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MEMORANDUM **Economic Development Department - Memo No. AP 12-018**

DATE: JANUARY 19, 2012

TO: MAYOR AND CITY COUNCIL

THRU: RICH DLUGAS, CITY MANAGER RD

FROM: PATRICK MCDERMOTT, ASSISTANT CITY MANAGER

SUBJECT: CHANDLER AIR SERVICE LEASE

RECOMMENDATION: Staff recommends City Council approve Ordinance Number 4346 approving a new lease with Chandler Air Service at Chandler Municipal Airport.

BACKGROUND/DISCUSSION: The City of Chandler currently has two ground leases with Chandler Air Service (CAS). CAS primary businesses are an FAA approved flight school and a Fixed Based Operator (FBO). Lease No. 001 which became effective on November 8, 1983 is a ground lease of ±86,400 square feet and Lease No. 004 which became effective on June 1, 1987 is a ground lease of ±92,250 square feet. Both leases were approved with a term of 25 years, with an option to continue for an additional 10 and 5 years successively. Lease No. 001 was amended in 2001 to make the lease period coterminous with Lease No. 004. This provided that both leases reach their initial expiration on May 31, 2012.

CAS has proposed a new 30 year lease that includes leasing an additional ±38,400 square-foot parcel situated between the Lease 001 and Lease 004 parcels. This would bring the entire property leased to ±220,000 square feet or just over 5 acres. CAS has indicated this expansion is necessary for their growth plans. As part of this new lease agreement, CAS would be required to make a significant capital investment on the property within a five-year period, similar to what would be required of a new tenant, with a new lease. That investment will be to remove the older of the two existing buildings and to construct a new, 15,000 square-foot building suitable for FBO and other aviation uses. If CAS does not complete the capital investment within the 5-year period, then the new lease period becomes 15 years. In addition to the expanded property area and new building the lease contains a new lease rate of 21 cents per square foot plus an annual escalator.

AIRPORT COMMISSION: The Airport Commission met on Wednesday, January 18, 2012 and voted unanimously (5-0) to recommend approval to the City Council for the new lease with Chandler Air Service.

PROPOSED MOTION: Move to introduce and tentatively approve Ordinance Number 4346 approving a new lease with Chandler Air Service at Chandler Municipal Airport.

ORDINANCE NO. 4346

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CHANDLER, ARIZONA, AUTHORIZING AND APPROVING A LEASE BETWEEN THE CITY OF CHANDLER AND CHANDLER AIR SERVICES, INC. FOR FOUR (4) CONTIGUOUS LAND PARCELS COMPRISING APPROXIMATELY FIVE (5) ACRES LOCATED ON THE CHANDLER MUNICIPAL AIRPORT FOR COMMERCIAL AVIATION PURPOSES.

WHEREAS, the City of Chandler owns and operates the Chandler Municipal Airport and makes portions thereof available for use by tenants for commercial aviation activities; and

WHERAS, Chandler Air Services, Inc. has leased parcels of property at the Airport for commercial aviation activities continuously since at least 1983 and two such leases are set to expire on May 31, 2012; and

WHEREAS, Chandler Air Services, Inc. desires to enter into a new lease covering those four (4) continuous parcels of property at the Airport described in Exhibit A, attached hereto and incorporated herein by this reference (the "Leased Premises"); and

WHEREAS, the City of Chandler desires to lease the Leased Premises to Chandler Air Services, Inc., and Chandler Air Services desires to lease the Leased Premises from the City of Chandler in accordance with the terms and conditions of that certain form of lease set out in Exhibit B, attached hereto and incorporated herein by this reference.

NOW, THEREFORE, BE IT ORDAINED by the City Council of the City of Chandler, Arizona, as follows:

Section 1. The City Council of the City of Chandler, Arizona does hereby authorize and approve the lease of the Leased Premises to Chandler Air Services, Inc. substantially in accordance with the terms and conditions set out in the form of lease shown in attached Exhibit B.

Section 2. The Mayor of the City of Chandler, Arizona is hereby authorized to execute the lease and the City Manager or a designee is authorized to execute related documents, all upon the approval as to form by the Chandler City Attorney.

INTRODUCED AND TENTATIVELY APPROVED by the City of Chandler, Arizona, this _____ day of _____, 2012.

ATTEST:

_____ _____

CITY CLERK MAYOR

PASSED AND ADOPTED by the Mayor and City Council of the City of Chandler, Arizona, this _____ day of _____, 2012.

ATTEST:

_____ _____
CITY CLERK MAYOR

CERTIFICATION

I HEREBY CERTIFY that the above and foregoing Ordinance No. 4346 was duly passed and adopted by the City Council of the City of Chandler, Arizona, at a regular meeting held on _____ day of _____, 2012, and that a quorum was present thereat.

_____
CITY CLERK

PUBLISHED:

APPROVED AS TO FORM:

_____
CITY ATTORNEY GAB

Exhibit A to Ordinance No. 4346
Legal Description

Premises Legal Description

The Premises consists of four (4) contiguous parcels of land located upon the Chandler Municipal Airport situated within Chandler, Arizona. The land parcels are legally described as follows:

Parcel No. 1

A part of the Northeast quarter of Section 11, Township 2 South, Range 5 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, being more particularly as follows:

COMMENCING at the center of said Section 11;

Thence North 00 degrees 14 minutes 21 seconds West, along the North-South Mid-Section line of said Section 11, a distance of 1,321.92 feet;

Thence North 89 degrees 07 minutes 16 seconds East, along the North line of Chandler Airport, a distance of 727.00 feet;

Thence South 00 degrees 52 minutes 44 seconds East, a distance of 34.00 feet to the TRUE POINT OF BEGINNING of this description;

Thence North 89 degrees 07 minutes 16 seconds East, a distance of 270.00 feet;

Thence South 00 degrees 52 minutes 44 seconds East, a distance of 320.00 feet;

Thence South 89 degrees 07 minutes 16 seconds West, a distance of 270.00 feet;

Thence North 00 degrees 52 minutes 44 seconds West, a distance of 320.00 feet to the TRUE POINT OF BEGINNING.

Parcel No. 2

A part of the Northeast quarter of Section 11, Township 2 South, Range 5 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, being more particularly described as follows:

COMMENCING at the center of said Section 11;

Thence North 00 degrees 14 minutes 21 seconds West, along the North-South Mid-Section line of said Section 11, a distance of 1,321.92 feet;

Thence North 89 degrees 07 minutes 16 seconds East, along the North line of Chandler Airport, a distance of 1,117.00 feet;

Thence South 00 degrees 52 minutes 44 seconds East, a distance of 34.00 feet to the TRUE POINT OF BEGINNING of this description;

Thence North 89 degrees 07 minutes 16 seconds East, a distance of 199.00 feet;

Thence South 00 degrees 52 minutes 44 seconds East, a distance of 400.00 feet;

Thence South 89 degrees 07 minutes 16 seconds West, a distance of 199.00 feet;

Thence North 00 degrees 52 minutes 44 seconds West, a distance of 400.00 feet to the TRUE POINT OF BEGINNING.

Parcel No. 3

A part of the Northeast quarter of Section 11, Township 2 South, Range 5 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, being more particularly described as follows:

COMMENCING at the center of said Section 11;

Thence North 00 degrees 14 minutes 21 seconds West, along the North-South Mid-Section line of said Section 11, a distance of 1,321.95 feet to the Northwest corner of the Southwest quarter of the Northeast quarter of said Section 11;

Thence North 89 degrees 07 minutes 17 seconds East, along the North line of said Southwest quarter, a distance of 1,117.00 feet;
Thence South 00 degrees 52 minutes 44 seconds East, a distance of 434.00 feet to the TRUE POINT OF BEGINNING;

Thence North 89 degrees 17 minutes 17 seconds East, a distance of 199.00 feet;

Thence South 00 degrees 42 minutes 43 seconds East, a distance of 59.34 feet;

Thence South 49 degrees 39 minutes 44 seconds West, a distance of 112.94 feet;

Thence North 41 degrees 09 minutes 45 seconds West, a distance of 172.64 feet to the TRUE POINT OF BEGINNING.

Parcel No. 4

A part of the Northeast Quarter of Section 11, Township 2 South, Range 5 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, being more particularly described as follows:

Commencing at the North quarter corner of said Section 11, said corner being a brass cap in a handhole, from which the South quarter corner of Section 11 a brass cap flush, bears South 00 degrees 20 minutes 37 seconds East, a distance of 5,289.84 feet;

Thence, South 00 degrees 20 minutes 37 seconds East along the North-South Mid-Section line of Section 11, a distance of 1,321.72 feet;

Thence, North 89 degrees 10 minutes 47 seconds East along the North line of Chandler Airport, a distance of 997.00 feet;

Thence, South 00 degrees 49 minutes 13 seconds East, a distance of 34.00 feet to the POINT OF BEGINNING;

Thence, North 89 degrees 10 minutes 47 seconds East, a distance of 120.00 feet;

Thence, South 00 degrees 49 minutes 13 seconds East, a distance of 320.00 feet along the West line of Parcel 2 as described in Document No. 20110662072, Maricopa County Records, to the POINT OF BEGINNING.

CITY OF CHANDLER
AIRPORT LEASE CONTRACT
NO. 015

1. PARTIES. This Airport Lease Contract (this "Lease"), dated March 1, 2012 (the "Effective Date"), is made by and between the CITY OF CHANDLER, an Arizona municipal corporation ("Landlord"), and CHANDLER AIR SERVICE, INC., an Arizona corporation ("Tenant"). Landlord and Tenant may be referred to in this Lease as a "Party" or collectively as the "Parties."

2. RECITALS. As background to this Lease, the Parties agree, acknowledge and recite as follows, each of which shall be deemed a material term and provision of this Lease:

2.1. Landlord owns and operates a municipal airport known as Chandler Municipal Airport (the "Airport"), a portion of which has been made available for use by tenants for conduct of *commercial aviation activity* as either a *fixed base operator* ("FBO") or as a *specialized aviation service operator* ("SASO").

2.2. In 1983, Tenant leased in writing from Landlord a parcel of the Airport property for use in conducting commercial aviation activity, which lease has from time to time been amended pursuant to mutual agreement of the Parties, and which is identified herein as "Airport Lease Contract 001."

2.3. In 1987, Tenant leased in writing from Landlord a second parcel of the Airport property for use in conducting commercial aviation activity, which lease has from time to time been amended pursuant to mutual agreement of the Parties, and which is identified herein as "Airport Lease Contract 004."

2.4. The original term of each of the aforementioned leases is set to expire on May 31, 2012, unless Tenant exercises its option to renew each of the leases for an additional ten years.

2.5. In lieu of exercising the renewal option for each of the leases, Landlord and Tenant desire to enter into this Lease, which covers the parcels leased under Airport Lease Contract 001 and Airport Lease Contract 004, together with an additional parcel of Airport property, all of which are part of the "Premises" described in Paragraph 3.1 below.

2.6. It is the intention of the Parties that this Lease, as of its Effective Date, shall supersede, nullify, void, and automatically constitute the mutual termination of both Airport Lease Contract 001 and Airport Lease Contract 004.

