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FEB 14 2008

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MEMORANDUM **Public Works Department – Airport Memo No. AP08-034**

DATE: FEBRUARY 14, 2008

TO: MAYOR AND COUNCIL

THRU: W. MARK PENTZ, CITY MANAGER
R.J. ZEDER, PUBLIC WORKS DIRECTOR
DANIEL W. COOK, DEPUTY PUBLIC WORKS DIRECTOR

FROM: GREG CHENOWETH, AIRPORT MANAGER

SUBJECT: APPROVAL OF ORDINANCE NO. 4020, AUTHORIZING THE CITY TO ENTER INTO A 30-YEAR GROUND LEASE WITH TWO, 10-YEAR OPTIONS WITH F&G ENTERPRISES, LLC FOR THE PURPOSE OF CONSTRUCTING A HANGAR STORAGE FACILITY AT THE CHANDLER MUNICIPAL AIRPORT FOR AN ANNUAL AMOUNT OF $3,525 FOR THE FIRST YEAR.

RECOMMENDATION: Staff recommends Council introduce and tentatively approve Ordinance No. 4020 authorizing a 30-year ground lease with two, ten-year options with F&G Enterprises, LLC for the purpose of constructing a hangar storage facility at the Chandler Municipal Airport for an annual amount of $3,525 for the first year.

BACKGROUND/ DISCUSSION: This lease is a result of an application by F&G Enterprises, LLC through the Direct Lease process to construct an approximately 11,000 square foot sized hangar on the airport. The initial use by the applicant will be for personal aircraft storage with potential future uses of commercial aviation business activity. The lease includes a base term of 30 years with two, ten-year options. The lease rate for the first year is $0.202/SF/Year for the approximately 17,450 square foot parcel. The lease calls for rent payments to begin upon the lease effective date. All rates will be adjusted annually according to the Consumer Price Index.

FINANCIAL IMPLICATIONS: The City has no financial outlay requirements resulting from this agreement. The revenue for the first year associated with the lease would be approximately $3,525.

AIRPORT COMMISSION: At the April 11, 2007 regular meeting, the Airport Commission voted 7-0 to recommend acceptance of the agreement with F&G Enterprises, LLC on the condition that FAA approve the height of the structure in it's approved location. The FAA reviewed the project and provided that approval in late 2007.

PROPOSED MOTION: Move to introduce and tentatively approve Ordinance No. 4020 authorizing a 30-year ground lease with two, ten-year options with F&G Enterprises, LLC for the purpose of constructing a hangar storage facility at the Chandler Municipal Airport for an annual amount of $3,525 for the first year.

Attachments: Attachment A – General Lease Area
Attachment B – Lease Site Layout
Ordinance No. 4020
Lease Agreement

