

HEBER CITY CORPORATION
75 North Main Street
Heber City, Utah
Airport Advisory Board Meeting
Wednesday, August 20, 2014

4:00 p.m.
Regular Meeting

TIME AND ORDER OF ITEMS ARE APPROXIMATE AND MAY BE CHANGED AS TIME PERMITS

Public notice is hereby given that the monthly meeting of the Heber City Airport Advisory Board will be at in the Heber City Office Building, 75 North Main, South door, in the Council Chambers upstairs. The following items will be discussed:

Agenda:

Approval of Minutes

July 16, 2014, Regular Meeting

1. Airport Manager Report
2. Presentation and discussion of Armstrong Consultants' recommendations for mitigating runway closure during construction of Runway and Apron Reconstruction Project
3. Barry Hancock – Request for Specialized Aviation Service Operator (SASO) – Utah Warbird Adventures
4. Nadim AbuHaidar – OK3-Air –FBO Lease Extension and Leasehold Modification Request
5. Nadim AbuHaidar – OK3-Air – Hangar A Extension Request
6. Discuss Recommended Details of Non-Reversionary Lease Rates for New Hangar Agreements
7. Discuss existing Hangar end of lease extension agreements and process by which a hangar can be transferred
8. Other Items as Needed

In accordance with the Americans with Disabilities Act, those needing special accommodations during this meeting or who are non-English speaking should contact Karen Tozier or the Heber City Planning and Zoning Department (435-654-4830) at least eight hours prior to the meeting.

Posted on August 14, 2014, in the Heber City Municipal Building located at 75 North Main, Wasatch County Building, Wasatch County Community Development Building, Wasatch County Library, on the Heber City Website at www.ci.heber.ut.us, and on the Utah Public Notice Website at <http://pmn.utah.gov>. Notice provided to the Wasatch Wave on August 14, 2014.

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3 HEBER CITY CORPORATION
4 OK3-AIR, 1980 Airport Road (Hangar E)
5 Heber City, Utah
6 Airport Advisory Board Meeting
7 Wednesday, July 16, 2014
8

9 4:00 p.m.
10 Regular Meeting
11

Members Present: Heidi Franco Airport Advisory Board
Kari McFee Airport Advisory Board
Mel McQuarrie Airport Advisory Board
Ron Phillips Airport Advisory Board
Dave Hansen Airport Advisory Board

Absent: Jeff Mabbutt Airport Advisory Board
Erik Rowland Airport Advisory Board

Others: Mark Anderson City Manager
Terry Loboschefskey Airport Manager
Karen Tozier Airport Advisory Board Secretary

12
13 Others: Paul Boyer, Ryan Pritchett, Alan Robertson, Dale Stewart, Jeremy McAlister, and Cole Miller.
14

15 Chairman McQuarrie convened the meeting at 4:00 p.m. with a quorum present. The meeting was held at
16 the offices of OK3-AIR, 1980 Airport Road, Hangar E, Boardmembers Mabbutt and Rowland were
17 excused.
18

19 **Approval of Minutes**
20

21 **June 18, 2014, Regular Meeting**
22

23 Board Member Phillips moved to approve the June 18th Meeting Minutes with the one issue pointed out to
24 Karen; and mentioned this was a technical issue. Board Member McFee seconded the motion. Chairman
25 McQuarrie indicated he had a clarification on one item, on line 185. He indicated that he thought this
26 should be competitive with the current market. Karen Tozier asked if he wanted the minutes to be revised
27 by adding this. He indicated that it was a little bit confusing, in discussing Mark Anderson's spreadsheet
28 addressing what the lease rate should be that the wording "high enough for non-reversionary" was not
29 explanatory enough. Chairman McQuarrie indicated it was not a big deal, was a non-issue but if Karen
30 Tozier wanted to change it she could. Board Member Phillips amended his motion to include this
31 correction. Board Member McFee seconded the motion. Voting Aye: Board Members McQuarrie,
32 McFee, and Phillips. Abstaining: Board Member Hansen. Voting Nay: none. The motion carried.
33

34 **Item 1 Airport Manager Report**
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36 Terry Loboschefskey reviewed information from his report. Discussion on how long the apron
37 rehabilitation project would take to complete and when the job would start. There was also discussion on
38 the bid process. April 15, 2015 has been suggested for the project start date. There were comments that
39 May would be better.
40

41 Paul Boyer asked if bush planes would be able to take off from the grass. There were thoughts expressed
42 that this would be a complete closure but the answer was unsure. Dale Stewart indicated the airport in

43 McCall, Idaho kept their airport open during a construction project. It was noted there would be several
44 months to discuss this issue and come to a decision. Contacting FSDO and Kristen Brownson of the FAA
45 was mentioned.

46
47 Terry Loboschefskey has generated a noise complaint form; this would be placed on the website and forms
48 for payment and tracking of the glider trailers have been created.

49
50 **Item 2 Update on Runway and Apron Reconstruction Project**

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52 This subject was discussed earlier in the meeting during the presentation of the Airport Manager's report.

53
54 **Item 3 Review Request from OK3-AIR for an extension of the FBO Lease**

55
56 Mel McQuarrie pointed out an area on the map, in the southwest that did not make sense; he thought this
57 would create a problem for the City to lease other land to people. This area was the grass field. He
58 thought if OK3-AIR wanted more ramp space they could give this up for more lease space. Alan
59 Robertson indicated that at this stage anything like this was worthy of consideration.

60
61 A tour was taken of the field. Discussion continued after the tour. Terry Loboschefskey pointed out that
62 whatever the lease turns out to be that snow removal is a component. He indicated there needs to be
63 discussion on where to push and place the snow to and also that after the apron rehab is completed that
64 the tie down layout will be different.

65
66 Anderson read most of the first paragraph from the body of the Amended FBO Agreement dated the 8th
67 of January 1995. He indicated that he believed the western area of the ramp or apron that was constructed
68 in 2001 was intended to be in the leasehold per the agreement but at the same time the city had the right to
69 say there are other areas in the leasehold that we may want to remove to allow for the construction of
70 hangars or more ramp space. He concluded that this discussion has never been held.

71
72 The Airport Advisory Board discussed the following:

- 73
74
- 75 • The City is maintaining the FBO's asphalt; what can be done to make this equitable;
 - 76 • More information is needed from Staff. If extending existing leases to match Hangar E, what
77 does that mean in terms of lease rates in the future? Staff was to work to bring information
78 regarding this and what the market is doing and other airports are doing.
 - 79 • Does the leasehold make sense? Is there a place for parking and locations for additional hangars
80 to be constructed, particularly with respect to the relocation of the vault?
 - 81 • Are we conforming with all the FAA guidelines; if the City assigns all the apron or ramp to OK3-
82 AIR is the City going to lose funding?
 - 83 • Swapping property at the Airport that made sense;
 - 84 • What does the current lease state? This was looked at and the ramp was not part of what the City
85 has to maintain.
 - 86 • Overlaying the terminal area drawing over the lease hold survey to better evaluate. Armstrong
87 Consulting would be tasked with doing this.

88 Board Member Hansen moved that the Terminal Area Drawing Map, copies of that and the leasehold that
89 we have, that information, that overlay is provided to the Airport Board and ultimately City Council so
90 that when we go into a discussion everybody knows what we are talking about and then we set aside a
91 meeting so that we can discuss where we are going to carve this up. Board Member McFee seconded the
92 motion.

93
94 Discussion that there was more homework to be done. Board Member Phillips reiterated what had been
95 spoken earlier that they had asked Staff to do additional research on fees and this type of thing. Anderson
96 indicated he would probably task Loboschefskey with this. Anderson indicated that it would not be
97 unreasonable to query some of the airports that had been included in the Lease Rates and Charges Policy
98 Study that they think are similar. Board Member Hansen amended his motion to include that. Board
99 Member McFee seconded the motion.

100

VOTE

	AYE:	NAY:	ABSTAINING:
Dave Hansen	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Kari McFee	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mel McQuarrie	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ron Phillips	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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The motion carried.

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Item 4 Discuss Hangar Lease Rates and Charges Policy

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The 5:00 p.m. meeting with the City Council tomorrow was mentioned. The lease rate tables provided in the packet were discussed. Anderson explained the matrix. Chairman McQuarrie discussed reasons why he thought non-reversionary worked. Board Member Hansen pointed out why it makes sense to write new leases. Mark Anderson explained why he thought 30 year leases are too long when starting over. He mentioned to keep in mind future plans regarding hangar placement.

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Board Member Hansen moved to adjourn the meeting. Board Member McFee seconded the motion.

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VOTE

	AYE:	NAY:	ABSTAINING:
Dave Hansen	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Kari McFee	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mel McQuarrie	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ron Phillips	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

114

The motion carried and the meeting adjourned at 6:26 p.m.

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Memo

To: Airport Advisory Board
From: Mark K. Anderson
CC: Mayor & Council
Date: August 14, 2014
Re: August 20, 2014 - Agenda Items

Airport Manager Report: Enclosed is the Airport Manager's report that has been prepared by Terry Loboschefskey for the month of July. Terry will be available to review the highlights of the report and answer any questions that the Board may have.

Presentation and discussion of Armstrong Consultants' recommendations for mitigating runway closure during construction of Runway and Apron Reconstruction Project: Representatives from Armstrong Consulting will be in attendance to discuss how to minimize the impact on airport operations when the runway/apron rehabilitation project starts next April or May. The Board should be prepared to discuss ideas on how the project might be completed to minimize runway closure.

Barry Hancock – Request for Specialized Aviation Service Operator (SASO) – Utah Warbird Adventures: Barry Hancock is seeking approval to operate Utah Warbird Adventures at the Heber City Airport to provide scenic flights in vintage aircraft. (See enclosed application) It appears that Barry has received authorization from the FAA to operate this business. The Board should determine if the proposed business will meet the Airport Minimum Standards. I have enclosed a copy of Section 8 of the Minimum Standards for your review.

Nadim AbuHaidar – OK3-Air –FBO Lease Extension and Leasehold Modification Request: Nadim AbuHaidar is requesting the Board consider extending the existing FBO Agreement for nine additional years and modifying the boundaries of the FBO leasehold. (See modified proposal) This issue was discussed at the last meeting that was held at the airport so Board members could better understand/visualize the boundaries of the current and proposed leasehold. Enclosed is a copy of the Terminal Area Drawing with the proposed leasehold superimposed on it that has been provided by Armstrong Consulting. I have asked Terry Loboschefskey, Airport Manager, to put together a list of information that we would use to survey other airports to better understand what a market rate lease fee would be.

Nadim AbuHaidar – OK3-Air – Hangar A Extension Request: OK3-Air is requesting consideration for a two year lease extension on Hangar A based on a proposed investment of approximately \$20,000 to run 3-phase power to the building. Per the recently adopted Hangar Lease Rates and Charges Policy, the City may approve an extension of a hangar agreement under the provisions found in Section 3.5.5. (See enclosed Hangar Lease Rates and Charges document)

In strict review of the policy, the expense would have to be in excess of \$20,625 to be eligible for a 1 ½ year extension. The current lease agreement is set to expire on December 31, 2025. In determining if the lease should be extended, the Board should consider the fact that this hangar would need to be removed to support a C2/D2 airport configuration. To extend the lease may increase the cost of acquiring the hangar if it needed to be removed to support a change in the Airport Master Plan.

Discuss Recommended Details of Non-Reversionary Lease Rates for New Hangar Agreements: With the adoption of the Hangar Lease Rates and Charges Policy, the Board should now discuss what lease fees should be charged in conjunction with a non-reversionary lease agreement. The existing lease agreement should also be reviewed to determine what changes should be made to make the terms consistent with the new policy. (See enclosed) I would note that Paul Boyer has provided a copy of the Loveland/Fort Collins, Colorado airport hangar lease agreement which has also been enclosed. Once the lease terms are hammered out, we need to determine the method the City will use to construct additional hangars on the field.

Discuss existing Hangar end of Lease Extension Agreements and Process by which a Hangar can be Transferred: Chairman McQuarrie has asked that this be placed on the agenda for discussion. Per the enclosed email from Paul Boyer, existing hangar owners are anxious to establish a technical committee to start the process of giving clarity to the end of lease provisions for existing hangar agreements.

Other Items as Needed:

Heber City Airport – Russ McDonald Field

Airport Manager's Report July 2014

- **Existing Grants/Projects**

The FAA's grant for the runway/apron rehabilitation project, AIP3-49-0011-026-2014, has been received and is in-process of being approved by Heber City. Geneva Rock was the lowest bidder. Once this grant is approved, the contract can be formally issued. Logistical details such as start dates and construction schedules shall be discussed.

- **Airport Condition**

- Landscaping project at airport entrance/OK3Air has commenced
- Runway lights are operational
- AWOS is operational
- Taxiway lights, other than those previously identified, are operational
- Segmented circle – repainting of structures to be done hopefully as a volunteer project.
- PAPI Lights operational
- Rotating beacon operational
- Windssock & lights operational
- Mowing operations are continual
- Mower maintenance issues ongoing, but operational
- HVAC in SRE building failed and subsequently fixed.
- Missing fence posts along southwest road replaced
- Derelict (2) glider trailers have been staged for disposal.
- Utah Airport Operators Association (UAOA) will hold its fall, two day conference September 11-12 in Spanish Fork. Airport Manager will attend.

- **Discussion Topics**

- The FAA Airport District Office has identified 2 obstructions penetrating into the Instrument Approach Procedures (IAP) Visual 20:1, for runway 4. These have been identified as trees. We are currently investigating the location and disposition of the trees.
- Construction phasing for runway/apron rehabilitation project to be a separate agenda topic on this month's meeting.



Heber City Airport – Russ McDonald Field 36U

SPECIALIZED AVIATION SERVICE OPERATOR (SASO) APPLICATION

This application is a request to Heber City to utilize the Heber City Airport land or facilities for commercial activities, to issue a commercial aeronautical activities permit, or to issue any other permit to conduct commercial activities.

To familiarize the applicant to Heber City Airport SASO requirements, a copy of the *Heber City Airport Minimum Standards* (dated August 19, 2010) is attached to this application. Please refer to this document to ensure a complete and accurate application.

PART 1 Applicant Information

Contact Name: Barry Hancock _____

Contact Address: 2002 Airport Road _____

City: Heber City **State:** UT **Zip:** 84032

Contact Phone: _____ **Cell:** 801-899-5313

Email Address: bhancock@worldwidewarbirds.com _____

Operator/Business Name: Utah Warbird Adventures, LLC _____

Type of Operation being applied (check one)

- Specialized Commercial Aeronautical Operator

SPECIALIZED AVIATION SERVICE OPERATOR (SASO) APPLICATION

PART 2 Applicant Proposal

Summary of services applicant shall offer:

Sightseeing Flights under FAR 91.147



Heber City Airport – Russ McDonald Field 36U

Detailed description of scope of intended operation - include means and methods to be employed to accomplish contemplated services. Use additional sheet(s) as necessary:

Utah Warbird Adventures, LLC was established in 2013 as an entity to provide commercial sightseeing rides around the Heber Valley in vintage aircraft. Relying on over a decade of accident free operational expertise, our company will provide safe and memorable sight seeing flights to the general public and giving visitors a unique perspective and lasting impression of the grandeur of the valley through a unique flying experience.

We will be conducting these flights under direct approval from the FAA in the form of our valid Letter of Authorization to conduct these flights under FAR 91.147, which are non-stop sightseeing flights within 25 nm of the airport. Utilizing very experienced professional pilots with years of flying experience in the valley, state of the art video systems, and a courteous staff, our mission is to both harken people back to the Golden Age of aviation and provide exceptional memories that will last a lifetime and bring positive association to the city and the valley.

Our LOA authorizes the use of 4 aircraft, two of which are owned and operated by the company, and two of which are on lease back from an individual based at the airport. Our main base of operation will be the old "Hangar One" and we will conduct business in a shared space with Worldwide Warbirds. This hangar also houses the offices of Soar Utah, with whom we enjoy and outstanding working relationship. We feel this is a synergistic opportunity between these two businesses to create the most active sightseeing flight location in the entire state of Utah.

Our marketing plan includes a web site, hotel rack cards, promotions at school auctions, and other timely events. We will also support the mission of the Commemorative Air Force - Utah Wing by making our aircraft available for their use and providing a donation for each flight given in conjunction with their events.



Heber City Airport – Russ McDonald Field 36U

SPECIALIZED AVIATION SERVICE OPERATOR (SASO) APPLICATION

PART 2 Applicant Proposal (continued)

Proposed date of commencement of the activity and term: Immediately upon approval and indefinitely.

Proposed hours of operations: 10a to sundown, Tuesday through Saturday.

Amount and type of insurance coverage applicant will maintain:

Standard \$1M liability on both aircraft and hangar.

Number of aircraft involved (if applicable): Four total. Two North American T-6's, one Beechcraft Model 18, and one Boeing Stearman.

Number and qualifications of employees (if applicable):

Barry Hancock, Owner. Holds a Commercial rating with instrument privileges and has over 2500 hours of flying experience. Engaged in aviation related businesses for nearly 15 years.

Matt McNamara, pilot and mechanic. Holds an ATP rating, is a pilot for Sky West, and Soar Utah.

We also employ a book keeper and part time help when required.

Evidence of applicant's financial capability to perform and provide proposed services and facilities (use attachment if necessary):

Hangar and aircraft purchased outright.

Proposed leasing activities (check one)

- Undeveloped land
- Developed land
- Existing hangars
- Other (explain)



Heber City Airport – Russ McDonald Field 36U

SPECIALIZED AVIATION SERVICE OPERATOR (SASO) APPLICATION

PART 2 Applicant Proposal (continued)

Amount of land applicant desires to lease (if applicable):

N/A

Location of the building(s) to be leased (if applicable):

N/A

Size and location of buildings to be constructed (if applicable): N/A

Barry Hancock

Applicant Signature

Date 6/27/14

REQUEST FOR SASO PERMIT - AIRCRAFT SALES

By Utah Warbird Adventures, LLC

This request is for a SASO permit as an Specialized Commercial Aeronautical Operator as outlined in Part 9 of the Heber City Airport Minimum Standards document, conducting sight seeing rides under FAA FAR 91.147.

We are an officially registered business with the State of Utah since 2013, and have obtained the necessary Letter Of Authorization (LOA) from the FAA.

Below are explanations on how we will meet each part of the requirements as outlined in Part 9 of the Minimum Standards.

9.1.1.3. We will offer Air Transportation Services for hire.

9.2.1 We comply with all aspects of this area.

9.3 N/A

9.4 LOA and registration with the state are both attached.

9.5 We have two pilots and several support staff

9.6 We have four aircraft on the LOA.

9.7 Our hours are Tuesday to Saturday 10a to sundown.

9.8 We will comply with this within 10 business days of receiving our permit.



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**Federal Aviation
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14 CFR Part 91 Operations

Table of Contents

Part A

	HQ CONTROL DATE	EFFECTIVE DATE	AMENDMENT NUMBER
001 Issuance and Applicability	07/14/2011	05/30/2014	0
004 Summary of Authorizations	08/31/2004	05/30/2014	0
Commercial Air Tour Operations Authorization and			
049 Antidrug and Alcohol Misuse Prevention Program	07/17/2009	05/30/2014	0
Registration			



**Waiver or Letter of Authorization
Issuance and Applicability**

1. These documents are issued to Utah Warbird Adventures, LLC. , whose principal base of operation is located at:

Primary Business Address:
2002 Airport Road
Heber City, Utah 84032

2. A change in the aircraft base of operations location constitutes an administrative change only to this Letter of Authorization (LOA) A001 and would not require nor preclude a new inspection.

a. The existing authorizations, deviations, waivers, etc., are still valid and not intended to be reissued due to a change in the operator's base of operations.

b. If the operator relocates its principal base of operations (address) listed in subparagraph 1 above, it must notify, in writing, the losing Flight Standards District Office (FSDO) of its new location and mailing address within 30 calendar days following relocation and, advise the losing FSDO of the receiving FSDO where the operator proposes to do business.