3. LEASE OF PREMISES.

3.1. PREMISES. Landlord leases to Tenant and Tenant leases from Landlord for the term of this Lease, at the rental, and upon all of the covenants and conditions set forth herein, that certain real property located in Maricopa County, Arizona, and legally described in attached Exhibit "A", which consists of four (4) contiguous land parcels comprising a total of approximately five (5) acres or 220,053 square feet gross more or less, together with the improvements presently situated on the described real property, or to be constructed on the

described real property by Tenant in accordance with the terms and provisions of this Lease (the "Premises"), and together with certain additional rights to use and access of the Public Airport Facilities (defined below) set forth in Paragraph 3.2 of this Lease. The location of the Premises and the portion of the Public Airport Facilities immediately adjacent to the Premises are conceptually shown in attached Exhibit "B".

3.2. AIRPORT ACCESS RIGHTS. During the term of this Lease, Tenant shall have the following additional rights, each of which is non-exclusive, and each of which is subject to all applicable laws, ordinances, rules and regulations, including, but not limited to, the Chandler Municipal Airport Rules and Regulations, 2006, adopted and approved by the Chandler City Council on July 24, 2006, and any subsequent amendments thereto (the "Airport Rules"):

(a) A non-exclusive right to use of the Public Airport Facilities. As used in this Lease, the term "Public Airport Facilities" means (i) the Airport *landside* areas; (ii) the Airport *airside* facilities operated and maintained by Landlord for public use, including, but not limited to, the landing areas, approach areas, runways, taxiways, aprons, aircraft parking areas, navigational and avigational aids, lighting facilities; and (iii) other areas of the Airport that may be made available to the public by the *Airport Administration*;

(b) A non-exclusive right of access to and from the Premises over and across the landside roadways serving the Airport, which shall be available for use by Tenant, and Tenant's agents, servants, patrons, and invitees; and

(c) A non-exclusive right to enter upon and exit the airside of the Airport from the Premises to conduct any commercial aviation activity that is a permitted use under this Lease.

As used in Paragraph 2.1, this Paragraph 3.2 or elsewhere in this Lease, the terms "airside", "Airport Administration", "commercial aviation activity", "fixed base operator", "landside", and "specialized aviation service operator" have the same meanings as set out in the Airport Rules.

3.3. ACCEPTANCE OF PREMISES. Tenant acknowledges that the Premises, the title to the Premises, any parking, drive and walk areas adjoining the Premises (including but not limited to any adjacent airside facilities), the environmental condition of the Premises and any subsurface conditions thereof, and the permitted and prohibited uses of the Premise, have been examined by Tenant and that Tenant accepts the same in the condition or state in which they or any of them may be on the Effective Date of this Lease, without representation or warranty, express or implied in fact or by law, by Landlord and without recourse to Landlord, as to the nature, condition, or usability thereof or the use or uses to which the Premises or any part thereof may be put. Tenant agrees to make any changes in the Premises reasonably needed to conform to any federal, state or local law applicable to the Tenant's use of the Premises.

4. REMOVAL AND CONSTRUCTION OF IMPROVEMENTS.

4.1. EXISTING IMPROVEMENTS. The improvements existing on the Premises at the Effective Date of this Lease include, without limitation, the following: an existing, original office building with attached hangar at approximately 4,700 square feet, large hangar with current maintenance operations at approximately 14,200 square feet and fuel service station. Their location on the Premises is generally depicted in attached Exhibit "B".

4.2. COMPLETION OF PROJECT. Tenant covenants and agrees that, within five (5) years from the Effective Date of this Lease, Tenant, at Tenant's expense, shall fully complete a construction project (the "Project") that includes: the alteration and renovation of existing improvements on the Premises, including, without limitation, the demolition and removal of existing office and hangar building located at the north side of the Premises; and the construction of a new, 15,000 square foot building and appurtenant improvements suitable for FBO and other commercial aviation uses as described in Article 13 of the Airport Rules (the "Project Work"). The Project Work shall be done in accordance with plans and specifications approved by Landlord in its reasonable discretion. Tenant will also obtain the approval of the final plans and specifications by any and all federal, state, municipal and other governmental authorities, offices and departments having jurisdiction in the matter and provide conformed copies of executed approvals to Landlord. The execution of this Lease by Landlord does not, and shall not be deemed to, constitute approval by the City of Chandler of such plans and specifications.

(a) The Project Work shall be deemed fully completed when a final certificate of occupancy is issued for the new building by the Transportation and Development Department of the City of Chandler (or such other department of the City, however denominated, that is responsible for issuing building permits and providing certificates of occupancy).

(b) Tenant will perform all of the Project Work, including without limitation all demolition of existing improvements and construction of new improvements, in a good, careful, proper, and workmanlike manner in accordance with the approved plans and specifications; all provisions of law and any and all permits and authority required by ordinance, code, law, or public regulations or by any authority at any time having jurisdiction over the Premises; and the requirements of any public or quasi-public body having similar jurisdiction.

(c) Landlord will be an additional insured on all liability insurance policies maintained by Tenant and its contractor(s) during the performance of all of the Project Work.

(d) Tenant shall diligently proceed to fully complete all of the Project Work within the five (5) year period stated in the first paragraph of this Paragraph 4.2. If Tenant fails to fully complete the Project Work within the five (5) year period, the term of this Lease shall be shortened in accordance with Paragraph 5.2 below.

4.3. SURETY BONDS. Prior to commencing the Project Work, and continuing during the entire period of the Project, Tenant shall provide Landlord with a performance bond and a payment bond as follows:

(a) The performance bond shall be in an amount equal to the total cost of the Project. The condition of said bond shall be such that Tenant shall faithfully perform all of the Project Work in accordance with the approved plans and specifications. Such bond shall be solely for the protection of Landlord.

(b) The payment bond shall be in an amount equal to the total cost of the Project, including without limitation the demolition and removal of existing structures and construction of new improvements. The condition of said bond shall be such that Tenant shall promptly pay or cause to be paid all monies due to all persons supplying labor and materials in the performing the Project Work.

(c) Each bond shall be executed solely by a surety company or companies holding a certificate of authority to transact surety business in the State of Arizona issued by the director of the Arizona Department of Insurance pursuant to Title 2, Chapter 2, Article 1 of the Arizona Revised Statutes, and no such bond shall be executed by an individual surety or sureties.

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

(e) In the event that Tenant's lender, if any, requires such bonds, the bond requirements herein shall be satisfied if the bonds required by the lender meet the conditions of Paragraphs 4.3(a), (b), and (c), provided Landlord shall be named as a dual obligee or co-obligee under such bonds.

4.4. TITLE TO IMPROVEMENTS. Title to the improvements on the Premises shall be as follows:

(a) Pursuant to the terms and conditions of Airport Lease Contract 001 and Airport Lease Contract 004, title to any buildings, structures or other improvements on the premises described in each lease passes to Landlord upon the expiration, termination or earlier cancellation of the lease. Notwithstanding those provisions, the Parties to this Lease mutually agree that title to any building, structures or other improvements existing on the Premises described herein at the Effective Date of this Lease, and as generally referenced in Paragraph 4.1, shall remain in Tenant. Except for movable property and trade fixtures of Tenant not permanently affixed to the Premises, title to all such existing buildings, structures or other improvements shall automatically pass to Landlord upon the expiration, termination, or earlier cancellation of this Lease as provided herein.

(b) Title to any new buildings, structures or other improvements constructed on the Premises by Tenant after the Effective Date of this Lease, including without limitation all such buildings, structures or improvements constructed as part of the Project, shall remain in Tenant. Except for movable property and trade fixtures of Tenant not permanently affixed to the Premises, title to any such new buildings, structures or other improvements, whether or not constructed as part of the Project or the Project Work, shall automatically pass to Landlord upon the expiration, termination, or earlier cancellation of this Lease as provided herein.

(c) Notwithstanding Paragraphs 4.4(a) and 4.4(b), Tenant agrees to execute, acknowledge and deliver to Landlord, at or prior to the expiration, termination, or earlier cancellation of this Lease, a proper recordable instrument prepared by Landlord quit claiming and releasing to Landlord any right, title and interest of Tenant in and to the Premises and any of the improvements located thereon.

5. TERM.

5.1. THIRTY-YEAR TERM. The term of this Lease (the "Term") shall be for a period of thirty (30) years, commencing on the Effective Date and ending on the last day of February, 2042, unless this Lease is sooner terminated as hereinafter provided. From and after the 25th anniversary of the Effective Date of this Lease, but no later than the lease termination date, Tenant may submit a written request to Landlord to open discussions relating to a ten-year

lease extension under terms and conditions that are mutually beneficial and agreed upon by both Tenant and Landlord. The terms and conditions of the lease extension will be detailed at the time of the discussions and memorialized as an amendment to this Lease. Should an agreement on the extension acceptable to both Parties not be reached, then this Lease shall terminate as of the lease termination date.

5.2. SHORTENED TERM. Notwithstanding Paragraph 5.1 above, if Tenant fails to complete the Project Work within the five (5) year period stated in Paragraph 4.2, the Term of this Lease shall be shortened automatically and without further notice to a period of fifteen (15) years commencing on the Effective Date.

6. RENT.

6.1. RENT PAYMENTS. Rent payments for the Premises shall commence on, the Effective Date of this Lease. All rent payments that are received by Landlord from Tenant shall be applied first toward any accrued late payment charges or interest, then to any other charges or fees stated in this Lease that may be due and owing, then to any back rent due and not yet paid, and then to the current rent.

6.2. MONTHLY BASE RENTAL. During the first year of the Term, Tenant shall pay to Landlord a monthly base rental of $3850.93 (the "Monthly Base Rent"), which is based on an annual lease rate of $0.21 per square foot per year times 220,053 square feet divided by 12. On each one (1) year anniversary of the Effective Date, the Monthly Base Rent shall be increased in accordance with the provisions of Paragraph 6.3. When rent payments commence, the Monthly Base Rent due hereunder shall be payable in advance to Landlord on or before the first day of each month during the Term at the address stated herein or to such other persons or at such other places as Landlord may designate in writing and shall be paid in lawful money of the United States of America. The Monthly Base Rent for any period during the Term which is for less than one month shall be a pro rata portion of the monthly installment.

6.3. MONTHLY BASE RENT INCREASE. Commencing on March 1, 2013, said date being the first one (1) year anniversary of the Effective Date, and on each subsequent one (1) year anniversary thereafter, the Monthly Base Rent shall be adjusted in accordance with this paragraph. The rent increase shall be determined by multiplying the current annual rent by the annual percent change in the Consumer Price Index for all Urban Consumers (CPI-U), as reflected in the U.S. Western Region Average CPI-U for All Items (Base period 1982-1984), for the month which is two (2) months prior to the month of the anniversary of the Effective Date ("the Adjustment Month") of the current lease year from the CPI-U for the Adjustment Month of the prior year, as those index figures are determined by the United States Department of Labor, Bureau of Labor Statistics. If there is no such CPI-U figure for the Adjustment Month of any year of the Term, then the Adjustment Month figure of the successor or most nearly comparable successor Index shall be used.