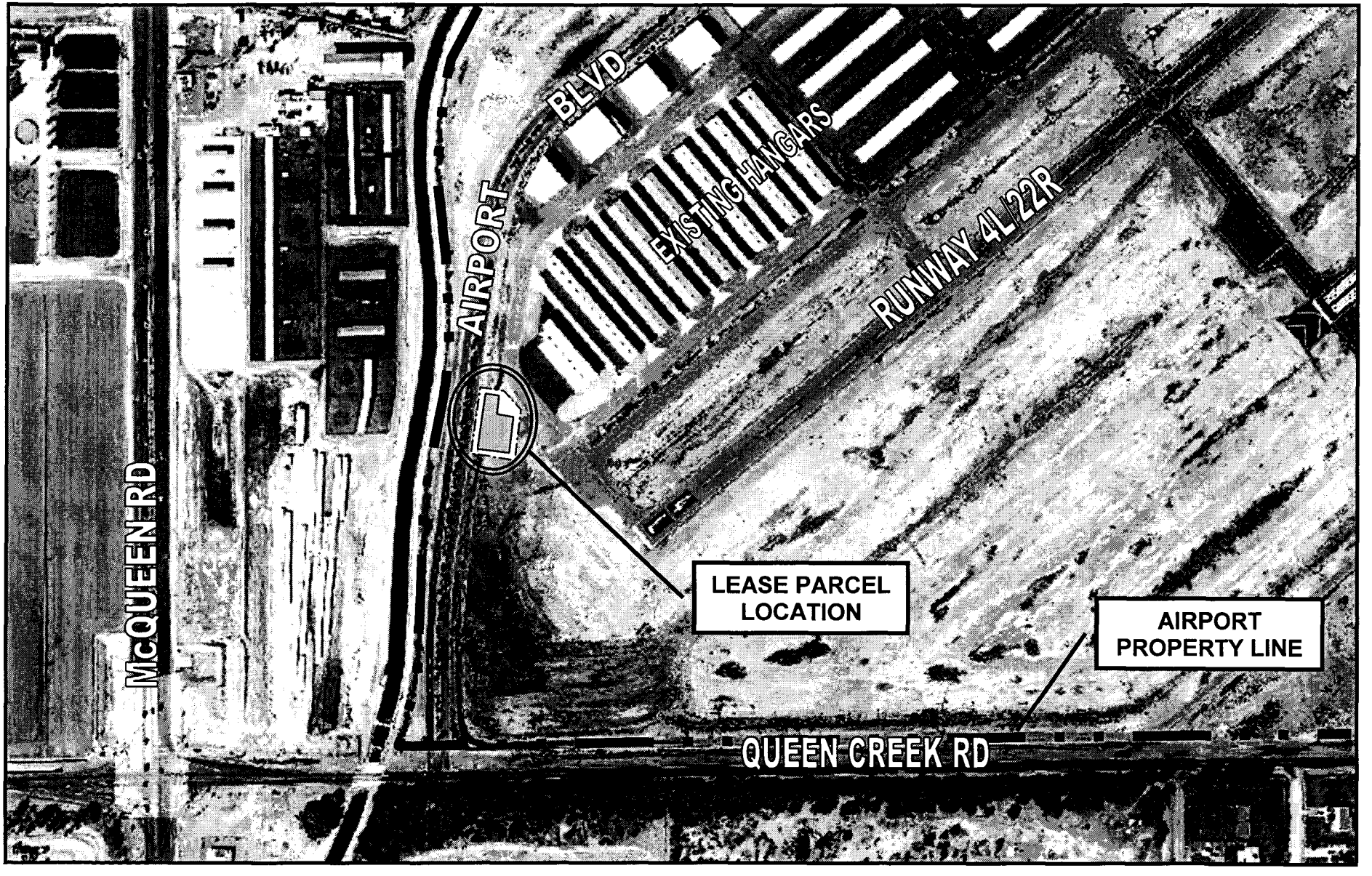
ATTACHMENT A

NORTH
NO SCALE

CHANDLER MUNICIPAL AIRPORT

ORDINANCE NO. 4020

GROUND LEASE WITH F&G ENTERPRISES, LLC -- LEASE LOCATION



ATTACHMENT B

NORTH
NO SCALE

CHANDLER MUNICIPAL AIRPORT

ORDINANCE NO. 4020

GROUND LEASE WITH F&G ENTERPRISES, LLC -- SITE LAYOUT

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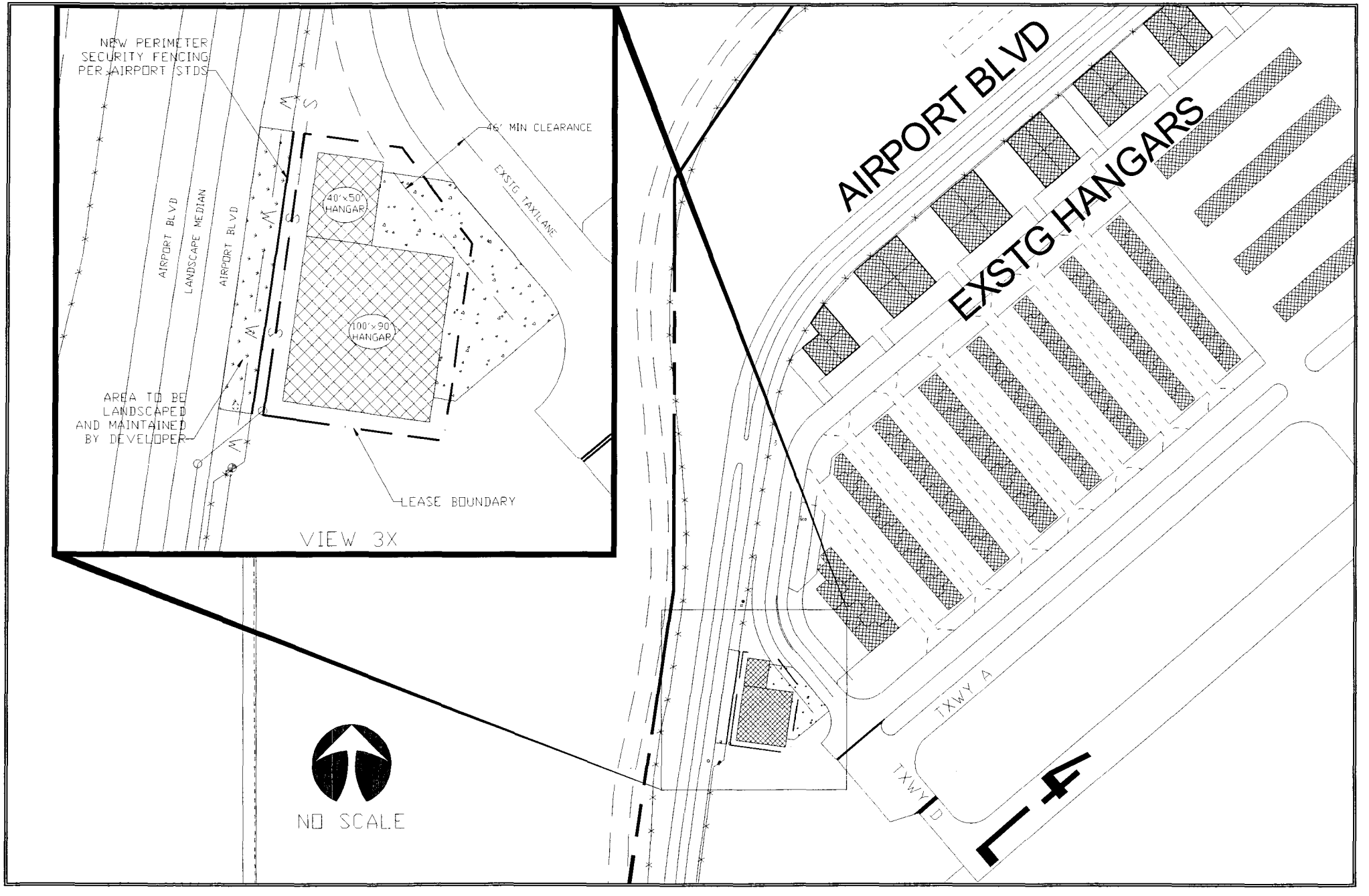

ORDINANCE NO. 4020

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CHANDLER, ARIZONA AUTHORIZING THE CITY TO ENTER INTO A LEASE AGREEMENT WITH F&G ENTERPRISES, LLC FOR THE PURPOSE OF CONSTRUCTING A HANGAR STORAGE FACILITY AT THE CHANDLER MUNICIPAL AIRPORT.

WHEREAS, the City of Chandler, owns an airport known as CHANDLER MUNICIPAL AIRPORT, located in the County of Maricopa, State of Arizona, (hereinafter called the "Airport"); and

WHEREAS, the City of Chandler permits a Direct Lease process for leasing property at the Chandler Municipal Airport; and

WHEREAS F&G Enterprises, LLC met the conditions of the Direct Lease process with an offer to lease land and develop a hangar storage facility at the Airport; and

WHEREAS, the City of Chandler desires to execute a Ground Lease Agreement with F&G Enterprises, LLC, regarding the development of property at the Airport.

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

SECTION 1. The Chandler City Council does hereby authorize the City of Chandler to enter into a Lease Agreement with F&G Enterprises, LLC, in substantially the form as attached hereto as Exhibit "A", and made a part hereof by reference, with the final form of said Lease Agreement, including all exhibits and minor language changes, to be approved by and acceptable to the City Attorney prior to execution of the Lease Agreement.

SECTION 2. The Mayor of the City of Chandler is hereby authorized to execute a Lease Agreement with F&G Enterprises, LLC, subject to the terms and conditions referenced in Section 1 above.

INTRODUCED AND TENTATIVELY approved by the City Council of the City of Chandler, Arizona, this ____ day of _____, 2008.

ATTEST:

_____ _____

CITY CLERK MAYOR

CERTIFICATION

I HEREBY CERTIFY that the above and foregoing Ordinance No. 4020 was duly passed and adopted by the City Council of the City of Chandler, Arizona, at a regular meeting held on the _____ day of _____, 2008, and that a quorum was present thereat.

_____
CITY CLERK

PUBLISHED:

APPROVED AS TO FORM:

_____
CITY ATTORNEY GAB

CHANDLER MUNICIPAL AIRPORT
AIRPORT LEASE CONTRACT
NO. 014

1. PARTIES. This Airport Lease Contract (this "Lease") is entered into effective May 1, 2008 (the "Effective Date"), by and between the CITY OF CHANDLER, an Arizona municipal corporation ("Landlord"), and F&G ENTERPRISES, L.L.C., an Arizona Limited Liability Corporation ("Tenant").

