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MEMORANDUM **Economic Development - Airport - Memo No. AP14-010**

DATE: SEPTEMBER 13, 2013

TO: MAYOR AND COUNCIL

THRU: RICH DLUGAS, CITY MANAGER RD
PAT MCDERMOTT, ASSISTANT CITY MANAGER
CHRISTINE MACKAY, ECONOMIC DEVELOPMENT DIRECTOR

FROM: LORI QUAN, AIRPORT ADMINISTRATOR/ECONOMIC DEVELOPMENT SPECIALIST LQ

SUBJECT: GROUND LEASE WITH F&G ENTERPRISES, LLC AT CHANDLER MUNICIPAL AIRPORT FOR THE PURPOSE OF CONSTRUCTING HANGARS

RECOMMENDATION: Staff recommends Council to introduce and tentatively adopt Ordinance No. 4497 approving a ground lease at the Chandler Municipal Airport with F&G Enterprises, LLC and authorize the Mayor to sign the lease and City Manager to sign all related documents.

BACKGROUND/DISCUSSION: In April 2013, the City received F&G Enterprises, LLC response to a Request for Proposals seeking On-airport Aviation Related Development. F&G Enterprises, LLC proposed to build twenty (20) individuals T-Hangars and four (4) large executive box hangars. A committee consisting of Airport, Economic Development, City Purchasing and Planning staff, and the Airport Commission chair met twice to review the proposal and considered factors such as economic benefit, benefit to the aviation community, financial experience, and conceptual plans. Based on positive responses from the committee regarding these factors, staff proceeded to discuss the development with the respondent.

The site is particularly challenging from a development standpoint. The acre immediately north is a former land fill site on which no development can occur without significant remediation. Additionally, a City sewer line and a City water line cross the site (refer to Site Plan). No vertical construction can take place over these lines.

KEY POINTS:

- 20-24 condominium hangars (if pre-sales of box hangars is successful, F&G plans to build 4 box hangars instead of 11 T-hangars as the middle building)
- Proposed lease area: 60,119 square feet (1.38 acres)
- Initial lease terms: 30 years, with one option to extend, upon mutual agreement, for an additional 20 years

- Lease rate: $0.21 /SF; subject to Annual CPI adjustments
- Large Box Hangars have the ability to house aviation–related commercial activities subject to meeting City of Chandler Building Code requirements for commercial use.

This development helps to satisfy demand for aircraft storage not only at Chandler Airport but in Greater Phoenix as well. New hangars are one of the most requested items Airport staff receives. Staff has also seen an increase in inquiries about facilities to store aircraft from those wishing to purchase or relocate a private plane. The ability to attract this type of owner directly benefits the airport through higher fuel sales and maintenance work. Additionally, adding based aircraft will aid in the attraction of general aviation service providers.

F&G Enterprises, LLC has previously been successful with this development model on Chandler Municipal Airport, developing more than 39,000 total square feet of hangars.

AIPORT COMMISSION: The Airport Commission met on September 12, 2013 and voted unanimously (7-0) to recommend approval to the City Council for the ground lease with F&G Enterprises, LLC.

PROPOSED MOTION:
Move to introduce and tentatively adopt Ordinance No. 4497 approving a ground lease with F&G Enterprises, LLC at the Chandler Municipal Airport, and authorize the Mayor to sign the lease and City Manager to sign all other related documents.

Attachments: Ordinance No. 4497
Exhibit A - Site Plan
Exhibit B - Ground Lease
For reference visit mock web site www.chandlerairporthangars.com

ORDINANCE NO. 4497

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CHANDLER, ARIZONA, AUTHORIZING AND APPROVING A LEASE BETWEEN THE CITY OF CHANDLER AND F&G ENTERPRISES, LLC FOR ONE (1) LAND PARCEL COMPRISING APPROXIMATELY ONE AND THREE TENTHS (1.38) ACRES LOCATED ON THE CHANDLER MUNICIPAL AIRPORT FOR HANGAR CONSTRUCTION/LEASING AND SELLING.

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 aircraft storage; and

WHEREAS, F&G Enterprises desires to enter into a lease covering the parcel 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 F&G Enterprises, LLC and F&G Enterprises, LLC desires to lease the Leased Premises from the City of Chandler in accordance with the terms and conditions of the lease between the parties, dated September 26, 2013, and kept as a public record in the office of the Chandler City Clerk's office.

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 F&G Enterprises, LLC 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 approval as to form by the Chandler City Council.

INTRODUCED AND TENTATIVELY APPROVED by the City Council of the City of Chandler, Arizona, this ____ day of _____ 2013.

ATTEST:

_____ _____

CITY CLERK MAYOR

PASSED AND ADOPTED by the Mayor and City Council of the City of Chandler, Arizona, this ____ day of _____ 2013.

ATTEST:

_____ _____

CITY CLERK MAYOR

CERTIFICATION

I HEREBY CERTIFY that the above and foregoing Ordinance No. 4497 was duly passed and adopted by the City Council of the City of Chandler, Arizona, at a regular meeting held on the ____ day of _____ 2013, and that a quorum was present thereat.

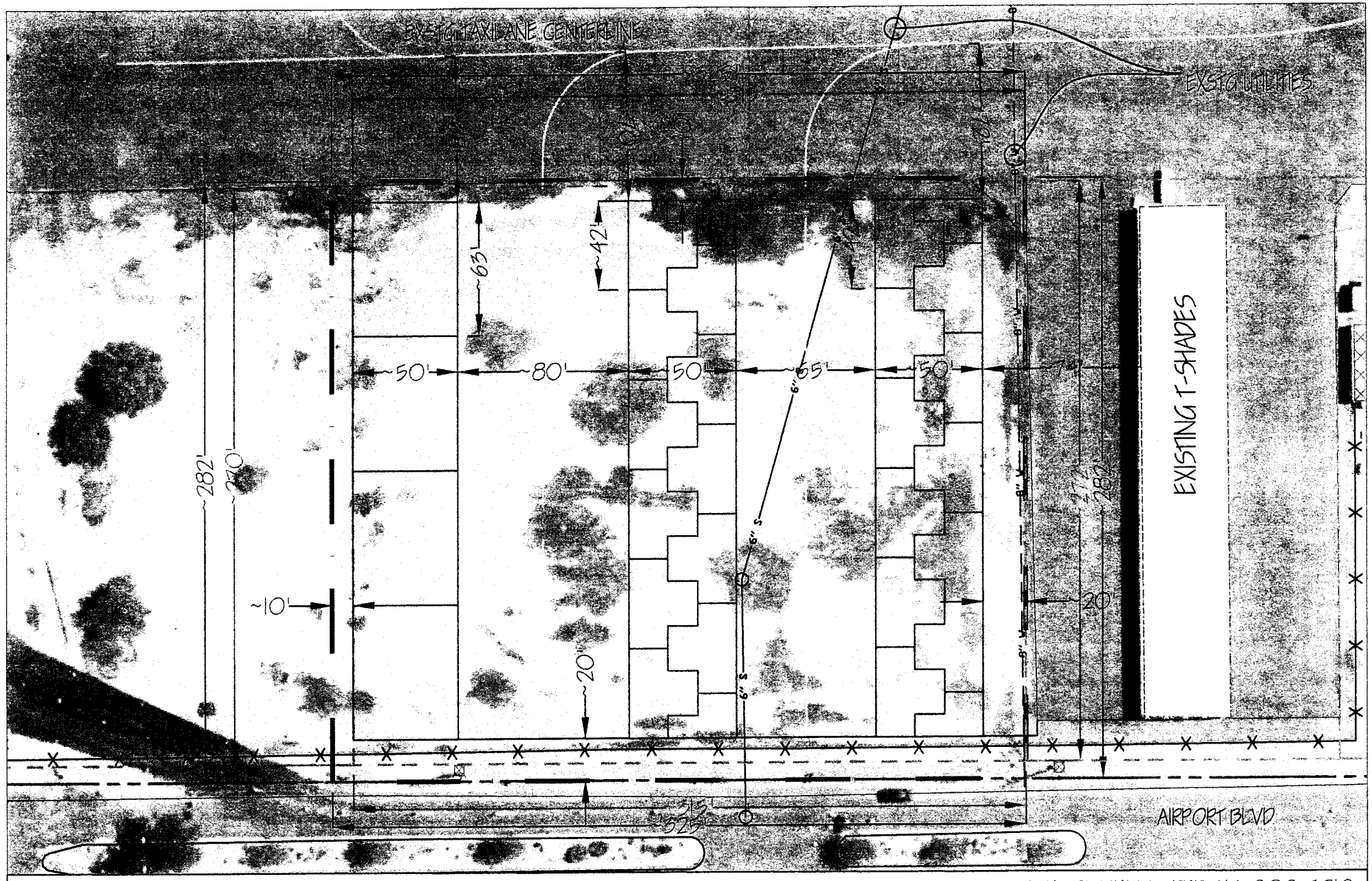
_____

CITY CLERK

APPROVED AS TO FORM:

_____

CITY ATTORNEY



Scale: 1" = 60'

LEGEND

- EXISTING AIRPORT PROPERTY LINE
- PROPOSED DEVELOPMENT LEASE LINE
- PROPOSED DEVELOPMENT BUILDING LAYOUT
- ORIGINAL RFP LOT LINES

AVIATION RELATED DEVELOPMENT - RFP A13-909-3219
PROPOSED DEVELOPMENT DIMENSIONS

SUBMITTAL BY: F&G ENTERPRISES

Exhibit "A"
Ordinance No. 4497

Exhibit "B"
Ordinance No. 4497

CITY OF CHANDLER GROUND LEASE

NUMBER 016

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CITY OF CHANDLER GROUND LEASE
NUMBER 016

THIS GROUND LEASE (or the "Lease") is made this 20th day of November, 2013, by and between the CITY OF CHANDLER, an Arizona municipal corporation, as lessor (the "City"), and the party named below, as lessee ("Lessee"), on the terms and conditions set forth below:

The parties agree as follows.

1. LESSEE

Name:	F&G ENTERPRISES, L.L.C.
Address:	700 N. Dobson Rd. #16
City, State, Zip Code:	Chandler, AZ 85224
Phone Number:	480-838-3073

2. LEASED PREMISES.

The premises leased herein is that parcel of real property located in Maricopa County, Arizona, generally described as that portion of the southwest corner of the Chandler Municipal Airport depicted in attached Exhibit "A", which consists of approximately 60,119 square feet (1.38 acres), together with any improvements thereon, including any Improvements constructed during the term of this Lease (the "Leased Premises"). (The Improvements are more particularly discussed in Section 9 below.) The legal description of the Leased Premises is set forth in attached Exhibit "B".

3. LEASE TERM & OPTIONAL EXTENSION.

A. The initial lease term shall be for a period of thirty (30) years, commencing on November 20, 2013 (the "Lease Start Date"), and ending on November 19, 2043.

B. Lessee shall have one (1) option to extend the initial lease term for an additional twenty (20) years to commence immediately upon the expiration of the initial lease term. The additional lease term shall be subject to the covenants, conditions, restrictions and other provisions of this Lease. This option may be exercised only by Lessee giving written notice of Lessee's exercise of the option to the City no later than sixty (60) days prior to the expiration of the initial lease term. The initial lease term shall not be extended if Lessee is in default of the performance of Lessee's obligations (monetary or non-monetary) under the Lease on the date that Lessee gives written notice to the City of Lessee's exercise of the option or if Lessee is in default on the date that the additional lease term would otherwise commence, unless or except if Lessee has timely cured any default after being given written notice thereof.