(a) The calculation of the annual rent increase shall be as follows:

(1) Determine the current annual rent by multiplying the current monthly rent by 12.

(2) Determine the CPI-U index point change by subtracting the previous year's CPI-U index figure for the Adjustment Month from the current year's CPI-U index figure for the Adjustment Month.

(3) Determine the CPI-U annual percent change by dividing the index point change by the previous year's CPI-U index figure for the Adjustment Month. This quotient can be expressed as a percentage by multiplying by 100.

(4) Determine the additional annual rent by multiplying the current annual rent by the annual percent change.

(5) Determine the new annual rent by adding the additional annual rent to the current annual rent.

(6) Determine the new monthly rent by dividing the new annual rent by 12.

(b) By way of example only, the following is shown for determining the annual percentage change:

CPI-U for current period	133.0
Less CPI-U for previous period	130.0
Equals Index Point Change	3.0
Divided by previous period CPI-U	130.0
Equals	0.023
Result multiplied by 100	0.023 x 100
Equals percent change	2.3 %

(c) In no event shall the minimum Monthly Base Rent for any year during the Term be less than the minimum Monthly Base Rent for the immediately preceding year.

6.4. AIRCRAFT PARKING CHARGES. If Tenant reserves from Landlord any aircraft tie downs that are on the Public Airport Facilities and not on the Premises, Tenant may opt to pay the monthly rate charged by Landlord for use of the tie downs as additional monthly rent under this Lease (the "Additional Monthly Rent"). Payment of the Additional Monthly Rent is due and payable at the same as the Monthly Base Rent and shall accompany the Monthly Base Rent payment made by Tenant to Landlord. The Additional Monthly Rent shall be the monthly rate charged by Landlord for use of aircraft tie downs on the Public Airport Facilities times the number of tie downs reserved by Tenant. The Additional Monthly Rent shall be adjusted from time to time to coincide with any change in the rate charged by Landlord to the public for use of tie downs owned and maintained by Landlord as part of the Public Airport Facilities.

6.5. ADDITIONAL RENT. Any other monetary obligation of Tenant to Landlord under the terms of this Lease shall be deemed rent and payment thereof shall accompany the next Monthly Base Rent payment made by Tenant to Landlord.

6.6. LATE PAYMENT INTEREST. If Landlord does not receive the monthly rent by the tenth (10^{th}) of the month, then in addition to the overdue rent, Tenant shall pay interest on the rent payment then due at the rate of ten percent (10%) per annum. Such interest commences on the date the rent is due and accrues until such rent is paid. If Tenant does not pay the rent when due and interest is incurred each month for three (3) consecutive months, then, beginning on the first (1^{st}) day of the fourth (4^{th}) consecutive month, all further rent called for herein shall automatically become due and payable quarterly in advance rather than monthly, notwithstanding any other provision in this Lease to the contrary, and regardless of whether or not the interest is paid or collected. The imposition of such interest, or the conversion to quarterly payments, does not prevent Landlord from exercising any other rights and remedies under this Lease, including the early termination of this Lease.

6.7. NET RENT. It is the intention of the Parties that the rent specified in the Lease shall be net to Landlord in each year during the Term of this Lease. Accordingly, all costs, expenses and obligations of every kind relating to the Premises (except as otherwise, specifically provided in this Lease) that may arise or become due during the term of this Lease shall be paid by Tenant, and Tenant shall indemnify Landlord against such costs, expenses and obligations. However, the rent to be paid under this Lease is in addition to, and not in lieu of, any requirement to pay any charges or fees that may be established pursuant to the Airport Rules and any applicable license or permit fees required pursuant to the Chandler City Code and/or the Airport Rules.

7. USE OF PREMISES.

7.1. PERMITTED USES. Subject to Paragraph 7.3 below, Tenant shall use the Premises only for those commercial aviation activities listed below and for no other purpose without the written consent of Landlord, which may be withheld in Landlord's sole discretion. Tenant shall only use the Premises for said commercial aviation activities during such period that Tenant holds an applicable license or permit required by the Chandler City Code and/or the Airport Rules to conduct such commercial aviation activities at the Airport. The Premises shall be used only for lawful purposes, and only in accordance with applicable building, fire and zoning codes. In using the Premises for commercial aviation activities, Tenant shall do so after qualifying either as a Fixed Based Operator (FBO) or a Specialized Aviation Services Operator (SASO), as those terms are defined and described in the Airport Rules. The Airport Administrator is designated as Landlord's representative in giving consent for Tenant to engage in other commercial aviation activities applicable to an FBO or SASO, as the case may be, in lieu of or in addition to those activities listed below. Any such consent from the Airport Administrator shall be in writing, shall be affixed to this Lease, and may be given or withheld in the Airport Administrator's sole discretion.

Permitted commercial aviation activities include:

(a) Each of the following services: aircraft fueling; aircraft line services; aircraft storage; and customary services to general aviation users, such as public restrooms, waiting lounges, conference rooms, crew lounges and flight planning; and

(b) At least three (3) of the following services: hangar/shade leasing; aircraft sales services; aircraft maintenance and repair services; aircraft leasing or rental services; flight

training; specialized aircraft repair services and sales; aircraft charter services; specialized commercial flying services and aircraft management services.

7.2. PROHIBITED USES. The following activities are specifically excluded and prohibited unless prior written approval has been granted by the Airport Administrator:

(a) Ground transportation for hire.

(b) Providing space, including tie-down areas, for other than Tenant's own customers whose aircraft is being serviced.

(c) Sale of insurance other than aviation and aviation trip insurance.

(d) Auto rental agency or service; however, this prohibition does not prohibit the Tenant operation, as a company function, from assisting its customers in making appropriate arrangements with a duly licensed auto rental agency authorized by the Landlord to do business on the Airport.

(e) Advertising concession (posters, privileges, publications, and other media).

(f) Food sales, except through coin-operated vending machines as provided in Paragraph 7.4, and except as allowed under Paragraph 7.3 below.

(g) News and sundry sales not associated with the primary services listed in Paragraph 7.1.

(h) Barber, valet, and personal services.

(i) Sale of automotive fuel, lubricants, and propellants.

(j) Storage of surplus (inoperable) aircraft except in areas, and of a number, to be designated by the Airport Administrator.

(k) Retail sale of non-aviation products.

(l) Sale of aviation fuels and lubricants except in the ordinary course of Tenant's business permitted pursuant to Paragraph 7.1.

7.3. RESTAURANT SUBLEASED. In recognition of the existing restaurant facility on the Premises, which is operated by an existing subtenant of Tenant, the Parties agree that the existing restaurant facility may continue to be operated by the subtenant of Tenant during the Term of this Lease provided, however, that: (a) the sublease is in writing; (b) the terms and conditions of the sublease are not in conflict with the terms and conditions of this Lease and are expressly made subject to this Lease; and (c) a copy of the sublease has been received and deemed acceptable by Landlord. No expansion of the restaurant use or floor area and no alteration of the exterior of the existing restaurant facility shall be permitted unless written approval is first obtained by Tenant or its subtenant from Landlord.

7.4. VENDING MACHINES. Tenant shall be limited to one each of soft drink, candy, coffee, and food vending machines to be located on each floor within each building on the Premises and for the exclusive use of Tenant's employees and customers.

7.5. SIGNS. All signs installed by Tenant shall conform to the requirements of applicable provisions of the Chandler City Code, including, but not limited to, the Sign Code and the Zoning Code.

7.6. COMPLIANCE WITH APPLICABLE LAWS. Tenant shall observe and comply with all applicable laws, ordinances, rules, and regulations of the United States of America, the State of Arizona, the County of Maricopa, and the City of Chandler and all agencies thereof, that are now in effect or hereafter promulgated; and further, Tenant will display to Landlord any and all permits, licenses or other evidence of compliance with all laws upon request of Landlord.

7.7. HAZARDOUS MATERIAL.

(a) As used herein, "Hazardous Material" shall mean any chemical, substance, material, waste or similar matter defined, classified, listed or designated as harmful, hazardous, extremely hazardous, dangerous, toxic or radioactive, or as a contaminant or pollutant, or other similar term, by, and/or which are subject to regulation under, any federal, state or local environmental statute, regulation or ordinance presently in effect or that may be promulgated in the future, and as they may be amended from time to time.

(b) Except for Hazardous Material normally used in Tenant's business in quantities customary for Tenant's business which shall be stored and used in accordance with applicable laws and regulations and manufacturer's requirements, Tenant agrees not to introduce any Hazardous Material in, on or adjacent to the Premises or in, on or adjacent to any portion of the Airport without (i) obtaining Landlord's prior written approval, (ii) providing Landlord with thirty (30) days prior written notice of the exact amount, nature, and manner of intended use of such Hazardous Material, and (iii) complying with all applicable federal, state, and local laws, rules, regulations, policies and authorities relating to the storage, use, disposal and clean-up of Hazardous Material, including, but not limited to, the obtaining of all proper permits.

(c) Tenant shall immediately notify Landlord of any inquiry, test, investigation, or enforcement proceeding by, against or directed at Tenant or the Premises concerning a Hazardous Material. Tenant acknowledges that Landlord, as the owner of the Premises, shall have the right, at its election, in its own name or as Tenant's agent, to negotiate, defend, approve, and appeal, any action taken or order issued with regard to a Hazardous Material by any applicable governmental authority, and such negotiation, defense, approval and appeal shall be at Tenant's expense to the extent the contamination was caused by Tenant or Tenants' agents, or occurred during the Lease Term.

(d) If Tenant's storage, use or disposal of any Hazardous Material in, on or adjacent to the Premises or the Airport results in any contamination of the Premises, the Airport, the soil, surface or groundwater thereunder, or the air above and around the Premises and the Airport, that (i) requires remediation under federal, state or local statutes, ordinances, regulations or policies or (ii) is at levels which are unacceptable to Landlord, in Landlord's sole and absolute discretion, Tenant agrees to clean-up the contamination immediately, at Tenant's sole cost and expense. Tenant further agrees to indemnify, defend and hold Landlord harmless from and

against any claims, suits, causes of action, costs, damages, loss and fees, including attorneys' fees and costs, arising out of or in connection with: (i) any clean-up work, inquiry or enforcement proceeding relating to Hazardous Material currently or hereafter used, stored or disposed by Tenant or its agents, employees, contractors, or invitees on or about the Premises or the Airport; and (ii) the use, storage, disposal or release by Tenant or its agents, employees, contractors, or invitees of any Hazardous Material on or about the Premises or the Airport.

