrated FBO development and operations success
- Founders and current operators of Jet Center at Santa Fe
- Founders and operators of Scottsdale AirCenter (now Signature)
 - Pilots and aircraft owners
 - Proven FBO success
 - Diverse aviation experience including:
 - FBO financing, development and operations
 - Aircraft maintenance and repair
 - Aircraft management and charter
 - Aircraft sales

Qualified

- Many years of success in the FBO business has confirmed our belief in the necessity for "hands-on" independent operators who are more flexible and customer-centric than large chains.
- Our management team is qualified and empowered to make quick decisions without the tedious delays for approval encountered with a large corporate hierarchy.
- Successfully operated large and small FBO's across the country:
 - Denver, CO (KBJC)
 - Santa Fe, NM (KSAF)
 - Scottsdale, AZ (KSDL)
 - Teterboro, NJ (KTEB)
 - West Palm Beach, FL (KPBI)
 - White Plains, NY (KHPN)

Successful

- Founders, owners and operators of Scottsdale AirCenter (now Signature)
 - Voted #3 FBO in the country in Aviation International News pilots survey in first year of operations
 - Continued to rank in Top 5 in U.S. in pilots surveys throughout our ownership
- Current owners and operators of Jet Center at Santa Fe
 - Opened in 2015
 - Compete with Signature Flight Support
 - Have brought rational pricing back to Santa Fe
 - Made the airport a friendly place to visit
 - Support small aviation owners and pilots
 - Now receive approximately 60% of arriving traffic

Customer Demand

Many of our Santa Fe customers also frequent or live in Scottsdale. They have encouraged us to return to the Scottsdale Airport to:

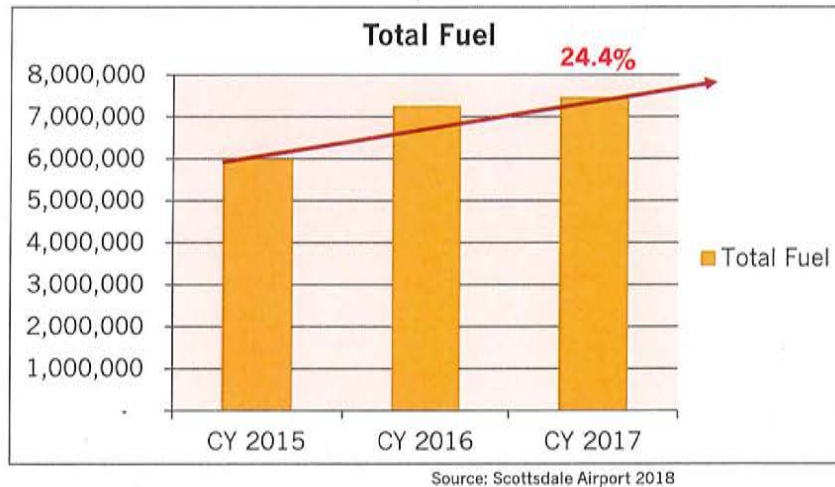
- Make Scottsdale Friendly again! -- Bring back personalized, friendly service.
- Value small aviation pilots and owners.
- Provide more hangar for large cabin aircraft.
- Offer more competitive fuel prices.



Time is Right

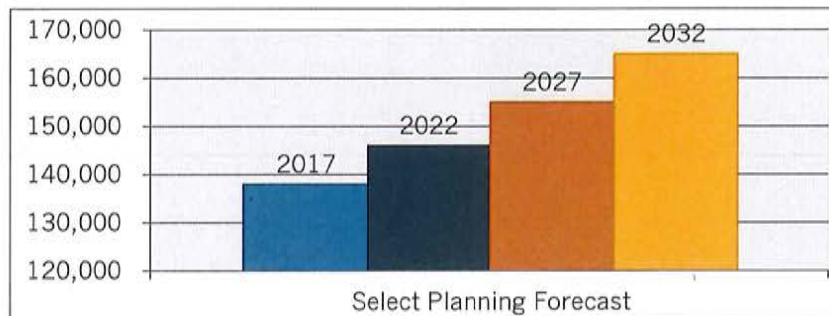
- Market conditions right to support 3rd FBO
 - Airport Jet fuel volume has grown by 24.4% over the previous 3 calendar years, now over 7 million gallons
- Customer demand from pilots and passengers
 - Better service offerings than existing "Big Box" operators
 - Friendlier environment for small aviation
 - Growing demand for hangar for large aircraft
 - Competitive fuel prices
- Acquired property leases to make project possible