3. The attached waivers, authorizations, and/or deviations are effective as of the "Date Approval is Effective" listed in each authorizing document, and those issued without an expiration date shall remain in effect as long as the party listed in subparagraph 1 above continues to meet all appropriate Parts of the CFR or until any of the following:

- a. It is voluntarily surrendered by the operator,
- b. The operator ceases to be the operator of the aircraft listed in the applicable authorization,
- c. It is surrendered or revoked for cause by the FAA,
- d. The person signing the authorizing document relinquishes responsibility,
- e. The aircraft changes ownership and should be removed from the authorizing document,
- f. An aircraft or listed equipment is no longer used for that operation and should be removed from the authorization,
- g. An aircraft or other equipment needs to be added to the existing authorizing document,
- h. An aircraft listed on the authorization changes nationality numbers,
- i. An aircraft listed on the authorization is issued an experimental, special airworthiness certificate for research and development (R&D) or changes projects associated with an experimental, special airworthiness certificate for the purpose of R&D.



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**Federal Aviation
Administration**

14 CFR Part 91 Operations

4. If the Responsible Person as the signee changes for an authorization, the Responsible Person or the operator should notify the issuing office of the change within 30 days and request an updated LOA.

HQ Control: 07/14/2011

HQ Revision: 020

This Waiver or Authorization is Issued by the Federal Aviation Administration and approved by direction of the Administrator.



Digitally signed by George D Cawthra, Manager (NM07)
[1] EFFECTIVE DATE: 5/30/2014, [2] AMENDMENT #: 0
DATE: 2014.05.30 14:43:14 -05:00

I hereby accept and receive this Waiver or Authorization.

Hancock, Barry, Owner/Manager

Date



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**Federal Aviation
Administration**

14 CFR Part 91 Operations

Letter of Authorization
Summary of Authorizations

The operator, in accordance with the reference documents, is authorized to:

	Reference Paragraphs
Conduct commercial air tour operations under 14 CFR Section 91.147.	A049

HQ Control: 08/31/2004

HQ Revision: 000

This Waiver or Authorization is Issued by the Federal Aviation Administration and approved by direction of the Administrator.



Digitally signed by George D Cawthra, Manager (NM07)
[1] EFFECTIVE DATE: 5/30/2014, [2] AMENDMENT #: 0
DATE: 2014.05.30 14:42:29 -05:00

I hereby accept and receive this Waiver or Authorization.

Hancock, Barry, Owner/Manager

Date



14 CFR Part 91 Operations

Letter of Authorization
Commercial Air Tour Operations Authorization and
Antidrug and Alcohol Misuse Prevention Program Registration

1. The operator, Utah Warbird Adventures, LLC. , that is documented at the end of this Letter of Authorization (LOA), is authorized to conduct commercial air tour operations under Title 14 Code of Federal Regulations (CFR) Section 91.147 in accordance with the limitations and provisions of this LOA and is subject to the condition that all operations are conducted within the applicable airspace.

The operator is authorized to use only the business name which appears in subparagraph 1., above, to conduct the commercial air tour operations described in this authorization.

2. Authorized Aircraft. The aircraft used for Section 91.147 commercial air tour operations are listed in Table 1 below:

Table 1 – Aircraft Authorized for Commercial Air Tour Operations Under Section 91.147

Aircraft M/M/S	Aircraft Registration No.
B-75-B75N1	N7995
BE-18-S	N50WA
T-6-G	N49388
T-6-SNJ5	N156SG

3. The commercial air tour operator has the following agreements with other parts of the FAA including air traffic or associations outside of the FAA. The documentation of these agreements below does not imply nor require that the agreements are authorized by the Flight Standards principal inspector. (If there are no agreements, enter N/A in Table 2.)

Table 2 - Agreements with Other Parts of the FAA or Associations outside of the FAA

Kind of or Description of Agreement	FAA or Other Association
N/A	N/A



14 CFR Part 91 Operations

4. Antidrug and Alcohol Misuse Prevention Program Registration. The operator certifies that it will comply with the requirements of 14 CFR Part 120 and 49 CFR Part 40 for its Antidrug Testing and Alcohol Misuse Prevention Program. Antidrug and Alcohol Misuse Prevention Program records are maintained and available for inspection by the FAA's Drug Abatement Compliance and Enforcement Inspectors at the location listed in Table 3 below (*This should be the company location where the Drug Abatement Compliance and Enforcement Inspectors will conduct the inspection and not the consortium, lab, or third party administrator*):

Table 3 - Registration and Record Location for the Antidrug and Alcohol Misuse Prevention Program Registration

	Location of Antidrug and Alcohol Misuse Prevention Program Records:	Telephone Number:
Address:	2002 Airport Road	801-899-5313
Address:		
City:	Heber City	
State:	UT	
Zip code:	84032	

(a) All Antidrug and Alcohol Misuse Prevention Program inspections, guidance and enforcement activity will be conducted exclusively by the Drug Abatement Division of the FAA. All questions regarding this program should be directed to the Drug Abatement Division.

(b) The operator must implement its Antidrug and Alcohol Misuse Prevention Program fully in accordance with 14 CFR Part 120 and 49 CFR Part 40.

(c) The operator is responsible for ensuring that its contractors who perform safety-sensitive work for the operator are subject to an Antidrug and Alcohol Misuse Prevention Program.

(d) The operator is responsible for updating this registration when any of the following changes occur:

(1) Location or phone number where the Antidrug and Alcohol Misuse Prevention Records are kept.

(2) If the operator's number of safety-sensitive employees goes to 50 and above, or falls below 50 safety-sensitive employees.

(e) The operator with 50 or more employees performing a safety-sensitive function on January 1 of the calendar year must submit an annual report to the Drug Abatement Division of the FAA. The operator with fewer than 50 employees performing a safety-sensitive function on January 1 of any calendar year must submit an annual report upon request of the Administrator, as specified in the regulations.



U.S. Department
of Transportation

**Federal Aviation
Administration**

14 CFR Part 91 Operations

5. Responsible Person. The Responsible Person for commercial air tour operations may be either an agent for service (who must be a U.S. citizen) or a person who accepts responsibility for complying with the stated regulations by signing this document.

(a) If the Responsible Person signing this LOA relinquishes responsibility, this LOA becomes invalid.

(b) Enter the name, e mail address, and telephone number in Table 4 of the person responsible for the management of the business and the person responsible for the aircraft maintenance.

Table 4 - Responsible Persons

Name	Responsibility	E-mail Address	Telephone Number
Hancock, Barry	Aircraft Maintenance	barry.hancock@icloud.com	801-899-5313
Hancock, Barry	Business Management	barry.hancock@icloud.com	801-899-5313

6. If the operator conducts overflights of National Parks and/or Abutting Tribal Lands in its commercial air tour operations per 14 CFR Section 136.37 that requires specific authorization, LOA/OpSpec B057 must also be issued.

HQ Control: 07/17/2009

HQ Revision: 01a

This Waiver or Authorization is Issued by the Federal Aviation Administration and approved by direction of the Administrator.



Digitally signed by George D Cawthra, Manager (NM07)
[1] EFFECTIVE DATE: 5/30/2014, [2] AMENDMENT #: 0
DATE: 2014.05.30 14:43:17 -05:00

I hereby accept and receive this Waiver or Authorization.

Hancock, Barry, Owner/Manager

Date



SPECIALIZED COMMERCIAL AERONAUTICAL OPERATOR (SASO)

8. SPECIALIZED COMMERCIAL AERONAUTICAL OPERATOR (SASO)

8.1. Definition

8.1.1. A Specialized Service Operator A person who provides aircraft accessory services, flight training, commercial flying services, aircraft sales, aircraft airframe and engine repair, aircraft manufacturing, aircraft rental or charter, or any other commercial aeronautical activities or services, glider rides and glider towing, sight seeing flights; crop dusting; seeding and spraying; banner towing and aerial advertising; and aerial photography or survey; fire fighting power line or pipe line patrol and wild life spotting or any other operations specifically excluded from FAR Part 135, except fuel sales

8.1.1.1. **Limited Aircraft Services and Support** - are defined as limited aircraft, engine, or accessory support (for example, washing, cleaning, painting, upholstery, propeller, etc.) or other miscellaneous activities directly related to aircraft services and support.

8.1.1.2. **Miscellaneous Commercial Services and Support** - are defined as operations such as but not limited to ground schools, simulator training, charter flight coordinators, aircrew management, or any other miscellaneous activities directly related to supporting or providing support services for a commercial activity.

8.1.2. In addition to the General Requirements set forth in Section 2, each Specialized Commercial Aeronautical Operator at the Airport shall comply with the following minimum standards set forth in this Section 8.

8.2. Leased Premises (Sublessee or Multiple Activities)

8.2.1. An Operator engaging in this activity as well as other activities or an authorized Sublessee engaging in this activity shall have adequate apron, facilities, and vehicle parking (all located within close proximity) to accommodate all activities of the Operator, but not less than the following:

8.2.1.1. *Apron/paved tiedowns shall be adequate to accommodate the total number of aircraft in Operator's fleet at the Airport.*

8.2.1.1.1. If Operator utilizes a hangar for the storage of Operator's fleet at the Airport, no paved tiedowns will be required.

8.2.1.2. *Facilities shall include customer and administrative areas that are curbside accessible. Maintenance and hangar areas are required if Operator is conducting aircraft maintenance on aircraft owned and/or operated by Operator. If Operator provides aircraft maintenance on other aircraft, Operator shall meet the minimum standards for an Aircraft Maintenance Operator.*

8.2.1.2.1. Customer area: Operator's customers shall have immediate access to customer lounge(s), and restrooms.

8.2.1.2.2. Administrative area shall be sufficient to accommodate the administrative functions associated with the activity.

8.2.1.2.3. Maintenance area, if required, shall be at least 500 square feet and shall include adequate space for employee work areas, shop areas, and storage.

8.2.1.2.4. Hangar area, if required, shall be large enough to accommodate the largest aircraft in Operator's fleet at the Airport maintained by Operator.

8.2.1.3. *Vehicle Parking – Per Heber City Municipal Code, Chapter 18.72 Parking Standards.*

8.3. Leased Premises (Lessee)

8.3.1. An Operator other than an authorized Sublessee engaging in this activity shall have adequate land, apron, facilities, and vehicle parking to accommodate all activities of the Operator and all approved Sublessee(s), but not less than the following:

8.3.1.1. *All required improvements including, but not limited to, apron, vehicle parking, roadway access, landscaping, and all facilities shall be located on contiguous land.*

8.3.1.2. *Apron/paved tiedowns shall be adequate to accommodate the total number of aircraft in Operator's fleet at the Airport but not less than the space required.*



SPECIALIZED COMMERCIAL AERONAUTICAL OPERATOR (SASO)

- 8.3.1.2.1. If Operator has a hangar, apron shall be equal to the hangar square footage or adequate to accommodate the movement of aircraft into and out of the hangar, staging, and parking of Operator's aircraft, whichever is greater.
- 8.3.1.2.2. If Operator utilizes a hangar for the storage of Operator's fleet at the Airport, no paved tie-downs will be required.
- 8.3.1.3. *Facilities shall include customer and administrative areas that are curbside accessible. Maintenance and hangar areas are required if Operator is conducting aircraft maintenance on aircraft owned and/or operated by Operator.*
 - 8.3.1.3.1. Customer and Administrative areas shall be at least 500 square feet and shall include adequate space for customer lounge(s), and restrooms and be sufficient to accommodate the administrative functions associated with the activity, whichever is greater, and shall include adequate space for employee offices, work areas and storage. Maintenance area, if required, shall be at least 500 square feet and shall include adequate space for employee work areas, shop areas, and storage.
 - 8.3.1.3.2. Hangar area, if required, shall be at least 2,500 square feet or large enough to accommodate the largest aircraft in Operator's fleet at the Airport maintained by Operator, whichever is greater.
 - 8.3.1.4. *Vehicle Parking – Per Heber City Municipal Code, Chapter 18.72 Parking Standards.*
- 8.4. **Licenses and Certifications**
 - 8.4.1. Operator shall have and provide to the Airport Manager evidence of all federal, state, and local licenses and certificates that are required to conduct the activity.
- 8.5. **Personnel**
 - 8.5.1. Operator shall provide a sufficient number of personnel to adequately and safely carry out its activity in a prompt and efficient manner to meet the reasonable demands of the public seeking such services.
 - 8.5.2.
- 8.6. **Hours of Activity**
 - 8.6.1. Operator shall be open and services shall be available during hours normally maintained by entities operating competitive businesses at the Airport.
- 8.7. **Insurance**
 - 8.7.1. Operator shall maintain, at a minimum, the coverage and limits of insurance set forth in Attachment A - Schedule of Minimum Insurance Requirements



ATTACHMENT A (MINIMUM INSURANCE REQUIREMENTS)

16. ATTACHMENT A (MINIMUM INSURANCE REQUIREMENTS)

	Fixed Base Operator	Aircraft Maintenance Operator	Avionics or Instrument Maintenance Operator	Aircraft Rental, Flying Club, or Flight Training Operator	Aircraft Charter or Aircraft Management Operator	Aircraft Sales Operator	Specialized Commercial Aeronautical Operator, including Commercial Hot Air Balloon Operators	Temporary Specialized Aviation Service Operator	Commercial Hangar Developer or Operator	Non-Commercial Hangar Developer/Operator	Non-Commercial Self-Service Fueling Permittee
COMMERCIAL GENERAL LIABILITY (Combined Single Limit)											
Each Occurrence	\$5,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
VEHICULAR LIABILITY (Combined Single Limit)											
Each Occurrence	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
HANGAR KEEPER'S LIABILITY (Largest Aircraft Accommodated) – if applicable											
SE Piston Group I	Each Aircraft	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000
	Each Occurrence	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
ME Piston Group I	Each Aircraft	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
	Each Occurrence	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Turboprop Group I	Each Aircraft	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
	Each Occurrence	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Turboprop Group II	Each Aircraft	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
	Each Occurrence	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000
Turbojet Group I	Each Aircraft	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000
	Each Occurrence	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Turbojet Group II	Each Aircraft	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
	Each Occurrence	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
AIRCRAFT AND PASSENGER LIABILITY (Each Occurrence)											
SE Piston/Group I							\$1,000,000/\$100,000 sub limit per person				
Commercial Hot Air Balloon							\$1,000,000/\$100,000 sub limit per person				
ME Piston/Group I							\$1,000,000/\$100,000 sub limit per person				
Turboprop Group I & II							\$5,000,000/\$250,000 sub limit per person				
Turbojet/Group I							\$5,000,000/\$250,000 sub limit per person				
Turbojet/Group II							\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
Students and Renters							\$100,000				
ENVIRONMENTAL LIABILITY (Combined Single Limit, Each Occurrence)											
Each Occurrence	\$1,000,000										\$1,000,000



ATTACHMENT A (MINIMUM INSURANCE REQUIREMENTS)

Commercial General Liability to include bodily injury, personal injury, and property damage for all premises, products and completed operations, unlicensed vehicles, and contractual liability.

Vehicular Liability or Business Automobile Liability to include bodily injury and property damage for all vehicles (owned, non-owned, or hired).

Hangar Keeper's Liability to include property damage for all non-owned aircraft under the care, custody, and control of the Operator.

Aircraft and Passenger Liability to include bodily injury, property damage, and passenger injury for all owned, leased, or operated aircraft.

Student and Renter Liability to include bodily injury, personal injury, and property damage (excluding aircraft hull) for students and renters of aircraft.

Environmental Liability to include bodily injury, property damage, and environmental cleanup costs.

SE = Single engine aircraft

ME = Multi engine aircraft

FBO Lease Extension & L/Hold Modification Request

OK3 AIR
1980 Airport Rd.
Heber City, UT 84032

Date:

August 20, 2014

Purpose of request:

Extension of FBO lease for an additional Nine (9) years to equal the 2041 end of term for Hangar E and a modification of the current leasehold to better match the operating area of the FBO

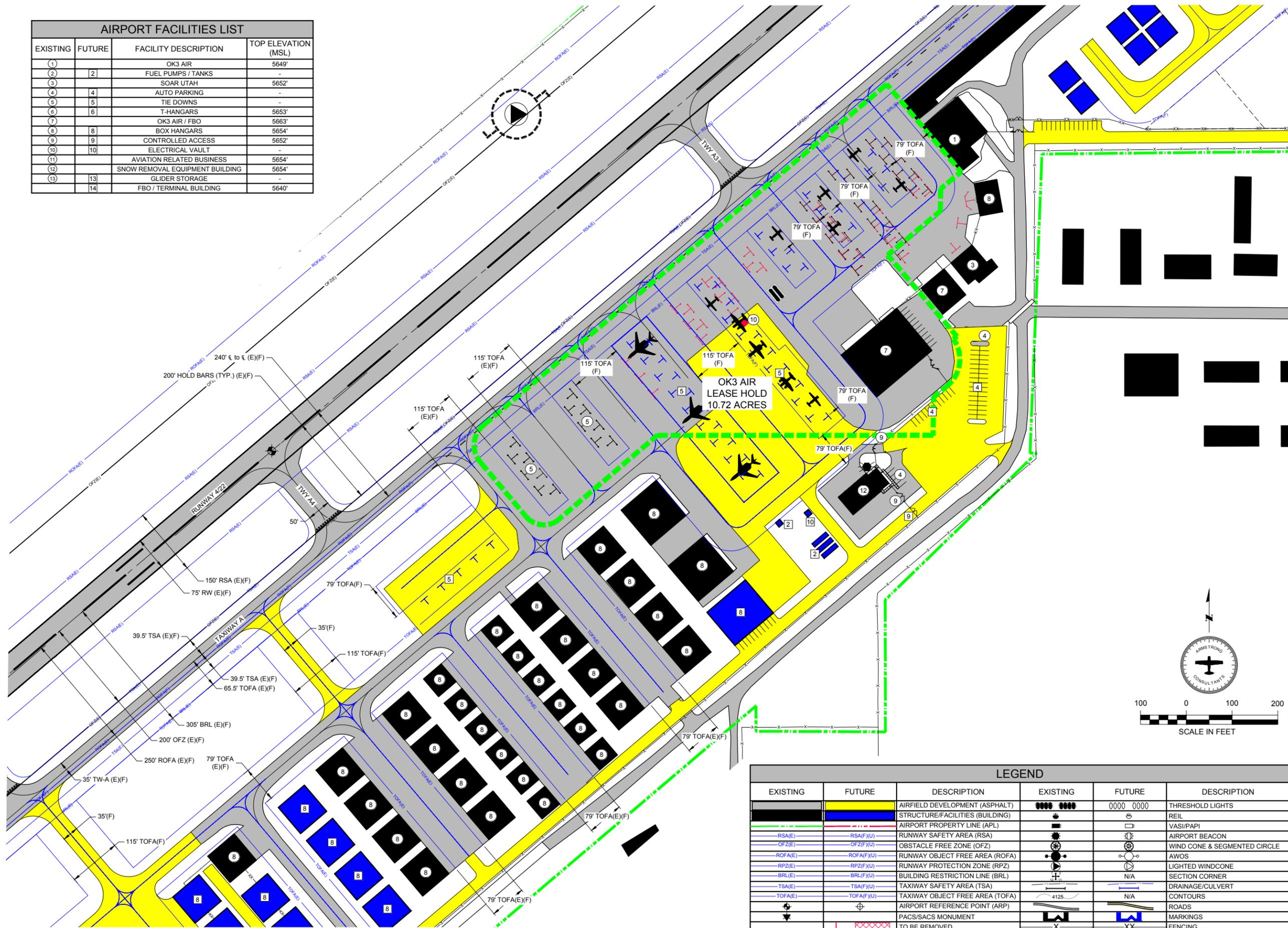
Proposed consideration for lease extension and L/H modification:

1. Annual rent to increase proportionately with percent increase in leasehold area. An additional 50% increase in the annual rent payment if and when designated C2D2
2. Fuel flowage to increase from five to six cents per gallon and scales to seven cents at 400K gallons and eight cents at 500K gallons. If and when designated C2D2 fuel flowage increases to ten cents.