(e) Notwithstanding any other right of entry granted to Landlord under this Lease, Landlord shall have the right to enter the Premises or to have consultants enter the Premises at reasonable times throughout the Term of this Lease for the purpose of determining: (i) whether the Premises is in conformity with federal, state and local statutes, regulations, ordinances, and policies, including those pertaining to the environmental condition of the Premises; (ii) whether Tenant has complied with this Paragraph 7.7; and (iii) the corrective measures, if any, required of Tenant to ensure the safe use, storage and disposal of Hazardous Material. Tenant agrees to provide access and reasonable assistance for such inspections. Such inspections may include, but are not limited to, entering the Premises with machinery for the purpose of obtaining laboratory samples. Landlord shall not be limited in the number of such inspections during the Term. If, during such inspections, it is found that Tenant's use of Hazardous Material constitutes a violation of this Lease, Tenant shall reimburse Landlord for the cost of such inspections within ten (10) days of receipt of a written statement therefor. If such consultants determine that the Premises is contaminated with Hazardous Material or in violation of any applicable environmental law and the same was caused by Tenant or Tenant's agents, Tenant shall, in a timely manner, at its expense, remove such Hazardous Material or otherwise comply with the recommendations of such consultants to the reasonable satisfaction of Landlord and any applicable governmental agencies. If Tenant fails to do so, Landlord, at its sole discretion, may, in addition to all other remedies available to Landlord under this Lease and at law and in equity, cause the violation and/or contamination to be remedied at Tenant's sole cost and expense. The right granted to Landlord herein to inspect the Premises shall not create a duty on Landlord's part to inspect the Premises, or liability of Landlord for Tenant's use, storage or disposal of Hazardous Material, it being understood that Tenant shall be solely responsible for all liability in connection therewith.

(f) Tenant shall surrender the Premises to Landlord upon the expiration or earlier termination of this Lease free of Hazardous Material placed thereon by Tenant or Tenants' agents, and in a condition which complies with all governmental statutes, ordinances, regulations and policies, recommendations of consultants hired by Landlord, and such other reasonable requirements as may be imposed by Landlord.

(g) Tenant's obligations under this Paragraph 7.7 and all indemnification obligations of Tenant under this Lease shall survive the expiration or earlier termination of this Lease.

8. TENANT'S CONDUCT OF BUSINESS. In conducting commercial aviation activities on the Premises or at the Airport, Tenant shall act as follows:

8.1. NONDISCRIMINATION. Tenant agrees that:

(a) In the operations to be conducted pursuant to the provisions of this Lease and otherwise in the use of the Airport, Tenant will not discriminate or permit discrimination against

any person or class of persons by reason of race, color, creed, or national origin in any manner prohibited by any of the FAA Regulations or any amendments thereto.

(b) Tenant shall furnish its accommodations and/or services on a fair, equal and not unjustly discriminatory basis to all users thereof and it shall charge, fair, reasonable and not unjustly discriminatory prices for each unit of service; provided, that Tenant may make reasonable and non-discriminatory discounts, rebates or other similar type of price reductions to volume purchasers.

(c) Tenant shall make its accommodations and/or services available to the public on fair and reasonable terms without unjust discrimination on the basis of race, creed, color, or national origin.

(d) Tenant's noncompliance with the provisions in Paragraphs 8.1(a), (b) and (c) shall constitute a material breach of this Lease. In the event of such noncompliance, Landlord may enforce compliance, terminate this Lease, or pursue such other remedies as may be provided by law. Landlord also reserves the right to take such action as the appropriate state or federal authority may direct in order to enforce compliance.

(e) Tenant agrees that it shall insert the above four (4) provisions in any sublease, agreement or contract by which said Tenant grants a right or privilege to any person, firm or corporation to render accommodations and/or services to the public on the Premises.

8.2. OPERATIONS.

(a) Tenant shall keep Tenant's business open to serve the flying public for at least seven (7) days a week from 6:00 o'clock a.m. to 8:00 o'clock p.m., and on call twenty-four (24) hours with after-hour response time of one (1) hour or less, as per the Airport Minimum Operating Standards portion of the Airport Rules.

(b) Tenant shall comply with the notification and review requirements covered in Part 77 of the FAA Regulations in the event any future structure or building is planned for the Premises, or in the event of any planned material modification or alteration to the exterior of any present or future building or structure situated on the Premises.

(c) Tenant shall not erect nor permit the erection of any structure or object, nor permit the growth of any tree, on the Premises that extends above a mean sea level elevation not approved by the FAA and Landlord. In the event the aforesaid covenant is breached, Landlord reserves the right to enter upon the Premises, without prior notice, and remove the offending structure or object, or cut the offending tree, all of which shall be at the expense of Tenant.

(d) Tenant shall not make use of the Premises in any manner that might interfere with the landing and taking off of aircraft from the Airport or otherwise constitute a hazard. In the event the aforesaid covenant is breached, Landlord reserves the right to enter upon the Premises, without prior notice, and cause the abatement of such interference at the expense of Tenant.

9. ADDITIONAL GENERAL CONDITIONS OF THE LEASE.

9.1. AERONAUTICAL BUSINESS PERMIT. Tenant acknowledges that the Airport Rules provide that no person shall conduct or operate any commercial aviation activity at the Airport without first obtaining an aeronautical business permit which must be in effect at the time the commercial aviation activity is performed. Accordingly, Tenant agrees that, at all times during the Term, Tenant shall have and shall maintain a valid, effective aeronautical business permit. Furthermore, if any portion of the Premises is transferred, assigned or sublet, then said transferee, assignee or subtenant shall, at all times, have and shall maintain a valid, effective aeronautical business permit. The fee charged and the fee payment made for the aeronautical business permit shall be pursuant to the Airport Rules and shall not be deemed rent under this Lease, but the failure to have such permit at any time during the Term shall constitute a material breach of this Lease.

9.2. APPLICABLE LAWS. Tenants rights under this Lease shall be subject to all of the following matters that are now in effect or that may be in effect in the future during the Term: (i) applicable state and federal law; (ii) applicable city codes, ordinances, rules and regulations passed, adopted and/or approved by the Chandler City Council (including the Airport Rules and Regulations); and (iii) reasonable regulations established by the Airport Administrator for the use and operation of the Airport.

9.3. AIRSPACE RESERVATION. There is hereby reserved to Landlord, 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 and the Airport, 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 at the Airport.

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

9.5. NO EXCLUSIVE RIGHTS. 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.

9.6. USA EMERGENCY RIGHTS. This Lease and all the provisions hereof shall be subject to whatever right the United States of America now has, or in the future may have or may acquire, affecting the control, operation, regulation, and taking over of the Airport for the exclusive or nonexclusive use of the Airport by the United States of America during a time of war or national emergency.

10. INSURANCE; INDEMNITY.

10.1. INSURANCE. Tenant shall, at its sole cost and expense, procure and maintain from insurance companies, and in a form satisfactory to Landlord, the type and minimum amounts of insurance coverage Landlord deems applicable to Tenant's commercial aviation activity at the Airport and on the Premises. Such required insurance is listed in attached Exhibit "C". Such required insurance is generally consistent with the insurance requirements under Section 11 of the Airport Rules; however, if there is any conflict between the provisions in

Section 11 of the Airport Rules and the provisions of this Lease, including without limitation the provisions of Exhibit "C", the provisions of this Lease shall control. Each insurance policy shall name Landlord as an additional insured and shall provide for thirty (30) days prior written notice by the insurance company to Landlord in the event of cancellation of the policy or policies. Evidence of such insurance shall be provided to Landlord promptly after a request therefor. It is understood and agreed that, notwithstanding any other insurance requirement, hangar keeper's liability insurance is required if aircraft are on the Premises for safekeeping, storage, service, or repair, and such insurance shall be in at least that minimum amount stated in attached Exhibit "C".

10.2. INDEMNIFICATION.

(a) Tenant does hereby covenant and agree to indemnify and save harmless Landlord, its agents and employees, from any and all fines, suits, claims, demands, actions and/or causes of actions of any kind and nature for personal injury or death or property damage arising out of or resulting from any activity or operation of Tenant on the Premises or in connection with its use of the Premises; provided, however, that Tenant shall not be liable for any injury, damage or loss occasioned by the sole negligence or willful misconduct of Landlord, its agents or employees. Landlord shall give to Tenant prompt and timely notice of any claim made or suits instituted which in any way, directly or indirectly, contingently or otherwise, affects or might affect Tenant and Tenant shall have the right to compromise and defend the same to the extent of its own interest.

(b) Tenant hereby assumes all risk of, and waives all claim against Landlord, its agents and employees, for any loss, injury, death or damage to Tenant or Tenant's property, or to other persons or property sustained while in, on or about the Premises, except where such loss, injury, death or damage is solely the result of the negligence or intentional acts of Landlord, its agents and employees.

11. MAINTENANCE, REPAIRS AND ALTERATIONS.

11.1. MAINTENANCE AND REPAIRS. Tenant, at Tenant's own expense, shall provide all maintenance and repair of the Premises and the improvements thereon. All such maintenance shall be reasonably commensurate with a level of maintenance sufficient to maintain the improvements and the remainder of the Premises in a presentable condition consistent with good business practice and equal in appearance and character to other similar improvements at the Airport.

(a) As part of its maintenance obligation, Tenant shall provide all janitorial and custodial services on the Premises and in the improvements thereon. Whether Tenant shall elect to furnish such services itself or engage the services of a janitorial firm, all such janitorial services shall be commensurate with the level of such services provided for by Landlord in similarly situated circumstances.

(b) Landlord, in order to maintain the Premises in the manner consistent with the general maintenance of the Airport or in order to maintain similar standards of custodial service throughout the Airport, may, but shall not be required to, assume some or all of the Tenant's maintenance obligation, including, but not limited to, Tenant's obligation for providing janitorial and custodial services, *provided that* Landlord shall first give written notice to Tenant, which shall advise Tenant of Tenant's failure to provide proper maintenance, or failure to

maintain the proper standard of janitorial and custodial service, and Tenant shall have failed adequately remedy the failure within thirty (30) days of the notice having been given. In the event that Landlord does take over the maintenance obligation, Tenant shall be responsible for the reasonable expense incurred by Landlord in doing so.

11.2. ALTERATIONS. Tenant shall make no significant additions, alterations or modifications to the Premises or the improvements thereon, nor shall Tenant install any fixtures (other than trade fixtures which can be removed without injury to the Premises or the improvements thereon), without first obtaining written approval of Landlord. Landlord's response to Tenant's request for approval shall be prompt, and such approval shall not be unreasonably withheld. Upon installation, Tenant shall furnish Landlord with a copy of the "as-built" drawings including utility installations and site plans detailing the nature of the additions, alterations or modifications. Landlord reserves the right to have Tenant remove, at Tenant's sole expense, all or any of such alterations, additions or modifications at the end of the Term.

12. PUBLIC AIRPORT FACILITIES.

12.1. LANDLORD'S CONTROL OF AIRPORT.

(a) Landlord reserves the right, in its sole discretion, to determine the nature and extent of the Public Airport Facilities.

(b) Landlord has the right to establish and from time to time change, alter and amend the Airport Rules, or such other reasonable rules and regulations, as may be necessary or desirable for the proper and efficient operation and maintenance of the Airport and the Public Airport Facilities.

(c) Landlord shall have the sole and exclusive control of the Public Airport Facilities, and may, at any time and from time to time during the Term, exclude any person from use or occupancy thereof.