2. PREMISES AND IMPROVEMENTS.

2.1. PREMISES. Landlord leases to Tenant and Tenant leases from Landlord for the term of this Lease, at the rental, and upon all of the conditions set forth herein, that certain unimproved real property located in Maricopa County, Arizona, and legally described in attached Exhibit "A", which consists of 17,450.02 square feet or .40 acres (the "Premises"), and which is a portion of the real property owned and operated by Landlord as a municipal airport known as the Chandler Municipal Airport (the "Airport"), together with certain additional rights to use and access of the Public Airport Facilities (defined below) as set forth in Paragraph 2.2 of this Lease. The location of the Premises and the portion of the Public Airport Facilities immediately adjacent to the Premises are conceptually shown in attached Exhibit "B".

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

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

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

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

As used in this Paragraph 2.2 or elsewhere in this Lease, the terms "airside", "landside", "aeronautical activity", "commercial aviation activity" and "Airport Manager" have the same meaning as set out in the Airport Rules.

2.3. IMPROVEMENTS. Within eighteen (18) months from the Effective Date of this Lease, and subject to the Airport Manager's prior approval of Tenant's construction plans and specifications (the "Tenant's Plan"), Tenant, at Tenant's sole cost, shall construct upon the Premises one or more buildings and related common areas, aprons, access ways, taxi lanes, parking areas, utilities, landscaping, or other improvements as set forth in the Tenant's Plan (the

"Improvements") all in accordance with the requirements set forth in attached Exhibit "C". Based upon the representations made by Tenant in Tenant's Airport Lease Application package dated February 13, 2007, the Improvements are summarized in attached Exhibit "D". In no event shall any buildings identified as part of the Improvements contain less space than indicated in attached Exhibit "D".

(a) The construction of the Improvements shall be deemed completed when a certificate of occupancy is issued for the Improvements by the Building Department (as defined in attached Exhibit "C")

(b) Title to the Improvements shall remain the property of Tenant during the term of this Lease but, except for movable property and trade fixtures of Tenant not permanently affixed to the Premises, title to the Improvements, shall automatically pass to Landlord upon the expiration, termination, or any earlier cancellation of this Lease as provided herein. Notwithstanding the foregoing, Tenant agrees to execute, acknowledge and deliver to Landlord at or prior to the expiration, termination, or earlier cancellation of this Lease a proper recordable instrument prepared by Landlord quit claiming and releasing to Landlord any right, title and interest of Tenant in and to the Leased Premises and the Improvements.

2.4. SURETY BONDS. Prior to the construction of the Improvements, Tenant shall provide Landlord with a performance bond and a payment bond as follows:

(a) The performance bond shall be in an amount equal to the total cost of the Improvements. The condition of said bond shall be such that Tenant shall faithfully perform the construction of the Improvements in accordance with the approved Tenant's Plans. Such bond shall be solely for the protection of Landlord.

(b) The payment bond shall be in an amount equal to the total cost of the Improvements. The condition of said bond shall be such that Tenant shall promptly pay or cause to be paid all monies due to all persons supplying labor and materials in the construction of the Improvements.

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

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

(e) In the event that Tenant's lender, if any, requires such bonds, the bond requirements herein shall be satisfied if the bonds required by the lender meet the conditions of Paragraphs 2.4(a), (b), and (c), provided Landlord shall be named as a dual obligee or co-obligee under such bonds.

2.5. ACCEPTANCE OF PREMISES. Tenant acknowledges that Tenant has examined and conducted a Phase I environmental assessment of the Premises, and the adjoining portion of the Airport and accepts them upon signing this Lease in their condition as of the Effective Date, normal wear and tear excepted. Landlord has made no warranties, expressed or implied, as to any condition, apparent or unknown, affecting the Premises or the adjoining portion of the Airport, except as otherwise stated in this Lease. Tenant agrees to make any changes in the Premises reasonably needed to conform to any federal, state or local law applicable to the Tenant's use of

the Premises. Landlord warrants that improvements existing on the Premises at the Effective Date, if any, do conform to all applicable federal, state and local laws.

2.6. UTILITIES TO PREMISES.

(a) Tenant shall be responsible for extension of all utilities to the Leased Premises.

(b) Landlord represents that water and sewer lines are available for connection of those utilities to the boundaries of the Airport.

(c) Landlord shall grant such easements over the Airport as are required to allow electric and communication utilities to be extended to serve the Leased Premises.

(d) It is expressly understood and agreed by Landlord and Tenant that gas utility service is not available to the Airport and will not be made available to the Leased Premises.

2.7. CONSTRUCTION. All of the Improvements shall be constructed in one (1) phase. Construction of the Improvements shall begin within eighteen (18) months from the Effective Date of this Lease and shall be completed within twelve (12) months thereafter. Surety Bonds as described in paragraph 2.4 shall be required for each phase of the construction of the Improvements, and the provisions of paragraphs 2.3(a) and (b) shall apply to the Improvements constructed.

3. TERM. The term of this Lease (the "Term") shall initially be for a period of thirty (30) years, commencing on the Effective Date and ending on April 30, 2038. Tenant shall have two (2) options to extend the Term for an additional ten (10) years each. Tenant may exercise the first option by giving written notice to Landlord no later than 180 days prior to the expiration of the initial period of the Term of Tenant's intention to exercise the option. Tenant may exercise the second option by giving similar written notice to Landlord no later than 180 days prior to the expiration of the first extension of the Term of Tenant's intention to exercise. The first extension of the Term shall commence immediately upon the expiration of the initial period of the Term, and the second extension of the Term shall commence immediately upon expiration of the first additional period of the Term. All of the conditions, covenants and provisions of this Lease shall be in effect during the Term and any extension of the Term. The Term shall not be extended if Tenant is in default of Tenant's obligations under this Lease, whether monetary or non-monetary, on the date that Tenant gives any such written notice to Landlord or if Tenant is in default on the date that any extension of the Term would otherwise commence, unless or except if Tenant has timely cured any default after being given written notice thereof.

4. RENT.

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

4.2. MONTHLY BASE RENTAL. During the first year of the Term, Tenant shall pay to Landlord a monthly base rental of $293.74 (the "Monthly Base Rent"), which is based on an annual lease rate of $0.202 per square foot per year times 17,450.02 square feet divided by 12. On each one (1) year anniversary of the Rent Commencement Date, the Monthly Base Rent shall be increased in accordance with the provisions of Paragraph 4.3. When rent payments commence, the Monthly Base Rent due hereunder shall be payable in advance to Landlord on or

before the first day of each month during the Term at the address stated herein or to such other persons or at such other places as Landlord may designate in writing and shall be paid in lawful money of the United States of America. The Monthly Base Rent for any period during the Term which is for less than one month shall be a pro rata portion of the monthly installment.