Increase in Cash flow to City:

Assuming a three percent annual increase in gallons of fuel sold. the above consideration would result in approximately \$425,000 in additional cash flow from 2015 through 2041. And with a designation of C2D2 in 2025 the increase in total cash flow would approximate \$795,000.

AIRPORT FACILITIES LIST			
EXISTING	FUTURE	FACILITY DESCRIPTION	TOP ELEVATION (MSL)
1		OK3 AIR	5649'
2	2	FUEL PUMPS / TANKS	-
3		SOAR UTAH	5652'
4	4	AUTO PARKING	-
5	5	TIE DOWNS	-
6	6	T-HANGARS	5653'
7		OK3 AIR / FBO	5663'
8	8	BOX HANGARS	5654'
9	9	CONTROLLED ACCESS	5652'
10	10	ELECTRICAL VAULT	-
11		AVIATION RELATED BUSINESS	5654'
12		SNOW REMOVAL EQUIPMENT BUILDING	5654'
13	13	GLIDER STORAGE	-
14	14	FBO / TERMINAL BUILDING	5640'



LEGEND					
EXISTING	FUTURE	DESCRIPTION	EXISTING	FUTURE	DESCRIPTION
		AIRFIELD DEVELOPMENT (ASPHALT)	0000 0000	0000 0000	THRESHOLD LIGHTS
		STRUCTURE/FACILITIES (BUILDING)	■	■	REIL
		AIRPORT PROPERTY LINE (APL)	—	—	VASI/PAPI
		RSA(E)	—	—	AIRPORT BEACON
		OFZ(E)	—	—	WIND CONE & SEGMENTED CIRCLE
		ROFA(E)	—	—	AWOS
		RPZ(E)	—	—	LIGHTED WINDCONE
		BRL(E)	—	—	SECTION CORNER
		TSA(E)	—	—	DRAINAGE/CULVERT
		TOFA(E)	—	—	CONTOURS
		AIRPORT REFERENCE POINT (ARP)	⊕	⊕	ROADS
		PACS/SACS MONUMENT	⊕	⊕	MARKINGS
		TO BE REMOVED	X	XX	FENCING

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HEBER CITY MUNICIPAL AIRPORT
 RUSS MCDONALD FIELD
 HEBER CITY, UTAH
 TERMINAL AREA DRAWING

No	Project No	Date	Revision / Description	Drwn	Chk'd	Apprv'd
3	126117	05/20/13	TAD UPDATE	LKB	JZP	DAC
2	116030	01/18/12	AS-BUILT	LKB	DPS	JZP
1	045692	12/01/05	ORIGINAL ISSUE	RF	DAC	EAA

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TERMINAL AREA DRAWING EXHIBIT

Hangar A Extension Request

OK3 AIR
1980 Airport Rd.
Heber City, UT 84032

Date:

August 20, 2014

Basis for request:

OK3 is a certified Pilatus service center and has become a trusted provider to many PC-12 owners. The company also repairs and maintains a number of other turbine and piston aircraft models as well. Due to an increase in the current volume of aircraft maintenance and repair service performed and expectations of future trend growth it is necessary at this time to make a long time needed capital expenditure. To assure efficient delivery of service, OK3 needs to install so-called "three phase" power. This is essentially an upgraded power supply and the standard in powering large motors and other heavy loads. Most households use single phase by comparison. This upgrade is expected to cost around \$20,000.

Rationale for lease extension:

1. OK3 believes this capital expenditure should qualify as due consideration for an extension of lease term. The revamp of the power distribution throughout the hangar increases hangar value.
2. The city's consultants have provided a formula for translating qualified expenditures into additional lease term. This formula is included in the pending "Lease/Rates and Charges Policy". For a Hangar with 8,000+ square feet \$13,750 equates to one year. In this case we request the expenditure equate to two years as rounded.
3. OK3 recognizes that the pending "Lease rates and charges policy" is still up for debate. However, this relatively straightforward guidance for calculating the value of facility upgrades is logical and fair. Accordingly, we request that this proposal be evaluated on those grounds.

AIRPORT HANGAR AGREEMENT

THIS AGREEMENT made this 1ST day of JANUARY,
1996, by and between HEBER CITY as Owner and JOHN D. MCCOY
_____ as the Tenant,

WITNESSETH:

WHEREAS, the Tenant is desirous of leasing land that has a private hangar located upon the property of Heber City, and

WHEREAS, Heber City is willing, subject to the terms and conditions contained herein, to permit the same.

NOW, THEREFORE, THE PARTIES MUTUALLY AGREE AS FOLLOWS:

(1) If a private hangar is to be constructed by Tenant, Tenant shall submit plans and specifications to the Owner for prior approval which plans must meet the arbitrary standards of attractiveness and safety of the Owner.

(2) All construction or improvements on the site leased must be approved in writing by Heber City.

(3) Tenant agrees to pay all property taxes assessed upon said hangar and Tenant shall be responsible for obtaining any utilities used in connection with the hangar.

(4) This agreement shall be binding for a term of 30 YEARS years and at the expiration thereof all facilities shall remain with the property and become the property of Heber City. Effective date on receipt of occupancy permit.

(5) Tenant agrees to pay an annual rental for said premises in the amount of TWO HUNDRED AND NO/100 (\$ 200.00) per year payable in advance.

(6) Tenant understands and agrees to be responsible for any and all loss as a result of fire, theft, vandalism or other destruction and it waives any and all claims for damages therefrom against Heber City.

(7) Tenant agrees to be responsible for any and all damages caused in the use of said premises by the Tenant, Tenant's agents, guests, invitees or others, and Tenant shall defend any and all claims filed against Heber City and Tenant shall hold Heber City harmless therefrom.

(8) Tenant agrees to comply with all airport regulations now in existence or hereinafter adopted whether they be state, federal or local.

(9) Tenant agrees that the use of said premises is not to interfere with the use of the airport facilities by the flying public.

(10) Tenant is to keep front and rear of hangar unit clear of weeds and debris, No personal property shall be stored on the outside of the hangar.

(11) The Tenant shall use the hangar only for storage and service of aircraft and/or aviation-related items.

(12) Tenant shall be responsible for the upkeep and maintenance of the unit leased, including, but not limited to all exterior and interior surfaces, plumbing, electrical wiring, concrete, doors, etc. The exterior shall not be altered without the written permission of Heber City. All painted surfaces shall be kept painted and repainting shall be done as necessary in order to preserve an attractive, well-maintained appearance.

(13) Tenants may associate with other tenants for the maintenance and betterment of the building exterior and to formulate rules and regulations for the operation of the hangars, but may not change the minimum terms and standards herein set forth without the written consent of Heber City Corporation.

(14) Tenant shall not maintain any nuisance on the premises and shall not allow any excessive or unreasonable noise, odor, or visually obnoxious condition to occur on the premises or within the hangar.

(15) Heber City and Tenant each agree that should they default in any of the covenants or agreements contained herein, that the defaulting party shall pay all costs and expenses, including a reasonable attorney's fee, which may arise from enforcing this Agreement.

(16) In the event Tenant abandons the hangar or premises, or does not actively use the same for a period of more than one year, or should Tenant fail to pay the rent when due or within sixty (60) days of when written notice of said delinquency is mailed to the Tenant to the following address or such other address as the Tenant has substituted by giving written notice to Heber City, then the lease shall terminate and the hangar and improvements on said property shall become the property of Heber City. The address of Tenant to which notice is to be sent is the following:

P.O. Box 680940
PARK CITY, UTAH 84060

The parcel and/or hangar covered by this lease agreement is located at the Heber City Airport and is more particularly described as follows:

HANGAR #A

(17) This contract cannot be assigned without the written consent of Heber City, which consent is not to be unreasonably withheld. A 1% TRANSFER FEE OR ONE HUNDRED DOLLARS (\$100.00) which ever is more will be paid based on current assessors valuation at time of transfer of Contract, or Sale of Hangar.

(18) If at the end of the term of this lease Heber City should elect to continue to lease the premises, then the Tenant shall have a first right of refusal.

(19) Heber City reserves the right to terminate this lease upon giving four months written notice if the city has a need for the property for public purposes. In the event of a termination under this paragraph, the City must compensate the Tenant for the original cost of the improvement, the hangar, less depreciation based on straight line depreciation thirty

years life expectancy. Or, the City may elect to take the Tenant's lease interest and interest in the hangar by use of its power of eminent domain.

WITNESS the hands of the parties hereto this 15th day of JANUARY, 1996.

HEBER CITY:

By: Scott W. Wuyt
Mayor

[Signature]
Tenant

Tenant

Attest:
Mark K. Anderson
Clerk

THIS AGREEMENT REPLACES THE AGREEMENT DATED SEPTEMBER 20, 1991 BETWEEN HEBER CITY AND PARK CITY AVIATION - THE EXTENSION OF TIME HAS BEEN GRANTED TO ENCOURAGE THE 4,000 SQ FT ENLARGEMENT OF THE HANGAR.

Heber City Airport/Russ McDonald Field

Lease/Rates and Charges Policy

Final Report

March 6, 2014

Prepared by Jviation Inc.

Table of Contents

1. INTRODUCTION..... 1

 1.1. Statement of Policy 1

 1.2. Definitions 1

 1.3. Existing Agreements 3

 1.4. Rights Reserved 3

2. APPLICATION REQUIREMENTS 4

 2.1. Application 4

 2.2. Approval Process 4

 2.3. Competitive Proposal Process..... 5

 2.4. Grounds for Denial 7

 2.5. Demonstrating Immediate Need 8

 2.6. Public Disclosure 8

3. AGREEMENTS 9

 3.1. General..... 9

 3.2. Use of Leased Premises 9

 3.2.1. Aeronautical Use (Commercial)..... 9

 3.2.2. Aeronautical Use (Non-Commercial)..... 9

 3.2.3. Non-Aeronautical Use 9

 3.2.4. Restrictions 10

 3.3. Subleasing..... 10

 3.3.1. Subleasing Privileges Permitted in the Commercial Lease Agreement..... 10

 3.3.2. Subleasing Privileges Not Permitted in the Commercial Lease Agreement..... 10

 3.3.3. Sublessee Obligations..... 11

 3.3.4. Sublessee Stipulations 11

 3.4. Transfer of Interest..... 11

 3.4.1. Assignment 11

 3.4.2. Change in Majority Ownership 12

 3.5. Term..... 12

 3.5.1. Initial Lease Term..... 12

 3.5.2. Lease Type 12

 3.5.3. City Obligations..... 12

 3.5.4. Lease Extension..... 12

 3.5.5. Investment Term Adjustment 13

 3.6. Improvements 14

 3.7. Responsibilities..... 14

 3.7.1. Heber City 14

3.7.2. Lessee 14

3.8. Condemnation 14

3.9. Relocation 15

4. RATES AND CHARGES 15

4.1. General 16

4.2. Mechanisms to Set Rates 16

4.2.3. Competitive Proposal Process 16

4.3. Variation in Rates 16

4.4. Adjustment of Rents 16

4.4.2. Escalation Clauses 17

4.5. Establishment and Adjustment of Fees 17

4.6. Payment of Rents, Fees, or Other Charges 17

4.7. Bookkeeping and Records 17

4.8. Exclusive Rights 17

5. APPENDIX 19

5.1. Appendix A: Commercial Lease Flow Chart 19

5.2. Appendix B: Establishment of Fair Market Value 20

5.3. Appendix C: Appraiser Qualifications 20

5.4. Appendix D: Dispute Resolution 20

1. INTRODUCTION

1.1. Statement of Policy

- 1.1.1. This Leasing Policy (Policy) for Heber City Municipal – Russ McDonald Field is intended to provide guidance and parameters for leasing Airport property and be a guide for City staff on Airport leasing issues. Leasing issues may include establishing and adjusting rents, fees, and other charges associated with occupancy and use. In addition, this Policy is intended to provide potential and current tenants and businesses an understanding of the policies and processes used for Airport Leases.
- 1.1.2. Entities wishing to occupy or use Airport land and/or improvements at the Airport shall be given a reasonable opportunity to compete, without unjust discrimination, for the occupancy or use of available land or improvements subject to the stipulations specified within this Policy.
- 1.1.3. No entity shall occupy or use Airport land and/or improvements at the Airport, or conduct a Commercial Aeronautical Activity, unless the entity has been authorized by the City for such occupancy, use, or activity.

1.2. Definitions

- 1.2.1. The following words, terms and phrases, when used in this Policy, shall have the meanings ascribed to them in this section, except when the context clearly indicates a different meaning:

Aeronautical - anything which involves, makes possible, or is required for the flight of aircraft, or the storage or presence of aircraft on the airport, or which contributes to, or is required for the safety of aircraft in flight.

Aeronautical Activity – any activity that involves, makes possible, or is required for the operation of aircraft or that contributes to or is required for the safety of such operations. Activities within this definition, commonly conducted on airports, include, but are not limited to, the following: general and corporate aviation, air taxi and charter operations, pilot training, aircraft rental and sightseeing, aerial photography, crop dusting, aerial advertising and surveying, aircraft sales and service, aircraft storage, sale of aviation petroleum products, repair and maintenance of aircraft, sale of aircraft parts, parachute or ultralight activities, and any other activities that, because of their direct relationship to the operation of aircraft, can appropriately be regarded as aeronautical activities.

Agreement – An arrangement between two or more parties

Aircraft - a device that is used, or intended to be used, for flight in the air and subject to regulation by the Federal Aviation Administration.

Airport - Heber City Municipal - Russ McDonald Field and all of the property, buildings, facilities and improvements within boundaries of the Airport as depicted in Exhibit A in the Airport Layout Plan.

Airport Layout Plan (ALP) - The FAA and City-approved layout of the airport property, indicating current and proposed usage for each identifiable segment, as may be amended from time to time.

Board – The Heber City Airport Advisory Board (HCAAB)

City – Heber City, Utah

Commercial Aeronautical Activity - the conduct of any aspect of a business, concession, operation, or agency in order to provide goods and services to any person for compensation, consideration or hire. An activity is considered a commercial activity regardless of whether the business is non-profit, charitable, or tax-exempt.

Commercial Tenant - a person, fixed base operator, firm, corporation or other entity, meeting the Airport’s “Minimum Standards”, having been approved by the City to conduct commercial aeronautical services or activities at the Airport for compensation or hire.

Exclusive Right – a right reserved exclusively by a particular person or group.

Fair Market Value – The amount in the competitive market a well-informed and willing lessor, who desires but is not required to lease, would accept and which a well-informed lessee, who desires but is not required to lease, would pay for the use of airport property, after due consideration of all the elements reasonably affecting value.

Independent Operator – A person or entity that conducts Aeronautical Activities, retaining total and free control over the means or methods used in conducting activities on the Airport but is based on land either adjacent to and/or located other than on the Airport, and whereby such land is not part of the Airport. *This type of operator is not authorized to provide services at the Airport.*

Lessee - any person or entity with a lease to occupy space at the Airport.

Minimum Standards - the qualifications or criteria, which have been established by the Airport owner as the minimum requirements that shall be met by all businesses offering commercial aeronautical activities and for the right to conduct those activities.

Non-Reversionary Lease - a lease wherein the ownership of improvements made by the tenant are retained by the tenant at the end of the lease period.

Operator - any individual, firm, partnership, corporation (including registered non-profit corporations), company, association, joint-stock association, or governmental entity which is engaged in the sale of products and/or services on the Airport.

Person - any individual, firm, partnership, corporation (including registered non-profit corporations), company, association, joint-stock association, or governmental entity. It includes a trustee, receiver, assignee, employee, agent, or similar representative of any of them.

Reversionary Lease – a lease which contains a provision which states all structures and improvements made by the tenant on the leased property shall pass title and ownership to the lessor at the end of the lease period.

Rules and Regulations – the stipulations specified in this Policy and other airport guiding documents that relate to the occupancy or use of the operations, land and/or improvements at the Airport.

Specialized Aviation Service Operation (SASO) – a single-service provider or special Fixed Based Operator (FBO) performing less than full services. Typically only one service is offered such as aircraft sales, flight training, aircraft maintenance, or avionics services.

Sub lessee - any person with a sublease to occupy space at the Airport.

Tenant – a person or entity occupying Airport leased land or property.

Through-The-Fence Operation (TTF) – through-the-fence operations are those activities permitted by an airport sponsor through an agreement that gives access to the public landing area by independent entities or operators offering an aeronautical activity or to owners of aircraft based on land adjacent to, but not a part of, airport property. The obligation to make an airport available for the use and benefit of the public does not impose any requirement for the Airport Sponsor to permit ground access by aircraft from adjacent property. *TTF operations are not authorized at the Airport.*

1.3. Existing Agreements

- 1.3.1. If there are any inconsistencies between the Heber City Municipal - Russ McDonald Field's Leasing Policy and existing property leases, the existing lease shall prevail. New leases issued or extensions granted to existing leases should be treated uniformly and follow the guidance outlined in this Policy.

1.4. Rights Reserved

- 1.4.1. The Airport Advisory Board reserves the right to revise, adjust, or otherwise modify this Policy to reflect changes in the legal, economic, and operational environment of the Airport's or City's operational requirements.

2. APPLICATION REQUIREMENTS

2.1. Application

- 2.1.1.** Any person or entity desiring to occupy or use land and/or improvements at the Airport through an Agreement with Heber City Corporation shall submit a written application to the Airport Manager.
- 2.1.2.** The Applicant shall submit a completed application to include all information requested on the application form and, if requested by the City, shall submit any additional related information to properly evaluate the application.
- 2.1.3.** A transfer fee shall be submitted with an application on a reassignment of a lease or a majority change of ownership of a hangar. A 1% transfer fee based upon the taxable value of the hangar or \$100.00, whichever is greater, shall be paid to the City.
 - 2.1.3.1.** The sale of a new hanger is not subject to the transfer fee.