4. RENT.

A. The monthly rent for the first calendar year of the initial lease term (i.e. for calendar year 2013) shall be the sum of $1,053.48, which is based upon an annual lease rate of $0.21 per square foot leased. The actual amount of the monthly rent is subject to adjustment based upon the actual square footage of the Leased Premises established by the Survey. The rent is in addition to, and not in lieu of, any requirement to pay any charges or fees that may be established pursuant to the Chandler Municipal Airport Rules and Regulations, or any subsequent amendment thereto, any other relevant laws and regulations, and any applicable license or permit fee required pursuant to the Chandler City Code.

B. Rent payments shall commence on the earlier of three hundred, sixty-five (365) days after the Lease Start Date or the date on which the first building certificate of occupancy is issued for construction of the first building of the Improvements, whichever occurs first. Additionally, Lessee shall, within one hundred and fifty (150) days after the Lease Start Date, make a good faith submittal to the City's Planning Services and/or Development Services departments of all applications, plans, and other documents necessary to obtain any plat approval and/or building permits required to construct the at least one building of the Improvements.

C. Annual Rent Adjustment: The rent shall be adjusted at the beginning of each successive calendar year during the term of this Lease, except that the first adjustment shall not occur until January 1, 2015. The rent adjustment shall be determined by multiplying the current annual rent (current monthly rent times 12) by the annual percent change in the Consumer Price Index for all Urban Consumers (CPI-U), as reflected in the U.S. City Average CPI-U for All Items, for November of the current calendar year from the CPI-U for November of the prior calendar 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 November of any calendar year of the lease term, then the November figure of the successor or most nearly comparable successor Index shall be used for that calendar year.

1. The calculation of the annual rent adjustment shall be as follows:

   a. Determine the current annual rent by multiplying the current monthly rent by 12.

   b. Determine the CPI-U index point change by subtracting the previous year's CPI-U index figure for November from the current year's CPI-U index figure for November.

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

   d. Determine the additional annual rent, if any, by multiplying the current annual rent by the annual percent change.

e. Determine the new annual rent by adding the additional annual rent to the current annual rent.

f. Determine the new monthly rent by dividing the new annual rent by 12.

2. 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%

D. Notwithstanding any provision to the contrary contained herein, the City and Lessee agree that the minimum monthly rent for any month during the term of this Lease shall not be less than the amount set forth above in Subsection A.

E. It is the intention of the parties that the rent specified in the Lease shall be net to the City in each year during the term of this Lease. Accordingly, all costs, expenses and obligations of every kind relating to the Leased Premises (except as otherwise, specifically provided in the Lease) which may arise or become due during the term of this Lease shall be paid by Lessee, and the City shall be indemnified by the Lessee against such costs, expenses and obligations.

F. Lessee agrees to pay as rent for the use and occupancy of the Leased Premises during the term of this Lease, without deduction or offset, the monthly rent specified in this Section 4, which shall be payable to the City in advance on or before the first day of each and every month and payable at such place as the City may designate in writing.

G. If City does not receive the monthly rent by the 10th of the month, then in addition to the overdue rent, Lessee shall pay interest on the rent payment then due at the rate of ten percent (10%) per annum. Interest commences on the date the rent is due and accrues until the rent is paid. If Lessee does not pay the rent when due and interest is incurred each month for three (3) consecutive months, then beginning on the first day of the fourth consecutive month, the 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 interest is paid or collected. The imposition of interest, or the conversion to quarterly payments, does not prevent the City from exercising any other rights and remedies under this Lease, including the termination of this Lease.

H. All rent payments that are received by the City from Lessee shall be applied first toward any accrued late payment interest, then to any other charges or fees stated in this Lease that are due and owing, then to any back rent due and not yet paid, and then to the current rent.

5. SURETY OBLIGATION.

A. Upon its execution of this Lease, Lessee shall provide to the City one or more surety bonds, letters of credit, cash or other assurance having a total aggregate amount equal to two (2) times the annual rent to assure full performance of Lessee's payment obligations under this Lease ("Surety Obligation"). The Surety Obligation shall guaranty full performance of Lessee's payment obligations under this Lease, including, but not limited to, payment of rent, charges, fees, and interest as may be provided for in this Lease. The type, form and content of the bond or other security shall be subject to the approval of the Chandler City Attorney, acting in his reasonable discretion. Any company issuing a surety bond or other security instrument to meet the requirements under this paragraph A shall give the City at least thirty (30) days advance written notice prior to the effective date of cancellation or expiration of such surety bond or other security instrument.

B. If Lessee is not in default in the payment of rent or other material lease provision for a period of three (3) consecutive years, the City shall exonerate and release the Surety Obligation.

C. Except as otherwise provided in paragraph 5(B), Lessee's Surety Obligation regarding payment of rent shall not expire until ninety (90) days after the expiration of the term of this Lease.

6. ACCEPTANCE OF PREMISES.

Lessee has examined the Leased Premises, and the adjoining portion of the Chandler Municipal Airport of which the Leased Premises is a part, and accepts them upon signing this Lease in their condition at that point in time normal wear and tear excepted. There are no warranties expressed or implied as to any condition apparent or unknown except as otherwise stated in this Lease. Lessee agrees to make any changes in the Leased Premises necessary to conform to any federal, state or local law applicable to the Lessee's use of the Leased Premises, and the City warrants that all improvements now existing on the Leased Premises, if any, conform to all applicable federal, state and local laws. The City represents and warrants that, to the best of its actual knowledge, as of the date hereof, there are no Hazardous Substances (as defined in Section 27), including released petroleum products, on the premises in violation of any applicable governmental law, rule or regulation.

7. POSSESSION.

If the City shall be unable for any reason to deliver possession of the Leased Premises, or any portion thereof, at the time of the Lease Start Date, the City shall not be liable for any damage caused thereby to Lessee, nor shall this Lease thereby become void or voidable,

nor shall the lease term specified herein be in any way extended. In such event, the rent commencement provisions and grace periods set forth in Section 1 shall begin at such time as the City can deliver possession. If the City is unable to deliver possession of the premises at the Lease Start Date, Lessee, as its sole remedy, may terminate this Lease by giving at least thirty (30) days written notice of such termination to the City, and this Lease shall then terminate without further act by Lessee unless the City shall deliver possession of the Leased Premises before the effective date of termination specified in the Lessee's notice. If Lessee, with the City's consent, shall have taken possession of all or any part of the Leased Premises prior to the Lease Start Date, all of the terms and conditions of this Lease shall immediately become applicable, with the exception that Lessee shall not be obligated to pay any rent for the period prior to the Lease Start Date unless otherwise mutually agreed.

8. USE OF PREMISES.

The Leased Premises shall be used only for lawful purposes and only in accordance with all applicable building and zoning codes and regulations. Lessee agrees that it will not disturb the City or any other lessee of the City by making or permitting any unreasonable disturbance, noise, vibration or other condition on or in the premises. No signs or other advertising matter, symbol, canopies or awnings shall be attached to or painted on or within the Leased Premises including windows and doors for the non-commercial uses in Buildings AE and AF. No signs or other advertising matter, symbol, canopies or awnings shall be attached to or painted on or within the Leased Premises for any commercial uses in Building AG including the windows and doors thereof, without the approval of the City, which shall not be unreasonably withheld. At the termination or sooner expiration of this Lease, all such signs, advertising matter, symbols, canopies or awnings attached to or painted on or within Building by Lessee shall be removed by Lessee at its own expense, and Lessee shall repair any damage or injury to the Leased Premises and correct any unsightly condition caused by such removal.

A. Non-Commercial Restriction for Buildings AE and AF. Lessee shall make Buildings AE and AF available for ownership by individuals or business entities for non-commercial purposes to be used primarily for aircraft storage. Buildings AE and AF shall not be used for any commercial purposes; provided, however, that the mere storage of aircraft used for corporate travel or other business use shall not be considered a commercial purpose. Nothing herein shall be deemed to permit or allow the operation of any commercial activities, including but not limited to charter service, air taxi service, or fixed base operation from Buildings AE and AF or any individual hangar units within Buildings AE and AF.

B. Commercial Activities Permitted in Building AG. Lessee may make Building AG available for ownership by individuals or business entities for **aviation-related (or aeronautical -related)** commercial activities including but not limited to charter service, air taxi service, or fixed-base operations.

C. Except as and to the extent necessary during construction of the Improvements, at no time shall Lessee remove or otherwise disturb valuable minerals, sand, gravel or water, from the site. These resources belong to the City and may only be used with consent of and

appropriate compensation to the City, except as and to the extent necessary during construction of the Improvements.

9. REQUIREMENTS AS TO IMPROVEMENTS.

A. Lessee shall construct an aircraft hangar facility upon the Leased Premises, which shall consist of up to three (3) single-story buildings for storage of aircraft, together with related common areas, aprons, accessways, taxi lanes, utilities, and landscaping (collectively, the "Improvements"), which are more specifically described in attached Exhibit "C". The buildings to be constructed shall have the designation "AE", "AF" and "AG". The construction of the Improvements shall be deemed completed when a certificate of occupancy is issued for the Improvements by the Building Department (as that term is defined in attached Exhibit "C").

B. Lessee shall substantially complete construction of the Improvements within one hundred eighty (180) days after issuance of any required building permits for the Improvements, and Lessee shall proceed with due diligence to full completion of the Improvements, which shall occur no later than sixty (60) days after substantial completion. Lessee's failure to substantially or fully complete construction of the Improvements in accordance with the time periods stated in this paragraph shall constitute an Event of Default.

C. Lessee may import clean fill materials acceptable to the City's Environmental Program Coordinator to support the single-story building and the rest of the Improvements. The fill materials shall be graded and compacted in a manner that complies with any applicable building codes of the City and which is also approved by the City's Airport Administrator, which approval shall not be unreasonably withheld.

D. The Airport Administrator will review and approve all architectural plans and specifications for the Improvements as provided in attached Exhibit "C". The Airport Administrator will review and approve the plat for the Leased Premises before and during the development review process involved in connection with the issuance of any building permits for the Improvements.

E. SURVEY AND PLAT

a) The City, at its expense, shall provide a survey of the Leased Premises which shall contain a depiction and a narrative legal description of the parcel of real property that is intended to be the Leased Premises, and which shall state the surveyor's determination of the total square footage for the parcel (the "Survey"). The Survey shall be prepared by a registered land surveyor reasonably acceptable to Lessee.

b) In conjunction with the issuance of any building permits required for construction of the Improvements, Lessee, at its expense, shall submit for development approval, and subsequent recording, a plat of the Leased Premises. In addition to any other requirements for the plat, the plat shall be sufficient to satisfy all requirements under Arizona law for the establishment of a leasehold condominium.

10. INSURANCE

Lessee must carry comprehensive general liability coverage in the amount of at least $1,000,000 per occurrence and $2,000,000 in the annual aggregate.

11. OWNERSHIP OF IMPROVEMENTS

A. At the Lease Start Date, Lessee shall establish a leasehold condominium, as that term is defined in A.R.S. Sec. 33-1202(16) (the "leasehold condominium"), on the Leased Premises in order to allow the ownership of the Improvements by persons who are individual unit owners, and who shall be sublessees of Lessee under this Lease, except as to common area improvements owned by a unit owners' association established by Lessee pursuant to Arizona law in conjunction with the leasehold condominium (the "Association"). When Lessee has satisfied all legal requirements for the establishment of a leasehold condominium, the Association is legally established, and the Lessee has notified the City in accordance with Section 38, the Association shall automatically become the assignee and delegate of Lessee under this Lease and shall assume all of Lessee's duties and obligations under this Lease, including the provision of the Surety Obligation. No City approval of this assignment and delegation is required under Section 25 or otherwise. But Lessee shall, within 30 days of the assignment to the Association, furnish all of the Association's contact information, statutory agent, and other management information to City. When the construction of all of the Improvements has been fully completed, the City shall look solely to the Association to fulfill all of Lessee's duties and obligations under this Lease, and the original Lessee shall have no further obligation to the City. If the Lessee is a unit owner after the assignment of this Lease, the original Lessee's obligations—similar to other unit owners—shall be to the Association.