4.3. MONTHLY BASE RENT INCREASE. Commencing on May 1, 2009, said date being the first one (1) year anniversary of the Rent Commencement Date, and on each subsequent one (1) year anniversary thereafter, the Monthly Base Rent shall be adjusted in accordance with this paragraph. The rent increase shall be determined by multiplying the current annual rent by the annual percent change in the Consumer Price Index for all Urban Consumers (CPI-U), as reflected in the U.S. Western Region Average CPI-U for All Items (Base period 1982-1984), for the month which is two (2) months prior to the month of the anniversary of the Rent Commencement Date ("the Adjustment Month") of the current lease year from the CPI-U for the Adjustment Month of the prior year, as those index figures are determined by the United States Department of Labor, Bureau of Labor Statistics. If there is no such CPI-U figure for the Adjustment Month of any year of the Term, then the Adjustment Month figure of the successor or most nearly comparable successor Index shall be used.

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

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

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

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

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

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

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

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

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

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

4.4. AIRCRAFT PARKING CHARGES. If Tenant reserves from Landlord any aircraft tie downs that are on the Public Airport Facilities and not on the Premises, Tenant may

opt to pay the monthly rate charged by Landlord for use of the tie downs as additional monthly rent under this Lease (the "Additional Monthly Rent"). Payment of the Additional Monthly Rent is due and payable at the same as the Monthly Base Rent and shall accompany the Monthly Base Rent payment made by Tenant to Landlord. The Additional Monthly Rent shall be the monthly rate charged by Landlord for use of aircraft tie downs on the Public Airport Facilities times the number of tie downs reserved by Tenant. The Additional Rent shall be adjusted to coincide with the any change in the rate charged by Landlord to the public for use of tie downs owned and maintained by Landlord as part of the Public Airport Facilities.

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

4.6. LATE PAYMENT INTEREST. If Landlord 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. Such interest commences on the date the rent is due and accrues until such 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, all further rent called for herein shall automatically become due and payable quarterly in advance rather than monthly, notwithstanding any other provision in this Lease to the contrary, and regardless of whether or not the interest is paid or collected. The imposition of such interest, or the conversion to quarterly payments, does not prevent Landlord from exercising any other rights and remedies under this Lease, including the termination of this Lease.

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

5. USE OF PREMISES.

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

(a) Aircraft major and minor repair

(b) Preventive Maintenance for aircraft

(c) Sales, leasing, financing, insuring, management and/or brokerage of aircraft, airframes, engines, and/or other aeronautical items.

(d) Storage of aircraft and parts

(e) Aerial photography or survey

(f) Aircraft charter & Air Taxi operations

(g) Corporate Flight Operations

5.2. PROHIBITED USES. The following activities are specifically excluded and prohibited unless prior written approval by the Airport Manager is provided:

(a) Ground transportation for hire;

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

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

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

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

(f) Food sales (except through coin-operated vending machines as provided in Paragraph 5.3).

(g) New and sundry sales not associated with the primary services listed in Paragraph 5.1;

(h) Barber, valet, and personal services;

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

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

(k) Retail sale of non-aviation products; and

(l) Sale of aviation fuels and lubricants except in the ordinary course of Tenant's business permitted pursuant to Paragraph 5.1.

5.3. VENDING MACHINES. Tenant may have soft drink, candy, coffee, food and other similar vending machines within each building on the Premises and for the exclusive use of Tenant's employees and customers.

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

5.5. COMPLIANCE WITH APPLICABLE LAWS. Tenant shall observe and comply with all applicable laws, ordinances, rules, and regulations of the United States of America, the State of Arizona, the County of Maricopa, and the City of Chandler and all agencies thereof, that

are now in effect or hereafter promulgated; and further, Tenant will display to Landlord any and all permits, licenses or other evidence of compliance with all laws upon request of Landlord.

5.6. HAZARDOUS MATERIAL.

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

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

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

(d) If Tenant's storage, use or disposal of any Hazardous Material in, on or adjacent to the Premises or the Airport results in any contamination of the Premises, the Airport, the soil, surface or groundwater thereunder, or the air above and around the Premises and the Airport, that (i) requires remediation under federal, state or local statutes, ordinances, regulations or policies or (ii) is at levels which are unacceptable to Landlord, in Landlord's sole and absolute discretion, Tenant agrees to clean-up the contamination immediately, at Tenant's sole cost and expense. Tenant further agrees to indemnify, defend and hold Landlord harmless from and against any claims, suits, causes of action, costs, damages, loss and fees, including attorneys' fees and costs, arising out of or in connection with: (i) any clean-up work, inquiry or enforcement proceeding relating to Hazardous Material currently or hereafter used, stored or disposed by Tenant or its agents, employees, contractors, or invitees on or about the Premises or the Airport; and (ii) the use, storage, disposal or release by Tenant or its agents, employees, contractors, or invitees of any Hazardous Material on or about the Premises or the Airport.

(e) Notwithstanding any other right of entry granted to Landlord under this Lease, Landlord shall have the right to enter the Premises or to have consultants enter the Premises from and after the Tenant's entry onto the Premises for construction of the Improvements, if applicable, and throughout the remainder of the Term at reasonable times for the purpose of determining: (i) whether the Premises is in conformity with federal, state and local statutes, regulations, ordinances, and policies, including those pertaining to the environmental condition of the

Premises; (ii) whether Tenant has complied with this Paragraph 5.6; and (iii) the corrective measures, if any, required of Tenant to ensure the safe use, storage and disposal of Hazardous Material. Tenant agrees to provide access and reasonable assistance for such inspections. Such inspections may include, but are not limited to, entering the Premises with machinery for the purpose of obtaining laboratory samples. Landlord shall not be limited in the number of such inspections during the Term. If, during such inspections, it is found that Tenant's use of Hazardous Material constitutes a violation of this Lease, Tenant shall reimburse Landlord for the cost of such inspections within ten (10) days of receipt of a written statement therefor. If such consultants determine that the Premises is contaminated with Hazardous Material or in violation of any applicable environmental law and the same was caused by Tenant or Tenant's agents, Tenant shall, in a timely manner, at its expense, remove such Hazardous Material or otherwise comply with the recommendations of such consultants to the reasonable satisfaction of Landlord and any applicable governmental agencies. If Tenant fails to do so, Landlord, at its sole discretion, may, in addition to all other remedies available to Landlord under this Lease and at law and in equity, cause the violation and/or contamination to be remedied at Tenant's sole cost and expense. The right granted to Landlord herein to inspect the Premises shall not create a duty on Landlord's part to inspect the Premises, or liability of Landlord for Tenant's use, storage or disposal of Hazardous Material, it being understood that Tenant shall be solely responsible for all liability in connection therewith.

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

(g) Tenant's obligations under this Paragraph 5.6 and all indemnification obligations of Tenant under this Lease shall survive the expiration or earlier termination of this Lease.

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

6.1. NONDISCRIMINATION. Tenant agrees that:

(a) In the operations to be conducted pursuant to the provisions of this Lease and otherwise in the use of the Airport, Tenant shall not discriminate or permit discrimination against any person or class of persons by reason of race, color, creed, or national origin in any manner prohibited by any of the FAA Regulations or any amendments thereto.