2.2. Approval Process

- 2.2.1.** A complete application and all accompanying and requested information shall be submitted to the Airport Manager for review. If the Applicant is changing the use of a hangar or desires to conduct a commercial venture the application will go before the Airport Advisory Board for review. The Airport Advisory Board will determine if the Commercial operator meets the Airport's Minimum Standards. After the Airport Advisory Board approves the Commercial Tenant, the Board will submit the application to the City Council for approval.
 - 2.2.1.1.** The Airport Manager has the authority to approve non-commercial applications which involve the sale and/or transfer of hangar ownership.
 - 2.2.1.2.** Incomplete applications that do not provide adequate information to make a knowledgeable assessment shall be rejected.
 - 2.2.1.3.** Applications that do not comply with this Policy and other City guiding documents shall be rejected.
 - 2.2.1.4.** Applications that are inconsistent with the Master Plan, the Airport Layout Plan, other plans associated with the Airport, and/or are deemed not in the best interest of the Airport shall be rejected.
 - 2.2.1.5.** If two qualified Applicants submit an application for the same land and/or improvement, the Airport Advisory Board shall determine whether to negotiate with both entities or issue an RFP. The competitive RFP process is described in this Policy under Section 2.3 and shall be followed.
- 2.2.2.** Within 60 days of receiving the application, the Airport Manager shall notify the Applicant of the status of the application. If the application was approved, the Airport Manager shall provide the terms and conditions for occupancy or use of the land and/or improvements at the Airport. If the application was denied, the Airport Advisory Board shall provide reasons for the denial.

- 2.2.3. Within 30 days of receiving notification of the application status, the application shall indicate if the terms and conditions provided by the Airport Advisory Board are acceptable to the Applicant.
- 2.2.4. If the Applicant finds the terms and conditions unacceptable, the Applicant shall present terms and conditions acceptable to the Applicant to the Airport Advisory Board.
 - 2.2.4.1. If the Airport Advisory Board and the Applicant are unable to reach an agreement by negotiation, the City shall not be obligated to lease airport land and/or improvements to the Applicant.
- 2.2.5. Once an agreement has been made between the Airport Advisory Board and the Applicant regarding the terms and conditions of the Agreement, the Applicant shall pay an earnest money deposit in the amount of ten percent (10%) of the total annual rents, fees, and other charges proposed to the City and submit a letter of acceptance of the terms and conditions of the Agreement. The letter shall be submitted to the City within 30 days of reaching an agreement.
 - 2.2.5.1. The terms and conditions should address, but not be limited to, the identification of the land and/or improvements to be leased or developed, the proposed investment, the length of the term, and the rents, fees, and other charges that shall be paid.
 - 2.2.5.2. Once the earnest money deposit and written letter of acceptance have been accepted by the City, the same land and/or improvements may not be negotiated with any other party, nor can a Request for Proposal (RFP) be issued.
- 2.2.6. Upon receiving the letter of acceptance from the Applicant, the City shall prepare the leasing documents and send them to the Applicant for review.
- 2.2.7. If the Lease Agreement is not signed and returned to the City within 45 days of being issued, the earnest money shall be returned to the Applicant and the application and written agreement shall be null and void.

2.3. Competitive Proposal Process

- 2.3.1. The Airport Advisory Board may issue a Request for Proposal (RFP) seeking competitive proposals for entities who wish to occupy or use available land or improvements.
- 2.3.2. If an RFP is issued, the Airport Advisory Board shall advertise the opportunity in local and industry publications in accordance with established practices and legal requirements. The advertisement shall:
 - 2.3.2.1. Provide a description of the land and/or improvements that are available for use and the products, services, and/or facilities that are required, permitted, and/or desired.
 - 2.3.2.2. Indicate if the proposals will be evaluated on qualifications.
 - 2.3.2.3. Provide instructions for obtaining the RFP document.
 - 2.3.2.4. Identify the date, time, and place for submitting sealed proposals.

- 2.3.2.5. State the Airport Advisory Board's right to reject any and all proposals.
- 2.3.3. The Airport Advisory Board may also, but is not obligated to, mail the RFP directly to parties that have expressed interest, may be interested, or that the Airport Advisory Board may wish to attract.
- 2.3.4. The RFP documents shall (as appropriate):
 - 2.3.4.1. Provide a summary of the Airport, the market, and the opportunity (products, services, and/or facilities required and/or desired);
 - 2.3.4.2. Identify the location of the land and/or improvements;
 - 2.3.4.3. Define the time frame for occupancy or use of the land and/or improvements;
 - 2.3.4.4. Outline the submission and selection process, proposer's responsibilities, and schedule for the process;
 - 2.3.4.5. Provide instructions regarding the content and format of the proposal;
 - 2.3.4.6. Provide all required forms, statements, and affidavits;
 - 2.3.4.7. Provide a draft of the Agreement;
 - 2.3.4.8. Indicate the evaluation and/or selection criteria that will be utilized by the Airport Advisory Board;
 - 2.3.4.9. Indicate if proposals will be evaluated based upon the qualifications and experience of the proposer and the proposed products, services, and/or facilities;
 - 2.3.4.10. Indicate that the proposer's financial plan including all proposed rents, fees, or other charges shall be provided to the Airport Advisory Board under separate cover;
 - 2.3.4.11. Identify the base rent for the land and/or improvements;
 - 2.3.4.12. Identify the fees and charges for engaging in Aeronautical Activities at the Airport;
 - 2.3.4.13. Identify the grounds for denial or disqualification and withdrawal;
 - 2.3.4.14. Indicate the place, date, and time for submission of proposals;
 - 2.3.4.15. Indicate the place, date, and time the pre-proposal conference will be held;
 - 2.3.4.16. Require that a proposal bond or guarantee in the amount equal to ten percent (10%) of the total rents, fees, or other charges proposed to be paid to the City in the first year of the proposed Agreement be submitted with the proposal.
 - 2.3.4.17. Require the prospective Proposer complete all proposal forms, statements, and affidavits.
- 2.3.5. The RFP process, procedures, and requirements shall be discussed at the pre-proposal conference and potential Proposer shall be given the opportunity to ask questions and express concerns to the Airport Advisory Board.
 - 2.3.5.1. The RFP document shall be available to potential Proposers at least two weeks prior to the date of the pre-proposal conference.

- 2.3.5.2. Questions and answers exchanged during the pre-proposal conference shall be documented and distributed to all entities that have received an RFP.
- 2.3.6. The Airport Advisory Board will receive and open the proposals at the designated place, date, and time.
 - 2.3.6.1. The contents of the proposal will be protected.
 - 2.3.6.2. Proposals received after the advertised deadline will not be considered and will be returned unopened.
- 2.3.7. The Airport Advisory Board will then review, evaluate, and rank the proposals.
 - 2.3.7.1. The Airport Advisory Board may require interviews with prospective Parties.
- 2.3.8. The Airport Advisory Board has the right to reject and all proposals, to advertise for new proposals, and to modify the proposal process.
 - 2.3.8.1. The Airport Advisory Board shall be under no obligation to make any award or to make an award to the proposer specifying the highest compensation to the Airport Advisory Board.
- 2.3.9. Upon completion of the review and evaluation of the proposals, the Airport Advisory Board shall select the proposal that best suits the desires of the Airport Advisory Board. The Airport Advisory Board will then negotiate the Agreement with the selected potential Proposer utilizing the process beginning in Section 2.3 of this Policy. If an Agreement cannot be reached, in the sole discretion of the Airport Advisory Board, the Airport Advisory Board may negotiate with any other prospected Proposer or reject all proposals.
- 2.3.10. The Airport Advisory Board will recommend to the City Council the selected potential Proposer. The City Council will vote to accept or reject the agreement with the Proposer.

2.4. Grounds for Denial

- 2.4.1. The Airport Advisory Board may reject any application or proposal for any one or more of the following reasons:
 - 2.4.1.1. The entity, for any reason, does not meet the qualifications and requirements set forth by the Airport Advisory Board.
 - 2.4.1.2. The entity's proposed activities and/or improvements will create a safety hazard at the Airport.
 - 2.4.1.3. The Airport Advisory Board would be required to expend funds and/or materials in connection with the proposed activities and/or improvements that the Board is unwilling or unable to spend and/or will result in a financial hardship or loss for the Airport.
 - 2.4.1.4. Appropriate, adequate, or available land and/or improvements are not available to accommodate the proposed activity nor is availability expected in a reasonable time frame.

- 2.4.1.5. The proposed activity and/or improvements do not comply with the most recent Airport Master Plan or Airport Layout Plan in effect at that time will be in effect within the time frame proposed by the Applicant.
- 2.4.1.6. The development or use of the land will result in congestion of aircraft, interfere with activities of an existing Operator on the Airport (as found by the Board) and/or prevent adequate access to the leased premises of an existing lessee.
- 2.4.1.7. The entity has intentionally or unintentionally withheld information in the application, proposal, and/or in supporting documentation.
- 2.4.1.8. The entity did not make full disclosure in the application, proposal, and/or in supporting documentation.
- 2.4.1.9. The entity or an officer, director, agent, representative, shareholder, or employee of the entity has a record of violating the regulations of Heber City, the Airport, or any other airport, the FAA, or any other regulation related to the Airport and/or the entity's proposed activity.
- 2.4.1.10. The entity or an officer, director, agent, representative, shareholder, or employee of the entity has defaulted on any agreement or sublease at the Airport or at any other airport.
- 2.4.1.11. The entity has failed to demonstrate adequate financial responsibility or the ability to undertake the proposed activity.
- 2.4.1.12. The entity cannot provide adequate applicable insurance or performance bond for the amounts required by Heber City for the proposed activity.
- 2.4.1.13. The entity, officer, director or Applicant has been convicted of a felony.
- 2.4.1.14. The entity's proposed activity is or could be detrimental to the Airport.
- 2.4.1.15. The entity desires terms and conditions that are inconsistent with the Airport's policies or Request for Proposal issued by the Airport Advisory Board.
- 2.4.1.16. The entity's proposed activity or use of the land and/or improvements is inconsistent with the Airport's purpose, vision, values, goals, or objectives.

2.5. Demonstrating Immediate Need

- 2.5.1. Entities seeking to occupy or use land and/or improvements at the Airport must demonstrate that the entire land and/or improvements will be utilized immediately.

2.6. Public Disclosure

- 2.6.1. Applicants should be aware that Heber City, as a government entity, is subject to Utah Code, Title 63G, Chapter 2 (Government Record Access and Management Act), which allows the public to examine documents and observe public meetings of a government agency.

3. AGREEMENTS

3.1. General

- 3.1.1.** A Party, prior to occupying or using land and/or improvements, is required to enter into an Agreement with the Airport Advisory Board reciting the terms and conditions under which the Party shall occupy or use the land and/or improvements at the Airport.
- 3.1.2.** This Policy does not include every provision included in the Agreement nor are the provisions included in the Agreement meant to modify this Policy.
- 3.1.3.** This Agreement shall convey one or more of the following activities: (1) use of the Airport in common with others in agreement to do so; (2) occupancy and/or exclusive use of designated land and/or improvements at the Airport; and/or (3) opportunity to provide products, services, and/or facilities at the Airport.

3.2. Use of Leased Premises

3.2.1. Aeronautical Use (Commercial)

- 3.2.1.1.** The Agreement will specify the aviation products, services, and facilities that shall be provided by the Operator (with and without Airport Advisory Board permission). The products, services, and facilities to be provided by the Operator shall meet the requirements defined in the Minimum Standards. Failure to meet the Minimum Standards and obtain a permit from Heber City before providing additional products, services, and/or facilities shall be considered a breach to the Agreement.

3.2.2. Aeronautical Use (Non-Commercial)

- 3.2.2.1.** The Agreement shall state premises leased by non-commercial operators shall not use Airport land and/or improvements for commercial activities. Non-Commercial leaseholders who engage in Commercial Aeronautical Activities shall be considered in breach of the Agreement.

3.2.3. Non-Aeronautical Use

- 3.2.3.1.** Although not generally favored, non-aeronautical use of land and/or improvements that does not interfere with the primary aviation use of such land and/or improvements is permitted if the Airport Advisory Board finds the use to be beneficial to the development of the Airport.
 - 3.2.3.1.1.** If non-aeronautical use of the land and/or improvements is proposed, the Airport Advisory Board must determine that the land and/or improvements will not be needed for aeronautical activities and/or development, during the term of the proposed Agreement.
 - 3.2.3.1.2.** The use of Airport land and/or improvements for non-aeronautical activities shall be subject to the prior written approval of the FAA.
 - 3.2.3.1.3.** A non-aeronautical lease shall not exceed a term of five years.

3.2.4. Restrictions

- 3.2.4.1.** Airport land and/or improvements shall not be occupied or used for any purpose contrary to: (1) the best interest of the Airport; (2) the safe, effective operation of the Airport, to include the health, safety and general welfare of the public, aircraft, and other personal property at the Airport; (3) the financial self-sufficiency of the Airport; (4) future Airport development; and (5) Federal Aviation Administration's Grant Assurances.

3.3. Subleasing

3.3.1. Subleasing Privileges Permitted in the Commercial Lease Agreement

- 3.3.1.1.** An Operator may enter into an Agreement with the Airport Advisory Board allowing subleasing of space for Airport parking (tie-down and/or hangar space) and/or subleasing of office, shop, or other designated areas subject to prior written approval of the Airport Advisory Board.
- 3.3.1.2.** If the Airport Advisory Board permits subleasing in the Agreement with the Operator, an approved sublease form consistent with the Agreement between the Operator and the Airport Advisory Board may be used by the Operator to assist in the consent process.
- 3.3.1.2.1.** The sublease shall be submitted to the Airport Advisory Board for review and approval.
- 3.3.1.2.2.** The Operator shall not be required to pay Heber City any portion of revenue or profit related to subleasing activities.
- 3.3.1.2.3.** The sublease agreement must be submitted to the Airport Advisory Board for review and approval within 10 business days of execution of Sublessee. Sublease business terms shall be submitted with the sublease agreement to the Airport Advisory Board.
- 3.3.1.2.4.** Sublessee may not occupy the premises without Airport Advisory Board approval of sublease agreement.

3.3.2. Subleasing Privileges Not Permitted in the Commercial Lease Agreement

- 3.3.2.1.** If subleasing is not permitted in the Agreement between the Operator and the Airport Advisory Board, the Operator must obtain written approval of the Airport Advisory Board prior to subleasing any land and/or improvements. Any activity inconsistent with the Airport Master Plan, Airport Layout Plan, and other plans associated with the Airport, and/or is considered to not be in the best interest of the Airport will not be approved by the Airport Advisory Board.
- 3.3.2.2.** The sublease agreement shall be submitted to the Airport Advisory Board for review and approval. The sublease may be rejected for any of the reasons identified in Section 2.4 (Grounds for Denial).

3.3.2.3. If an Operator subleases without advance written approval of the Airport Advisory Board, the Operator shall pay Heber City fifty percent (50%) of the sublease revenue in addition to all rents and fees paid to the City for the same subleased land and/or improvements.

3.3.2.3.1. The Airport Advisory Board may audit the Operator's financial records to determine the amount that shall be paid to the City.

3.3.2.4. The Operator shall reimburse the Airport Advisory Board for reasonable attorney's fees and expenses incurred by the Airport Advisory Board related to subleasing that is not permitted by the Agreement.

3.3.2.5. A sublessee may not occupy the premises without prior written approval by the Airport Advisory Board.

3.3.3. Sublessee Obligations

3.3.3.1. Sublessee shall comply with all regulations defined in this Policy and all other directives issued by Heber City; maintain all required insurances and coverages as defined in the Minimum Standards; and pay all required fees.

3.3.3.2. A sublessee desiring to engage in Commercial Aeronautical Activities at the Airport must obtain a Commercial Activity Permit, as outlined in the Airport's Minimum Standards, prior to any Commercial Activities.

3.3.4. Sublessee Stipulations

3.3.4.1. Unless stated otherwise, all sublease agreements shall be subject to all terms and conditions of the Agreement between the Operator and the Airport Advisory Board.

3.3.4.2. Subleasing land and/or improvements without written approval by the Airport Advisory Board shall be considered a breach in the Agreement between the Operator and the Airport Advisory Board.

3.3.4.3. Any sublease agreement made contrary to this Policy and without written approval by the Airport Advisory Board is considered null and void.

3.3.4.4. Sublease of land and/or an improvement for non-aeronautical activities is subject to prior written approval of the FAA.

3.4. Transfer of Interest

3.4.1. Assignment

3.4.1.1. A Party shall not assign an Agreement, any part or interest of an Agreement, or any rights or obligations the Party has under an Agreement without prior written approval by the Airport Manager.

3.4.1.1.1. If a Party desires such an assignment, the Party shall make application as identified in Section 2 and request written approval from the Airport Manager.

3.4.1.1.2. The City may deny such request for any reason identified in Section 2.4 (Grounds for Denial).

- 3.4.1.1.3. If written approval of the assignment is granted by the City the Party shall reimburse all attorney fees and expenses incurred by the City related to the assignment.
- 3.4.1.1.4. The Assignee shall comply with all regulations defined in this Policy and all other directives issued by Heber City; maintain all required insurances and coverages as defined in the Minimum Standards; and pay all required fees.
- 3.4.1.2. Any assignment made without prior written approval by the City shall be considered null and void and a breach to the Agreement.

3.4.2. Change in Majority Ownership

- 3.4.2.1. The City shall provide prior written approval to any change in the majority ownership of a Party or operating entity.
 - 3.4.2.1.1. If any Party desires to change the majority ownership of the operating entity, an application and transfer fee must be submitted to the City.
 - 3.4.2.1.2. The City may deny such request for any reason identified in Section 2.4 (Grounds for Denial).
 - 3.4.2.1.3. If written approval of the change in majority ownership is granted by the City, the Party shall reimburse all attorney fees and expenses incurred by the City related to the change in majority ownership.
- 3.4.2.2. Any change in majority ownership made without prior written approval by the City shall be considered null and void and a breach to the Agreement.

3.5. Term

3.5.1. Initial Lease Term

- 3.5.1.1. The initial term of all Agreements shall be for no less than twenty (20) years unless otherwise recommended by the Airport Advisory Board and approved by the City Council.

3.5.2. Lease Type

- 3.5.2.1. Leases to be offered for new hangar construction are to be non-reversionary.

3.5.3. City Obligations

- 3.5.3.1. The City is not obligated to automatically grant a term of any duration once the initial term has expired.

3.5.4. Lease Extension

- 3.5.4.1. The term of the Agreements may be extended twice for five (5) years if the land is not needed for airport development and if the premises are structurally sound and capable of safe and legal occupancy for the remaining term.

3.5.4.2. Any renewal options related to a lease shall be subject to the same conditions set forth in the original base term. The City maintains the right to adjust any and all rates and charges in effect at the commencement of each lease extension.

3.5.5. Investment Term Adjustment

3.5.5.1. Heber City encourages tenant construction as a component of facility development. When a tenant makes approved capital improvements to the facility which increases structural integrity or the facility’s market value, the tenant’s investment in those improvements will be considered toward an increased lease term.

3.5.5.1.1. The Investment Term Adjustment is available only to Airport Tenants who have reversionary leases.

3.5.5.1.2. The term adjustment is to provide tenants adequate time to depreciate investments in existing hangars and buildings on the Airport.

3.5.5.1.3. The lease terms are proportionately longer for greater investments. The lease term adjustment shall not exceed the useful life of the facility.