B. In addition to the general terms and conditions of this Lease, all of which are applicable to any assignee and/or sublessee of Lessee, the following provisions specifically apply to the establishment of the leasehold condominium and the ownership of the Improvements upon the Leased Premises pursuant thereto:

1. Leasehold Condominium: The establishment of the leasehold condominium shall be in accordance with Arizona law and subject to the following:

a. Approval of Declaration. Lessee shall submit to the City, for the City's prior approval, a true copy of the declaration (as that term is defined in A.R.S. Sec. 33-1202(13)), together with the plat, survey map and plans, that Lessee intends to file for purposes of establishing the leasehold condominium, not less than thirty (30) days before the date upon which Lessee desires to record the declaration. Upon the City's approval and Lessee's continued fulfillment of its obligations, and pursuant to A.R.S. Sec. 33-1216, the City shall join with Lessee in signing the declaration or otherwise expressly evidencing the City's consent to the provisions of the declaration.

b. Contents of the Declaration. The declaration shall comply with A.R.S. Secs. 33-1215 and 33-1216, as applicable for a leasehold condominium, and shall provide for the creation of the Association. The declaration shall also contain language substantially similar to the following for the protection of the City.

Ground Lease

A. Description of Lease. This Condominium is created from the buildings, improvements, easements and other rights and appurtenances constructed upon and belonging to the land described on Exhibit A, attached hereto and by this reference incorporated herein. This land itself, which is owned by the City of Chandler ("Lessor"), does not constitute a part of the Condominium. The declarant is the Lessee under a long-term lease of this land known as the "Ground Lease". This Condominium Declaration is subject to and subordinate in all respects to the terms of the Ground Lease. Upon the termination of the Ground Lease, this Condominium shall also terminate, and title to the Units and Common Elements of the Condominium shall revert to and become the property of Lessor under the Ground Lease, its successors and/or assigns.

B. Expiration of Ground Lease. The initial term of the Ground Lease is for thirty (30) years, terminating on November 19, 2043. The Unit Owners' Association of this Condominium has the option to extend the term of the Ground Lease for one (1) term of twenty (20) years, exercisable by giving written notice to Lessor no later than sixty (60) days prior to the expiration of the initial lease term. Such option to renew is subject to all provisions within the Ground Lease including certain rental adjustments as provided in the Ground Lease.

C. No Right to Redeem Reversion. Neither the Unit Owners' Association nor any Unit Owner shall have the right to redeem the reversionary interest of Lessor or to otherwise acquire title to any Unit free of the Lease.

D. No Right to Remove Improvements. Neither the Unit Owners' Association nor any Unit Owner has the right to remove any improvements after expiration or termination (for any reason) of the Ground Lease.

E. Consent of Lessor. Under the Ground Lease and elsewhere in this Declaration, the consent of Lessor to certain activities or conduct of Unit Owners and the Unit Owners' Association is required. Where such consent is required, it must be evidenced in writing, but shall not be unreasonably withheld, except as to matters that are specifically within the sole discretion of Lessor.

F. Unit Owners' Association. A Unit Owners' Association shall be created, and the Unit Owners' Association shall collect the proportionate rents owed under the Ground Lease from each Unit Owner. The Unit Owners' Association shall be the sole representative of the Unit Owners in dealings with Lessor. Failure of the Unit Owners' Association to pay rent when due and/or failure to perform or satisfy any other terms or conditions of the Ground Lease may result in termination and forfeiture of the entire Lease; provided, however, such termination shall not be deemed to terminate the leasehold interest of any Unit Owner who (a) has made and continues to make timely payment of the Unit Owner's share of the Ground Lease rent, and (b) has otherwise complied and continues to comply with all covenants of the Ground Lease and the Unit Owner's

sublease, which covenants, if violated, would entitle Lessor to terminate the Unit Owner's leasehold interest.

G. Inspection of Ground Lease. The complete Ground Lease may be inspected at the office of the Airport Administrator, Chandler Municipal Airport, 2380 South Stinson Way, Chandler, Arizona, or at the office of the Chandler City Clerk located at 175 South Arizona Place, Chandler, Arizona.

2. Approval of Association Documents. Not less than thirty (30) days prior to the date upon which Lessee desires to establish the Association, Lessee shall submit to the City for its approval, true copies of the articles of incorporation, bylaws and other organizational documents it intends to file or execute for the purposes of establishing the Association. The City shall not unreasonably withhold its approval of the articles of incorporation, bylaws and other organizational documents.

3. Recordation. The City and Lessee agree to execute and record a memorandum of this Lease, and any subsequent amendments thereto, and to also provide in the declaration a statement that the complete Lease may be inspected at the office of the Airport Administrator or at the office of the Chandler City Clerk.

4. Subordination. The City shall not be required to subordinate any right or interest in the Leased Premises or in this Lease to the right or interest of any unit owner, any lender, or any other person or entity. However, the City will execute a standard consent and agreement to financing in the form attached hereto as Exhibit "D" (or such substantially similar form as is acceptable to the Chandler City Attorney, in his sole discretion) in connection with any financing affecting the Leased Premises or any condominium unit.

10. RIGHTS-OF-WAY.

The City agrees to grant such rights-of-way or easements across the property of the City reasonably available therefor to permit (1) installation and maintenance of necessary and adequate public utilities and related ancillary services to the Leased Premises; (2) construction of the Improvements contemplated by this Lease; and (3) full use, possession, and quiet enjoyment of the premises in favor of Lessee and unit owners.

11. RESERVATION OF RIGHTS.

The City reserves to itself from the Leased Premises rights-of-way upon, over, across, onto or beneath the above-described lands for pole and wire lines, gas, water and sewage pipes and mains, conduits or any other utilities of all kinds now existing or to be constructed and maintained by the City, either in addition to or in the substitution for those now existing, from any point or points and in any direction, and also reasonable rights of entry upon the Leased Premises for the construction, repair, inspection and maintenance of utilities, provided such action by the City shall not materially interfere with or interrupt Lessee's quiet enjoyment and use of the Leased Premises, and shall be at the expense of the City. The City is hereby granted

such continuous, perpetual rights of access as the City believes are necessary within the Leased Premises for such purposes, which access may be further granted by the City to third parties.

12. AIRSPACE RESERVATIONS AND USE RESTRICTIONS.

A. There is hereby reserved to the City, its successors and assigns, for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the surface of the Leased Premises, 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 or landing at, taking off from or operating at the Chandler Municipal Airport. Lessee and its successors and assigns will not erect or permit the erection of any structures nor permit the growth of any tree thereon which would exceed the height limitations applicable to land within an AP-1, Airport District, zoning district as set forth in the Chandler Zoning Code, as it may be amended from time to time. Lessee and its successors and assigns shall comply in all respects with the Chandler Zoning Code (Chapter 35, Chandler City Code). Lessee expressly agrees for itself and its successors and assigns to restrict the height of structures, objects or natural growth and other obstructions on the Leased Premises to a height of not more than thirty (30) feet above ground level.

B. Lessee expressly agrees for itself and its successors and assigns to prevent any use of the Leased Premises that would interfere with landing or taking off of aircraft at the Chandler Municipal Airport or otherwise constitute an airport hazard as may be determined by the City or the Federal Aviation Administration (FAA) or any similar agency having jurisdiction over operations at the Chandler Municipal Airport. The prohibited use of the Leased Premises referred to in this paragraph includes causing any visual obstruction or radio or similar emission that may tend to interfere with the operations at the Chandler Municipal Airport.

C. If the Leased Premises were located on private property within or near the approach zone to the Chandler Municipal Airport, Lessee would be subject to substantial use restrictions for the benefit of the airport and its uses. Therefore, except to the extent otherwise provided in this Lease, Lessee may not sublease the Leased Premises, or any part thereof, until the sublessee has first received written permission from the City as to the nature and extent of the use to which the sublessee intends to devote the sublet portion of the Leased Premises in order to ensure that sublessee's intended use will not in any way interfere with the operation of the Chandler Municipal Airport.

D. Lessee acknowledges that noise from both flight and non-flight operations may be generated from activities at the Chandler Municipal Airport and by other lessees of the City. Lessee is taking the Leased Premises subject to this condition, whether now existing or hereafter arising, and hereby waives all claims against the City (including, without limitation, claims for damages, nuisance or injunctive relief) relating thereto; provided, however, that Lessee does not waive the right to enforce or request government agencies with jurisdiction to enforce all applicable noise statutes and regulations.

13. UTILITIES AND SERVICES.

Lessee shall be liable for and shall pay throughout the term of this Lease all charges for all utility services furnished to the Leased Premises, if any, including, but not limited to, light, heat, gas, janitorial services, garbage disposal, security, electricity, water, and sewer, including any connection fees, and any fire protection, police protection, or emergency health services as furnished by local public safety or utility providers and as may be the subject of a contract between the City and such local public safety or utility providers or as imposed by ordinance or statute. The City shall provide off-site retention or drainage for storm water runoff from the Airport property that is not included as part of the Leased Premises. The City and Lessee acknowledge that no utility services will be furnished to the Leased Premises on a consolidated or joint basis.

14. INDEMNIFICATION/LIABILITY INSURANCE.

A. The City, its employees and agents shall not be liable for any injury (including death) to any persons or for damage to any property, regardless of how such injury or damage is caused, sustained or alleged to have been sustained by Lessee or by others (including, but not limited to all persons directly or indirectly employed by Lessee, and any agents, contractors, subcontractors, suppliers, customers or invitees of Lessee) as a result of any condition (including existing or future defects in the Leased Premises), or occurrence (including failure or interruption of utility service) whatsoever related in any way to the Leased Premises or related in any way to Lessee's use or occupancy of the Leased Premises, so long as such claim does not result from any negligence or willful misconduct of the City, its employees or its agents. In no event shall Lessee be responsible for loss, damage, liability or expense resulting from injuries to third parties caused by the negligence of the City. Where such items of actual or alleged liability, damages, costs or expenses arise from the concurrent negligence of Lessee and the City, it is expressly agreed that Lessee's indemnity obligation under this paragraph shall be effective only to the extent of Lessee's negligence.

B. Lessee shall, at its own expense, maintain proper liability insurance with a reputable insurance company or companies holding a certificate to write insurance business in Arizona in the minimum policy limits set forth in Section 1 above. The City shall be named as an additional insured on the policies and shall be furnished with a certificate of insurance. This insurance may not be canceled without the insurance company first having given the City thirty (30) days advance written notice of such intent to cancel. Lessee may submit certificates evidencing compliance with this paragraph. Lessee shall furnish the City with evidence of renewal of such policies no less than thirty (30) days before their expiration.

15. WAIVER OF SUBROGATION.

The City and Lessee hereby waive all subrogation rights against each other for any loss from perils insured against under their respective insurance contracts, including any extended coverage endorsements thereto, provided, that this Section 15 shall be inapplicable if it would have the effect of invalidating any insurance coverage of the City or Lessee. Each party agrees to cause their respective insurance carriers to include in its policies a waiver of

subrogation clause or endorsement.