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

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

(d) Tenant 's noncompliance with the provisions in Paragraphs 6.1(a), (b) and (c) shall constitute a material breach of this Lease. In the event of such noncompliance, Landlord may enforce compliance, terminate this Lease, or pursue such other remedies as may be provided by

law. Landlord also reserves the right to take such action as the appropriate state or federal authority may direct in order to enforce compliance.

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

6.2. OPERATIONS.

(a) If Tenant's use of the Premises is for a commercial aviation activity, Tenant shall keep Tenant's business open to serve the flying public for at least the number or specific days of the week and hours per working day as represented by Tenant in Tenant's Lease Application submittal dated February 13, 2007.

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

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

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

7. ADDITIONAL GENERAL CONDITIONS OF THE LEASE.

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

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

7.3. AIRSPACE RESERVATION. There is hereby reserved to Landlord, for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the

surface of the Premises and the Airport, together with the right to cause in said airspace such noise as may be inherent in the operation of aircraft, now known or hereafter used for navigation of or flight in the air, using said airspace for landing at, taking off from, or operating at the Airport.

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

7.5. NO EXCLUSIVE RIGHTS. It is understood and agreed that nothing herein contained shall be construed to grant or authorize the granting of an exclusive right within the meaning of Section 308 of the Federal Aviation Act.

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

8. INSURANCE; INDEMNITY.

8.1. INSURANCE.

(a) If Tenant uses the Premises for any type of commercial aviation activity during the Term of this Lease, then prior to undertaking such commercial aviation activity, Tenant, at Tenant's sole cost and expense, shall procure and maintain insurance coverage in the amount and type, and subject to the conditions, made applicable to such commercial aviation activity at the Airport and on the Premises under Section 11 of the Airport Rules.

(b) If Tenant uses the Premises solely for non-commercial aeronautical activities, then prior to undertaking such commercial aviation activity, Tenant, at Tenant's sole cost and expense, shall procure and maintain insurance coverage in the following amount and type: (i) comprehensive public liability insurance, insuring against bodily injury, death and property damage occurring in, on, or about the demised premises with limits of not less than $1,000,000.00 combined single limit; and (ii) fire and extended coverage insurance with respect to the Premises with limits of not less than eighty percent (80%) of the replacement value of the Improvements.

(c) All policies and certificates of insurance (i) shall be in such form and contain such conditions as are satisfactory to Landlord; (ii) shall name Landlord as an additional insured; and (iii) shall contain an endorsement providing that the coverage afforded under such policies shall not be reduced, canceled or allowed to expire until at least thirty (30) days prior written notice has been given to Landlord. Evidence of such insurance shall be provided to Landlord promptly after a request therefor. The parties, understand, agree and acknowledge that, notwithstanding any other insurance requirements, hangarkeeper's liability insurance is required if any aircraft is located on the Premises for safekeeping, storage, service, or repair, and such insurance shall be in at least that minimum amount stated in the Airport Rules.

8.2. INDEMNIFICATION.

(a) Tenant does hereby covenant and agree to indemnify and save harmless Landlord from any and all fines, suits, claims, demands, actions and/or causes of actions of any kind and nature for personal injury or death or property damage arising out of or resulting from any activity or operation of Tenant on the Premises or in connection with its use of the Premises; provided,

however, that Tenant shall not be liable for any injury, damage or loss occasioned by the sole negligence or willful misconduct of Landlord, its agents or employees. Landlord shall give to Tenant prompt and timely notice of any claim made or suits instituted which in any way, directly or indirectly, contingently or otherwise, affects or might affect Tenant and Tenant shall have the right to compromise and defend the same to the extent of its own interest.

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

9. MAINTENANCE, REPAIRS AND ALTERATIONS.

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

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

(b) Landlord, in order to maintain the Premises in the manner consistent with the general maintenance of the Airport or in order to maintain similar standards of custodial service throughout the Airport, may, but shall not be required to, assume some or all of the Tenant's maintenance obligation, including, but not limited to, Tenant's obligation for providing janitorial and custodial services, *provided that* Landlord shall first give written notice to Tenant, which shall advise Tenant of Tenant's failure to provide proper maintenance, or failure to maintain the proper standard of janitorial and custodial service, and Tenant shall have failed adequately remedy the failure within thirty (30) days of the notice having been given. In the event that Landlord does take over the maintenance obligation, Tenant shall be responsible for the reasonable expense incurred by Landlord in doing so.

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

10. PUBLIC AIRPORT FACILITIES.

10.1. LANDLORD'S CONTROL OF AIRPORT.

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

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

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

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

(e) Notwithstanding any of the provisions of this Paragraph 10.1, Landlord shall not make changes in the Public Airport Facilities that materially and adversely affect Tenant's right of access and use of the Public Airport Facilities, except temporarily during periods of construction.

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

11. ASSIGNMENT AND SUBLETTING.

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

11.2. HANGAR STORAGE. Notwithstanding paragraph 11.1, if, pursuant to paragraph 5.1, Tenant is permitted to use the Premises for the commercial aviation activity of operating a hangar leasing service, then Tenant may sublet or assign individual hangar units that are part of the Improvements to third parties without prior written consent of Landlord provided that:

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

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

(c) Tenant provides to the Airport Manager on a quarterly basis (defined as the report being submitted on or before the last day of March, June, September and December of each calendar year for the duration of this lease and any extensions thereof), a list that identifies the name of each sublessee or assignee or other holder of an interest in a hangar unit (and where said person is a partnership, corporation or other business entity, the name of its principal contact) and the tail number of each aircraft stored or parked on the premises during that quarterly reporting period.

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

11.4. TRUST DEED BENEFICIARIES AND MORTGAGEES. Notwithstanding paragraph 11.1, Landlord agrees that it will consent to Tenant's assignment of this Lease (and the leasehold created hereby) for security purposes to Tenant's prime lender, but only under and pursuant to the terms and conditions contained in the form of City's Consent and Agreement attached hereto as Exhibit "E", which must be signed by such lender prior to Landlord's consent being given.

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

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

14. DEFAULTS; REMEDIES.

14.1. DEFAULTS BY TENANT. The occurrence of any one or more of the following events shall constitute a material default and breach of this Lease by Tenant:

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

(b) The failure by Tenant to make any payment of rent or any other payment required to be made by Tenant and following written notice and a fifteen (15) day opportunity to cure;

(c) The failure by Tenant to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Tenant, other than described in paragraph 14.1(b) above, where such failure continues for a period of thirty (30) days after written notice thereof from Landlord to Tenant. Provided, however, that if the nature of Tenant's obligation is such that more than thirty (30) days are required for performance, then Tenant shall not be in

default if Tenant commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion;

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

(e) The chronic delinquency by Tenant in the payment of monthly rental, or any other periodic payment required to be paid by Tenant under this Lease. "Chronic delinquency" shall mean failure by Tenant to pay monthly rental, or any other periodic payment required to be paid by Tenant under this Lease, within five (5) days as described in paragraph 14.1(b) above, for any three (3) months (consecutive or nonconsecutive) during any twelve (12) month period during the Term. In the event of a chronic delinquency, at Landlord's option, Landlord shall have the additional right to require that monthly rental be paid by Tenant quarter-annually, in advance, for the remainder of the Term.