3.5.5.1.3.1. No lease shall exceed 40 years at any given time.

3.5.5.2. Extensions may be offered for capital improvements which increase the value of the hangar.

3.5.5.2.1. The minimum lease term adjustment shall be one year. After the first year the lease term shall be adjusted in six month increments. The final calculation shall be rounded down to the nearest six month increment.

3.5.5.2.2. Only improvements completed in a one year span can be added together for a lease term adjustment.

3.5.5.3. Lease Term Adjustment Table

Hangar Size (sq ft)	Capital Improvement amounts for lease term adjustments (Dollars per year)
2000 - 2999	\$10,000
3000 - 3999	\$10,500
4000 - 4999	\$11,250
5000 - 5999	\$12,000
6000 - 7999	\$12,750
8000+	\$13,750

3.5.5.4. The Lease Term Adjustment table will be updated annually based upon CPI.

3.5.5.5. Process

3.5.5.5.1. When intending to improve a facility at the Airport, a Tenant shall submit a written request to the Airport Manager. The request shall

include sufficient detail outlining the purpose of the facility, improvements to be made and the anticipated cost.

- 3.5.5.5.2. Only after conceptual approval by the Airport Manager and Airport Advisory Board, the improvements can proceed as outlined in the request.
- 3.5.5.5.3. Upon completion of the improvements, the Tenant will submit a statement of actual costs certified by the Tenant's financial officer or by a certified public accountant.
- 3.5.5.5.4. The Airport Manager will prepare an agreement which shall amend the lease terms based upon actual construction costs.

3.6. Improvements

- 3.6.1. All improvements made by a Tenant must comply with all applicable regulatory measures including all those stipulated by the City.
- 3.6.2. Unless otherwise specified in the Agreement, the ownership of all permanent improvements shall revert to Heber City upon the end of the term of the Agreement.

3.7. Responsibilities

3.7.1. Heber City

- 3.7.1.1. Unless otherwise stated in the Agreement, Heber City is responsible for maintenance of all public Airport infrastructure and common areas to include runways, taxiways, public apron areas, roadways, nav aids, and associated land areas.

3.7.2. Lessee

- 3.7.2.1. Unless otherwise stated in the Agreement, the Lessee shall be responsible for all maintenance of land and/or improvements on the leased premises. The responsibilities of the Lessee include all structural components, all exterior and interior maintenance, landscaping, janitorial, trash removal, snow removal, and sweeping.
- 3.7.2.2. The Lessee shall be responsible for all utilities, separately metered, shall maintain all insurance coverages as defined in the Minimum Standards, and shall remain current on all taxes and/or assessments charged by any applicable government entity or agency including personal property, income and other business tax.
- 3.7.2.3. The failure of a Lessee to maintain the land and/or improvements and/or pay all utilities, insurance, and taxes shall be considered a breach in the Agreement.

3.8. Condemnation

- 3.8.1. The Airport Advisory Board shall engage an appraiser, in the event of a full condemnation action, to determine the fair market value of the leasehold interest held by the Lessee.
- 3.8.2. The Agreement shall terminate on the date of the physical taking (as if the date of the taking were the date originally fixed in the Agreement for the expiration term). Upon termination of the Agreement, the Airport Advisory Board shall pay the Lessee the appraised fair market value minus any fees due to the City.
- 3.8.3. In the event of a partial condemnation, the Agreement shall not terminate. The rents due to the City during the unexpired portion of the Agreement shall be reduced proportionally based upon the square footage of the leased premises.
- 3.8.4. In the event of a full or partial condemnation by an Agency other than Heber City, the City and the Lessee shall each be entitled to receive or retain separate awards or a portion of lump sum awards as may be allocated to each party based upon the respective interest held by each party in any condemnation proceeding.
- 3.8.5. Condemnation shall follow all applicable regulatory measures (including those imposed by the FAA) for condemnation proceedings and any appraisal report shall meet the requirements of such regulatory measures. If there is any inconsistency between this Policy and such regulatory measures, the regulatory measures shall prevail.

3.9. Relocation

- 3.9.1. In the event relocation is found to be necessary (e.g. to correct Part 77 variations, ensure use consistent with the Airport Layout Plan, to facilitate future development of the Airport), the City shall provide the Lessee with land and/or improvements that are comparable to the land and/or improvements currently being occupied and/or used by the Lessee.
 - 3.9.1.1. Such land and/or improvements shall be leased to the Lessee at the same rent and under the same terms and conditions as stipulated in the existing Agreement.
- 3.9.2. If comparable improvements are not available, the City shall buyout the Lessee's interest in any improvements that have been made by the Lessee. The amount to be paid shall be determined by an appraiser.
- 3.9.3. The City shall pay all reasonable relocation costs and expenses associated with moving the Tenant.
- 3.9.4. Relocation shall follow all applicable federal and state measures for relocation proceedings and any appraisal report shall meet the requirements of such regulatory measures. If there is any inconsistency between this Policy and such regulatory measures, then the regulatory measures shall prevail.

4. RATES AND CHARGES

4.1. General

- 4.1.1.** It is the intent of this section to give guidance on setting rates and charges for Airport Leases which are in line with the current market. In addition, the City is required to maintain a rent and fee structure which makes the Airport as self-sustaining as possible while preserving and improving the Airport.
- 4.1.2.** Without unjustly discriminating, it is the policy of the Airport Advisory Board to pursue terms and conditions that provide an equitable return for the Airport and to encourage private investment. All Agreements adequately compensate the Airport for the use of leased premises to a Tenant.
- 4.1.3.** All Parties at the Airport shall be subject to the same rates, fees, and other charges as applicable to other Tenants utilizing the same or similar land and/or improvements for the same use or purpose.
 - 4.1.3.1.** Parties may not lease land and/or improvements that have the same attributes, uses and/or values; therefore, the Airport Advisory Board may charge different rates to similar users of the Airport as long as the rates are not unjustly discriminatory.
 - 4.1.3.2.** It is recognized that Agreements reached through negotiation or a competitive process may produce rents, fees, or other charges that may be higher than those paid by similar parties and/or users.

4.2. Mechanisms to Set Rates

- 4.2.1.** The Airport Advisory Board will not engage in unjust economic discrimination among tenants, nor will it impose discriminatory terms. The base land and/or improvement lease rate for each leasehold will be determined based on fair market values. Building base lease rates will be determined by market comparison, supply and demand or current appraisal of the facility by a firm chosen by the Airport Advisory Board.
- 4.2.2.** As new ground and building leases are entered into, or leases are amended, the Airport Advisory Board reserves the right to update lease rates to current values.
- 4.2.3. Competitive Proposal Process**
 - 4.2.3.1.** Rents can be adjusted and/or established through a competitive proposal process.

4.3. Variation in Rates

- 4.3.1.** The Airport Advisory Board may set different rates for different tenants based on rational factors that shall include but not be limited to: the value of property to be leased, the amount of use projected of common facilities, the type of use being made and the degree of competition for the facility to be leased.

4.4. Adjustment of Rents

4.4.1. All rents shall be adjusted on an annual basis throughout the term of the Agreement.

4.4.2. Escalation Clauses

4.4.2.1. Rates will be adjusted during the life of a lease. Adjustments may be based on one of three types; annual adjustment linked to the CPI, an adjustment based on re-evaluation of property or some other measure as specified in the agreement or as negotiated.

4.5. Establishment and Adjustment of Fees

4.5.1. Fees for the occupancy and use of land and/or improvements shall be established by Heber City to assist in covering the costs associated with the development, operation, and maintenance of the Airport.

4.5.2. Fees may include, but are not limited to, fuel flowage fees, transient aircraft fees, and/or permit fees.

4.5.3. Fees may be adjusted by the Airport Advisory Board on an annual basis based upon the Airport's fiscal year budget for the Airport.

4.5.4. The Airport Advisory Board reserves the right to use other means and/or establish and/or charge additional rents, fees, or other charges for the use and/or occupancy of the Airport land and/or improvements.

4.6. Payment of Rents, Fees, or Other Charges

4.6.1. Tenants must be current to the City in all payments of rents, fees, and other charges under any and all Agreements in order to occupy or use the land and/or improvements.

4.6.2. Failure to remain current in the payment of all rents, fees, and other charges to the City will be grounds for termination of the Agreement between the Lessee and the City.

4.6.3. The City may enforce the payment of rent, fees, and other charges under the Agreement by any legal means available to the City as provided by Utah law.

4.6.4. All rents, fees, and other charges assessed by the City not paid within 10 days of being due shall incur a ten percent (10%) late fee.

4.7. Bookkeeping and Records

4.7.1. The Lessee shall keep records of amounts due to the City for rents, fees, or other charges related to the occupancy and/or use of the Airport land and/or improvements and/or engaging in activities at the Airport. The City shall be entitled to access such records upon 30 days notice. The City/Airport Advisory Board reserves the right to audit such records.

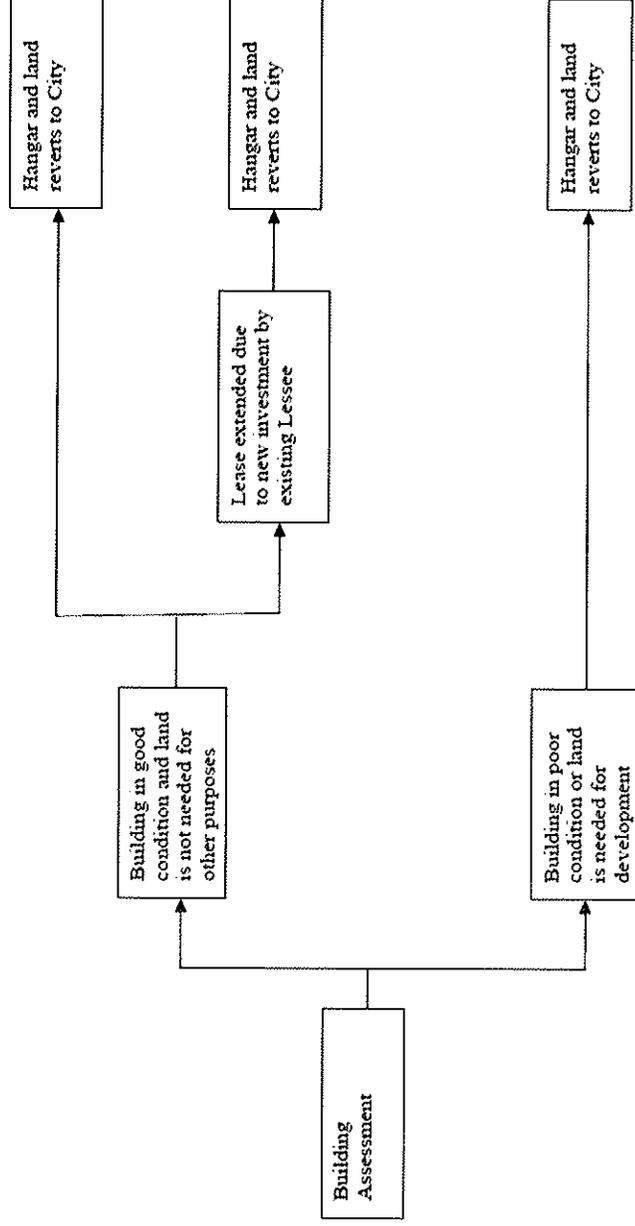
4.8. Exclusive Rights

- 4.8.1. There shall be no granting of the exclusive right to provide or engage in any aeronautical activity at the Airport; and no lease, sublease, operating permit or other agreement that is or shall be in effect at the Airport that creates such a right.

5. APPENDIX

5.1. Appendix A: Commercial Lease Flow Chart

COMMERCIAL LEASE



5.2. Appendix B: Establishment of Fair Market Value

- 5.2.1.** The Airport Advisory Board shall engage an appraiser who meets the qualifications defined in Section 5.3 of this Policy to conduct appraisals of airport land and/or improvements to determine fair market value.
 - 5.2.1.1.** The appraiser shall use current appraisal methods that are found to be appropriate by the Airport Advisory Board for the appraisal of Airport land and/or improvements.
 - 5.2.1.2.** The appraiser shall use appropriate and justifiable rate of return for airport land and/or improvements.
 - 5.2.1.3.** Airport land and/or improvements shall be appraised assuming the highest and best aviation use of the property. It shall also be assumed that the property will continue to be part of the Airport and will have access to the infrastructure and amenities of the Airport.
 - 5.2.1.4.** The appraisal shall meet the Uniform Standards of Professional Appraiser Practice (USPAP).

5.3. Appendix C: Appraiser Qualifications

- 5.3.1.** Appraisals shall be performed by an appraiser who shall be a member of the Appraisal Institute (MAI) or similarly designated and equally qualified appraiser who shall be certified by a recognized appraisal organization.
- 5.3.2.** The appraiser shall hold a State Certified General Real Estate Appraiser License issued by the State of Utah.
- 5.3.3.** Any appraiser selected to appraise Airport land and/or improvements shall have working knowledge of the aviation industry including airport, air carriers, and general aviation as appropriate. The appraiser shall also demonstrate familiarity with FAA rules, regulations, and policies pertaining to valuing airport properties.
- 5.3.4.** The selected appraiser must have performed a minimum of five (5) aeronautical property appraisals within the last five years and shall provide the Airport Advisory Board a list of locations and types of appraisals performed. Appraisals of non-aeronautical properties do not satisfy this requirement.

5.4. Appendix D: Dispute Resolution

- 5.4.1.** A Lessee may engage a second consultant (appraiser) that meets the qualifications set forth in this Policy if the Lessee disagrees with the Fair Market Rent (value) found by consultant (appraiser) hired by the Airport Advisory Board.
 - 5.4.1.1.** All fees and expenses associated with the second consultant (appraiser) shall be paid for by the Lessee.

- 5.4.2. If the two appraisals show a variance of less than ten percent (10%) the average of the two appraisals shall be used.
- 5.4.3. If the variance between the two appraisals is more than ten percent (10%) and an Agreement cannot be reached between the Airport Advisory Board and the Lessee, the first and second appraisers shall mutually agree on a third appraiser (that meets the qualification standards) to make the final determination.
 - 5.4.3.1. If the first and second appraisers cannot decide on a third appraiser the Airport Advisory Board shall appoint a third appraiser (who meets the qualification standards) to make the final determination.
- 5.4.4. The third appraiser shall review the results of the first and second appraisals and may request additional information, clarification, or justification from the first and second appraisers.
 - 5.4.4.1. The third appraiser has the right to gather, analyze, and consider additional data as deemed appropriate to make a final determination. The decision of the third appraiser shall be accepted by the Airport Advisory Board and the Lessee and shall be legally binding upon both parties.
- 5.4.5. All fees and expenses associated with the work of the third appraiser shall be paid for equally by the Airport Advisory Board and the Lessee.
- 5.4.6. During any period of disagreement between the Airport Advisory Board and the Lessee regarding rent adjustment, the Lessee shall be responsible for the payment of the adjusted rent recommend by the first appraiser. Once the disagreement is resolved, the difference between rent paid and the final rent determination shall be paid to the Airport Advisory Board or refunded to the Lessee.

Heber City Municipal - Russ McDonald Field
75 North Main Street, Heber City, UT 84032
Phone (435) 654-4854/Fax (435) 657-2543

AIRPORT LEASE/OPERATING PERMIT APPLICATION FORM
Please read the Airport Leasing Policies prior to filling out this application.

Applicant Name: _____

Contact Person: _____

Phone: _____ Email: _____

Mailing Address: _____

Lease Area Location, if known: _____

Type of Lease:

- Ground
- Building
- Operating Permit (for subleasing)
- Commercial
- Non Commercial

If Operating Permit Application, name of Business from whom subleasing: _____

Provide a detailed description (purpose of use) of the intended commercial aeronautical activities:

Describe the means and methods to accomplish the intended activities:

(Attach additional sheets as necessary)

Development of Property:

Beginning Date: _____ Completion Date: _____

Value of Construction: _____

Use Complies With:

- Airport Master Plan
- Building Codes
- Permitted Land Use

Applicant Signature (if sublease, signature of lessee)

Date

Airport Manager Signature

Date

HANGAR
HANGAR GROUND LEASE AGREEMENT
HEBER CITY AIRPORT

LESSOR: HEBER CITY CORPORATION

LESSEE: _____

DATED: _____

INDEX

SECTION I	PREMISES	PAGE 3
SECTION II	TERM	PAGE 3
SECTION III	FIRST RIGHT OF REFUSAL TO RENEW LEASE	PAGE 3
SECTION IV	LESSEE'S RIGHT TO REMOVE IMPROVEMENTS	PAGE 3
SECTION V	RENTALS, FEES AND CHARGES	PAGE 4
SECTION VI	USE OF PREMISES	PAGE 5
SECTION VII	CONSTRUCTION IMPROVEMENTS	PAGE 5
SECTION VIII	OBLIGATIONS OF LESSEE	PAGE 5
SECTION IX	INDEMNIFICATION AND HOLD HARMLESS	PAGE 7
SECTION X	HEBER CITY ORDINANCES	PAGE 8
SECTION XI	INSURANCE	PAGE 8
SECTION XII	PERMITS, LICENSES AND CERTIFICATES	PAGE 9
SECTION XIII	ASSIGNMENT	PAGE 9
SECTION XIV	RIGHT OF ENTRY AND INSPECTION	PAGE 10
SECTION XV	RULES AND REGULATIONS	PAGE 10
SECTION XVI	GOVERNMENTAL RESERVATIONS AND RESTRICTIONS	PAGE 10

SECTION XXVII	HEBER CITY'S RIGHT OF CANCELLATION	PAGE 11
SECTION XXVIII	LESSEE'S RIGHT OF CANCELLATION	PAGE 12
SECTION XIX	FORCE MAJEURE	PAGE 12
SECTION XX	DESTRUCTION OF PREMISES	PAGE 13
SECTION XXI	COSTS OF SUSTAINING AN ACTION FOR BREACH OR DEFAULT	PAGE 13
SECTION XXII	PARTIAL INVALIDITY	PAGE 13
SECTION XXIII	ABANDONMENT	PAGE 14
SECTION XXIV	UNLAWFUL USE	PAGE 14
SECTION XXV	LEASE SUBORDINATE TO AGREEMENTS WITH U.S.A.	PAGE 14
SECTION XXVI	DEVELOPMENT OF AIRPORT	PAGE 14
SECTION XXVII	AIRPORT FACILITIES	PAGE 14
SECTION XXVIII	BANKRUPTCY	PAGE 15
SECTION XXIX	TAXES AND ASSESSMENTS	PAGE 15
SECTION XXX	MARGINAL CAPTIONS	PAGE 15
SECTION XXXI	AMENDMENTS TO BE IN WRITING	PAGE 15
SECTION XXXII	SUCCESSORS IN INTEREST	PAGE 15
SECTION XXXIII	NONEXCLUSIVE RIGHTS	PAGE 16
SECTION XXXIV	WAIVER OF RIGHTS	PAGE 16
SECTION XXXV	NOTICES	PAGE 16
SECTION XXXVI	HOLDOVER	PAGE 16
SECTION XXXVII	TIME	PAGE 16

HANGAR GROUND LEASE AGREEMENT

LEASE AGREEMENT made this _____ day of _____,
_____, between HEBER CITY, herein called City or Heber City, and _____
_____, herein called Lessee.