16. TAXES.

Lessee shall be liable for, and shall pay, throughout the term of this Lease, all license fees and taxes covering or relating to the Leased Premises and its use, including, without limitation, (a) all real estate taxes assessed and levied against the Leased Premises; (b) all amounts due and payable for general or special assessments against the Leased Premises during the term of this Lease (if assessed during the term of this Lease); and (c) all personal property taxes upon Lessee's fixtures, furnishings, equipment and stock in trade, Lessee's leasehold interest under this Lease or upon any other non-City-owned personal property situated in or upon the Leased Premises. If any governmental authority—other than the City—at any time levies a tax on rentals payable under this Lease or a tax in any form against the City because of or measured by income derived from the leasing or rental of the Leased Premises, such tax shall be paid by Lessee; provided, however, that Lessee shall not be liable for the payment of any tax imposed generally on the City's gross or net income without regard to the source of such income.

17. MAINTENANCE AND REPAIR.

A. Lessee shall, at its own expense, keep the Leased Premises and the Improvements thereon maintained in a neat, clean, safe and sanitary condition and keep all of the Leased Premises maintained equal in quality to that generally required for non-commercial hangar facilities on airports of similar size in Maricopa County, Arizona, and in compliance with any applicable FAA advisory circulars, reasonable wear and tear excepted. Lessee shall, at its own expense, maintain the landscape and undeveloped areas of the Leased Premises in a reasonably clean, sanitary, orderly and neat condition, and free from rubbish and debris. Lessee shall also, at its own expense, at all times keep the Leased Premises and the Improvements thereon free from infestation of pests and conditions which might result in harborage for, or infestation of, pests. (Pests shall include, without limitation, rodents, insects and birds in numbers to the extent that a nuisance is created.) Lessee shall keep the glass of all windows and doors on the Improvements clean and presentable, shall maintain and keep the Leased Premises in a good state of repair, shall commit no waste of any kind, and, without limiting the generality of the foregoing, shall replace all cracked or broken glass in the Improvements, shall keep the electrical system and all drains clean and in a good state of repair, shall protect all sprinkler systems and all pipes and drains so that they will not freeze or become clogged. Lessee shall replace any of the Improvements, or any fixtures or equipment related to the use of the Improvements, which become worn out, deteriorated, unsafe or unusable and shall replace such the Improvements, fixtures and equipment with at least as good a quality as was originally constructed and installed. It is an Event of Default if, after the City's notice of default and a period of thirty (30) days in accordance with Subsection 22(A), Lessee fails to properly maintain, repair and replace the Leased Premises or any of the Improvements thereon. If Lessee fails to comply with Lessee's responsibilities under this paragraph, the City shall be entitled, but shall not be obligated, to enter the Leased Premises and perform the work necessary to restore the Leased Premises and/or the Improvements to the conditions set forth herein. The cost of such repairs shall be billed to Lessee by the City and shall be payable upon receipt and subject to the same penalties for late payment as if such payment was additional rent.

B. Lessee shall keep the Leased Premises and Improvements free and clear of any liens and encumbrances arising out of or otherwise related to Lessee's use and occupancy of the Leased Premises or Improvements . Lessee shall also keep the Leased Premises and Improvements free and clear of all mechanics' liens incurred by or resulting from acts of Lessee. At the City's request, Lessee shall furnish the City with written proof of payment of any item that would or might constitute the basis for such a lien on the Leased Premises or Improvements if not paid. If any mechanics' lien is filed, Lessee shall institute procedures to ensure the prompt removal thereof, after the City first orders the lienor to release the lien under Arizona law providing that public property is not subject to mechanics' liens.

C. Lessee shall also be wholly responsible to maintain and repair the structural integrity (including foundations, bearing columns, bearing walls and exterior walls) and the roof of any building or other structure that is one of the Improvements, and to maintain and repair utility services and lines, located on the Leased Premises, provided, however, Lessee shall only be responsible for any sewer line repairs occurring on the Leased Premises. Lessee shall have no right to claim any monies or charges incurred for maintenance and repair of on-site utilities as a deduction or offset against the rent or other charges Lessee is obligated to pay to the City under the Lease. Lessee acknowledges that Lessee has inspected the Leased Premises and accepts the Leased Premises "as is, where is," subject to the Survey addressed above.

18. ALTERATIONS AND IMPROVEMENTS.

Lessee shall make no significant alterations or improvements to or upon the Leased Premises other than the Improvements, nor shall Lessee install any fixtures (other than trade fixtures which can be removed without injury to the Leased Premises) without first obtaining written approval of the City. The City's response to Lessee's requests for approval shall be prompt, and such approval shall not be unreasonably withheld. Upon installation, Lessee shall furnish the City with a copy of the "as-built" drawings including utility installations and site plans detailing the nature of the additions, alterations or modification.

19. DISPOSITION OF IMPROVEMENTS.

Upon the expiration of the Lease term or earlier termination of the Lease, Lessee shall surrender and deliver the Leased Premises and the Improvements to the City, without delay and where is, as is, excepting only Lessee's, any assignee's or any sublessee's trade fixtures, machinery, equipment and personal property. Lessee shall also deliver to the City all documents in Lessee's custody or control necessary or appropriate for the proper operation, maintenance and management of the Leased Premises and the Improvements. Title to the Improvements shall automatically pass to the City, free of any right, title, and interest of Lessee therein, or its successors or assigns, without the necessity of executing any further instrument and without any allowance, compensation, or payment by the City. Effective for all purposes only upon and after expiration or termination of this Lease, Lessee, for itself and for any assignee, sublessee or other person claiming to have succeeded to any of Lessee's interest in the Leased Premises, grants and conveys to the City all of Lessee's right, title and interest in and to the Leased Premises and the Improvements. Notwithstanding the foregoing, Lessee agrees to execute, acknowledge and

deliver to the City at or prior to the expiration or termination of the Lease a proper recordable instrument prepared by the City quit claiming and releasing to the City any right, title and interest of Lessee in and to the Leased Premises and the Improvements thereon. The City shall take all of Lessee's rights, title, and interest in and to the Leased Premises and the Improvements "where is and as is," subject to all defects known or unknown, and without any warranty, express or implied.

20. INSPECTION.

A. The City reserves the right to inspect the Leased Premises at any time, without advance notice, where there is reasonable cause to believe that an emergency exists. For purposes of this Section 20, "emergency" shall only mean situations where life or property are in imminent peril, and such emergency access shall be obtained by the Fire Marshall. The unexplained signal of an Emergency Locator Transmitter (ELT) shall not automatically constitute an emergency. Access to the Leased Premises to find an unexplained ELT signal and other such non-life threatening incidents shall be obtained by contacting at least one member of the Emergency Access Committee of the Association (the "Access Committee"); provided, however, that in the event that (i) contact is not made with the Access Committee or a member thereof within 30 minutes of the first attempt at contact or (ii) the Access Committee or a member thereof does not respond within 30 minutes of contact, the situation shall be deemed an "emergency" for the purposes of this Section 20. As used in this Section 20, "contact" or "contacting" shall mean direct verbal communication between an authorized representative of the City and at least one member of the Access Committee; without limitation, "contact" or "contacting" does not include the leaving of a message on an answering machine or other such recording device, or communication with an answering service, family member, associate or employee of a member of the Access Committee. If the Association has no expressly designated Access Committee, then the contact required under this paragraph A shall be with at least one officer of the Association.

B. The City, at any and all times throughout the term of this Lease, upon ten (10) days written notice to Lessee, may inspect the Leased Premises, provided that it shall not interfere unduly with Lessee's operations. The right of inspection reserved to the City hereunder shall impose no obligation on the City to make inspections to ascertain the condition of the Leased Premises, and shall impose no liability upon the City for failure to make such inspections. The City shall have the right to place and maintain "For Rent" signs in conspicuous places on the Leased Premises for a reasonable period of time prior to the expiration or sooner termination of this Lease.

C. In the event that emergency access does occur in accordance with the above provisions of this Section 20, the City will put a City lock on any hangar unit so accessed for temporary security. It will be the responsibility of the Association or the individual owner of the hangar unit to arrange with the Airport Administrator for the removal of the temporary lock and the replacement thereof with the hangar unit owner's own lock. Cutting off or otherwise impairing the City's lock will result in the expense of replacing the lock being charged to the Lessee.

21. RESTORATION.

A. At all times during the term of this Lease, Lessee shall maintain in effect upon the Leased Premises and the Improvements, fire and extended coverage property insurance for physical loss and damage excluding earthquake insurance and flood insurance, written by companies authorized to do business in the State of Arizona and reasonably approved by the City's Risk Manager. Such policy or policies (i) shall be written in the form of replacement cost insurance in an amount not less than 100% of the full replacement cost of the Improvements, which amount shall be adjusted not less frequently than annually, (ii) shall contain an endorsement waiving any and all rights of subrogation against the City, and (iii) shall provide that notice of cancellation of the policy or any endorsement shall be given to the City and any other party designated by the City at least 10 days prior to cancellation. The City and each other party with an insurable interest in the property designated by the City in writing shall be named as additional insureds and loss payees on all such policies. Lessee shall provide the City and any other proper party designated by the City in writing with certificates of insurance evidencing such coverage and shall provide evidence of renewal at least thirty (30) days prior to the expiration of such policy or policies. Lessee shall also take out and maintain policies of insurance to cover the loss, damage or destruction of Lessee's furniture, fixtures, equipment and other items owned by Lessee on the Leased Premises, with limits based on the reasonable value thereof.

B. If the Improvements, or any part of any Improvements, are damaged or destroyed by fire or other casualty during the term of this Lease, Lessee may, at its option and at its own cost and expense, repair or restore the same according to the original plans thereof or according to such modified plans as shall be previously approved in writing by the City, which approval shall not be unreasonably withheld. The repair or restoration work shall be commenced within ninety (90) days after the damage or loss occurs and shall be completed with due diligence but not longer than one (1) year after such work is commenced, and the work shall be done in accordance with the requirements of this Lease pertaining to construction of the Improvements upon the Leased Premises. The date for initiating and/or completing any repair or restoration shall be extended as necessary for delays beyond Lessee's reasonable control. All insurance proceeds collected for such damage or destruction shall be applied to the cost of such repairs or restoration, or if Lessee elects not to repair or restore, to the cost of removing, demolishing, or clearing off the Improvements to the extent necessary to complete these tasks. If (i) there are no insurance proceeds, or (ii) the available insurance proceeds are insufficient for purposes of repair, restoration or removal of the Improvements, then Lessee shall make up the deficiency out of Lessee's own funds. If Lessee fails or refuses to make the repair, restoration or removal as hereinabove provided, then the failure or refusal shall constitute an Event of Default under the covenants and conditions hereof, and all insurance proceeds so collected shall be forthwith paid over to and be retained by the City on its own account. The City may, but shall not be required to, use and apply the insurance proceeds for and to the repair, restoration or removal of said Improvements, and the City may, at its option, terminate this Lease as provided herein.

C. Notwithstanding anything to the contrary contained in the preceding section, if any building that is one of the Improvements is damaged by fire or other casualty, and

if the cost of repairing or restoring the same exceeds the insurance payable for such damage, and if the damage occurs during the term so that the remaining term of this Lease is of insufficient length to allow Lessee to finance the cost in a commercially reasonable manner, the Lessee shall have the option, to be exercised within thirty (30) days after such event, to repair or restore the building as herein above provided or to terminate this Lease by written notice to the City.