(d) Landlord shall have the right to make changes to the Public Airport Facilities or any part thereof, including, without limitation, changes in the location of the landing areas, the heliport, approach areas, runways, taxiways, and aircraft parking areas, as Landlord deems necessary or advisable for the proper and efficient operation and maintenance of the Public Airport Facilities.

(e) Notwithstanding any of the provisions of this Paragraph 12.1, Landlord shall not make changes in the Public Airport Facilities that materially and adversely affect Tenant's right of access and use of the Public Airport Facilities, except temporarily during periods of construction.

12.2. MAINTENANCE. Landlord shall maintain or cause to be maintained and repaired in good condition the Airport, including, without limitation, the landing areas, approach areas, runways, taxiways, aprons, aircraft parking areas, navigational and avigational aids, lighting facilities. Landlord shall provide ramp cleaning and custodial services in the Public Airport Facilities portion of the Airport.

13. ASSIGNMENT AND SUBLETTING.

13.1. LANDLORD'S CONSENT REQUIRED. Tenant shall not voluntarily or by operation of law, assign, transfer, mortgage, sublet, or otherwise transfer or encumber all or any part of Tenant's interest in this Lease, in the Premises or in any of the improvements on the Premises, without Landlord's prior written consent, such consent not to be unreasonably withheld or delayed. Any attempted assignment, transfer, mortgage, encumbrance, or subletting without such consent shall be void, and shall constitute a breach of this Lease. Any transfer of any ownership interest in Tenant is a transfer subject to Landlord's consent under this paragraph. Notwithstanding the foregoing to the contrary, the prior approval of Landlord shall not be necessary for the assignment of the Lease to an entity owned or controlled by Tenant or by reason of a merger or consolidation of the Tenant with another corporation, including one formed by Tenant and created to carry on the purposes of Tenant. In such event, notice to Landlord of the merger or consolidation shall be sufficient.

13.2. HANGAR STORAGE. Notwithstanding Paragraph 13.1, if Tenant is expressly permitted to use the Premises for hangar leasing service pursuant to Paragraph 7.1 above, and Tenant is using the Premises for such purpose, then Tenant may sublet or assign individual hangar units that are part of the improvements on the Premises to third parties without prior written consent of Landlord provided that:

(a) The use of an individual hangar unit that is sublet or assigned is for the primary purpose of parking and storage of an aircraft owned by or under lease to the subtenant or assignee, and the subtenant or assignee is specifically prohibited from conducting commercial activity; and

(b) The terms and conditions of the subletting or assignment are not in conflict with, and expressly made subject to, all of the provisions of this Lease; and

(c) Tenant provides to the Airport Administrator on a quarterly basis a list that identifies the name of each subtenant or assignee or other holder of an interest in a hangar unit (and where said person is a partnership, corporation or other business entity, the name of its principal contact) and the tail number of each aircraft stored or parked in the unit.

13.3. NO RELEASE OF TENANT. Regardless of Landlord's consent, no subletting or assignment shall release Tenant of Tenant's obligations or alter the primary liability of Tenant to pay the rent and to perform all other obligations to be performed by Tenant hereunder. The acceptance of rent by Landlord from any other person shall not be deemed to be a waiver by Landlord of any provisions hereof. Consent to one assignment or subletting shall not be deemed consent to any subsequent assignment or subletting.

13.4. TRUST DEED BENEFICIARIES AND MORTGAGEES. Notwithstanding Paragraph 13.1, Landlord agrees that it will consent to Tenant's assignment of this Lease (and the leasehold created hereby) for security purposes to a bona fide lender, but only under and pursuant to the terms and conditions contained in the form of City's Consent and Agreement attached hereto as Exhibit "D", which must be signed by such lender prior to Landlord's consent being given.

14. UTILITIES, TAXES, FEES AND EXPENSES. Tenant shall pay all utilities used in its operation of the Premises at the Airport during the term of this Lease, and such utilities shall be on the basis of metered charges. Tenant shall make timely payment of all taxes and assessments if any, levied against the Premises, or against Tenant's business operation at the Premises. Tenant shall be responsible for payment of all fees and expenses for all permits and licenses necessary for the conduct of Tenant's business upon the Premise during the Term.

15. DAMAGE OR DESTRUCTION OF PREMISES. In the event that the Premises, the improvements thereon or the Public Airport Facilities are so damaged that the Premises can reasonably be deemed untenable or unusable by Tenant, there shall be a reasonable and proportionate abatement of the rentals, fees, and charges provided for herein during the period that the same are so untenable or unusable.

16. DEFAULTS; REMEDIES.

16.1. DEFAULTS BY TENANT. Except as provided in Paragraph 17 below, the occurrence of any one or more of the following events shall constitute a material default and breach of this Lease by Tenant:

(a) The vacating or abandonment of the Premises by Tenant for more than ten (10) days.

(b) The failure by Tenant to make any payment of rent or any other payment required to be made by Tenant within fifteen (15) days of the date when due.

(c) The failure by Tenant to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Tenant, other than described in Paragraph 16.1(b) above, where such failure continues for a period of thirty (30) days after written notice thereof from Landlord to Tenant. Provided, however, that if the nature of Tenant's obligation is such that more than thirty (30) days are required for performance, then Tenant shall not be in default if Tenant commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion.

(d) Any of the following: (i) the making by Tenant of any general assignment or general arrangement for the benefit of creditors; (ii) the filing by or against Tenant of a petition to have Tenant adjudged bankrupt or a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within thirty (30) days; or (iv) the attachment, execution, or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within thirty (30) days.

(e) The chronic delinquency by Tenant in the payment of monthly rental, or any other periodic payment required to be paid by Tenant under this Lease. "Chronic delinquency" shall mean failure by Tenant to pay monthly rental, or any other periodic payment required to be paid by Tenant under this Lease, within fifteen (15) days as described in Paragraph 16.1(b) above, for any three (3) months (consecutive or nonconsecutive) during any twelve (12)

month period during the Term. In the event of a chronic delinquency, at Landlord's option, Landlord shall have the additional right to require that monthly rental be paid by Tenant quarter-annually, in advance, for the remainder of the Term.

16.2. REMEDIES. In the event of any such material default or breach by Tenant, Landlord at any time thereafter, with or without notice or demand and without limiting Landlord in the exercise of any other right or remedy which Landlord may have by reason of such default or breach, may:

(a) Terminate this Lease by any lawful means, in which case Tenant shall immediately surrender possession of the Premises to Landlord. In such event, Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default including, but not limited to, the cost of recovering possession of the Premises and the expenses of reletting, including necessary renovations and alteration of the Premises.

(b) Pursue any other or additional remedy now or hereafter available to Landlord under the laws of the State of Arizona, including, without limitation, the imposition of a landlord's lien against any property located within the Premises.

(c) The remedies set forth herein shall be deemed cumulative and not exclusive.

(d) No waiver of default by Landlord of any of the terms, covenants or conditions hereof required to be kept and observed by Tenant shall be construed to be or act as a waiver by Landlord of any subsequent default of any of the terms, covenants and conditions herein contained to be performed, kept and observed by Tenant.

16.3. DEFAULT BY LANDLORD.

(a) Landlord shall not be deemed in default unless Landlord fails to perform any obligation required by Landlord within a reasonable time, but in no event later than thirty (30) days after Landlord's receipt of a written notice from Tenant to Landlord that specifies the obligations that Tenant alleges Landlord has failed to perform. If the nature of Landlord's obligation is such that more than thirty (30) days are required for performance, then Landlord shall not be in default if Landlord commences performance within such 30-day period and thereafter diligently prosecutes the same to completion.

(b) In the event of any material default or breach by Landlord, Tenant may take whatever steps are permitted under applicable law to terminate this Lease and/or to recover its damages from Landlord.

(c) No waiver of default by Tenant of any of the terms, covenants or conditions hereof required to be kept and observed by Landlord shall be construed to be or act as a waiver by Tenant of any subsequent default of any of the terms, covenants and conditions herein contained to be performed, kept and observed by Landlord.

16.4. CANCELLATION BY TENANT. In addition to any other right of cancellation herein given by Landlord or any other rights to which Tenant may be entitled by law or otherwise, Tenant may cancel this Lease in whole or in part and terminate all of its obligations hereunder at

any time that Tenant is not in default in its payments to Landlord hereunder, by giving Landlord thirty (30) days advance written notice to be served as hereinafter provided, upon or after the happening of any one of the following events:

(a) The failure or refusal of the Federal Aviation Administration, at any time during the Term of this Lease, to permit Tenant to operate into or from the Chandler Municipal Airport.

(b) Issuance, by any court of competent jurisdiction, of an injunction in any way preventing or restraining the use of the Airport or any part thereof for airport purposes which affects Tenant's operation; and the remaining in force of such injunction for a period of at least ninety (90) days if the injunction materially affects Tenant's normal operations.

(c) The inability of Tenant to use, for a period in excess of ninety (90) days, the Airport or any of the premises, facilities, rights licenses, services, or privileges leased to Tenant hereunder because of any law or order, rule, regulation, or other action or any inaction of the Federal Aviation Administration or any other governmental authority, or because of fire, earthquake, or other casualty or acts of God or the public enemy.

(d) The assumption by the United State Government or any authorized agency thereof of the operation, control, or use of the Airport and facilities, or any substantial part or parts thereof, in such a manner as substantially to restrict Tenant for a period of at least ninety (90) days, from operating thereon for the conduct of Tenant's normal business.

16.5. CITY'S RIGHT OF CANCELLATION UNDER A.R.S. §38-511. The Parties further acknowledge that this Lease is subject to cancellation by the Landlord pursuant to the provisions of Section 38-511, Arizona Revised Statutes.

17. CONDEMNATION. If the Premises is taken under the power of eminent domain, or sold under the threat of the exercise of said power (all of which are herein called "condemnation") to such an extent as to render the Premises untenantable, either Landlord or Tenant shall have the option to terminate this Lease effective as of the date the condemning authority takes title or possession, whichever first occurs. If condemnation does not render the Premises untenantable, this Lease shall continue in effect, and Landlord shall promptly restore the portion of the Premises not taken to the extent possible to the condition existing prior to the condemnation. If, as a result of such restoration, the area size of the Premises is reduced, the rental shall be reduced proportionately. All condemnation proceeds shall be paid to Landlord, and Tenant waives all claims against such proceeds; provided, however, that Tenant shall be entitled to any award separately designated for Tenant's relocation expenses, or for damage to or taking of Tenant's trade fixtures or other personal property; and further provided that Tenant shall be entitled to the portion of the condemnation proceeds attributable to the taking of any of the improvements on the Premises while the Term of this Lease is in effect, but not to any such proceeds awarded to compensate for severance damages or costs to cure harm to the remainder of the Premises as a result of condemnation.

18. SUSPENSION AND ABATEMENT; FORCE MAJEURE. In the event that Landlord's operation of the Airport, or Tenant's operations at the Airport, is restricted substantially by action of the Federal Government, or any agency thereof, then either party hereto shall have the right, upon written notice to the other, to a suspension of this Lease and an abatement of a just proportion

of the services and facilities to be afforded hereunder, or a just proportion of the payments to become due hereunder, from the time of such notice until such restrictions shall have been remedied and normal operations restored.