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

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

(b) Re-enter the Premises, without terminating this Lease, and remove any property from the Premises, in which case Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the rent and all other amounts due hereunder as they become due. No re-entry or taking possession of the Premises by Landlord pursuant to this paragraph 14.2 or other action on Landlord's part shall be construed as an election to terminate the Lease unless a written notice of such intention is given to Tenant or unless the termination thereof is decreed by a court of competent jurisdiction. Landlord's election not to terminate this Lease pursuant to this paragraph 14.2(b) or pursuant to any other provision of this Lease shall not preclude Landlord from subsequently electing to terminate this Lease or pursuing any of its other remedies.

(c) Maintain Tenant's right to possession, in which case this Lease shall continue in effect, whether or not Tenant shall have abandoned the Premises. In such event, Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the rent and all other amounts due hereunder as they become due.

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

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

14.3. DEFAULT BY LANDLORD.

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

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

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

14.4 CANCELLATION BY LESSEE

(a) Tenant, in addition to any other right of cancellation herein given by Landlord or any other rights to which Tenant may be entitled by law or otherwise, may cancel this Lease in whole and terminate all of its obligations hereunder at any time that Tenant is not in default in its payments to Landlord hereunder, by giving Landlord thirty (30) days advance written notice to be served as hereinafter provided, upon or after the happening of any one of the following events:

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

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

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

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

(b) Tenant's performance of all or any part of this agreement for or during any period or periods after a default of any of the terms, covenants, and conditions herein contained to be

performed, kept and observed by Landlord shall not be deemed a waiver of any right on the part of Tenant to cancel this agreement for failure by Landlord so to perform, keep, or observe any of the terms, covenants or conditions hereof to be performed, kept and observed. No waiver of default by Tenant of any of the terms, covenants or conditions hereof required to be kept and observed by Landlord shall be construed to be or act as a waiver by Tenant of any subsequent default of any of the terms, covenants and conditions herein contained to be performed, kept and observed by Landlord.

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

16. SUSPENSION AND ABATEMENT; FORCE MAJEURE. In the event that Landlord's operation of the Airport, or Tenant's operations at the Airport, is restricted substantially by action of the Federal Government, or any agency thereof, then either party hereto shall have the right, upon written notice to the other, to a suspension of this Lease and an abatement of a just proportion of the services and facilities to be afforded hereunder, or a just proportion of the payments to become due hereunder, from the time of such notice until such restrictions shall have been remedied and normal operations restored.

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

18. SURRENDER OF POSSESSION. Upon the expiration of the Term or earlier termination of this Lease, Tenant's right to use the Premises and the Improvements, and any right of access and use of the Public Airport Facilities provided under this Lease, shall cease and Tenant shall forthwith upon such expiration or termination surrender the same and leave the Premises in good condition except for normal wear or tear. Except for movable property and trade fixtures of Tenant not permanently affixed to the Premises, title to all of the Improvements shall automatically pass to Landlord as provided herein.

19. GENERAL PROVISIONS.

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

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

19.3. NOTICE. 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 Landlord: City Manager
City of Chandler
Mail Stop 605, Post Office Box 4008
Chandler, Arizona 85244-4008
Fax No.: (480) 782-2209

With a copies to: Airport Manager
Chandler Municipal Airport
2380 South Stinson Way
Chandler, Arizona 85249
Fax No.: (480) 782-3541

And

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

To Tenant: _____
_____
_____
_____, _____ _____
Fax No.: _____

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

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

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

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

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

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

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

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

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

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

LANDLORD: CITY OF CHANDLER, an Arizona municipal corporation

_____

By: Boyd Dunn
Its: Mayor
ATTEST:

_____

City Clerk

APPROVED AS TO FORM:

_____

CITY ATTORNEY

TENANT: F&G ENTERPRISES, LLC, an Arizona Limited Liability Corporation

_____

By: Hyrum G. Hatch
Its: President/CEO
ATTEST:

_____

Its: _____

EXHIBIT "A"

LEGAL DESCRIPTION OF LEASE PROPERTY

A parcel of leased land in the Southwest quarter of Section 11, Township 2, South, Range 5 East, of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, more particularly described as follows:

Beginning at the Southwest corner of said Section 11, marked by a City of Chandler brass cap in a handhole which lies South 00°18'47" East a distance of 2,652.41 feet from the West quarter corner of said section;

Thence North 45°02'40" East a distance of 1,204.58 feet to the True Point of Beginning;
Thence North 08°10'15" East a distance of 170.00 feet;
Thence South 81°49'45" East a distance of 60.00 feet;
Thence South 36°49'45" East a distance of 70.71 feet;
Thence South 08°10'15" West a distance of 120.00 feet;
Thence North 81°49'45" West a distance of 110.00 feet to the True Point of Beginning.

Containing 17,450.02 Square Feet or 0.40 acres and being subject to any easements, restrictions or rights-of-way of record or otherwise.

EXHIBIT "B"