22. DEFAULTS.

A. In the event of the failure of Lessee to pay the rental, interest or other charges provided in this Lease at the time and in the manner herein specified, or to keep any of Lessee's covenants or agreements herein, the City may elect to terminate this Lease and reenter and take possession of the Leased Premises with or without process of law, provided, however, that Lessee shall be given fifteen (15) days notice in writing if the default is for the nonpayment of rent or other monetary default, or thirty (30) days notice in writing for any other default, stating the nature of the default in order to permit such default to be remedied by Lessee within the applicable time period. If the City issues a notice of default for the nonpayment of rent, in order to cure such default, Lessee must pay the overdue rent, together with interest as set forth in Section 4 above, plus a Fifty Dollar ($50.00) lease reinstatement fee. If during any consecutive twelve-month period, the City has issued three notices of default, the City shall not be required to accept the cure of any subsequent default by Lessee and may terminate this Lease or exercise any other rights or remedies available to it immediately by written notice to Lessee without the expiration of any otherwise applicable cure period.

B. If upon such reentry there remains any personal property of Lessee—other than aircraft—or of any other person upon the Leased Premises, the City may, but without the obligation to do so, remove said personal property and hold it for the owners thereof or may place the same in a public garage or warehouse, all at the expense and risk of the owners thereof, and Lessee shall reimburse the City for any expense reasonably incurred by the City in connection with such removal and storage. The City shall have the right to sell such stored property, without notice to Lessee, after it has been stored for a period of thirty (30) days or more, the proceeds of such sale to be applied first to the cost of such sale, second to the payment of the charges for storage, and third to the payment of any other amounts which may then be due from Lessee to the City, and the balance, if any shall be paid to Lessee. Notwithstanding any such reentry, the liability of Lessee for the full rental provided for herein shall not be extinguished for the balance of the term of this Lease, and Lessee shall make good to the City any deficiency arising from a reasonable, good-faith reletting of the Leased Premises at a lesser rental than that chargeable to Lessee. Lessee shall pay such deficiency each month as the amount thereof is ascertained and invoiced by the City. Payment by Lessee to the City of interest on rents and/or any other charges due and owing under this Lease shall not cure or excuse Lessee's default in connection with rents and/or other charges. All remedies of the City hereunder are cumulative and not alternative. If upon reentry, Lessee's or sublessees' aircraft remain on the Leased Premises, the City will undertake all reasonable efforts to arrange for Lessee or sublessees to remove the aircraft within a reasonable period of time, not less than sixty (60) days.

C. Early termination of this Lease by the City shall not be deemed to constitute termination of the leasehold interest of any sublessee where such sublessee is (i) a unit owner under the leasehold condominium established by Lessee, (ii) has made and continues to make timely payment of sublessee's share of the Lease rent, and (iii) has otherwise complied and continues to comply with all covenants of this Lease and the sublease, which covenants, if violated, would entitle the City to terminate the sublessee's leasehold interest.

D. If the City materially breaches any of its covenants in this Lease or breaches the City's covenant of quiet enjoyment of the Leased Premises, Lessee may elect to terminate this Lease by filing suit in Arizona Superior Court and seeking a declaratory judgment that the breach of Lease or breach of the covenant of quiet enjoyment justifies terminating this Lease. Before filing suit, Lessee shall give the City thirty (30) days written notice stating the nature of the default or breach in order to permit the City to remedy the default or breach within the thirty (30) days.

23. ADVANCES BY CITY FOR LESSEE.

If Lessee shall fail to do anything required to be done by it under the terms of the Lease, except to pay rent, the City may, at its sole option, do such act or thing on behalf of Lessee, and upon notification to Lessee of the cost thereof to the City, Lessee shall promptly pay the City the amount of any such cost to the extent it has been reasonably incurred. However, if the City shall pay any monies on Lessee's behalf, Lessee shall repay such monies, together with interest thereon commencing on the date the City paid such monies and calculated at the rate of ten percent (10%) per annum.

24. HOLDING OVER.

A. If Lessee shall, without the consent of the City, hold over after the expiration or sooner termination of this Lease, the resulting tenancy shall, unless otherwise mutually agreed, be on a month-to-month basis. During such month-to-month tenancy, Lessee shall pay monthly rent to the City at the rate of two (2) times the then-current rental under the terms of the Lease, unless a different rate shall be agreed upon in writing, and the Lessee shall be bound by all of the additional provisions of this Lease.

B. At the expiration of the lease term, and not in connection with any early termination of the Lease as a result of an event of default on the part of Lessee, if the City (i) will continue the use of the real property that makes up the Leased Premises for the same purposes as set forth in Section 1; (ii) elects to have the Improvements remain upon the Leased Premises pursuant to Section 19; and (iii) has received, prior to the end of the lease term, a written request from a member in good standing with the Association to continue using the member's hangar unit; then the City shall allow the member to continue occupying the member's hangar unit on the basis of a month-to-month tenancy subject to the standard Chandler Municipal Airport hangar lease and rental at the then prevailing rate for a Chandler Municipal Airport hangar lease for similar quality of hangar unit. For the purpose of this subparagraph only, a "written request from a member in good standing" shall mean a written request to continue use of the member's hangar unit accompanied by a written letter of good standing signed by an officer of the

Association authorized to act on behalf of the Association, acknowledging the member as a current owner of record to a hangar unit.

25. ASSIGNMENT OR SUBLEASE.

A. Except as provided in this Section or elsewhere in this Lease, Lessee shall not assign or transfer (including any assignment or transfer for security purposes) this Lease or any interest therein nor sublet the whole or any part of the Leased Premises, nor shall this Lease or any interest in this Lease be assignable or transferable by operation of law or by any process or proceeding of any court, or otherwise, without the advance written consent of the City, which may be withheld in the City's sole discretion. The City shall consent to the assignment of this Lease (or any interest herein) for security purposes to a bona fide lender, but only on 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.

B. If Lessee is a corporation, then if at any time during the term of this Lease, more than one-half (1/2) of the outstanding shares of any class of stock of the Lessee shall belong to any stockholders other than those who owned the outstanding shares of that class of stock at the time of the execution of this Lease or to members of their immediate families, including their estates, such change in the ownership of the stock of Lessee shall be deemed an assignment of this Lease within the meaning of this Section 25. If Lessee is a partnership, then if at any time during the term of this Lease, more than one-half of the interests in the partnership shall belong to any partners other than those who held an interest in the partnership at the time of the execution of this Lease or to members of their immediate families, including their estates, such change in the ownership of interests in Lessee shall be deemed an assignment of this Lease within the meaning of this Section 25. If Lessee is a limited liability company, then if at any time during the term of this Lease, more than one-half of the interests in the company shall belong to any members other than those who held an interest in the company at the time of the execution of this Lease or to members of their immediate families, including their estates, such change in the ownership of interests in Lessee shall be deemed an assignment of this Lease within the meaning of this Section 25.

C. Notwithstanding anything to the contrary in this Section 25, the automatic assignment to the Association shall not require City consent. If the City shall give its consent to any assignment or sublease, the City may reasonably consider the proposed assignee's, sublessee's, or transferee's ability to meet the then current Chandler Municipal Airport's Rules and Regulations and the proposed assignee's, sublessee's, or transferee's receipt of a license pursuant thereto. If such an assignment or sublease is permitted, this Section shall nevertheless continue in full force and effect and no further assignment or sublease shall be made without the City's consent pursuant to this paragraph. Notwithstanding the provisions of Section 25, upon recordation of the condominium declaration and survey map and plans, and upon establishment of the Association, the Association shall be deemed the assignee and delegate of the Lessee under this Lease, and the Association shall have all rights and all obligations of Lessee under this Lease, and shall be a co-lessee with the original Lessee until such time as Lessee has completed construction of all of the Improvements upon the Leased Premises. Purchasers of condominium units shall be deemed permitted sublessees hereunder. At such time as the original Lessee has completed construction of all of the Improvements upon the Leased Premises, the original Lessee

named in Section 1 shall be fully discharged and have no further liability or responsibility to perform any obligation pursuant to this Lease, after which time the Association shall be the sole Lessee under the Lease, shall fully assume and discharge all of the original Lessee's duties and responsibilities under this Lease, and shall be solely responsible for dealing with the City.

26. COMPLIANCE WITH CITY REGULATIONS/ALL LAWS.

Lessee agrees to comply with all applicable rules and regulations of the City pertaining to the construction, use, occupancy and maintenance of the Leased Premises and the Improvements now in existence or hereafter promulgated for the general health, welfare, safety and convenience of the City, its various lessees, invitees, licensees and the general public, including without limitation, the then current Chandler Municipal Airport's Rules and Regulations and payment of all fees and charges provided for therein or adopted in accordance therewith, as the same now exist or may hereafter be amended. Lessee further agrees to comply with all applicable federal, state and municipal laws, ordinances and regulations, including, without limitation, those relating to environmental matters, and Americans with Disabilities Act, and to indemnify the City for any liability, damages, costs or fees incurred by the City due to Lessee's failure to comply with the requirements of this section. Costs and fees shall include all direct and indirect costs and professional fees, including engineering and attorney's fees. Any fees for any federal, state or local inspections and/or certificates required for use and occupancy of the Leased Premises shall be paid by Lessee.

27. HAZARDOUS SUBSTANCES.

A. Lessee certifies, represents, warrants, covenants and agrees that:

1. For itself and its contractors, subcontractors and agents, Lessee will comply with all applicable local, state and federal environmental laws, regulations, ordinances and administrative and judicial orders relating to the generation, recycling, treatment, use, sale, storage, handling, transport and disposal of any Hazardous Substances (as defined below) by any person on the Leased Premises. Lessee will not, without the City's prior written consent, keep on or around the Leased Premises, for use, disposal, treatment, generation, storage, or sale, any Hazardous Substances.

2. With respect to any Hazardous Substance for which Lessee is responsible, Lessee shall:

a. Comply promptly, timely and completely with all governmental requirements for reporting, keeping and submitting manifests and obtaining and keeping current identification numbers;

b. Make available for the City's review and copying during normal business hours, true and correct copies of all reports, manifests and identification numbers at the time as they are required to be and/or are submitted to the appropriate governmental authorities;

c. Within five (5) business days of receipt of the City's written request, submit written reports to the City regarding Lessee's use, storage, treatment, transportation, generation, disposal or sale of Hazardous Substances and provide evidence reasonably satisfactory to the City of Lessee's compliance with the applicable laws, rules and regulations;

d. Allow the City or the City's agents or representatives to come on the Leased Premises at all reasonable times to check Lessee's compliance with all applicable laws, rules and regulations regarding Hazardous Substances; and

e. Comply with minimum levels, standards or requirements established by any government agency with jurisdiction for Hazardous Substances (if minimum standards or levels are applicable to Hazardous Substances) present on the Leased Premises, including those levels or standards established by an on-site inspection by the appropriate governmental authorities.

In the event of a material violation of any of the requirements in items a. through e. above, any and all costs reasonably incurred by the City and associated with the City's inspections of the Leased Premises and the City's monitoring of Lessee's compliance with this section, and including the City's reasonable attorney's fees and costs, shall be additional rent and shall be due and payable to the City fifteen (15) days after Lessee receives written demand from the City.

3. Lessee has not and will not release or waive the liability of any party who may be potentially responsible for the presence or removal of Hazardous Substances on or from the Leased Premises.

B. Lessee agrees to immediately notify the City if Lessee becomes aware of (i) any Hazardous Substances or other environmental problem or liability with respect to the Leased Premises or any Other Property (as defined below); or (ii) any lien, action or notice resulting from violation of any laws, regulations, ordinances or orders described in this Section 27. At its own cost, Lessee will take all actions which are necessary or desirable to clean up any Hazardous Substances affecting the Leased Premises, including removal, containment or any other remedial action whether or not required by governmental authorities, provided the City, its other lessees, or agents are not responsible for the Hazardous Substances. In no event shall Lessee have any obligation whatsoever for Hazardous Substances on, in, or affecting the Leased Premises before the Lease Start Date or for which the City is responsible.