SDL On-Airport Fuel Growth



Airport Operations

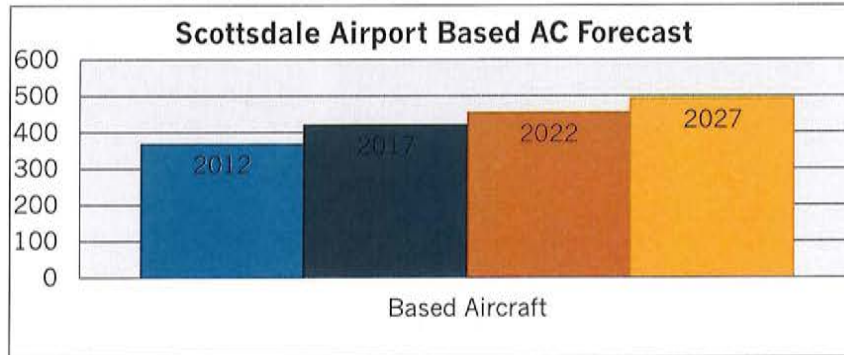
- Total Airport Operations are forecast to grow from 138,000 in 2017 to 165,000 in 2032
- An increase of 19%



Source: Scottsdale Airport Master Plan, Scottsdale Airport Preliminary Draft Environmental Assessment; Airport Records; FAA Aircraft Registration Database; Coffman Associates analysis

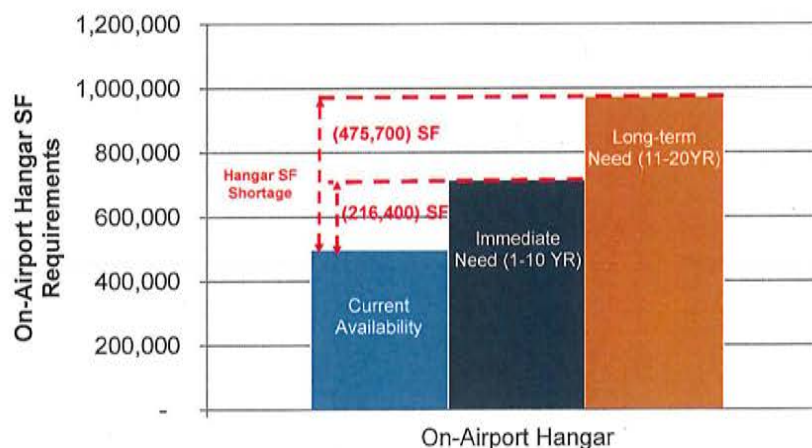
SDL Based Aircraft

- Scottsdale Airport is projected to have 492 based aircraft by 2027
- A +33% increase over 2012



Source: Scottsdale Airport Master Plan, Scottsdale Airport Preliminary Draft Environmental Assessment; Airport Records; FAA Aircraft Registration Database; Coffman Associates analysis

Hangar Demand Exceeds Supply



Source: Scottsdale Airport Master Plan

Assignment of Leases

- We are requesting the City to approve assignment of existing leases from Murphy Ventures to Scottsdale Jet Center, LLC
 - Air Commerce Center
 - Greenway Hangars and Shades
- Addition of 2.8 acre airport property site of current City Hangars and Shades
- All leases are redrawn under modern lease structure which increases revenue to the City over existing lease rates
- SJC will pay higher ground rent than our competitors
 - SJC will pay current market rates as of 2018
 - Our competitors are paying lesser rates consistent with the renewal dates of their respective leases

Construction Team

- Mead & Hunt – Architects & Engineers
 - David Mason
 - Kindall Shannon
 - Engineers of Record for City of Scottsdale Gemini Hangar Project and Airport Business Center
- W.E. O'Neil – Contractor
 - Scott Dombrowski
 - Stephen Nichols
 - Contractor of record of Scottsdale AirCenter and Cholla developments.

Project Highlights

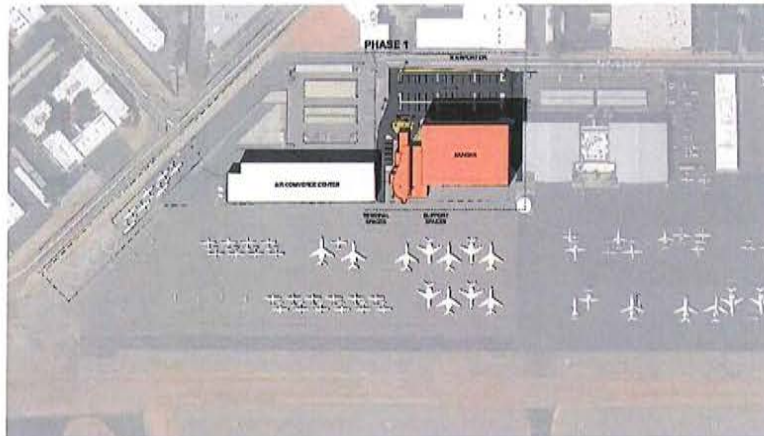
Scottsdale Jet Center proposes to build a third FBO at the Scottsdale Airport.