DIAGRAM OF LEASED PROPERTY AND SURROUNDING AIRPORT FEATURES

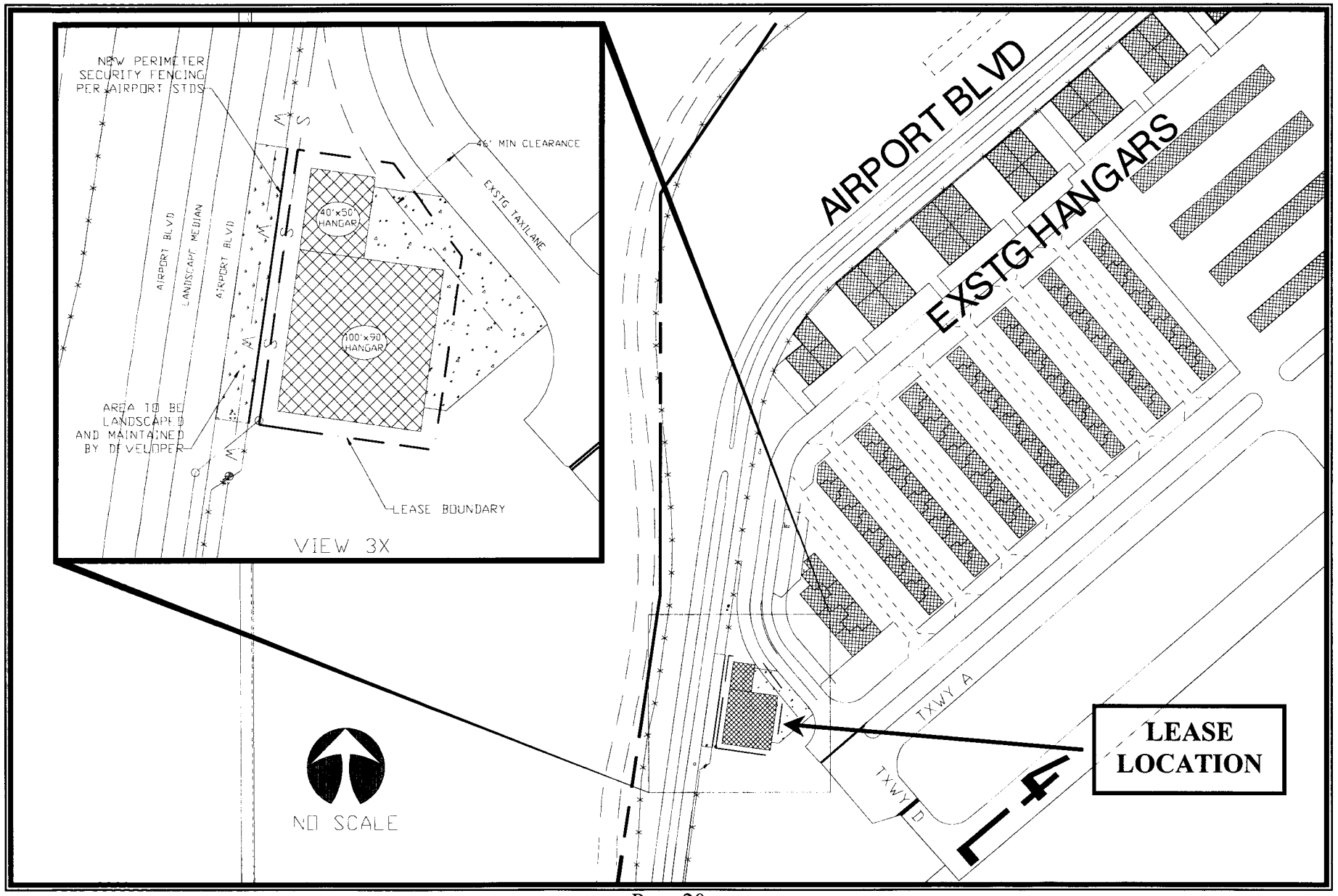

EXHIBIT "C"

REQUIREMENTS AS TO IMPROVEMENTS

These conditions and requirements (herein, the "conditions") relating to improvements in this Exhibit "C" shall control unless Landlord and Tenant have otherwise separately agreed in writing to more specific time periods for production and coordination of drawings, financing and commencement of construction. In the event such additional documentation becomes a part of this Lease, then the time periods set forth in such documents shall be logically coordinated, the intent being that the shorter time periods should control the parties' respective performances.

The conditions stated herein relate solely to reviews and approvals by the Airport Manager of the Chandler Municipal Airport, acting on behalf of Landlord under this Lease. The conditions do not affect in any way the procedures and requirements to be followed and met for obtaining development approvals from the City of Chandler necessary for issuance of any permits or approvals related to development within the City of Chandler. Nothing herein shall prohibit Tenant from proceeding with necessary development approvals simultaneous with obtaining the approvals stated below from the Airport Manager if doing so will assist the Tenant in meeting the construction and development deadlines called for in this Lease.

1. AIRPORT MANAGER APPROVAL OF TENANT'S IMPROVEMENTS.

As used in this Exhibit "C", the terms "improvements" or "structures" shall mean and include without limitation all permanent buildings, and all other structures or improvements of any kind located above ground level, plus any replacements, additions, repairs or alterations thereto. No improvement shall be constructed or maintained on the Leased Premises until the Airport Manager has first approved the design, density, size, appearance and location thereof—which approval shall not be unreasonably withheld. Before commencing any work of improvement or applying for any governmental permit or approval, Tenant shall first deliver to the Airport Manager for review two (2) sets of the preliminary site plan as submitted to the City's Planning and Development Services Department, and schematic building plans, including grading and drainage plans, exterior elevations, floor plans, site plans, and showing in reasonable detail existing topography and proposed type of use, size, land coverage, shape, height, location, material and elevation of each proposed improvement, all proposed ingress and egress to public or private streets or roads, all utilities and service connections, and all proposed landscaping, exterior materials and fences, parking, exterior lighting, signs, cut and fill, finished grade, runoff and concentration points. Nothing in this paragraph shall imply a submission standard higher than that required for a building permit, except as it relates to land use(s), utilities, infrastructure and impact upon adjoining properties and use(s) of adjoining properties.

The Airport Manager shall then have ten (10) calendar days during which to review such preliminary plans and specifications. Once the preliminary plans and specifications have been reviewed, but prior to commencing any such work, Tenant shall submit to the Airport Manager for approval the final plans and specifications for any proposed improvements in the same manner as provided above, which approval shall not be unreasonably withheld.

All plans and specifications shall be prepared by a licensed or registered architect or engineer, as the case may be.

The Airport Manager shall be deemed to have given approval unless, within ten (10) calendar days after all such plans and specifications have been received by the Airport Manager for review, the Airport Manager gives Tenant written notice of each item of which the Airport Manager reasonably disapproves. The Airport Manager may disapprove any plans which are not in harmony or not compatible with other existing or proposed improvements on or in the vicinity of the Leased Premises, or consistent with the City Master Plan for Airport property in the general area in which the Leased Premises is located, the sole discretion as to such adequacy remaining with the Airport Manager. Notwithstanding the foregoing, Tenant may, in accordance with this Lease, repair, replace, alter or reconstruct any improvement on the Leased Premises for which plans were previously approved by the Airport Manager as provided above, but only if such repair, replacement, alteration or reconstruction is substantially identical to the improvement previously approved.

Concerning utility installations, Tenant, at Tenant's sole cost, including any connection fees, assessments or changes, shall be responsible for (a) the cost of extending an/or connecting for use at the Leased Premises water and sewer services made available by Landlord to the Airport, and (b) the cost of constructing, extending and connecting electric and communications services required by Tenant for its use of the Leased Premises, excluding the cost of any easement for extending such utilities, which easement shall be provided by Landlord at no additional cost to Tenant.

The Airport Manager shall not be liable for any damages in connection with approval or disapproval of any plans or specifications, any Tenant construction or performance by Tenant on the Leased Premises in connection with the erection of such improvements, any Tenant mistake in judgment, negligence or omissions in exercising Tenant's rights and responsibilities hereunder, or the enforcement or failure to enforce any provisions contained in the Lease. The Airport Manager's approval of plans and specifications shall not constitute the assumption of any responsibility by the City or its representatives for the accuracy, efficacy or sufficiency thereof, and Tenant shall be solely responsible therefor.