19. QUIET ENJOYMENT. Landlord agrees that, on payment of the rent and performance of the covenants and agreements on the part of the Tenant to be performed hereunder and subject to any conditions stated in this Lease, Tenant shall peaceably have and enjoy the Premises and all the rights and privileges of the Airport, its appurtenances and facilities granted herein.

20. SURRENDER OF POSSESSION. Upon the expiration of the Term or earlier termination of this Lease, Tenant's right to use the Premises and the improvements thereon, and any right of access and use of the Public Airport Facilities provided under this Lease, shall cease and Tenant shall forthwith upon such expiration or termination surrender the same and leave the Premises in good condition except for normal wear or tear.

21. GENERAL PROVISIONS.

21.1. DEFINITIONS OF TERMS. All definitions contained within Airport Ordinance No. 1426 and the Federal Aviation Act of 1958 including all amendments thereto shall be considered as included herein.

21.2. INSPECTION BY LANDLORD. Landlord may enter upon the Premises at any reasonable time for any purpose necessary, incidental to, or connected with the performance of its obligations hereunder, or in the exercise of its governmental functions, or for fire protection or security purposes.

21.3. NOTICE. Any notice, request, demand, statement, consent or other communication herein required or permitted to be given by either party to the other party hereunder, shall be in writing signed by or on behalf of the party giving the notice and addressed to the other party at the address as set forth below:

To Landlord:
Airport Administrator
Chandler Municipal Airport
2380 South Stinson Way
Chandler, Arizona 85249
Fax No.: (480) 782-3541

With a copy to:
City Attorney
City of Chandler
Mail Stop 602, Post Office Box 4008
Chandler, Arizona 85244-4008
Fax No.: (480) 782-4652

To Tenant:
Chandler Air Service, Inc.
1675 East Ryan Road
Chandler, Arizona 85249
Fax No.: _____

With a copy to: _____
_____
_____
_____, _____
Fax No.: _____

Each party may by notice in writing change its address for the purpose of this Lease, which address shall thereafter be used in place of the former address. Each notice, demand, request, consent or other communication which shall be given to any of the aforesaid shall be deemed sufficiently given, served, or sent for all purposes hereunder: (i) two (2) business days after it shall be mailed by United States registered or certified mail, postage prepaid and return receipt requested, in any post office or branch post office regularly maintained by the United States Postal Service; (ii) upon personal delivery or upon direct facsimile transmission; or (iii) one (1) business day after deposit with any recognized commercial air courier or express service. Any communication made by e-mail or similar method shall not constitute notice pursuant to this Lease.

21.4. ENTIRE AGREEMENT. This document contains the entire agreement between the parties hereto, and no term or provision hereof may be amended, changed, waived, discharged or terminated unless the same is in writing executed by both parties hereto.

21.5. APPLICABLE LAW. Arizona law shall govern the construction, performance and enforcement of this Lease.

21.6. TIME OF ESSENCE. Time shall be of the essence in the performance of every term, covenant and condition of this Lease.

21.7. HEADINGS. The paragraph headings contained herein are for convenience in reference and are not intended to define or limit the scope of any provision of this Lease.

21.8. WRITING. Any and all approvals, consents, and notices called for in this Lease shall be in writing.

21.9. BINDING EFFECT. All the covenants, stipulations and agreements in this Lease shall extend to and bind the legal representatives, successors and assigns of the respective parties hereto.

21.10. SEVERABILITY. In the event that any covenant, condition, or provision contained in this Lease is held to be invalid by any court of competent jurisdiction, the invalidity of any such covenant, condition or provision shall in no way affect any other covenant, condition or provision herein contained; provided that the invalidity of any such covenant, condition or provision does not materially prejudice either Landlord or Tenant in their respective rights and obligations contained in the valid covenants, conditions or provisions of this Lease.

21.11. NO RECORDING; MEMORANDUM OF LEASE. Without the prior written consent of Landlord, this Lease shall not be placed of record. However, upon execution hereof, the Parties shall execute and cause to be recorded a Memorandum of Lease substantially in the form attached hereto as Exhibit "E" in order to give notice of the Lease.

21.12. EXHIBITS AND INCORPORATION. The following exhibits, which are attached hereto or are in the possession of the Landlord and Tenant, are incorporated herein by reference as though fully set forth:

Exhibit "A"	Premises Legal Description
Exhibit "B"	Diagram of Premises and Surrounding Airport Features
Exhibit "C"	Required Insurance
Exhibit "D"	City's Consent and Agreement
Exhibit "E"	Memorandum of Lease

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

LANDLORD: CITY OF CHANDLER, an Arizona municipal corporation

By: _____

Its: Mayor

TENANT: CHANDLER AIR SERVICE, INC., an Arizona corporation

By: _____

Its: _____

APPROVED AS TO FORM

_____

City Attorney GAB

EXHIBIT "A"

PREMISES LEGAL DESCRIPTION

The Premises consists of four (4) contiguous parcels of land located upon the Chandler Municipal Airport situated within Chandler, Arizona. The land parcels are legally described as follows:

Parcel No. 1

A part of the Northeast quarter of Section 11, Township 2 South, Range 5 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, being more particularly as follows:

COMMENCING at the center of said Section 11;

Thence North 00 degrees 14 minutes 21 seconds West, along the North-South Mid-Section line of said Section 11, a distance of 1,321.92 feet;

Thence North 89 degrees 07 minutes 16 seconds East, along the North line of Chandler Airport, a distance of 727.00 feet;

Thence South 00 degrees 52 minutes 44 seconds East, a distance of 34.00 feet to the TRUE POINT OF BEGINNING of this description;

Thence North 89 degrees 07 minutes 16 seconds East, a distance of 270.00 feet;

Thence South 00 degrees 52 minutes 44 seconds East, a distance of 320.00 feet;

Thence South 89 degrees 07 minutes 16 seconds West, a distance of 270.00 feet;

Thence North 00 degrees 52 minutes 44 seconds West, a distance of 320.00 feet to the TRUE POINT OF BEGINNING.

Parcel No. 2

A part of the Northeast quarter of Section 11, Township 2 South, Range 5 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, being more particularly described as follows:

COMMENCING at the center of said Section 11;

Thence North 00 degrees 14 minutes 21 seconds West, along the North-South Mid-Section line of said Section 11, a distance of 1,321.92 feet;

Thence North 89 degrees 07 minutes 16 seconds East, along the North line of Chandler Airport, a distance of 1,117.00 feet;

Thence South 00 degrees 52 minutes 44 seconds East, a distance of 34.00 feet to the TRUE POINT OF BEGINNING of this description;

Thence North 89 degrees 07 minutes 16 seconds East, a distance of 199.00 feet;

Thence South 00 degrees 52 minutes 44 seconds East, a distance of 400.00 feet;

Thence South 89 degrees 07 minutes 16 seconds West, a distance of 199.00 feet;

Thence North 00 degrees 52 minutes 44 seconds West, a distance of 400.00 feet to the TRUE POINT OF BEGINNING.

Parcel No. 3

A part of the Northeast quarter of Section 11, Township 2 South, Range 5 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, being more particularly described as follows:

COMMENCING at the center of said Section 11;

Thence North 00 degrees 14 minutes 21 seconds West, along the North-South Mid-Section line of said Section 11, a distance of 1,321.95 feet to the Northwest corner of the Southwest quarter of the Northeast quarter of said Section 11;

Thence North 89 degrees 07 minutes 17 seconds East, along the North line of said Southwest quarter, a distance of 1,117.00 feet;
Thence South 00 degrees 52 minutes 44 seconds East, a distance of 434.00 feet to the TRUE POINT OF BEGINNING;

Thence North 89 degrees 17 minutes 17 seconds East, a distance of 199.00 feet;

Thence South 00 degrees 42 minutes 43 seconds East, a distance of 59.34 feet;

Thence South 49 degrees 39 minutes 44 seconds West, a distance of 112.94 feet;

Thence North 41 degrees 09 minutes 45 seconds West, a distance of 172.64 feet to the TRUE POINT OF BEGINNING.

Parcel No. 4

A part of the Northeast Quarter of Section 11, Township 2 South, Range 5 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, being more particularly described as follows:

Commencing at the North quarter corner of said Section 11, said corner being a brass cap in a handhole, from which the South quarter corner of Section 11 a brass cap flush, bears South 00 degrees 20 minutes 37 seconds East, a distance of 5,289.84 feet;

Thence, South 00 degrees 20 minutes 37 seconds East along the North-South Mid-Section line of Section 11, a distance of 1,321.72 feet;

Thence, North 89 degrees 10 minutes 47 seconds East along the North line of Chandler Airport, a distance of 997.00 feet;

Thence, South 00 degrees 49 minutes 13 seconds East, a distance of 34.00 feet to the POINT OF BEGINNING;

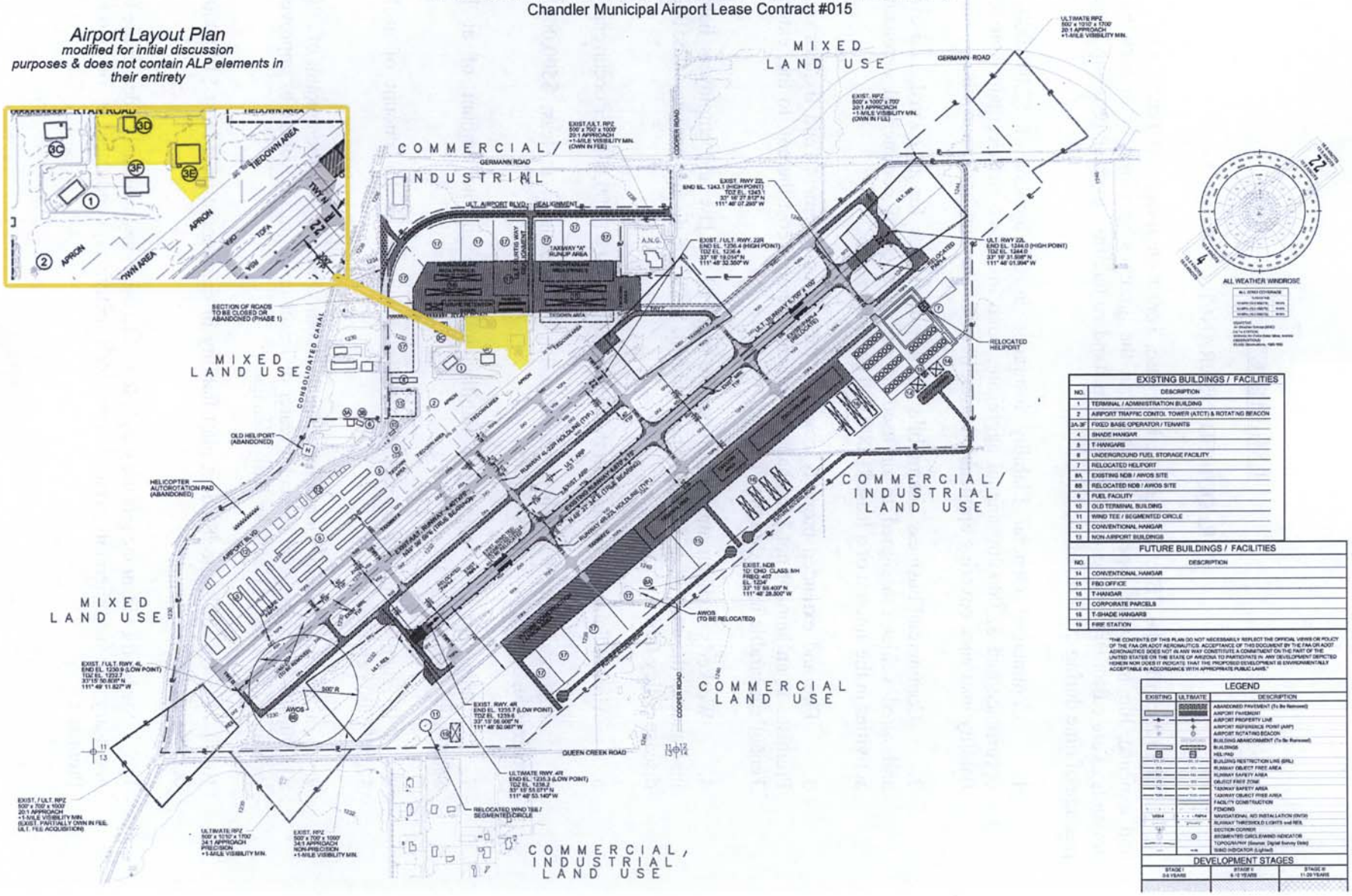
Thence, North 89 degrees 10 minutes 47 seconds East, a distance of 120.00 feet;