C. If Lessee violates any governmental law, rule or regulation concerning Hazardous Substances or violates this Lease relating thereto, it shall promptly take such action as is necessary to mitigate and correct the violation. If Lessee does not act in a prudent and prompt manner, the City reserves the right, but not the obligation, to come onto the Leased Premises, to act in place of the Lessee (with Lessee hereby appointing the City as its agent for such purposes), and to take such action as the City reasonably deems necessary to insure compliance or to mitigate the violation. If the City has a reasonable belief that Lessee is in violation of any such regulation, or that Lessee's actions or inactions present an imminent and serious threat of violation or damage to the Leased Premises, the City reserves the right to enter the Leased

Premises and take such action as the City reasonably deems necessary to mitigate, abate or correct the threat thereof. All costs and expense reasonably incurred by the City in connection with any such action shall be payable by the Lessee and shall become due and payable as additional rent fifteen (15) days after delivery to Lessee of an invoice therefor.

D. Lessee shall be fully and completely liable to the City for, and shall indemnify and hold the City harmless from and against any and all actual or alleged claims, demands, damages, losses, liens, liabilities, penalties, fines, lawsuits and other proceedings and costs and expenses (including reasonable attorneys' fees and disbursements), which accrue to or are incurred by Lessee or the City, which arise or are alleged to arise directly or indirectly from or out of, or are in any way connected with (i) the inaccuracy of Lessee's representations and warranties contained herein, (ii) Lessee's breach of any covenant contained herein, (iii) any Lessee operations or activities (including, without limitation, use, disposal, transportation, storage, generation or sale of Hazardous Substances) on or about the leased premises during Lessee's possession or control of the leased premises which directly or indirectly result in the leased premises or any Other Property becoming contaminated with Hazardous Substances or otherwise violating any applicable law, rule or regulation pertaining to Hazardous Substances, and (iv) the cleanup of Hazardous Substances from the leased premises or any Other Property resulting from Lessee's operations or activities on or about the leased premises during Lessee's possession or control thereof. Lessee acknowledges that it will be solely responsible for all reasonably incurred costs and expenses relating to investigation (including preliminary investigation) and cleanup of Hazardous Substances from the Leased Premises or from any Other Property unless caused by or attributable to the City, its contractors, agents, or other lessees or to third parties for whose acts, errors, and omissions Lessee is not responsible.

E. The City shall indemnify and hold Lessee harmless from any and all liability (including, without limitation, use, disposal, transportation, storage, generation or sale of Hazardous Substances) arising directly or indirectly from the City's, its contractors', agents', or other lessees' acts or omissions before or during the term of this Lease.

F. Lessee's and the City's obligations under this Section 27 are unconditional and shall not be limited by any other limitations of liability provided for in this Lease. The representations, warranties and covenants of Lessee set forth in this Section 27 are separate and distinct obligations from Lessee's other obligations under the Lease and they shall survive and continue in effect after any termination or expiration of this Lease for any reason. Notwithstanding anything to the contrary in this Section 27, the Association shall assume and discharge all of Lessee's duties under Section 27 when the Association becomes responsible for Lessee's other duties and obligations under the Lease.

G. As used in this Section 27, "Hazardous Substances" means 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.

H. As used in this Section 27, "Other Property" means any real or personal property (including, without limitation, surface or ground water) which becomes contaminated with Hazardous Substances as a result of operations or other activities on, or the contamination of, the Leased Premises.

I. Upon expiration or sooner termination of this Lease, Lessee shall have removed from the Leased Premises any contaminated soils or other contaminated or hazardous materials or substances deposited thereon by Lessee. Any failure to complete such removal by the expiration or sooner termination of this Lease shall be deemed a holding over by Lessee subject to the provisions of Section 24. At the City's written request, within thirty (30) days thereafter, Lessee shall apply to the Arizona Department of Environmental Quality (the "Department") and if possible, deliver to the City a certificate certifying that the Leased Premises complies with all applicable requirements of the Department concerning levels of Hazardous Substances. At such time, Lessee shall also reconfirm its representations and warranties contained herein and shall represent and warrant that upon termination of the Lease all Hazardous Substances used or maintained on the Leased Premises by Lessee during the term of this Lease have been removed from the Leased Premises and have been properly and lawfully disposed of.

J. Lessee shall be responsible for applying for and obtaining all necessary federal, state or local governmental permits or approvals for the use of the Leased Premises; shall not commence any activity on the Leased Premises until all permits or approvals required for such activity have been issued; and shall conduct all of its activities on the Leased Premises in full compliance with all applicable permits and approvals.

28. INSPECTIONS AND NOTICE OF CHANGE.

Lessee agrees that inspections may be required by the City at the Lessee's expense to assure compliance with Section 27. These inspections shall be made once every five (5) years or at any time the City has good cause to believe a problem may exist and requests an inspection in writing.

29. EMINENT DOMAIN.

If the Leased Premises are taken or condemned for any public purpose to such an extent as to render the Leased Premises untenantable in whole or in part, either the City or Lessee shall have the option to terminate this Lease effective as of the date of the taking or condemnation, which shall be the earlier of the date that a final order of condemnation is recorded or the date possession is taken by the condemning authority. If the taking or condemnation does not render the Leased Premises untenantable in whole or in part, this Lease shall continue in effect, and the City shall promptly restore the portion not taken to the extent possible to the condition existing before the taking. If, as a result of such restoration, the area size of the Leased Premises is reduced, the rental shall be reduced proportionately. All proceeds from any taking or condemnation shall be paid to the City, and Lessee waives all claims against such proceeds; provided, however, that Lessee shall be entitled to any award separately designated for Lessee's tenancy and relocation expenses or for damage to or taking of Lessee's

trade fixtures or other personal property. The City and Lessee acknowledge that Lessee shall be entitled to all portions of an award attributable to any of the Improvements. A voluntary sale or conveyance in lieu of but under the threat of lawful condemnation shall be considered a taking or condemnation for public purpose and shall include the City's use of the Leased Premises for any public purpose in connection with the operation of the business of the City as a municipal government. If the City so requires the use of the Leased Premises, then this Lease may be terminated by the City by written notice delivered or mailed by the City to Lessee not less than six (6) months or more before the termination date specified in the notice, and damages to Lessee, if any, resulting therefrom shall be determined by agreement between the parties.

30. INSOLVENCY.

If Lessee shall solicit acceptances of a plan of reorganization to be filed in any subsequent case under the United States Bankruptcy Code, 11 U.S.C. Secs. 101-1330, as hereafter amended or any successor statute thereto (the "Bankruptcy Code"); negotiate with one or more creditors for any workout, including, but not limited to, an extension agreement, composition agreement, standoff, standby, or standstill agreement whereby the creditors agree to forbear in any fashion from their rights to collect a debt of Lessee; cease to pay Lessee's debts as they come due; admit in writing the inability to pay its debts as they come due; make an assignment for the benefit of creditors; become a party to any liquidation or dissolution action or proceeding; have appointed (voluntarily or involuntarily), a trustee, custodian, receiver, conservator, or liquidator for Lessee or for a significant portion of Lessee's assets; have entered against it any order by a district court or bankruptcy court of the United States or any of its territories that dismisses a voluntary petition under the Bankruptcy Code because the bankruptcy petition was filed in bad faith; have entered against it an order, judgment, or decree; have any of its assets levied against by writ of execution, attachment (including pre-judgment attachment), garnishment, recording of a judgment or any similar process whereby a creditor seeks to obtain a legal right to dispose of particular assets of Lessee to satisfy to any extent a debt of the Lessee to the creditor; file a voluntary petition under the Bankruptcy Code or have filed against it an involuntary petition under the Bankruptcy Code creating any automatic stay or other injunctive force protecting the assets of Lessee from the immediate collection actions of a creditor (where such involuntary petition is not subsequently dismissed within 60 days in response to pleadings filed by the Lessee by entry of an order of any district court or bankruptcy court of the United States or any of its territories); have appointed voluntarily or involuntarily, a trustee, custodian, or examiner with special powers by any district court or bankruptcy court in the United States or any of its territories; admit in answer filed in response to an involuntary petition filed under the Bankruptcy Code that Lessee is insolvent because Lessee's assets are exceeded by Lessee's debts or that Lessee is unable to pay Lessee's debts as they come due; then, in the event any of the foregoing shall occur, the City may, at its option, terminate this Lease.

31. REASONABLE ATTORNEY'S FEES AND COSTS.

If a dispute arises between the parties as to the effect of any provision herein and the dispute is referred to an attorney, whether for enforcement in court or for decision under arbitration, the non-prevailing party shall pay the prevailing party's actual and reasonably

incurred attorneys' fees; costs of court or arbitration, including such fees and costs of any appeal; other reasonable legal expenses; and collection costs, provided that the amount of such fees, costs or expenses taken separately or in the aggregate, shall not be unreasonable. If such dispute arises and is later settled by the parties, such settlement shall include a specific allocation of disposition of attorney's fees on both sides.

32. NONDISCRIMINATION - SERVICES.

A. Lessee agrees that it will not discriminate by segregation or otherwise against any person or persons because of race, creed, color or national origin in furnishing, or by refusing to furnish, to such person or persons the use of the facility herein provided, including any and all services, privileges, accommodations and activities provided in connection therewith.

B. It is agreed that Lessee's noncompliance with the provisions of this clause shall constitute a material breach of this Lease. In the event of adjudication by a court of competent jurisdiction of such noncompliance, the City may take appropriate action to enforce compliance, may terminate this Lease, or may pursue such other remedies as may be provided by law.

33. NONDISCRIMINATION - EMPLOYMENT.

A. Lessee covenants and agrees that in all matters pertaining to the performance of this Lease, Lessee shall at all times conduct its business on the Leased Premises in a manner which assures fair, equal and nondiscriminatory treatment of all persons without respect to race, creed or national origin, and in particular:

1. Lessee will maintain open hiring and employment practices and will welcome applications for employment in all positions from qualified individuals who are members of racial or other minorities; and

2. Lessee will comply strictly with all requirements of federal, state or local laws or regulations issued pursuant thereto relating to the establishment of nondiscriminatory requirements in hiring and employment practices, and assure the service of all patrons or customers without discrimination as to any person's race, creed, color or national origin.

B. The City reserves the right to take such action as the appropriate governmental authority may direct to enforce these provisions.

34. JOINT AND SEVERAL LIABILITY.

Each and every party who signs this Lease, other than in a representative capacity, as Lessee, shall be jointly and severally liable hereunder.

35. INVALIDITY OF PARTICULAR PROVISIONS.

Except as provided on the last sentence of this Section 36, if any term or provision of this Lease or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the term or provision may be modified to the minimum extent necessary to delete the invalid or unenforceable language, and the remainder of this Lease or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby and shall continue in full force and effect. Notwithstanding the foregoing, if any provision of the Lease conferring the right on Lessee to posses the Leased Premises is declared invalid or unenforceable, and Lessee is dispossessed of the Lease Premises, then no other provision of the Lease will be valid or enforceable, except those provisions that survive termination or expiration of the Lease.

36. FORCE MAJEURE.

If either party is delayed or prevented from the performance of any duty or obligation under this Lease by reason of acts of God, strikes, lockouts, labor troubles, failure or refusal of governmental authorities to timely issue permits or approvals or conduct reviews or inspections, civil disorder, inability to procure materials, restrictive governmental laws or regulations, or other causes beyond the control of the party obligated (financial inability excepted), performance of such act shall be excused for the period of the delay and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay; provided, however, nothing herein shall excuse Lessee from the prompt payment of rent or any other sum or the City from tendering the Leased Premises upon execution of this Lease.