RECITALS

A. Heber City owns and operates at the HEBER CITY AIRPORT located in Wasatch County, State of Utah, herein called Airport.

B. Lessee desires to lease a parcel of land on the Airport premises for the purpose of erecting and/or maintaining an existing aircraft hangar owned by Lessee for the storage of aircraft.

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

I. PREMISES. The City hereby leases to Lessee the Parcel of land only which is known as Daniel Hangar #1 at the Heber City Airport, Wasatch County Utah more fully described on Exhibit "A" attached and made part hereof.

II. TERM. Subject to all other provisions of this Agreement regarding termination reserved herein, the term of this lease shall commence on the _____ day of _____, 2012 and end on the _____ day of _____, 2032.

III. FIRST RIGHT OF REFUSAL TO RENEW LEASE. Lessee shall have the first right of refusal to renew this lease agreement on the condition that Lessee is not in default hereunder at the time of such renewal and provided the renewal term does not exceed five (5) years. To renew this Lease under the first right of refusal, Lessee shall provide a minimum of thirty (30) days written notice to Lessor prior to the expiration of the initial lease term stating Lessee's desire the opportunity to exercise his first right of refusal. The terms and conditions contained herein shall govern any renewal of this Lease unless otherwise agreed between the parties hereto.

IV. LESSEE'S RIGHT TO REMOVE IMPROVEMENTS. Upon the

termination of this lease, Lessee shall have the right to remove any improvements erected by Lessee on the premises during the lease term or any renewal. Lessee, upon removal of any improvements shall restore the land to as good condition as it was in prior to the erection of any improvements thereon. Lessee hereby agrees that removal of any and all improvements shall be completed on or before sixty (60) days from termination of this lease. Lessee hereby consents and agrees that any improvements remaining on the premises after the sixty (60) day removal period shall at the option of the City be deemed abandoned and owned by the City without any claim or right whatsoever in Lessee.

V. RENTALS, FEES AND CHARGES. Subject to re-negotiation and change of rental rates as hereinafter provided, the Lessee agrees to pay the City for the use of the premises, facilities, rights, services and privileges granted herein, the following rental, payable to Heber City.

A. Rental for the above-described parcel was paid for 2012 at the current rate of \$0. __ per square foot of improved land and \$0. __ per square foot of unimproved land.

Parcel	Area	Rate
A	<u>5,625</u> sq. feet	Improved Land
B	<u>3,400</u> sq. feet	Unimproved Land

B. The rent of the above described land for each following year of the agreement shall be \$2,197.50, and is due and payable to Heber City Corporation, in advance, on the first day of each calendar year of the Agreement.

C. Rents provided for herein are subject to an annual change per the Consumer Price Index (C.P.I.).

D. All payments due the City under this Lease, including rent, that are not paid on or before thirty (30) days from the due date shall incur a late fee of ten (10%) percent

for each 90 days or portions thereof that the amount remains delinquent.

E. All payments due the City under this Lease shall be delivered to the Heber City Corporation, 75 North Main Street, Heber City, Utah 84032 or as otherwise directed in writing by the City.

VI. USE OF PREMISES. The leased premises and any and all improvements located thereupon shall be used solely for conducting the following activities and shall not be used as overnight sleeping quarters:

A. Storage of aviation related equipment

B. Non-Aviation storage as an incidental use on the condition the space is principally used for aviation purposes.

Lessee acknowledges that the premises may not be used for commercial purposes or as a fixed-base operator without Lessee meeting, complying with and obtaining approval for the minimum standards as may exist at that time for such operation. Further, Lessee agrees to maintain the storage in this area in neat condition.

VII. CONSTRUCTION - IMPROVEMENTS. Lessee may make improvements on the premises.

VIII. OBLIGATIONS OF LESSEE.

A. Lessee agrees to notify the airport manager, in writing, within ten (10) days of its basing, of the registration number of the aircraft and the person(s) responsible for it, including off hours emergency phone numbers, for all aircraft stored on the leased premises.

B. Lessee shall be solely responsible for all costs or charges for utility services required by the Lessee during the term of this Lease.

C. Lessee agrees to maintain the demised premises including the interior of the hangar in a neat, orderly and safe condition, and free from waste, rubbish, snow or other hazards throughout the term of this Lease. Lessee shall not store or let stand any

equipment or property belonging to the Lessee or under the Lessee's custody, outside the boundaries of the leased areas without prior consent of the City, except when such equipment or property is in the process of being loaded or unloaded. Should the Lessee fail to repair and maintain the leased premises in proper condition, the City shall so notify the Lessee in writing. If the Lessee then fails to make such repair or maintenance within ten (10) days after the notice has been sent the City may cause such repair or maintenance service to be made. Lessee agrees to pay all City's costs incurred thereby and reimburse the City therefore on demand. If said costs and expenses are not paid within fifteen (15) days after demand therefore, this Lease shall be deemed to be in default and the City shall be entitled to all legal remedies provided hereunder, including termination of this Lease.

D. Lessee shall exercise due and reasonable caution to prevent fire, accidents, hazards or nuisances on the premises. Should the Lessee fail to remove or abate said hazard or nuisance after being notified to do so, the City may abate said hazard or nuisance and charge the cost thereof to the Lessee as provided in C above or at the City's option to terminate the Lease.

E. Lessee agrees at its own expense to cause the premises and improvements and appurtenances thereto to be maintained in a presentable condition consistent with good maintenance practices. This shall include, although not be limited to, the obligations of the Lessee to maintain the premises in a clean, neat and orderly condition at all times, and to perform the necessary mowing and snow removal on the premises during the appropriate periods of the year. The Airport will assist in snow removal when capability and priority permit.

F. Lessee shall not erect, install, or cause to permit to be erected, installed or operated upon the premises herein any sign or advertising device without first having obtained the City's consent thereto. If the City consents it may set forth the size, construction, location and general appearance of any such permitted sign or device.

G. Lessee shall not have the right to sell or distribute any parts, fuels, oils, or similar products upon said demised premises or upon said airport pursuant to this Lease.

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

I. Lessee shall obey all applicable rules, regulations, ordinances and laws that may be from time to time promulgated by the City, State and Federal Government or agency thereof.

J. Lessee agrees to cause to be removed from the premises at its own expense all waste, garbage and rubbish and agrees not to deposit same, except temporarily in connection with collection for removal in Airport designated locations, on any part of the premises or other property of the City constituting the Airport.

K. With respect to new construction the general design and appearance of the same must receive the approval of the Heber City Airport Board.

IX INDEMNIFICATION AND HOLD HARMLESS. Lessee expressly agrees to defend, protect, indemnify and hold harmless the City, its officers, agents and employees free and harmless from and against any and all claims, demands, damages, expenses, losses or liability of any kind or nature whatsoever which the City, its officers, agents or employees may sustain or incur or which may be imposed upon them for injury to or death of persons or damages to property arising out of or resulting from the negligent acts or negligent omissions of the Lessee, its officers, agents, employees or guests in their use or misuse of the demised premises. Lessee agrees to defend at its own cost, expense and risk all claims or legal

actions that may be instituted against either the Lessee or the City, which arise out of the negligent acts or omissions of the Lessee. Lessee agrees to pay any settlement entered into and satisfy any judgment that may be rendered against either the Lessee or the City as a result of any negligent injuries or damages which have resulted from or are connected with this Lease or the occupancy or use of the demised premises by the Lessee, or its officers, agents, employees or licensees, including reasonable attorney fees.

X. HEBER CITY ORDINANCES. Lessee hereby acknowledges the applicability of the Heber City Municipal Ordinances to this Lease Agreement. Lessee hereby acknowledges notice of the terms, conditions and requirements presently contained therein and agrees, so far as said ordinance applies to persons such as Lessee herein, to comply with such ordinances as now in effect or as it may be amended during the term of this Lease or any renewal. **Specifically, the terms and conditions of Title 15 as currently existing or as may be amended are incorporated herein by reference and made part hereof as though written herein.**

XI. INSURANCE. Concurrent with the execution of this Lease and as partial performance of the obligations assumed under paragraph IX, (INDEMNIFICATION AND HOLD HARMLESS) hereof, the Lessee shall have from a reliable insurance company or companies authorized to do business in the State of Utah, liability insurance in such minimum amount as may be required by Heber City pursuant to reasonable exercise of its municipal powers.

The above insurance policy or policies shall contain an endorsement which provides that the Lessee is named insured as it pertains to said leasehold. Lessee shall provide the City with written evidence of said insurance at all times this Lease is in effect.

All insurance policies secured by the Lessee providing the coverages which affect the leasehold premises required under this Lease shall require each insurer to notify the City by

registered or certified mail of any modification, termination or cancellation of any policy of insurance that affects the leasehold premises no less than thirty (30) days prior to the effective date of such modification, termination or cancellation. Notice by the insurer shall be effective upon the receipt of said notice by the City. In addition to any other requirements of this Lease, the Lessee shall notify the City of any modification which affects the leasehold premises, termination or cancellation of any policy of insurance secured by the Lessee pursuant to this paragraph as soon as the Lessee learns of any such modification, termination or cancellation. Each of said policies shall stipulate that the policy provided coverage is not subordinate to nor contributing with any other insurance coverage held or maintained by the City. The procuring of such policy or policies of insurance shall not be construed to be a limitation upon the Lessee's liability or a waiver of performance on the Lessee's part of the indemnification and hold harmless provisions of this Lease; and the Lessee understands and agrees that notwithstanding any policy or policies of insurance it remains the Lessee's obligation to protect, indemnify and hold harmless the City hereunder for the full and total amount of any damage, injuries, loss, expense, costs or liabilities caused by or in any manner connected with or attributed to the negligent acts or omissions of the Lessee, its officers, agents, employees, licensees or the operations conducted by the Lessee, or the Lessee's use, misuse or neglect of the premises described herein.

XII PERMITS, LICENSES AND CERTIFICATES. Lessee shall obtain any and all permits, licenses and certificates which may be required in connection with the improvement and use of the demised premises and aircraft operations. Lessee shall comply with all applicable federal, state and local laws and regulations and the Lessee shall keep in effect any and all licenses, permits, notices and certificates as are required.

XIII ASSIGNMENT. Lessee shall not assign this Lease, or sublease any part of the premises without prior written approval of the City which approval shall not be unreasonably withheld. However, a 1% transfer fee or \$100.00, whichever is the greater amount, shall be paid

to the City based upon the current assessor's valuation at the time of the assignment or transfer of the lease or sale of the hangar. The City hereby agrees that this Lease may be assigned as security for any hangar construction related loan required by Lessee, provided that such assignment permits Lessee to remain in possession except in the event of foreclosure. In the event of foreclosure or forfeiture by the holder of such security, the City consents to further assignment to any person, firm or corporation which is fully competent and has the necessary facilities, experience and financial resources to perform the obligations contained in this agreement on the part of the Lessee to be performed, provided such proposed assignee shall expressly assume said obligations in writing.

XIV RIGHT OF ENTRY AND INSPECTION. The City hereby reserves the right to enter into and upon the leased premises and any improvements thereon at all reasonable times and for all reasonable purposes without prior notice. The City or the airport manager or its or his designated representative shall have the right to exercise this right of inspection.

XV RULES AND REGULATIONS. The City shall have the right to adopt and enforce reasonable rules and regulations with respect to the use of the airport and the public terminal building and appurtenances, provided that such rules and regulations shall not be inconsistent with safety and with rules and regulations of the Federal Aviation Administration with respect to aircraft operations at the airport.

XVI GOVERNMENTAL RESERVATIONS AND RESTRICTIONS.

A. During the time of war or national emergency, the City shall have the right to lease the landing area, or any part thereof, to the United States Government for military or naval use, and if such Lease is executed, the provisions of this instrument, insofar as they are inconsistent with the provisions of the lease to the government, shall be suspended.

B. The City reserves the right to further develop or improve the airport as it sees fit, regardless of the desires or views of the Lessee and without interference or

hindrance from Lessee.

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

D. The City reserves the right to take any action it considers necessary to protect the aerial approaches of the airport against obstructions together with the right to prevent the Lessee from erecting, or permitting to be erected, or maintaining any building or other structure on or adjacent to the airport which, in the opinion of the City, would limit the usefulness of the airport or constitute a hazard to aircraft. It is understood and agreed that nothing in this Lease shall be construed to grant or authorize the granting of any exclusive rights to Lessee within the meaning of the civil Aeronautics Act.

XVII THE CITY'S RIGHT OF CANCELLATION. In addition to all other remedies reserved by the City, this agreement, shall be subject to cancellation by the City should one or more of the following events occur:

A. If the Lessee fails to pay when due the whole or any part of the amounts agreed upon for rents and charges and such default continues for sixty (60) days after the City has demanded payment in writing.

B. If the Lessee shall fail to perform or keep and observe any of the covenants and conditions contained in this contract to be performed, kept and observed by Lessee, and Lessee fails to correct any breach hereof after sixty (60) days written notice from the City or ten (10) days if the default constitutes a risk to the health or safety of others, then and in such event the City shall have the right at once to declare this contract terminated.

C. The City reserves the right to terminate this Lease upon giving four

months written notice if the City has a need for the property for public purposes. In the event of a termination under this paragraph, the City must compensate the Lessee for the purchase cost of the improvement, the hangar, less depreciation based on straight line depreciation thirty years life expectancy if the Lessee elects to abandon the hangar or if the Lessee elects to remove the hangar the City must compensate the Lessee \$5,000.00 or \$1,000.00 for each remaining year of the Lease, whichever is the lesser amount.

XVIII LESSEE'S RIGHT OF CANCELLATION. In addition to all other remedies

available to the Lessee, this agreement shall be subject to cancellation by the Lessee should any one or more of the following events occur:

A. The permanent and complete abandonment of the airport as an aviation facility.

B. The issuance by any court of competent jurisdiction of an injunction in any way preventing or restricting the use of the airport and the remaining in force of such injunction for at least thirty (30) days.

C. The breach by the City of any terms, conditions and covenants of this agreement to be kept, performed and observed by the City and the failure to remedy such a breach for a period of thirty (30) days after written notice from the Lessee of the existence of such a breach.

D. The assumption by the United States Government, or any authorized agents of the same, of the operation, control or use of the airport and its facilities, in such a manner as to substantially restrict the Lessee from normal use, if such restriction is continued for a period of ninety (90) days or more.

XIX FORCE MAJEURE. If either party hereto shall be delayed or prevented from the performance of any act required hereunder by reason or act of God, flood, hurricane,

tornado, earthquake, strikes, lockouts, which are beyond the control of the party obligated (financial inability excepted), performance of such act shall be excused for the period of the delay and the period of the performance of any such act shall be extended for a period equivalent to the period of such delays; provided, however, nothing in this clause shall excuse the Lessee from the prompt payment of rental or other charges required hereunder to be paid by Lessee except as may expressly be provided elsewhere in this Lease.

XX DESTRUCTION OF PREMISES. Should the improvements to the demised premises be damaged or destroyed in whole or in part, by fire, earthquake or any other casualty at any time during the term of this Lease so that the same cannot be repaired within ninety (90) working days to substantially the same condition it was in immediately prior to the happening of such casualty, then either the City or the Lessee may, within fifteen (15) working days after the ninety (90) working days after the happening of such casualty, terminate this Lease as of the date of said casualty. Lessee shall proceed, within ninety (90) working days, with the restoration and reconstruction of the improvements on the demised premises to substantially the same condition in which they were in prior to the happening of the casualty. In no event shall the City be liable to the Lessee for any damages resulting to the Lessee from the happening of such fire or other casualty or from the repair or construction of the demised premises or from the termination of this Lease as herein provided, nor shall the Lessee be released thereby from any of its obligations hereunder except as expressly stated in this clause.

XXI COSTS OF SUSTAINING AN ACTION FOR BREACH OR DEFAULT. In the event either the City or the Lessee commences legal action against the other claiming a breach or default of this Lease, the prevailing party in such litigation shall be entitled to recover from the other reasonable attorney fees and all costs connected with said litigation.

XXII PARTIAL INVALIDITY. If any term, covenant, condition or provision of this Lease is held by a court of competent jurisdiction to be invalid, void or unenforceable, the

remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby.

XXIII ABANDONMENT. If the Lessee shall abandon or be dispossessed by process of law or otherwise, any personal property belonging to the Lessee and left on the premises after such abandonment or dispossession shall at the option of the City be deemed to have been transferred to the City; and the City shall have the right to remove and to dispose of the same without liability to account therefore to the Lessee or to any person claiming under the Lessee.

XXIV UNLAWFUL USE. Lessee agrees that no improvement shall be erected, placed upon, operated or maintained on the demised premises, nor shall business be conducted or carried on therein in violation of the terms of this Lease or any applicable law, statute, ordinance, regulation, rule or order of any governmental agency having jurisdiction hereover.

XXV LEASE SUBORDINATE TO AGREEMENTS WITH U.S.A. This Lease shall be subordinate to the provisions of any existing or future agreement between the City and the United States, relative to the operation or maintenance of the Airport, the execution of which has been or may be required as a condition precedent to the expenditures of Federal funds for the development of the Airport.

XXVI DEVELOPMENT OF AIRPORT. The City reserves the right to further develop or improve the Airport as it sees fit, regardless of the desires or views of the Lessee and without interference or hindrance by the Lessee.

XXVII AIRPORT FACILITIES. Lessee is hereby granted the nonexclusive right, in common with all present and future users, to the use of such of the City's Heber City Airport public facilities as are designated by the Airport Manager from time to time. As an incident to all the other uses provided for in this Lease, the Lessee, its employees, authorized representatives, invitees, permittees, licensees, customers and patrons shall have the right to use

all public waiting rooms and public lavatories provided such use shall be in common with others and may be suspended during any period when maintenance, repairs or improvements are being made thereto.

XXVIII BANKRUPTCY. Should the Lessee make an assignment for the benefit of creditors or should a voluntary or involuntary petition of bankruptcy or for reorganization or any arrangement be filed by or against the Lessee, or if the Lessee should become bankrupt or insolvent or if a receiver be appointed at the request of the Lessee's creditors (except as a receiver appointed at the request of the City) such action shall constitute a breach of this Lease for which the City at its option, may terminate all rights of the Lessee or Lessee's successors in interest under this Lease.

XXIX TAXES AND ASSESSMENTS. Lessee shall pay before delinquency, all taxes, license fees, assessments and other charges which are levied and assessed against and upon the premises, fixtures, equipment or other property caused or suffered by the Lessee to be installed, located or placed upon the leased premises. The Lessee shall furnish the City with satisfactory evidence of these payments upon demand from the City. Lessee acknowledges that this Lease may create a possessory interest subject to property taxation and that the Lessee may be subject to the payment of property taxes levied on such interest. Lessee agrees to assume and pay any such assessment.

XXX MARGINAL CAPTIONS. The various headings and numbers herein and the grouping of the provisions of this Lease into separate section, paragraphs and clauses are for the purpose of convenience only and shall not be considered a part thereof.

XXXI AMENDMENTS TO BE IN WRITING. This Lease sets forth all of the agreements and understandings of the parties and is not subject to modification except in writing, duly executed by the legally authorized representatives of each of the parties.

XXXII SUCCESSORS IN INTEREST. The covenants herein contained shall,

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

XXXIII NONEXCLUSIVE 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 1349, of the United States code.