Thence, South 00 degrees 49 minutes 13 seconds East, a distance of 320.00 feet along the West line of Parcel 2 as described in Document No. 20110662072, Maricopa County Records, to the POINT OF BEGINNING.

EXHIBIT B

DIAGRAM OF THE PREMISES AND SURROUNDING AIRPORT FEATURES

Chandler Municipal Airport Lease Contract #015



EXISTING BUILDINGS / FACILITIES	
NO.	DESCRIPTION
1	TERMINAL / ADMINISTRATION BUILDING
2	AIRPORT TRAFFIC CONTOL TOWER (ATCT) & ROTATING BEACON
3A-3F	FIXED BASE OPERATOR / TENANTS
4	SHADE HANGAR
5	T-HANGARS
6	UNDERGROUND FUEL STORAGE FACILITY
7	RELOCATED HELIPORT
8A	EXISTING NDB / AWOS SITE
8B	RELOCATED NDB / AWOS SITE
9	FUEL FACILITY
10	OLD TERMINAL BUILDING
11	WIND TEE / SEGMENTED CIRCLE
12	CONVENTIONAL HANGAR
13	NON-AIRPORT BUILDINGS

FUTURE BUILDINGS / FACILITIES	
NO.	DESCRIPTION
14	CONVENTIONAL HANGAR
15	FBO OFFICE
16	T-HANGAR
17	CORPORATE PARCELS
18	T-SHADE HANGARS
19	FIRE STATION

"THE CONTENTS OF THIS PLAN DO NOT NECESSARILY REFLECT THE OFFICIAL VIEWS OR POLICY OF THE FAA OR ADOT AERONAUTICS. ACCEPTANCE OF THIS DOCUMENT BY THE FAA OR ADOT AERONAUTICS DOES NOT IN ANY WAY CONSTITUTE A COMMITMENT ON THE PART OF THE UNITED STATES OR THE STATE OF ARIZONA TO PARTICIPATE IN ANY DEVELOPMENT DEPICTED HEREIN NOR DOES IT INDICATE THAT THE PROPOSED DEVELOPMENT IS ENVIRONMENTALLY ACCEPTABLE IN ACCORDANCE WITH APPROPRIATE PUBLIC LAWS."

LEGEND		
EXISTING	ULTIMATE	DESCRIPTION
		ABANDONED PAVEMENT (To Be Removed)
		AIRPORT PAVEMENT
		AIRPORT PROPERTY LINE
		AIRPORT REFERENCE POINT (ARP)
		AIRPORT ROTATING BEACON
		BUILDING ABANDONMENT (To Be Removed)
		BUILDINGS
		HELIPAD
		BUILDING RESTRICTION LINE (BRL)
		RUNWAY OBJECT FREE AREA
		RUNWAY SAFETY AREA
		OBJECT FREE ZONE
		TAXIWAY SAFETY AREA
		TAXIWAY OBJECT FREE AREA
		FACILITY CONSTRUCTION
		FENCING
		NAVIGATIONAL AID INSTALLATION (ON'D)
		RUNWAY THRESHOLD LIGHTS and REIL
		EXCTION CORNER
		SEGMENTED CIRCLE/WIND INDICATOR
		TOPOGRAPHY (Source: Digital Survey Data)
		WIND INDICATOR (Lighted)

DEVELOPMENT STAGES		
STAGE I 0-5 YEARS	STAGE II 6-10 YEARS	STAGE III 11-20 YEARS

EXHIBIT "C"

REQUIRED INSURANCE

A. From and after the Effective Date of this Lease, Tenant shall carry, at Tenant's sole cost and expense, the following types of insurance, in the amounts specified or in such higher amounts as are customary as a result of increases in standard liability coverage resulting from the passage of time during the term of the Lease:

1. Commercial General Liability insurance in the amount of $2,000,000 per occurrence and $2,000,000 annual aggregate. Such insurance shall contain contractual liability insurance covering applicable leases, licenses, permits, or agreements.

2. Commercial/business automobile liability insurance for all owned, non-owned and hired vehicles assigned to or used in performance of commercial aeronautical activities in the amount of a least $1,000,000 per occurrence.

3. Fire and extended property coverage for all improvements and fixtures on the Premises in an amount not less than the full replacement cost thereof, to the, extent of Tenant's insurable interest in the Premises.

4. Worker's compensation insurance as required by law and employers liability insurance in the amount of $100,000 per accident, $100,000 disease per person, $500,000 disease policy limit.

5. Aircraft liability insurance in the amount of at least $1,000,000 per occurrence.

6. Hangar keeper's liability insurance in the amount of at least $500,000 per occurrence, or more as values require.

7. Fueling products-completed liability insurance in the amount of at least $5,000,000 per occurrence.

8. Products-completed operations liability insurance in the amount of at least $2,000,000 per occurrence.

9. Chemical and environmental clean-up liability insurance in the amount of at least $1,000,000 per occurrence or such greater or lesser amount of coverage as approved in writing by the City of Chandler Risk Manager.

10. Non-Owner/Renter/Student pilot liability in the amount of at least $100,000 per occurrence.

11. Such other insurance as the City's Risk Manager may reasonably determine to be necessary for commercial aviation operator's activities conducted at or upon the Premises.

B. All insurance policies cited herein shall contain a waiver of subrogation rights endorsement with respect to Landlord.

C. All insurance shall be in a form and from an insurance company with a Best's financial rating of at least B ++ 6. All policies, except worker's compensation policy, shall name Landlord, and Landlord's elected or appointed officials, officers, representatives, directors, commissioners, agents and employees, as "Additional Insureds," and the Tenant shall furnish certificates of insurance evidencing the required coverage cited herein on or before the Effective Date. Such certificates shall provide for unequivocal thirty (30) day notice of cancellation or material change of any policy limits or conditions.

D. All insurance policies must remain in force and effect at all times during the Term of this Lease. If any required insurance coverage is not in force and effect during the Term of this Lease, Tenant permit period, the commercial aviation operator shall cease all commercial aviation activities and other activities that allowed under the permit until the appropriate insurance coverage is reinstated.

EXHIBIT "D"

CITY'S CONSENT AND AGREEMENT
(For Financing Purposes)

Description of Ground Lease.

"City":	City of Chandler, an Arizona municipal corporation
"Tenant":	Chandler Air Service, Inc., an Arizona corporation
"Lease":	Ground Lease dated _____
"Leasehold":	Tenant's interest in the Lease and all Leasehold Improvements
"Lender":	_____ _____ _____ _____

NOW, THEREFORE, City and Lender represent, warrant, covenant and agree as follows:

1. **Consents.** City hereby consents to the assignment of Tenant's interest in the Leasehold to Lender for security purposes under the Lender's Deed of Trust upon closing of the loan. Herein the term "Deed of Trust" shall mean the Lender's Deed of Trust as may be applicable and the "Lender" shall mean _____, as its/their interests appear in the Deed of Trust.

2. **Status of Lease.** A true and correct copy of the Lease, together with all amendments, supplements, and modifications thereto, is attached as Schedule A to this Agreement. The Lease is presently in full force and effect, is valid and enforceable according to its terms and has not been modified or amended in any way except as shown on the copy of the Lease attached hereto. The Lease includes a description of the land and improvements to which the Leasehold applies (herein, the "Leased Premises").

3. **Non-Default.** Tenant is not in default (a) in the payment of rent or any other amounts due and payable by Tenant to City under the Lease or (b) to the actual knowledge of City, in the observance or performance of any other covenant or condition to be observed or performed by Tenant under the Lease. To the actual knowledge of City, no event has occurred which now does or hereafter will authorize City to terminate the Lease.

4. **Right to Foreclose Deed of Trust.** Lender recognizes that any Deed of Trust taken by Lender affects and applies only to Tenant's interest in the Leasehold and that City

will not permit any security interest to be taken in any of its land or to encumber its fee interest in any of its land. In the event of default by Tenant under the terms of the Deed of Trust, Lender may enforce or foreclose the Deed of Trust including the acceptance of a Deed in Lieu of Foreclosure. City agrees that in connection with any such foreclosure, Lender may:

4.1. Acquire Tenant's interest in the Leasehold either by Deed in Lieu of Foreclosure or by actual foreclosure (judicial or non-judicial) without further consent of City, subject to the requirements of Paragraph 6.4 below;

4.2. Rent the Leased Premises pending foreclosure of the Leasehold by Lender without further consent of City; and

4.3. Assign and sell the Leasehold in whole or in part to any person or entity, subject to the requirements set forth in Paragraph 11 below.

In the event the successful purchaser at the foreclosure sale is a person or entity other than Lender, such purchaser shall not automatically succeed to Tenant's interest in the Leasehold, but must first qualify as an acceptable party as set forth in Paragraph 11 below and Lender agrees to insert the following language in its Deed of Trust: "Trustee's and Beneficiary's right to sell/assign the Leasehold interest secured by this Deed of Trust upon foreclosure to any person other than Beneficiary, is limited to such person reasonably being approved by the City of Chandler pursuant to that certain 'City's Consent and Agreement' between the City of Chandler and Beneficiary."

5. **Surrender of the Leased Premises.** No surrender of the Leased Premises or any other act of Tenant shall be deemed to terminate the Lease and City will not terminate voluntarily the Lease by agreement with Tenant unless Lender has been previously notified in writing and has consented to the termination in writing.