- Assignment of 2 existing leases combined with addition of 2.8 acre city parcel
- 14.1 Acres under lease
- 80,000 SF terminal/hangar/office development
- Built in 3 phases
- \$24 million investment

Lease Locations



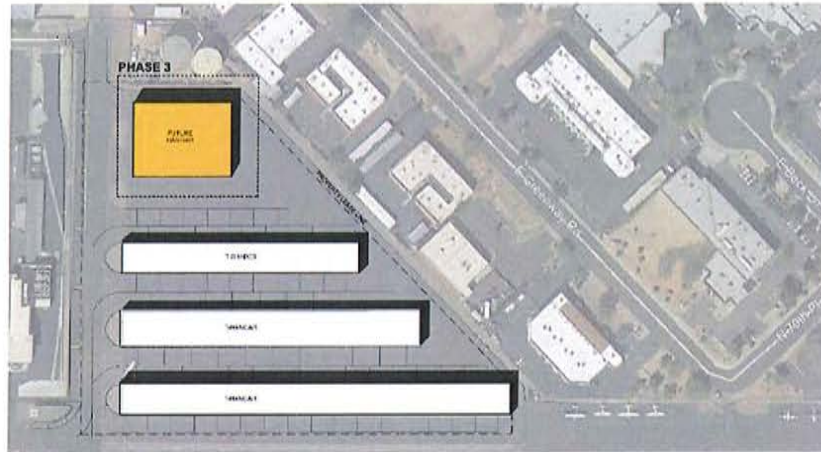
Phase 1 Site Plan



Phase 2 Site Plan



Phase 3 Site Plan



Phase 1 Concept - Airside



Phase 1 Concept - Landside



City Shade Transition

- Current City hangar/shade customers will be offered comparable locations at Greenway facility
- Greenway customers will not be forced out.
- City hangar/shade customers offered 12 month commitment to maintain current city pricing levels beginning May 1, 2019 (effectively 18 month's at current rates)
- The relocation process is expected to occur from February through July 2019.
- Greenway currently has 2 available hangars and 17 available shades, allowing us to relocate the majority of City customers if we were to begin today.
- Greenway hangar turn over averages 2-3 units per month – based on historical attrition for this time period, another 24 units would come available by the end of July, providing more than enough units to accommodate current City hangar/shade customers

City Shade Transition

- Should we not have enough units to accommodate City hangar customers by the end of July, we will also make interim space available at Air Commerce Center (3 vacant units capable of housing 2 - 3 aircraft each).
- No construction will begin on project until customers who desire to be relocated are accommodated.
- Ground breaking for Phase 1 is targeted for August/September 2019

2015 Approved Master Plan



Source: Scottsdale Airport Master Plan

Effect of Denial

- If the lease assignment to Scottsdale Jet Center is not approved and the properties revert to the city at the end of their current lease period, then the city will most likely put the sites out for RFP.
- As a publically funded airport, the Scottsdale Airport falls under the rules of the FAA grant assurances which mandates the RFP to be awarded based on the "highest and best use" of the property, generally meaning what will drive the most revenue for the airport.
- The City's adopted Scottsdale Airport Master plan shows that the Greenway hangar complex would be redeveloped to include three large conventional hangars and additional apron space for parking and staging – the "highest and best use" for the property - not the existing T-shades and T-hangars.
- Should this scenario take place, **ALL** of the T-shades and hangars on the Greenway lease would go away and the airport's small aircraft customers will be far worse off than under the Scottsdale Jet Center plan.

FBO Jobs Created

Scottsdale Jet Center will create approximately \$920,000 in sustained annual payroll and benefits at the Scottsdale Airport

Area	Personnel
Line Services	15
Customer Service	5
Maintenance	4
Management	1
Total	25

Economic Benefits to City

- Approximately \$920,000 incremental and sustainable salaries/benefits for 25 new fulltime FBO employees. The most recent Scottsdale Airport Economic Benefit Analysis indicates that each employee at the airport creates:
 - Primary Economic Benefits (or direct benefits) representing the initial injection of spending into the Scottsdale economy and direct job and income creation of \$228,593 per employee or \$5,174,800 from Scottsdale Jet Center's collective employment.
 - Secondary Economic Benefits or multiplier effects of approximately \$123,469 per employee or \$3,080,000 per year from Scottsdale Jet Center.
 - 5.8 Regional jobs supported per airport employee or 145 regional jobs supported from Scottsdale Jet Center employment.