37. 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:

To the City:	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 Lessee: F & G Enterprises, L.L.C.
700 N. Dobson Road, #16
Chandler, Arizona 85224
Fax No.: (___) _____

With a copy to: Brad Holm, Esq.
Holm Wright Hyde & Hays PLC
10429 South 51st Street, Suite 285
Phoenix, Arizona 85044
Fax No.: (480) 961-0818

38. WAIVER.

The acceptance of rental by the City for the period or periods after a default by Lessee hereunder shall not be deemed a waiver of such default unless the City shall so indicate in writing. No waiver by the City of any default hereunder by Lessee shall be construed to be or act as a waiver of any subsequent default by Lessee. After any default has been cured by Lessee, it shall not thereafter be used by the City as a ground for the commencement of any action under the provisions of Section 22.

39. MISCELLANEOUS.

A. Arizona Law. This Lease shall be construed in accordance with the laws of the State of Arizona.

B. No Partnership or Joint Venture. Nothing contained in this Lease shall be deemed to create any relationship other than that of landlord and tenant.

C. Amendments. No alteration, amendment, change or addition to this Lease shall be binding upon the City or Lessee unless reduced to writing and signed by the party or parties to be charged.

D. Exhibits. Exhibits attached hereto shall by this reference be deemed a part of this Lease as if set forth herein.

E. Captions. The various headings and numbers herein and the grouping of the provisions of this Lease into separate articles and sections are for the purpose of convenience only and shall not control the meaning or construction of any of the provisions.

F. Time. Time is of the essence. If any time period provided for herein expires on a Saturday, Sunday, legal holiday of the City, such time period shall be extended to the next succeeding day that is not a Saturday, Sunday, legal holiday of the City.

G. No Third-Party Rights. Except as expressly provided herein for a mortgagee and as to binding effect upon successors and assigns, no term of this Lease is intended to or shall be for the benefit of any person not a party to this Lease, and no such other person shall have any right or cause or action hereunder.

H. Authority to Execute. Any individual executing this Lease on behalf of or as representative for a corporation, limited liability company or other person, partnership or entity, is deemed to have represented and warranted that he or she is duly authorized to execute and deliver this Lease on behalf of such party and that this Lease is binding upon such party in accordance with its terms.

I. Binding on Successors and Assigns. Each of the provisions of this Lease shall be binding, extend to and inure to the benefit of the respective heirs, legal representatives, and successors and assigns of both the City and Lessee, subject to any restrictions on transfers set forth herein.

J. Impartial Interpretation. This Lease is the result of negotiations between the City and Lessee, and therefore the language contained in this Lease shall be construed as a whole according to its fair meaning and not strictly for or against either the City or Lessee.

40. ACCESS EASEMENT.

For the term of this Lease, Lessor hereby grants to Lessee a non-exclusive easement for ingress and egress to the Leased Premises over that land described in attached Exhibit "E".

LESSOR:
City of Chandler, an Arizona municipal corporation

By: _____
Its: Mayor

LESSEE:
F & G Enterprises, L.L.C., an Arizona limited liability company

By: _____
Its: _____

Approved as to Form:

_____ (KB)
Acting City Attorney

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing Ground Lease was acknowledged before me this ____ day of _____, 2013, by _____, the Mayor of the City of Chandler, an Arizona municipal

corporation, for the municipal corporation, being authorized so to do.

_____
Notary Public

My Commission Expires:

STATE OF _____)
) ss.
County of _____)

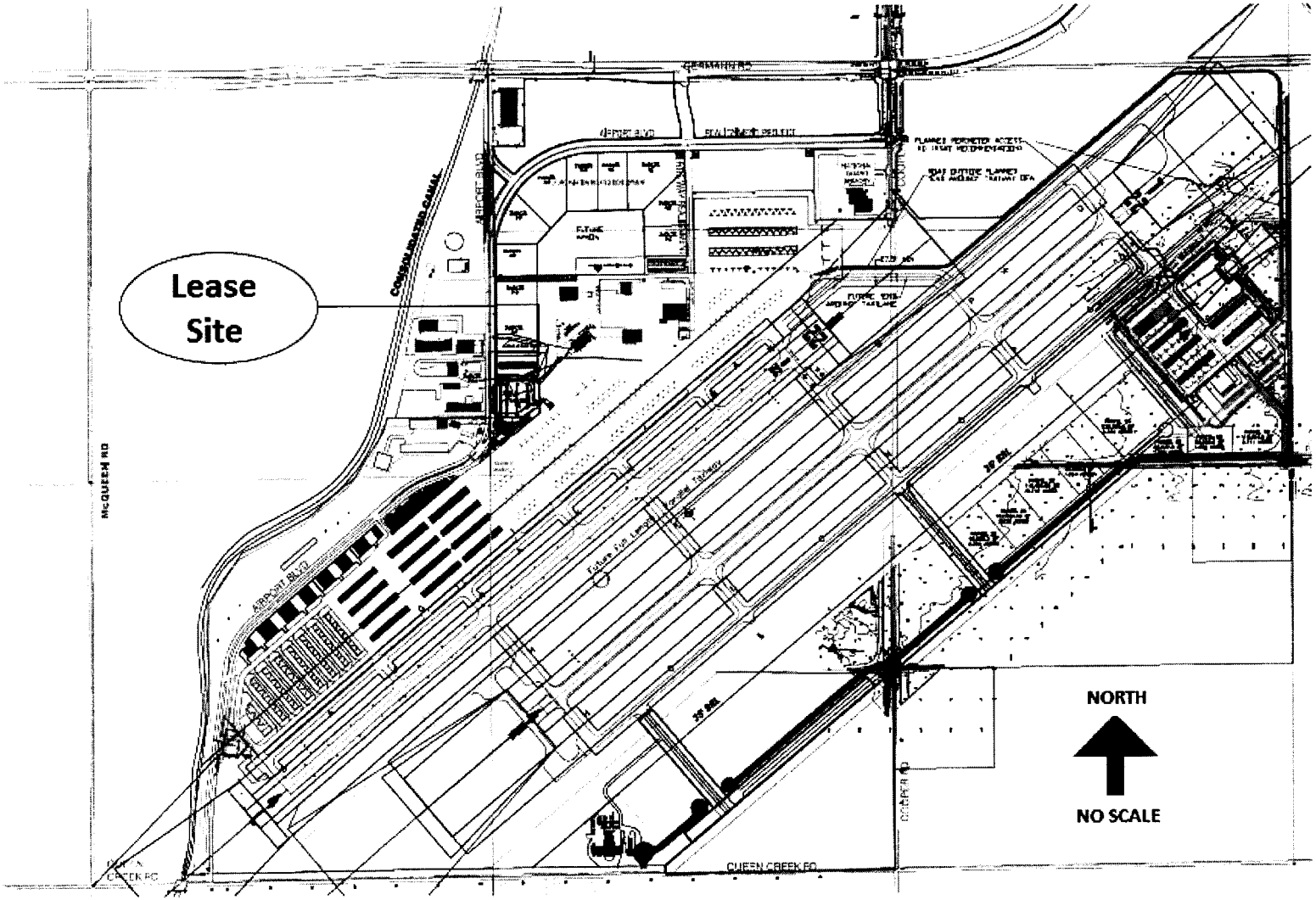
The foregoing Ground Lease was acknowledged before me this ____ day of _____, 2013, by _____, the _____ of F&G Enterprises, L.L.C., an Arizona limited liability company, for the limited liability company, being authorized so to do.

_____
Notary Public

My Commission Expires:

AIRPORT LEASE NO. 016

EXHIBIT A - PREMISES LOCATION



AIRPORT LEASE 016
EXHIBIT B - LEGAL DESCRIPTION

LEASED PARCEL 1

A PORTION OF THE NORTHEAST QUARTER OF SECTION 11, TOWNSHIP 2 SOUTH, RANGE 5 EAST OF THE GILA AND SALT RIVER MERIDIAN, MARICOPA COUNTY ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT A FOUND BRASS CAP IN A HAND HOLE ACCEPTED AS THE NORTH QUARTER CORNER OF SECTION 11 FROM WHICH A FOUND BRASS CAP ACCEPTED AS THE QUARTER CORNER OF SAID SECTION 11 BEARS SOUTH 00°20'40" EAST, 5289.83 FEET;

THENCE CONTINUING SOUTH 00°20'40" EAST, 1520.29 FEET ALONG THE WEST LINE OF SAID NORTHEAST QUARTER;

THENCE NORTH 89°39'21" EAST, 50.98 FEET TO THE POINT OF BEGINNING;

THENCE CONTINUING NORTH 89°39'21" EAST, 265.50 FEET;

THENCE SOUTH 00°20'40" EAST, 55.00 FEET;

THENCE SOUTH 89°39'21" WEST, 265.50 FEET;

THENCE NORTH 00°20'40" WEST, 55.00 FEET TO THE POINT OF BEGINNING.

LEGAL DESCRIPTION
LEASED PARCEL 2

A PORTION OF THE NORTHEAST QUARTER OF SECTION 11, TOWNSHIP 2 SOUTH, RANGE 5 EAST OF THE GILA AND SALT RIVER MERIDIAN, MARICOPA COUNTY ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT A FOUND BRASS CAP IN A HAND HOLE ACCEPTED AS THE NORTH QUARTER CORNER OF SECTION 11 FROM WHICH A FOUND BRASS CAP ACCEPTED AS THE QUARTER CORNER OF SAID SECTION 11 BEARS SOUTH 00°20'40" EAST, 5289.83 FEET;

THENCE CONTINUING SOUTH 00°20'40" EAST, 1642.13 FEET ALONG THE WEST LINE OF SAID NORTHEAST QUARTER;

THENCE NORTH 89°39'21" EAST, 50.98 FEET TO THE POINT OF BEGINNING;

THENCE CONTINUING NORTH 89°39'21" EAST, 265.50 FEET;

THENCE SOUTH 00°20'40" EAST, 173.16 FEET;