6. **Notice of Default and Lender's Rights.**

6.1. **Notice of Default.** If Tenant defaults under the Lease or if any event occurs which would give City the right to terminate, modify, amend or shorten the term of the Lease, City shall take no steps to exercise any right it may have under the Lease without first giving Lender written notice of such default. A copy of each and every Notice of Default served or sent by City or its agent to or upon Tenant pursuant to the Lease shall be sent contemporaneously to Lender in accordance with Paragraph 18 below. Such Notice of Default shall specify the event or events of default then outstanding and the time period at the end of which the indicated action would become effective.

6.2. **Termination for Monetary Default.** If the Notice of Default given by City to Lender relates to a monetary default and Tenant has not cured such monetary default within 15 days as provided in the Lease and Tenant's failure to cure results in City desiring to terminate the Lease, City may terminate the Lease if such monetary default is not cured by either Tenant or Lender within twenty (20) days of Lender's receipt of Notice, and kept current thereafter.

6.3. **Termination for Non-Monetary Default.** If the notice given by City to Lender relates to a non-monetary default and Tenant has not cured such non-monetary default within the 30-day period specified in the Lease, City shall take no action to terminate the Lease if:

6.3.1. Within 20 days after City's notice to Lender of Tenant's failure to cure (or failure to diligently pursue a cure) Lender notifies City of its intent to realize upon its security interest and commences realization within 60 days thereafter, and diligently pursues realization; and

6.3.2. Lender notifies City that it will assume the Lease when Lender is legally entitled to the ownership and/or possession of Tenant's interest in the Leasehold; and

6.3.3. Lender pays City at time of notification all back rent or other monies or performances due that may be in default up to the date Lender notifies City of Lender's intent and further pays all rent that accrues during the period after Lender so notifies City and completes such other performances that may be required or come due under the Lease.

7. **Termination Due to Bankruptcy.** City shall not terminate the Lease because of Tenant's breach of any term(s) of the Lease relating to the solvency of Lessee or the institution of any bankruptcy, insolvency, receivership or related action by or against Lessee as long as Lender cures any default under the Lease by Tenant as provided in this Consent and Agreement.

8. **Failure to Cure Default.** If the non-monetary default is of a nature which requires immediate abatement as a result of which Lender would not normally pursue realization on the collateral, and Tenant has not taken steps to immediately cure the default, the Lender must take immediate steps to cure such default within ten (10) days of receipt of notice or else the City may terminate the Lease.

9. **Release of Deed of Trust.** Upon termination of the Lease as provided herein, Lender shall release its Deed of Trust within fifteen (15) days thereafter.

10. **Assumption of the Lease.** If Lender acquires the interest of Tenant at any time or takes possession of the collateral, then Lender shall formally assume the Lease within twenty (20) days thereafter. Failure to so assume the Lease shall give City the right to immediately terminate the Lease.

11. **Right to Assign.** Lender shall not have the right to assign its interest in the Leasehold nor, in the case of a foreclosure under the Deed of Trust, shall the Trustee under the Deed of Trust transfer the Leasehold to any person or entity (other than Lender) without first obtaining the written consent of City or such assignment or transfer, which consent will not be unreasonably withheld or delayed provided that Lender (i) has disclosed to City the identity of the proposed purchaser, assignee or transferee; (ii) shown to City that the purchaser's, assignee's or transferee's credit standing would reasonably be acceptable to a commercially prudent lender; and (iii) provided evidence to City that the use of the Leasehold by such purchaser, assignee or transferee will be consistent with the terms of the Lease or Lessee's prior use of the Leasehold.

Upon the purchaser's, assignee's or transferee's assumption and agreement to perform and to be bound by all of the terms of the Lease, Lender shall be relieved of further liability under the Lease. However, if Lender finances the purchaser, assignee or transferee, Lender shall again be subject to all the obligations set forth in this Agreement.

12. **Disposition of Insurance and Condemnation Proceeds.** City shall be named as an additional insured under any of Tenant's casualty policies on the Leased Premises to the extent of the interests stated in this Paragraph 12. Should the Leased Premises suffer any loss which is covered by casualty insurance, and the insurance proceeds are used to restore any improvements made by Tenant, City agrees that Tenant and Lender shall have the right to such proceeds so long as none of City's property, utilities or other services therein are damaged or such damages are repaired. In the event the Leased Premises are substantially damaged and Tenant's improvements have been repaired, City shall only participate in the insurance proceeds to the extent necessary to repair and restore the land and any of City's or Tenant's improvements (excluding buildings and personal property) on or in the ground to the same condition that the land was in at the commencement of the Lease, or in the same condition as at the time of the casualty. Under the Lease, City has the option of requiring Tenant to demolish the Improvements at the end of the lease term, or to have Tenant convey title to City of Tenant's interests in the Leasehold Improvements. In the event the Leased Premises and the Leasehold are so severely damaged that Tenant's and Lenders' decision is not to repair or restore the Leased Premises, City shall participate in the insurance proceeds to the extent necessary to remove the remainder of the damaged improvements and to restore the Leased Premises and any utilities or other such improvements (excluding rebuilding the improvements or restoring other personal property of Tenant) to the same condition the land was in at the commencement of the Lease, or in the same condition as at the time of the casualty. Other than as described herein, City shall have no claim to insurance proceeds or condemnation proceeds that are attributable to Tenant's interest in the Leasehold, nor shall Lender have any interest in City's condemnation proceeds, if any.

13. **Right to Participate in Litigation.** Lender shall have the right to participate in any litigation, arbitration or dispute directly affecting the Leased Premises or the interests of Tenant or Lender therein, including without limitation, any suit, action, arbitration proceeding, condemnation proceeding or insurance claim. City, upon instituting or receiving notice of any such litigation, arbitration or dispute will promptly notify Lender of the same.

14. **Incorporation of Mortgagee Protection Provisions.** To the extent not inconsistent with this Agreement, all provisions of the Lease that by their terms are for the benefit of any leasehold mortgagee, are hereby incorporated herein for the benefit of Lender.

15. **Right to Remove Collateral.** In the event Lender exercises its rights under its collateral and realizes upon the collateral, City agrees that Lender is entitled to remove Tenant's furniture, movable trade fixtures and equipment installed by Tenant from the Leased Premises at any reasonable time and that the collateral shall remain personal property even though the trade fixtures may be affixed to or placed upon the Leased Premises. "Trade fixtures" means the movable personal property of Tenant which is free standing or attached to floors, walls or ceiling, but does not include installed light fixtures, floor coverings, doors, windows, heating, plumbing or electrical systems or components thereof, including any roof-mounted HVAC equipment and/or units thereof, or permanent walls or partitions installed by Tenant. In the event Lender so realizes on its collateral, City waives any right, title, claim, lien or interest in

the above trade fixtures by reason of such fixtures being attached to or located on the Leased Premises. Lender shall use reasonable care in removing the trade fixtures from the premises and shall repair any damage that may result from such removal which shall be completed accordance with the terms of the Lease.

16. **Interpretation of Agreement.** This Agreement sets forth the complete understanding of Lender with respect to this transaction; may be amended only in writing signed by the parties; and, without limiting the generality of the foregoing shall not be deemed modified by any course of dealing. No provision in the Deed of Trust, or in any other document executed by or for the Lender or Tenant to which City is not a party, shall vary, modify or expand the covenants herein contained. In the event of any conflict between the terms of this Agreement and the Lease, this Agreement shall control.

17. **Fees & Costs.** In the event of litigation or arbitration between the parties to enforce or interpret this Agreement, the arbitrator, Board of Arbitration or Judge, as may be appropriate, may award the prevailing party in such arbitration or litigation a reasonable attorney's fee not to exceed 20 percent of the amount in controversy, plus costs and costs of collection.

18. **Notices.** All notices, copies of notices, consents or other communications given hereunder shall be in writing and may be given in person, by registered or certified United States mail, by delivery service, or by telephone facsimile. Any notice given to a party shall be deemed effective upon the earliest of the following: (a) actual receipt by that party; (b) personal delivery to the designated address of that party, addressed to that party; (c) delivery by overnight courier; (d) telephone facsimile with receipt confirmed; or (e) if given by certified or registered United States mail, forty-eight (48) hours after deposit with the United States Postal Service, Postage Prepaid, addressed to that party at its designated address. The designated address of a party shall be the address of the party shown below or such other address as that party, from time to time, may specify by written notice to the other party:

If to Lender: _____
_____
_____
_____

If to City: Airport Administrator
Chandler Municipal Airport
2380 South Stinson Way
Chandler, Arizona 85249
Fax No.: (602) 782-3541

With copy to: City Attorney
City of Chandler
Mail Stop 602, Post Office Box 4008
Chandler, Arizona 85244-4008
Fax No.: (602) 782-4652

IN WITNESS WHEREOF, the City has executed these presents this _____ day of _____, 20___.

CITY OF CHANDLER, an Arizona Municipal corporation

By: _____

Its: _____

APPROVED AS TO FORM

_____
City Attorney

ATTEST:

_____
City Clerk

AGREED to this _____ day of _____, 20_____.

LENDER: _____

By: _____

Its: _____

SCHEDULE A
To City's Consent and Agreement (Exhibit ____)

Copy of Lease

EXHIBIT "E"

When recorded, return to:

MEMORANDUM OF LEASE

This Memorandum of Lease is made as of this ____ day of _____, 20____, by and between the City of Chandler, an Arizona municipal corporation, with an office at the Chandler Municipal Airport, 2380 South Stinson Way, Chandler, Arizona 85249 (hereinafter referred to as "Landlord") and Chandler Air Service, Inc., a(n) Arizona Corporation, with an office at 1675 East Ryan Road, Chandler, Arizona 85286 (hereinafter referred to as "Tenant").

1. Landlord and Tenant have entered into a lease agreement identified as Airport Lease Contract No. 15 (the "Lease") on the ____ day of _____, 2012, pursuant to which Tenant is permitted to make use and take possession of certain undeveloped real property for specified commercial aviation activities, all as set forth in the Lease.

2. The term of the Lease is for thirty (30) years commencing on March 1, 2012, the "Effective Date" of the Lease, and terminating on the last day of February, 2042, the 30th anniversary of the Effective Date.

3. The real property leased to Tenant under the Lease is described in attached Exhibit "A".

4. This Memorandum of Lease may be executed in counterparts, which together shall constitute a single instrument.

IN WITNESS WHEREOF, the parties have executed this Memorandum as of the date specified above.

LANDLORD: CITY OF CHANDLER, an Arizona municipal corporation	TENANT: _____ _____
By: _____ Its: _____	By: _____ Its: _____

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this ____ day of _____, 20___, by _____, who acknowledge himself/herself to be the _____ of the CITY OF CHANDLER, an Arizona municipal corporation.

_____
Notary Public

My Commission Expires:

_____

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this ____ day of _____, 20___, by _____, who acknowledge himself/herself to be the _____ of _____, a(n) _____.

_____
Notary Public

My Commission Expires:

_____

APPROVED AS TO FORM:

_____
City Attorney