XXXIV WAIVER OF RIGHTS. The failure of the City to insist upon strict enforcement of any of the terms, conditions and covenants herein shall not be deemed a waiver of any rights or remedies that the City may have and shall not be deemed a waiver of any subsequent breach or default by Lessee of the terms, conditions and covenants herein contained.

XXXV NOTICES. All notices given or to be given, by either party to the other shall be given in writing and shall be addressed or delivered to the parties at the addresses hereinafter set forth or at such other addresses as the parties may by written notice hereafter designate. Notices to the City and the Lessee shall be addressed as follows:

TO: <u>HEBER CITY</u>	TO: <u>LESSEE</u>	TO: <u>LESSEE</u>
Heber City	_____	_____
75 North Main	_____	_____
Heber City, Utah 84032	_____	_____

XXXVI HOLDOVER. In the event the Lessee shall hold over after the term granted herein, then such holding over shall be construed to be a tenancy from month-to-month only. Prepayment of rent beyond one month shall not be construed to alter or change the month-to-month status of any holdover tenancy. Lessee agrees to comply and abide with all other terms and conditions of this Lease in the event Lessee holds over after the term provided in this Lease expires.

XXXVII TIME. Time is of the essence of this Lease.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be

duly executed, with all the formalities required by law on the respective dates set forth opposite

their signatures to be effective the day and year first above written.

HEBER CITY, a Municipal Corporation

LESSEE:

APPROVED:

By: _____ Date: _____

_____ Date: _____

Mayor,

By: _____ Date: _____

ATTEST:

_____ Date: _____

City Recorder,

APPROVED AS TO FORM:

_____ Date: _____

Airport Manager,

TVT North Stair Renovation, Heber City, UT Instructions to Bidders

date: 31 July 2014
to: Bidders

Bidding Instructions:

- 1 Bids shall be submitted to Mark Anderson no later than Wednesday August 6th 2014, 3pm local time.
- 2 Bidder shall submit Bid on Company Bid or Proposal Form.
- 3 Bidder shall guarantee Bid Amount for 30 days.
- 4 Owner intends to award contact 7 August 2014
- 5 Bidder shall provide a Performance and Payment Bond, or cash bond.
- 6 Bidder shall provide Bid for phase I only. To include all concrete work, handrails, remove ex alum door, temporary wd framed doorway closure.
- 7 Work not to be included: windows, interior renovation, removal of conc
- 8 Bidder shall allow storefront subcontractor access to job site.

Project Information:

- 1 Owner will remove all affected concrete no later than 7 August 2014.
- 2 Complete concrete work with temporary handrails @ main stair must be complete by 21 August 2014. HC ramp, east stair and final handrails must be completed by 19 September 2014.
- 3 Bidder will compete all excavation/back fill, footings, foundations, steps, ramps, slabs. Bidder must leave site clean, and level ready for planting by owner
- 4 Payment will be made when all work in phase I is complete, approved and accepted by the owner.
- 5 Bidder shall guarantee all work for 1 year against all labor and material defects
- 6 All concrete to be 4500 psi. ramps, steps and slabs to have #4 @ 24" max each way. 10"x16" footers to be set 3ft below final grade (2)#4 cont, 8" foundation walls #4 @ 2ft oc ew. Drill 1/2" diam 4" deep #4 rebar into existing sandstone foundation wall. Broom finish all exposed flat work and edges. Rub and fill all exposed foundation walls. Extend ramps and steps 3/4" beyond face of foundation walls. Verify 95% compaction of all sub grade material prior to pouring concrete. Back fill ramp and stair areas with compacted pit run or road base. Provide 4" compacted road base under all flat-work.
- 7 Provide cast in place alum tread nosing, full width at each step. Molded in abrasive strips

From: 36uHangarOwnersGroup <36uhangarownersgroup@boyaire.us>

To: AAB Chairman Mel McQuarrie <mel-crask@hotmail.com>; AAB Vice Chairman Dave Hansen <rv4us@prodigy.net>; AAB Member Kari McFee <kari@wasatchwave.com>; AAB Member Jeff Mabbutt <jmabbutt@classicaviation.net>; AAB Member Ron Phillips <rphillips@growlaw.com>; Councilor Heidi Franco <hfranco@ci.heber.ut.us>; Councilor Erik Rowland <erowland@ci.heber.ut.us>

Sent: Tuesday, August 12, 2014 10:28 PM

Subject: Lease Terminology + Technical Committee / Work Group Composition

Dear Airport Advisory Board Members:

We sincerely ask for your attention to the following important items:

1. Technical Committee / Work Group Composition. Reference the enclosed results for the 36U Hangar Owners Online Petition nominating the following Owners to participate in the Airport Board's end-of-lease discussions for current leases: Lonnie Woodard (Hangar Row), Barry Hancock (Commercial Apron), Paul Boyer (Daniel Non-reversionary), and Dale Stewart (Daniel Reversionary).

2. Lease Extensions vs. Lease Renewals. It is extremely important that all of us ensure we use accurate terminology when discussing ground leases. Some people have used "extensions" and "renewals" interchangeably, when in fact they are drastically different. Yes, it is true that FAA policy limits ground leases to 50-years by totaling the initial leasing period plus all optional extensions within the lease. However, a lease renewal is something very different and is not included in the FAA 50-year calculation for the original lease.

Renewal means just that—a NEW lease. Lease renewal occurs when the original lease is replaced by a rewritten, updated, newly signed document, instead of holding the original lease in place as an extension does. The FAA does not object to renewals, whether written for a new owner or for an existing owner, and they do not count them in their original lease 50-year calculation.

A real life example exists at Fort Collins Loveland Municipal Airport (KFNL). Refer to the attached current KFNL 40-year non-reversionary lease. Article 1.3 states: 1) The "Cities desire to offer Lessee an opportunity to enter into a new lease for the Leased Premises ... upon the expiration" of the original 40-year lease, and 2) The "Lessee may request that the Cities grant a new lease agreement."

To date, only one KFNL non-reversionary ground lease has reached 40-years. At its expiration, KFNL "renewed" the ground lease by granting a new 15-year non-reversionary lease to the owner. The FAA has not objected to the combined 55-year total for the old lease and new lease, because the two leases are separate legal documents and the renewal does not extend anything from the old lease.

3. Thank you. The 36U Hangar Owners extend our sincerest thank you to all of you, whether we have agreed or disagreed with you over various issues during the past year. We know this has been a lengthy and at times trying process and wholeheartedly appreciate your time and careful consideration of the many issues that determined your individual opinions leading to your unanimous recommendation to the City Council last winter that in turn lead to the Council's decision last Thursday that all future ground leases will be non-reversionary.

We sincerely look forward as Partners in the Airport Community to continue our cordial collaborative working relationship with all of you in working to make Russ McDonald Field the best little airport in the West in providing value and benefits to the City, County, and their Citizens.

Best Regards,

The 36U Hangar Owners Group



This petition has collected
41 signatures
using the online tools at iPetitions.com

Printed on 2014-02-26

Hangar Owner Nominations for the Heber Airport Board Work Group

About this petition

The 4-member volunteer Board for the 36U Hangar Owners Group nominates the following Owners for the Airport Board Work Group that will explore end-of-ground-lease improvements for all Hangar Owners. Please sign the petition to indicate your agreement, and add anyone else whom you want to nominate by listing his or her name in the “Comments” box before you sign the petition.

The Board nominates:

- Lonnie Woodard (Hangar Row)

- Barry Hancock (Commercial Apron)

- Paul Boyer (Daniel Non-reversionary)

- Dale Stewart (Daniel Reversionary)

Thank you for taking time to sign and participate.

Signatures

1. Name: Paul Boyer on 2014-02-17 23:41:31
Comments:

2. Name: george mcpheeters on 2014-02-18 00:40:36
Comments: I support the board's nominees

3. Name: Andrew Levy on 2014-02-18 00:44:56
Comments: I support the nominees

4. Name: Peter zaccagnino on 2014-02-18 00:47:29
Comments:

5. Name: Warren Stadler on 2014-02-18 01:19:58
Comments:

6. Name: Jeff Maling on 2014-02-18 01:28:37
Comments:

7. Name: Jon Olch on 2014-02-18 01:30:50
Comments:

8. Name: David Wichmann on 2014-02-18 01:52:31
Comments: Property Taxes will go to ZERO as the rivisionary leases approach expiration ... not good for the city ... convert all leases to NON-reversion to benifit all parties

9. Name: Gary Diehl on 2014-02-18 18:24:20
Comments:

10. Name: Barry Hancock on 2014-02-18 21:09:13
Comments: I support Dale Stewart, Lonnie Woodard and Paul Boyer. I am flattered to be nominated and will be happy to serve if appointed.

11. Name: Dave Brown on 2014-02-18 23:26:58
Comments: Gary Diehl

12. Name: Troy Cobb on 2014-02-19 14:37:54
Comments: I'll go along with board's nominations

13. Name: earl polenz on 2014-02-19 14:53:04
Comments: I agree to the four nominations

14. Name: David Rossi on 2014-02-19 15:30:21
Comments:
-
15. Name: Russell Werner on 2014-02-19 16:16:52
Comments: russ@wernerworld.com
-
16. Name: Lonnie Woodard on 2014-02-20 05:48:20
Comments:
-
17. Name: Michael Blanchard on 2014-02-20 05:56:13
Comments:
-
18. Name: Steve Urry on 2014-02-20 14:10:13
Comments:
-
19. Name: Christopher Gerry Hall on 2014-02-20 16:58:26
Comments:
-
20. Name: Don Craig on 2014-02-20 17:24:55
Comments: Paul Boyer
-
21. Name: Stephen R Kennedy on 2014-02-20 19:59:22
Comments: Lonnie Woodward Barry Hancock Paul Boyer Dale Stewart
-
22. Name: George Murdock on 2014-02-20 22:34:34
Comments:
-
23. Name: greg grani on 2014-02-20 22:38:04
Comments: Own hanger
-
24. Name: Tom Meecham on 2014-02-21 01:22:33
Comments: Hangar 6
-
25. Name: Barbara Black on 2014-02-21 01:24:52
Comments:
-
26. Name: Robert Shay on 2014-02-21 01:32:32
Comments: Paul Boyer
-
27. Name: Bruce Kirchenheiter on 2014-02-21 02:45:26
Comments: brucekirch50@gmail.com
-

28. Name: Russ Coburn on 2014-02-21 03:46:02
Comments:
-
29. Name: Mauro C. Dal Canto on 2014-02-21 05:37:13
Comments: Jim Church
-
30. Name: Dale Stewart on 2014-02-21 05:43:37
Comments:
-
31. Name: Floyd English on 2014-02-21 15:46:00
Comments: Dale Stewart
-
32. Name: Rusty Martz on 2014-02-21 16:16:49
Comments:
-
33. Name: Karl Paulsen on 2014-02-21 16:20:22
Comments:
-
34. Name: karen bassett on 2014-02-21 16:41:11
Comments:
-
35. Name: Hans Fuegi on 2014-02-21 16:49:32
Comments:
-
36. Name: Lynn Leavitt on 2014-02-23 00:05:21
Comments: Lonnie Woodard
-
37. Name: Robert Werra on 2014-02-23 04:17:42
Comments:
-
38. Name: Ron Blue on 2014-02-24 02:34:42
Comments:
-
39. Name: Tom Vayda on 2014-02-24 05:37:58
Comments:
-
40. Name: Evelyn saunders on 2014-02-24 17:25:41
Comments:
-
41. Name: Lynn Vaughan on 2014-02-25 12:48:53
Comments:
-

HANGAR GROUND LEASE AGREEMENT

**CITIES OF LOVELAND AND FORT COLLINS,
COLORADO,
AND**

DATED

Form Approved by FNL Airport Steering Committee June 10, 2009

TABLE OF CONTENTS

ARTICLE 1: TERM, OPTIONS AND RIGHT OF FIRST REFUSAL	1
ARTICLE 2: LEASED PREMISES	2
ARTICLE 3: USE OF LEASED PREMISES.....	2
ARTICLE 4: RENT	2
ARTICLE 5: ACCEPTANCE, CARE, MAINTENANCE, IMPROVEMENTS AND REPAIR	4
ARTICLE 6: ADDITIONAL OBLIGATIONS OF LESSEE.....	6
ARTICLE 7: INGRESS AND EGRESS	7
ARTICLE 8: INSURANCE, DAMAGE OR DESTRUCTION	8
ARTICLE 9: LIABILITIES AND INDEMNITIES	9
ARTICLE 10: LEASEHOLD MORTGAGES	10
ARTICLE 11: RULES AND REGULATIONS	11
ARTICLE 12: SIGNS	11
ARTICLE 13: ASSIGNMENT AND SUBLEASE	11
ARTICLE 14: CONDEMNATION	11
ARTICLE 15: NON-DISCRIMINATION	12
ARTICLE 16: GOVERNMENTAL REQUIREMENTS.....	13
ARTICLE 17: RIGHT OF ENTRY RESERVED	13
ARTICLE 18: TERMINATION.....	14
ARTICLE 19: SURRENDER AND RIGHT OF RE-ENTRY	16
ARTICLE 20: SERVICES TO LESSEE	16
ARTICLE 21: SURVIVAL OF THE OBLIGATIONS OF LESSEE.....	17
ARTICLE 22: USE SUBSEQUENT TO CANCELLATION OR TERMINATION.....	17
ARTICLE 23: NOTICES.....	18
ARTICLE 24: INVALID PROVISIONS	18
ARTICLE 25: MISCELLANEOUS PROVISIONS.....	18
ARTICLE 26: SUBORDINATION OF CLAUSES	20
ARTICLE 27: QUIET ENJOYMENT.....	21
ARTICLE 28: ENTIRE AGREEMENT.....	21
ARTICLE 29: TITLE TO IMPROVEMENTS UPON TERMINATION	21
ARTICLE 30: RIGHT OF FIRST REFUSAL.....	22
ARTICLE 31: REQUIREMENTS FOR CONDOMINIUMIZATION	22

EXHIBIT A, Description of Leased Premises

LEASE AGREEMENT-

THIS HANGAR GROUND LEASE AGREEMENT, made and entered into this _____ day of _____, by and between the **CITY OF LOVELAND, COLORADO**, a municipal corporation and the **CITY OF FORT COLLINS, COLORADO**, a municipal corporation, hereinafter called "Cities," and _____, hereinafter called "Lessee."

WITNESSETH:

WHEREAS, the Cities own and operate an airport known as the Fort Collins-Loveland Municipal Airport located in Larimer County, Colorado, including the real property upon which the same is located, (hereinafter, the "**Airport**"); and

WHEREAS, the Cities and Lessee are mutually desirous of entering into a Lease Agreement (hereinafter, the "**Agreement**") for the use and occupancy of certain areas at the Airport; and

WHEREAS, the Cities desire to accommodate, promote and enhance general aviation at the Airport and Lessee desires to be assured of the Airport's continued availability as a base for aircraft; and

WHEREAS, the Cities and Lessee have reached an understanding in principle, which envisions Lessee's construction of a hangar building or buildings, without cost to the Cities.

NOW, THEREFORE, in consideration of the premises and of the rents, covenants and conditions herein contained, the Cities do hereby lease to Lessee the area(s) of the Airport described in Article 2 hereof, hereinafter referred to as the "**Leased Premises**," during the term hereof and pursuant to the conditions hereinafter set forth.

ARTICLE 1: TERM; OPTIONS; RIGHT OF FIRST REFUSAL

 **1.1** The initial term of this Agreement shall commence at 12:01 a.m. on _____, 20____, and expire at 11:59 p.m. on _____, 20____, a duration of twenty-five (25) years, hereinafter the "Initial Term," unless sooner terminated in accordance with the provisions hereof.

 **1.2** Subject to the conditions set forth herein, Lessee shall have the option to extend the term of this Agreement for three (3) additional periods of five (5) years each, hereinafter the "**Extended Term(s)**," provided Lessee is not in default in the payment of any rent or in default in any other provisions of this Agreement at the time of its exercise of any such option. Lessee may exercise each option by giving written notice to the Cities not more than eighteen (18) months, nor less than six (6) months prior to the expiration of the Initial Term or the then-current Extended Term, of Lessee's intent to exercise its option to extend. With the exception of rentals due, as set forth in Section 4.1, below, the terms and conditions applicable during the Initial Term of this Agreement shall remain applicable during any Extended Term. The rent escalation shall continue throughout the Initial Term and any Extended Term as provided in Article 4 hereof.

 **1.3** The Cities desire to offer Lessee an opportunity to enter into a new lease for the Leased Premises on the terms set forth in this Article 1.3 upon the expiration of the last of the three (3) Extended Terms described in Article 1.2 above, should they be exercised by Lessee. If Lessee desires to continue occupying the Leased Premises after the expiration of all three (3) Extended Terms, Lessee may request that the Cities grant a new lease agreement. Such a request shall be made by Lessee in writing and delivered to the Cities not later than one hundred twenty (120) days prior to the expiration of the last Extended Term. If: (i) if Lessee is not then in default under any provision of this Agreement; and (ii) the Cities in their discretion wish to offer to lease the Leased Premises to hangar tenants or an association of

hangar tenants; and (iii) such a new lease would be consistent with the Airport's master plan then in effect and any and all federal rules, regulations, directives, guidelines or other obligations with respect to Airport, including but not limited to the "grant assurances" to the FAA ; then the Cities may, in their sole discretion, offer Lessee a new lease of the Leased Premises, under such terms and conditions, including rental rates and duration of the lease term and on the then-current lease form being offered by the Cities.

ARTICLE 2: LEASED PREMISES

2.1 The Leased Premises consist of the parcel of land described in **Exhibit "A,"** attached hereto and made a part hereof. Without limiting the foregoing, the Cities acknowledges that the Hangars (as defined below) to be constructed upon the leased premises shall, during the term of this Agreement, be and remain the property of Lessee or any successor in interest.

ARTICLE 3: USE OF LEASED PREMISES

3.1 Lessee shall use and occupy the Leased Premises for the following purposes and for no other purpose whatsoever unless approved in writing by Cities:

3.1.1 For the construction, installation, maintenance and operation of a hangar building or buildings (the "Hangars") to be used for the parking, storage, servicing, repair, maintenance, modification, and construction of aircraft owned or operated by Lessee. Lessee's use of the Leased Premises, including use for storage of aircraft owned by Unaffiliated Entities, shall be of a non-commercial nature, unless a commercial use is approved by the Cities by a separate written License. The foregoing shall not be construed as precluding the subleasing of space within individual Hangar units to Unaffiliated Entities, so long as a License is obtained if required by the Airport's Minimum Standards then in effect. Any such License shall require compliance with Minimum Standards for the Provision of Commercial Aeronautical Activities at the Airport (the "Minimum Standards"), as they then exist or are thereafter adopted or amended by the Cities. Any such commercial use must also be consistent with the City of Loveland, Colorado, building, use and zoning regulations and requirements applicable to the Leased Premises. Lessee warrants that all such aircraft based at the Leased Premises shall comply with noise standards established under Part 36 of Title 14 of the Code of Federal Regulations, ("FAR 36") as amended from time to time. The Leased Premises shall not be used for residential purposes.