Notwithstanding any other provision of this Section 1 of Exhibit "C", if an improvement involves a modification to an aircraft hangar or hangar unit that is of such a minor nature that the City department responsible for issuing building permits (the "Building Department") does not require the submittal of plans and specifications prepared by a licensed or registered architect or engineer, or the improvement does not require a permit from the Building Department, then Tenant shall submit to the Airport Manager: (i) such information concerning the improvement as may be reasonably required by the Building Department, along with a written confirmation from the Building Department that plans and specifications prepared by a licensed or registered architect or engineer are not required and that a building permit is not required; and (ii) such additional information as the Airport Manager may reasonably require in order to determine whether the improvement will be in harmony and compatible with other existing or proposed improvements on or in the vicinity of the Leased Premises, or with the City's Master Plan for the Airport property in the general area in which the Leased Premises is located.

2. CERTIFICATES OF COMPLIANCE.

Tenant shall obtain all necessary permits and shall send copies of the same to the Airport Manager, as well as copies of Certificates of Completion/Occupancy associated with such permits and pay the cost thereof. Prior to commencement of any such work of improvements, Tenant shall supply to the Airport Manager a certificate from a licensed civil engineer or land surveyor verifying that the proposed improvements will be located on the correct parcel and in accordance with plans previously approved by the Airport Manager. The Airport Manager may waive such requirement if the City has already surveyed the proposed premises. Upon final completion of any such improvements, Tenant shall supply to the City a further certification by Tenant's architect (including the landscape architect in the case of improvements consisting of landscaping) that the improvements have been completed in accordance with the plans previously approved by the City. Final landscaping as approved by the City shall be completed within ninety (90) days after completion of the structure. Tenant shall also supply to the City one (1) set of "as-built" grading plans showing all underground installations within sixty (60) days following final completion of any of the improvement within the Leased Premises. Tenant shall also furnish the City with a complete set of "as-built" building plans not later than sixty (60) days after completion.

3. DILIGENT COMPLETION AND COMPLIANCE.

After commencement of construction, Tenant shall diligently complete the construction so that the improvements will not remain in a partly finished condition any longer than is reasonably necessary. Tenant shall comply with all applicable governmental laws, ordinances and other requirements, conditions and restrictions that may affect the leased premises, including, without limitation, the Americans With Disabilities Act, and shall make such corrections, alterations or other improvements as may be necessary to remedy any non-complying condition (subject to the reasonable approval of the City), all at the sole cost and expense of Tenant.

EXHIBIT "D"

IMPROVEMENTS

Construction of the project shall entail essentially the development as depicted in Exhibit B of this Lease and shall:

Commence within eighteen (18) months of Lease Effective Date with full completion within thirty (30) months of Lease Effective Date. Consisting of:

- Begin construction on premises consisting of one contiguous (1) structure comprised of two separate hangar units. One unit to consist of approximately 9,000 total square feet, and the second unit comprising approximately 2,000 square feet for a total building size of 11,000 square feet.
- Building height shall conform to all Federal Aviation Administration (FAA) requirements contained in the Determination responding to Tenant's submittal of an FAA Form 7460-1.
- Apron/staging area connecting hangar and adjacent taxilane. As this apron/staging area is located adjacent to the object free area for the adjacent taxilane, Tenant agrees to mark a line on the apron/staging area showing the parameters of the taxilane object free (TOFA) area. Said line will be shown at a distance measuring 46 feet from the adjacent taxilane centerline. Tenant agrees to avoid parking aircraft or other vehicles on or within the TOFA for periods greater than 5 minutes. Tenant agrees to require any sublessees or assignees to abide by the same requirements under possible penalty of loss of airport access privileges for the offender and the potential breach of this contract.
- Airport security perimeter fencing meeting Airport Standard Details. At no time shall an opening be allowed in the airport perimeter fencing without physical staffing to prevent access by any persons or vehicles not having authorization granted by the Airport Manager or designee.
- Landscaping between new airport security perimeter fencing and existing back of curb on Airport Boulevard. Tenant agrees to maintain this landscaping for the duration of this lease and any extensions.

EXHIBIT "E"

CITY'S CONSENT AND AGREEMENT
(For Financing Purposes)

Description of Ground Lease.

"City": City of Chandler, an Arizona municipal corporation

"Tenant": F&G Enterprises, LLC, an Arizona Limited Liability Corporation

"Lease": Ground Lease dated May 1, 2008

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

"Lender": _____
_____
_____
_____

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

equipment and/or units thereof, or permanent walls or partitions installed by Tenant. In the event Lender so realizes on its collateral, City waives any right, title, claim, lien or interest in the above trade fixtures by reason of such fixtures being attached to or located on the Leased Premises. Lender shall use reasonable care in removing the trade fixtures from the premises and shall repair any damage that may result from such removal which shall be completed accordance with the terms of the Lease.

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

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

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

If to Lender: _____
_____
_____
_____

If to City: Airport 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 OF CHANDLER, an Arizona municipal corporation

By: _____

Its: _____

AGREED to this _____ day of _____, 20_____.

LENDER: _____

By: _____

Its: _____

SCHEDULE A

To City's Consent and Agreement (Exhibit ____)

C o p y o f L e a s e

EXHIBIT "F"

When recorded, return to:

MEMORANDUM OF LEASE

This Memorandum of Lease is made as of this ____ day of _____, 20____, by and between the **City of Chandler**, an Arizona municipal corporation, with an office at the Chandler Municipal Airport, 2380 South Stinson Way, Chandler, Arizona 85249 (hereinafter referred to as "Landlord") and **F&G Enterprises**, LLC, an Arizona Limited Liability Corporation, with an office at 700 N. Dobson Rd, Chandler, Arizona 85224 (hereinafter referred to as "Tenant").

1. Landlord and Tenant have entered into a lease agreement identified as Airport Lease Contract No. 14 (the "Lease") on the 1st day of May, 2008, pursuant to which Tenant is permitted to make use and take possession of certain undeveloped real property for specified aeronautical activities or commercial aviation activities, all as set forth in the Lease.

2. The term of the Lease is for thirty (30) years commencing on May 1, 2008 (the "Commencement Date") and terminating on the 30th anniversary of the Commencement Date, with two (2) successive ten (10) year options to renew.

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

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

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

LANDLORD: CITY OF CHANDLER, an Arizona municipal corporation

_____

By: Boyd Dunn
Its: Mayor

TENANT: F&G Enterprises, L.L.C., an Arizona Limited Liability Corporation

_____

By: Hyrum G, Hatch
Its: President/CEO

APPROVED AS TO FORM:

_____

City Attorney

STATE OF ARIZONA)
) ss.
County of Maricopa)

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

_____
Notary Public

My Commission Expires:

_____

STATE OF ARIZONA)
) ss.
County of Maricopa)

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

_____
Notary Public

My Commission Expires:

_____