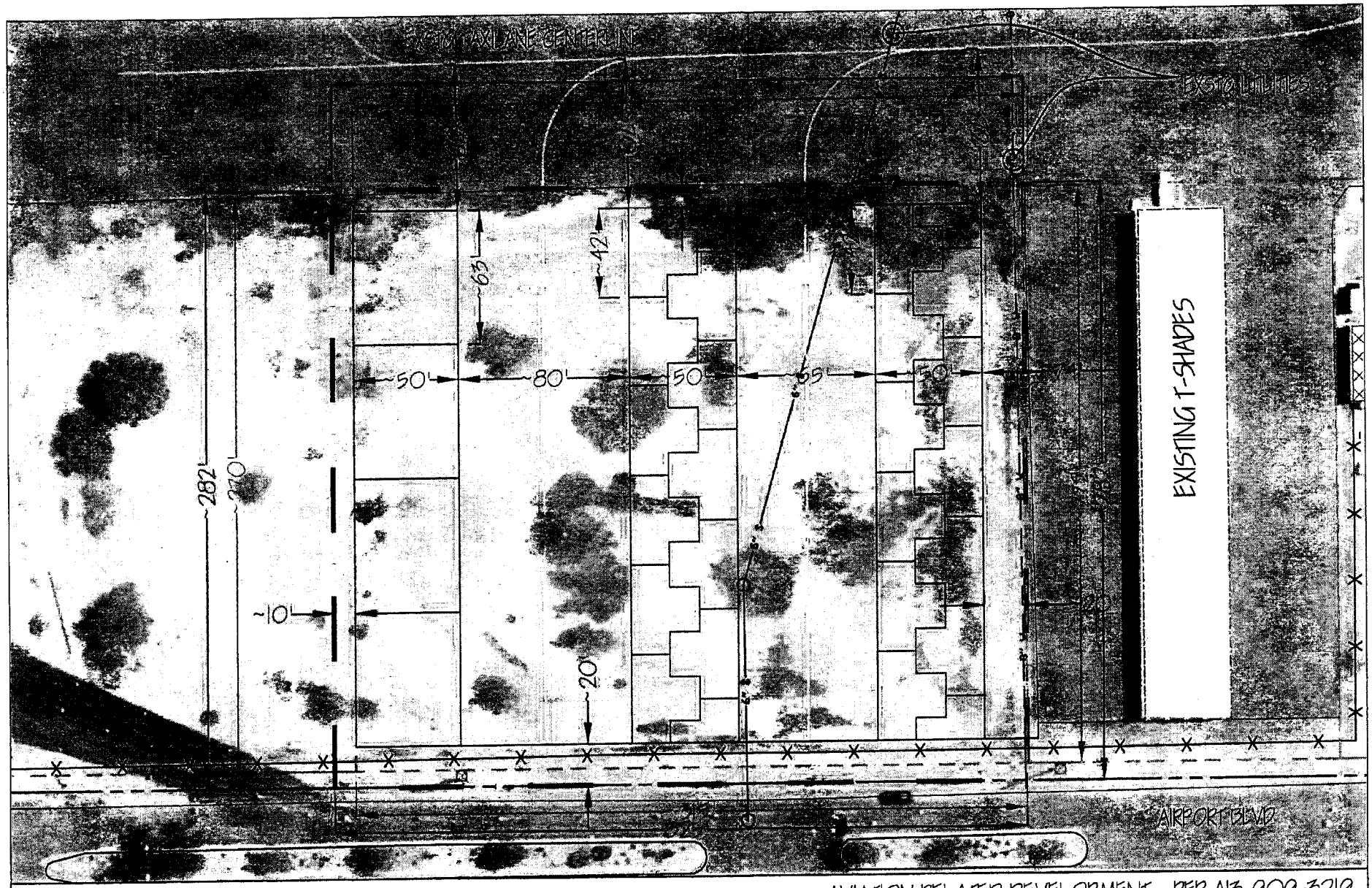
THENCE SOUTH 89°39'21" WEST, 265.50 FEET;

THENCE NORTH 00°20'40" WEST, 173.16 FEET TO THE POINT OF BEGINNING.

J. PROJECT DISCRIPTION

The proposed project is to build 20 individual T-hangars as well as four large box hangars for jet/turboprop aircraft. We propose to build this on parcel 3-C. See visual proposal overlaid on parcel 3C on the next page. The t-hangars would have door widths of 42 ft. This extra 3 ft. over the previous condo hangars built on the airport will allow newer style aircraft to fit into hangars (example Cirrus SR20, SR22 that have longer wingspans). It would consist of 3 separate buildings each approximately 240 ft. in length and 50 ft. in width and containing either 10 t-hangars/building or 4 large box executive hangars/building. The design of the t-hangars would be a "nested T" design. This is the most efficient layout for the size of the proposed parcel. The buildings would run East and West with sliding doors on both the North and the South of each of the two t-hangar buildings. The project would be condoized allowing the hangars to be sold individually. There would be a master lease on the leased property with the City of Chandler and an HOA organized. The size of each of these t-hangars is bigger than the other t-hangars built at Chandler Municipal Airport (about 10% bigger). This extra size will allow not only large single engine aircraft to fit in these hangars but also many of the small to medium twin engine aircraft as well.

We plan to sell the individual hangars. Depending on initial interest in the project, we may lease some of the hangars temporarily until they can ultimately be sold. We will also be offering in-house financing as an option, something not previously offered on the airport for hangar sales. Our marketing plan will include sending out an announcement letter to every aircraft owner in Maricopa County advising them of this new build and encouraging them to discover the Chandler Municipal Airport and the advantages it will be to base their aircraft here. These mailings will start once we have a lease in place and will continue throughout the design and construction of the project as well as after completion until we are 100% sold out.



Scale: 1" = 60'

LEGEND

- EXISTING AIRPORT PROPERTY LINE
- PROPOSED DEVELOPMENT LEASE LINE
- PROPOSED DEVELOPMENT BUILDING LAYOUT
- ORIGINAL RFP LOT LINES

AVIATION RELATED DEVELOPMENT - RFP A13-909-3219
PROPOSED DEVELOPMENT DIMENSIONS

SUBMITTAL BY: F&G ENTERPRISES

EXHIBIT "D"
CITY'S CONSENT AND AGREEMENT
(For Financing Purposes)

Description of Ground Lease.

"City"

"Lessee" _____

"Lease": Ground Lease dated _____, 2013

"Leasehold": Lessee's interest in the Lease and all Leasehold Improvements

"Lender(s)" _____
_____
_____
_____

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

A. **Consents.** City hereby consents to the assignment of Lessee'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.

B. **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").

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

D. **Right to Foreclose Deed of Trust.** Lender recognizes that any Deed of Trust taken by Lender affects and applies only to Lessee'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 Lessee 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:

1. acquire Lessee's interest in the Leasehold either by Deed in Lieu of Foreclosure or actual foreclosure without further consent of City, subject to the requirements of paragraph 6.4 below.

2. rent the Leased Premises pending foreclosure of the Leasehold by Lender without further consent of City.

3. assign and sell the Leasehold in whole or in part to any person or entity, subject to the requirements set forth in paragraph 6.5 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 Lessee's interest in the Leasehold, but must first qualify as an acceptable party as set forth in paragraph 6.5 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."

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

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

1. **Notice of Default.** If Lessee 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 Lessee pursuant to the Lease shall be sent contemporaneously to Lender in accordance with paragraph 13 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.

2. **Termination for Monetary Default.** If the Notice of Default given by City to Lender relates to a monetary default and Lessee has not cured such monetary default within 15 days as provided in the Lease and Lessee'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 Lessee or Lender within twenty (20) days of Lender's receipt of Notice, and kept current thereafter.

3. **Termination for Non-Monetary Default.** If the notice given by City to Lender relates to a non-monetary default and Lessee 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:

a. within 20 days after City's notice to Lender of Lessee'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

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

c. 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.

4. **Termination Due to Bankruptcy.** City shall not terminate the Lease because of Lessee'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 Lessee as provided in this Consent and Agreement.

5. **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 Lessee 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.

6. **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.

G. **Assumption of the Lease.** If Lender acquires the interest of Lessee 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.

H. **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.

I. **Disposition of Insurance and Condemnation Proceeds.** City shall be named as an additional insured under any of Lessee's casualty policies on the Leased Premises to the extent of the interests stated in this paragraph 7. 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 Lessee, City agrees that Lessee 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 Lessee'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 Lessee'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 Lessee to demolish the Improvements at the end of the lease term, or to have Lessee convey title to City of Lessee's interests in the Leasehold Improvements. In the event the Leased Premises and the Leasehold are so severely damaged that Lessee'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 Lessee) 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 Lessee's interest in the Leasehold, nor shall Lender have any interest in City's condemnation proceeds, if any.

J. **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 Lessee 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.

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

L. **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 Lessee's furniture, movable trade fixtures and equipment installed by Lessee 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 Lessee 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 Lessee. 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.

M. **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 Lessor 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.

N. **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.

O. **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 Manager
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: CITY OF CHANDLER, an Arizona Municipal corporation

By: _____

Its: _____

AGREED to this _____ day of _____, 20__.

LENDER: _____

By: _____

Its: _____

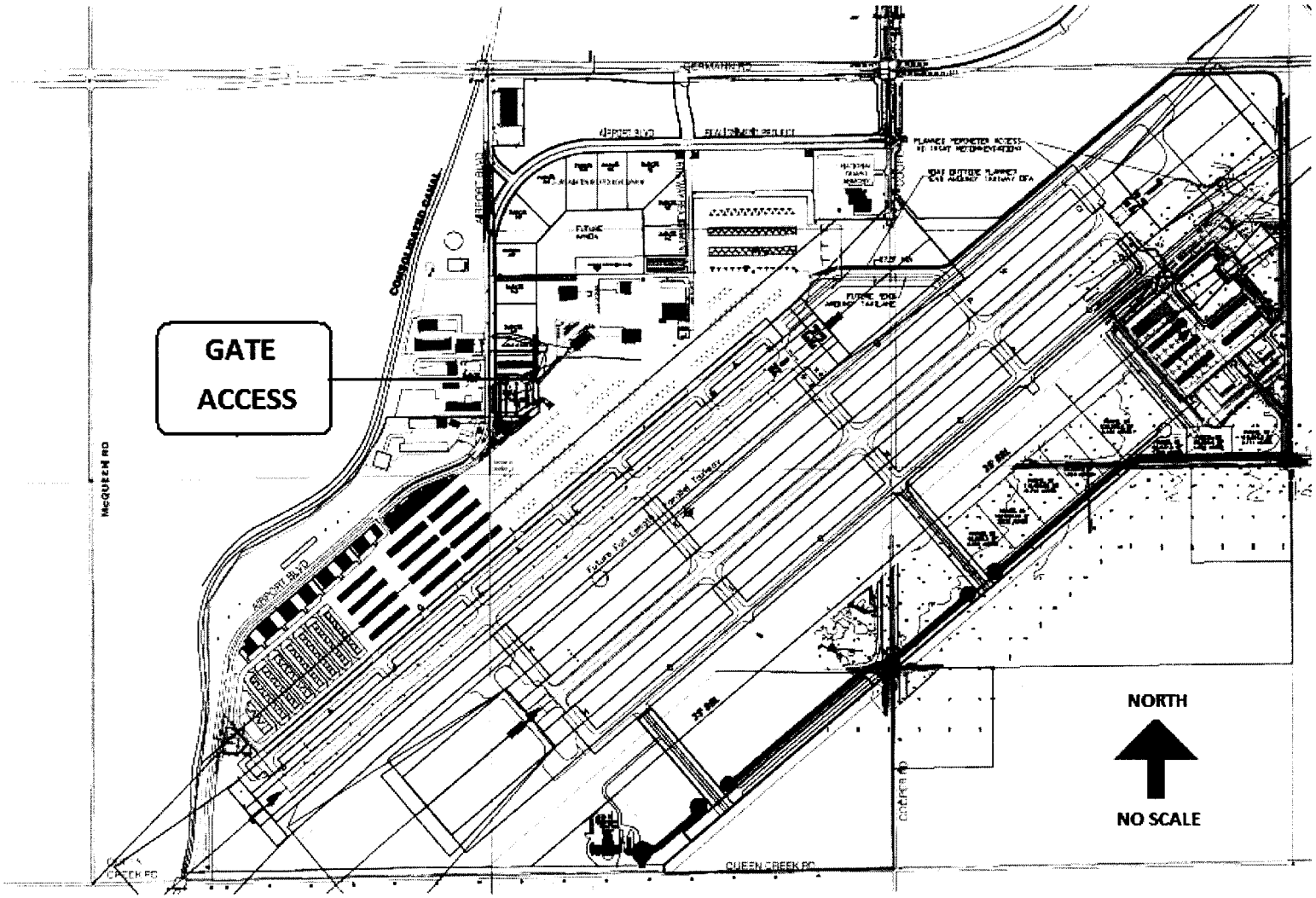



EXHIBIT E –TO ACCOMPANY LEGAL DESCRIPTION FOR ACCESS EASEMENT