Economic Benefits to City

- The new FBO will be paying a higher ground rent than our competitors because our lease will utilize the most recent ground rental rate.
 - Ground rent paid by Scottsdale Jet Center will be \$157,396 per year, and will increase to \$236,928 per year in May 2022.
- In addition, we are required to pay all business permit fees such as percentage of gross hangar fees, overnight parking fees, based aircraft fees, and fuel flowage fees. We estimate that these fees collectively will be approximately \$225,000 per year.
- Increased competition will create downward pressure on fuel margins leading to higher fuel volume sales. For each gallon sold the City of Scottsdale is paid \$0.08.

Economic Benefits to City

- Construction Benefits
 - 80-135 employees over a 14 month construction period
 - Primary Economic Benefits representing the initial injection spending and direct job and income creation of \$228,000 per employee or at least \$18,240,000 (2014 Scottsdale Airport Economic Benefit Analysis)
 - Approximately \$1.7M per month bill rate
 - GRT revenue of approximately \$396,000
 - City fees for design and review, permitting, etc.

FBO Management

- Troy Padilla, Partner/General Manager – 32 years of aviation experience
 - Former GM of Scottsdale AirCenter
 - Former GM of Denver AirCenter
 - Former GM of Santa Fe AirCenter
 - Former Director of Maintenance Capital Aviation
 - Current General Manager Jet Center at Santa Fe
 - Current General Manager Aero Services

What makes us successful.

- We take the time to understand the need of the aircraft operator, pilot or GA owner and tailor our services to their needs and preferences.
- No difference in size or mission of the aircraft, everyone is important to the Jet Center
- It's not just an FBO, we consider it "Your home away from home"!
 - How do you want it? and we will make it so...
- We really want to know YOU... please start by telling us what it is we can assist you with.

Jet Center at Santa Fe

Excellent Service from people you trust.

Sample comments from https://www.airnav.com/airport/KSAF/JET_CENTER

- From Bradley Smith 21-Oct-2018 - 5 Stars – "Could not have asked for a better experience at Santa Fe Jet Center! They do a fantastic job of making sure your aircraft is serviced properly and in a timely fashion. We stopped by unannounced flying a single engine piston and were ready to be on our way in under 10 minutes – impressive! Smiling faces all around from the staff, plenty of snacks and drinks to be had, and lots of space to relax if you need it. No ramp fees for us, just the fuel at a reasonable price and on we went! We will certainly be back if the opportunity presents itself. One of the best FBO experiences I've had in both my personal and professional flying career. Almost made me forget I wasn't flying a jet that day!
- From Jerrod Seckler on 11-Sep-2018 – 5 Stars – "After reading through the comments on Airnav, I admit that I didn't think an FBO could be that good, but I was wrong. Jet Center of Santa Fe was fabulous – even for a prop! In fact if I could rate it above 5 stars, I would. The entire staff was incredibly friendly and helpful. In summary, it is among the finest FBO's I've used in over 50 years of flying around the US."
- From Carl Marbach on 18-Aug-2018 – 5 Stars – "Go to Jet Center when you visit Santa Fe! This used to be an overpriced and underserviced place – but no more. Troy and his staff are terrific because they try harder. Fair fuel prices and nice people makes this a great place again! Thanks to everyone!"
- From Pierre Melcher 7-Aug-2016 – 5 Stars – "These guys should open a school on how to run an FBO!! I've been in Citations, King Airs and little putt putts. I receive the same excellent service every time."

Thank You!

Smith, Erica

From: Webmaster
Sent: Tuesday, December 11, 2018 12:55 PM
To: Smith, Erica
Subject: Comment on 12-11-2018 Agenda Item (response #14)

Comment on 12-11-2018 Agenda Item (response #14)

Survey Information

Site:	ScottsdaleAZ.gov
Page Title:	Comment on 12-11-2018 Agenda Item
URL:	https://www.scottsdaleaz.gov/council/meeting-information/agenda-comments/12-11-2018
Submission Time/Date:	12/11/2018 12:54:18 PM

Survey Response

AGENDA ITEM	
Which agenda item are you commenting on?	Number 2 Airport Lease Agreements
COMMENT	
Comment:	Request to Postpone the lease agreement for 3rd FBO.
Comments are limited to 8,000 characters and may be cut and pasted from another source.	
NAME	
Name:	Greg Gibson
CONTACT INFORMATION	
Please provide the following information so someone may follow up with you if they have questions about your comment (optional).	
Email:	gregory.gibson@signatureflight.com
Phone:	(913) 687-4748
Address:	15290 N. 78Th Way Scottsdale AZ 85260