3.1.2 The Cities make no representations, guarantees, or warranties that the Leased Premises may be lawfully used for the purposes set forth in this Article 3.1. Lessee shall have the sole responsibility of obtaining all applicable permits or other governmental approvals necessary to use the Leased Premises as intended herein. This Agreement is expressly conditioned upon Lessee obtaining all such permits and approvals, and the failure of Lessee to obtain any such permits or approvals within eighteen (18) months of the commencement date set forth in Article 1.1, herein, or the failure of Lessee to maintain any such permits or approvals during the term of this Agreement shall result in termination of this Agreement pursuant to Article 18, generally, and to Article 18.9 specifically herein.

3.1.3 During the term of this Agreement, Lessee must regularly house at least one airworthy aircraft or at least one aircraft that periodically may be in active stages of assembly or reassembly in each Hangar, use each Hangar for the primary purpose of aircraft storage, and each Hangar shall be used for Aeronautical Activities only, unless the prior written permission of the Cities is first obtained. The term "Aeronautical Activities shall mean any activity or service that involves, makes possible, facilitates, is related to, assists in, or is required for the operation of aircraft, or which contributes to or is required for the safety of aircraft operations.

ARTICLE 4: RENT

4.1 Lessee agrees to pay to the Cities during the Initial Term hereof an annual rent of \$_____ per square foot for the _____ square feet of the Leased Premises (including the building footprint, ramp, and area surrounding the building footprint, as set forth in Exhibit A), for a total of (\$ _____) per year, subject to adjustment pursuant to Section 4.2, below. Notwithstanding the foregoing, and in recognition of the fact that it may take Lessee a period of time to construct the Hangars described in Paragraph 4.4, Lessee's rent payment for the first three months of the first year of this Agreement and excluding any Extended Term shall be waived. If Lessee exercises any option to extend the term of this Agreement under Section 1.2, above, annual rental per square foot for the first year of such Extended Term shall be the greater of (a) the rental determined under Section 4.2 below, as if the Initial Term had continued throughout such Extended Term, or (b) the then current market rates for hangar ground leases at comparable airports in the Front Range area, which shall be deemed to include the Denver Metro Area north through Cheyenne. Cities and Lessee agree to use their best efforts to agree on then current market rates, and execute a Lease Extension Agreement, within ninety (90) days after Lessee's written notice of election is received by the Cities. If the Cities and Lessee cannot agree upon the rental rates, the parties agree to submit the question to arbitration before the Judicial Arbitrator Group of Denver, Colorado, or if it no longer exists a similar organization, and such arbitration shall be heard before a single arbitrator, who shall fix and determine the rent to be paid by Lessee for the first year of the ensuing Extended Term; provided, however, that such rent shall never be lower than the rental which would be due by application of subsection (a), above. Lessee and the Cities shall each pay fifty percent (50%) of the arbitrator cost.

4.2 Commencing on May 1st next occurring after the date of this Agreement, and on May 1st in each year thereafter during the remainder of the Initial Term, the annual rent shall be adjusted by multiplying the annual rent payable in the next preceding year by a fraction, the numerator of which shall be the C.P.I., as hereinafter defined, published for the previous month of December and the denominator of which shall be the C.P.I. published for the month of December which preceded the month used as the numerator. In no event shall the annual rent be reduced from that payable in a previous year. If this Agreement is executed after January 1st, such C.P.I. increase for the calendar year in which this Agreement is executed shall be prorated. If Lessee elects to exercise its option for any Extended Term, and accordingly, the rental for the first year of such Extended Term has been set on the basis of current market rates, then rental for any subsequent year of such Extended Term shall be adjusted in accordance with the C.P.I. formula set forth in this section above.

4.2.1 The term "C.P.I." as used herein shall mean the Consumer Price Index for all Urban Consumers, all items, Selected Large Cities, for the Denver/Boulder Area as published by the Bureau of Labor Statistics of the United States Department of Labor, 1982-84 base = 100. In the event the base year is changed, the C.P.I. shall be converted to the equivalent of the base year 1982-84 = 100. In the event the Bureau of Labor Statistics ceases to use the C.P.I., or this index, an equivalent or comparable economic index will be used.

4.3 The annual rent payable hereunder may be paid in advance in annual installments, or shall be paid in equal monthly installments on the first day of each month in advance at the office of the Airport Manager or at such other office as may be directed in writing by the Cities. Payments due to the Cities under this Agreement shall be paid without offset. In addition to any other remedies provided in this Agreement, in the event that any rental, fee or charge set forth in this Agreement is not paid to the Cities within ten days of the date due, Lessee agrees to pay a late charge of \$50.00 for each such late payment, and default interest shall accrue on such payment from the date the payment was due, at a rate of twelve percent (12%) per annum. If any action is brought to collect any amounts due under this Agreement, the prevailing party shall be entitled to recover its reasonable attorney fees and costs incurred.

4.4 Lessee, as additional rent, shall complete construction of Hangars and related Improvements on the Leased Premises, in accordance with plans and specifications approved by the Cities. The Hangars shall, collectively, be at least a total of _____ square feet in size and shall have a concrete or asphalt floor, with each Hangar to have at least one aircraft access door sized to accommodate an average private aircraft. Lessee shall use commercially reasonable and diligent efforts to complete construction of the Hangars and other such Improvements within the earlier of eighteen (18) months of

the Cities' approval thereof or within two years from the date of this Agreement. If Lessee fails to construct the Hangars and other such Improvements in accordance with the provisions of this section, and such failure to construct is caused by force majeure or improper action of the Cities, then this Agreement may be cancelled by Lessee upon thirty (30) days notice to the Cities, in which event and as of the date of such cancellation, Lessee shall be released from any further obligations under this Agreement.

4.5 Lessee, as additional rent, shall construct and maintain a paved aircraft ramp area on the Leased Premises (the "Ramp."). The Ramp must be designed and built to specifications, and for a minimum weight bearing capacity, established by the Cities, built to the full width of the Leased Premises, and to connect with adjacent taxiway, ramp and/or auto parking areas, in order that a continuous and safe pavement section results. If access to the Leased Premises is not available on existing taxiways and/or roadways, then Lessee may also be required to construct the same pursuant to Article 7.1.1, below. It is the responsibility of Lessee to maintain the entire Ramp area, and all other pavement areas on the Leased Premises, in a manner, which is safe and clean of debris so as not to cause danger or unsafe conditions for taxiing aircraft and Airport users. Notwithstanding the foregoing, the Cities shall be responsible for snow removal on the aircraft Ramp area excluding any parking and side lots and excluding any area within three feet (3') of any Hangar; provided, however, that priority of snow removal shall be in accordance with the Cities' Snow Removal Plan as it now exists or as it may be amended in the Cities' sole discretion. Lessee grants to users of the Airport the right to use aircraft Ramp areas on the Leased Premises from time to time for passage of aircraft on and near the adjacent taxiway. The construction time and default provisions of subsection 4.4 shall be applicable to the Ramp described in this subsection.

4.6 Subject to the provisions of Article 10, below, Lessee shall keep the Leased Premises, and the Hangar, Ramp and any and all structures constructed by Lessee on the Leased Premises (collectively, the "Improvements" hereinafter), free and clear of any liens and encumbrances, except as contemplated by Article 10, below, or unless expressly approved in writing by the Cities, and shall indemnify, hold harmless and defend the Cities from any liens and encumbrances arising out of any work performed or materials furnished by or at the direction of Lessee. In the event any lien is filed, Lessee shall do all acts necessary to discharge any lien within ten (10) days of filing, or if Lessee desires to contest any lien, then Lessee shall deposit with the Cities such security as the Cities shall reasonably demand to insure the payment of the lien claim. In the event Lessee shall fail to pay any lien claim when due or shall fail to deposit the security with the Cities, then the Cities shall have the right to expend all sums necessary to discharge the lien claim, and Lessee shall pay the Cities, as additional rental when the next rental payment is due, all sums expended by the Cities in discharging any lien, including reasonable attorneys' fees and costs, and interest at twelve percent (12%) on the sums expended by the Cities from the date of expenditure to the date of payment by Lessee.

4.7 Lessee agrees to comply with Minimum Standards adopted by the Cities for the Airport, as they now exist or as they may hereafter be adopted or amended. Fees due under such Minimum Standards or pursuant to any License issued for commercial activities conducted in whole or part on the Leased Premises, may be collected by the Cities as additional rent under this Agreement, in addition to any other remedies available to the Cities."

ARTICLE 5: ACCEPTANCE, CARE, MAINTENANCE, IMPROVEMENTS AND REPAIR

5.1 Lessee acknowledges that it has inspected the Leased Premises, conducted such studies and tests thereof (including environmental tests) as it deems necessary, and accepts possession of the Leased Premises "as is" in its present condition, and, subject to all limitations imposed upon the use thereof by the rules and regulations of the Federal Aviation Administration, the rules and regulations of the Airport, and by ordinances of the Cities, admits its suitability and sufficiency for the uses permitted hereunder. The Cities represent to Lessee that, to their knowledge, the Leased Premises are free of any adverse environmental conditions and no part of the Leased Premises lies in a flood hazard area or constitutes a fresh water wetland, nor is any part of the Leased Premises within one hundred feet (100') feet of a fresh water wetland. Except as may otherwise be provided for herein, the Cities shall not be

required to maintain nor to make any improvements, repairs or restoration upon or to the Leased Premises or to any of the improvements presently located thereon or placed thereon by Lessee.

5.2 Except as provided in Section 4.5, above, Lessee shall, throughout the term of this Agreement, assume the entire responsibility, cost and expense, for all repair and maintenance whatsoever on the Leased Premises and all Improvements thereon in a good workmanlike manner, whether such repair or maintenance be ordinary or extraordinary, structural or otherwise. Additionally, Lessee, without limiting the generality hereof, shall:

5.2.1 Keep at all times, in a clean and orderly condition and appearance, the Leased Premises, all Improvements thereon and all of Lessee's fixtures, equipment and personal property which are located on any part of the Leased Premises. Lessee shall not park or leave, or allow to be parked, aircraft on the taxiways, ramps or pavement adjacent to any Hangar in a manner which unduly interferes with or obstructs access to other hangars or movement on adjacent taxiways.

5.2.2 Provide and maintain on the Leased Premises all obstruction lights and similar devices, and safety equipment required by law.

5.2.3 Take measures to prevent erosion, including but not limited to, the planting and replanting of grasses with respect to all portions of the Leased Premises not paved or built upon, if any, and in particular shall plant, maintain and replant any landscaped areas.

5.2.4 Be responsible for the maintenance and repair of all utility services lines placed on the Leased Premises and used by Lessee exclusively, including, but not limited to, water lines, gas lines, electrical power and telephone conduits and lines, sanitary sewers and storm sewers.

5.2.5 In the event Lessee discovers any hazardous material on the Leased Premises, it will promptly notify the Cities in writing.

5.2.6 If extraordinary repairs or maintenance to the Improvements are required during the last five years of the Initial Term or any Extended Term of this Agreement, Lessee may elect not to repair and/or maintain the Improvements, by giving the Cities written notice of its election. In such case, Cities shall have the option of requiring Lessee to either (a) clear the site, remove all debris and paving, stub up all utilities, and restore the site to its original cleared condition prior to commencement of construction; or (b) transfer title to the Improvements to the Cities, as is. Upon Lessee's election and compliance with this section, the Cities shall terminate this Agreement and relieve Lessee of all future rental obligations hereunder.

5.3 Plans and specifications for each of the Improvements and all repairs (other than emergency repairs), construction, alterations, modifications, additions or replacements to the Improvements, including those made to any paving upon the Leased Premises, excluding non-structural repairs, construction, alterations, modifications, additions or replacements costing less than ten thousand dollars (\$10,000.00) shall be submitted to the Cities for approval, which approval shall not be unreasonably denied, providing the plans and specifications comply with the provisions of this Agreement, the Airport's design standards, if any, as well as all applicable building, use and zoning regulations. Submittal of the above described Plans and Specifications shall also include a site plan, drainage plan, and building plan for the initial project development. The site plan shall show the location of all Improvements on the Leased Premises, including the Hangars, pavements, utilities and location of the Hangars on the site. The drainage plan must show how drainage will be handled and be approved by the Airport Manager prior to a building permit being issued by the City of Loveland. Lessee shall reimburse the Cities for all costs incurred for providing a legal survey and legal description of the Leased Premises and for a proportional share of any costs to bring road access and utilities to the Leased Premises, should the Cities agree to do so. Prior to the commencement of any construction of the Improvements Lessee shall have the Leased Premises staked by a certified surveying company to ensure all Improvements are placed accurately on the Leased Premises. Within ninety (90) days of the certificate of occupancy being received, Lessee shall submit to the Airport Manager a full set of as-built record

drawings of the Improvements, which among other things, depicts exact locations of all Improvements, including utilities, made on and/or off of the Leased Premises.

ARTICLE 6: ADDITIONAL OBLIGATIONS OF LESSEE

6.1 Lessee shall conduct its operations hereunder in an orderly and proper manner, considering the nature of such operations, so as not to unreasonably annoy, disturb, endanger or be offensive to others.

6.2 Further, Lessee shall take all reasonable measures:

6.2.1 To reduce to a practicable minimum vibrations tending to damage any equipment, structure, buildings or portions of buildings.

6.2.2 Not to produce or allow to be produced on the Airport through the operation of machinery or equipment any electrical, electronic or other disturbances that interfere with the operation by the Cities or the Federal Aviation Administration of air navigational, communication or flight equipment on the Airport or on aircraft using the Airport, or with ground transportation communications.

6.3 Lessee shall comply with all federal, state and municipal laws, ordinances, rules, regulations and requirements, the Airport's Minimum Standards, Airport security rules and regulations, and other Airport rules and regulations, as they now exist or may hereafter be amended or promulgated, and the terms of this Agreement, applicable to the Leased Premises and the Improvements thereon and its operations and activities at the Airport hereunder.

6.4 Lessee shall commit no nuisance, waste or injury on the Leased Premises, and shall not do, or permit to be done, anything that may result in the creation, commission or maintenance of such nuisance, waste or injury on the Leased Premises.

6.5 Lessee shall not do, nor permit to be done, anything which may interfere with the effectiveness or accessibility of the drainage system, sewerage system, fire protection system, sprinkler system, alarm system and fire hydrants and hoses, if any, installed or located on the Leased Premises.

6.6 Lessee shall take measures to insure security in compliance with Federal Aviation Administration Regulations and the Airport Security Plan, as they now exist or may hereafter be amended or promulgated.

6.7 Lessee shall not do, nor permit to be done, any act or thing which will invalidate or conflict with any fire insurance policies or regulations applicable to the Leased Premises or any part thereof; or other contiguous premises at the Airport.

6.8 Lessee shall not install, maintain, operate or permit the installation, maintenance or operation of any restaurant, kitchen, stand or other establishment of any type for the sale of food or of any vending machines or device designed to dispense or sell merchandise or services of any kind to the general public, unless all required development approvals and permits for that activity are first obtained from the Cities.

6.9 Except for uses permitted under Article 3 hereof to be performed by Lessee, Lessee shall not provide or allow to be provided aircraft maintenance work, flight instruction of any sort, air taxi, aircraft charter or aircraft leasing of any sort on the Leased Premises, for commercial purposes, without all required development approvals, and a License from the Cities if and as required by the Airport's Minimum Standards then in effect.

6.10 Lessee will conduct its operations in such a manner as to keep the noise produced by aircraft engines and component parts thereof, and any other noise, to a minimum, by such methods as are

practicable, considering the extent and type of the operations of Lessee and the limitations of federal law. In addition, Lessee will employ the maximum amount of noise arresting and noise reducing devices that are available and economically practicable, considering the extent of their operations, but in no event less than those devices required by federal, state or local law. In its use of the Leased Premises, Lessee shall take all possible care, exercise caution and use commercially reasonable efforts to minimize prop or jet blast interference and prevent jet blast damage to aircraft operating on taxiways and to buildings, structures and roadways, now located on or which in the future may be located on areas adjacent to the Leased Premises. In the event the Cities determine that Lessee has not curbed the prop or jet blast interference and/or damage, Lessee hereby covenants and agrees to erect and maintain at its own expense such structure or structures as may be necessary to prevent prop or jet blast interference, subject, however, to the prior written approval of the Cities as to type, manner and method of construction.

6.11 Following the completion of construction of the Hangars, Lessee shall not store nor permit the storage of disabled aircraft or any equipment or materials outside of the Hangars constructed on the Leased Premises, without the written approval of the Cities.

6.12 On forms and at the frequency prescribed by the Airport Manager, and with respect to each aircraft stored on the Leased Premises, Lessee shall provide the Cities with the (a) make and model (b) N-number and (3) identity and address of the registered owner. This requirement shall apply to aircraft whether owned by Lessee or another party, and regardless of whether its storage is subject to the Minimum Standards.

ARTICLE 7: INGRESS AND EGRESS

7.1 Lessee shall have the right of ingress and egress between the Leased Premises and the public landing areas at the Airport by means of connecting taxiways; and between the Leased Premises and the entrance(s) to the Airport by means of connecting paved roads. Lessee shall have the right to use the public runways and public aviation aids at all times during which they are open to the public. Such rights of ingress, egress and use shall be in common with others having rights of use and passage thereon.

7.1.1 If, at the time of entering into this Agreement, access to the Leased Premises is not available on existing taxiways and/or roadways, then such taxiways and/or roadways necessary for Lessee's use and occupancy shall be constructed at the sole expense of Lessee, in accordance with construction specifications and design criteria approved by the Cities for the uses contemplated by Lessee. There shall be no consideration made on the part of the Cities for the cost of these improvements. Upon completion of construction, Lessee shall certify that the taxiways and/or roadways so constructed have been built to such specifications and criteria, and those portions of any such taxiways and/or roads located off the Leased Premises shall be conveyed and dedicated to the Cities, which shall accept them for maintenance. Upon such conveyance and dedication, Lessee shall warrant that the same shall be free of defects in materials and workmanship for a period of not less than two (2) years after the date of such conveyance and dedication. Such warranty shall be backed by a warranty bond or another form of security instrument, satisfactory to the Cities in their sole discretion, in the amount of not less than fifteen-percent (15%) of the construction cost of the improvements warranted.

7.2 The use of any such roadways or taxiways shall be subject to the Rules and Regulations of the Airport, which are now in effect or which may hereafter be promulgated, and subject to temporary closure, provided, however, that any closure shall be only for reasonably necessary or unique circumstances, and provided that fourteen (14) days prior written notice will be given to Lessee relevant to any closure, unless such closure is necessary due to emergency. Lessee, for itself and its authorized subtenants, hereby releases and discharges the Cities, their officers, employees and agents, and all their respective successors and assigns, of and from any and all claims, demands, or causes of action which Lessee or its authorized subtenants may now or at any time hereafter have against any of the foregoing, arising or alleged to arise out of the closing of any street, roadway or other area, provided that other reasonable means of access to the Leased Premises remain available to Lessee without cost to Lessee, unless otherwise mandated by emergency safety considerations or lawful exercise of the police power.

Lessee shall not do or permit anything to be done which will interfere with the free access and passage of others to space adjacent to the Leased Premises or in any streets or roadways on the Airport.

ARTICLE 8: INSURANCE, DAMAGE OR DESTRUCTION

8.1 Lessee, at its sole cost and expense, shall procure and maintain throughout the term of this Agreement insurance protection for all risk coverage on the Improvements which are part of the Leased Premises, to the extent of one hundred percent (100%) of the actual replacement cost thereof. Such insurance shall be written by insurers acceptable to Cities. The insurance shall provide for ten (10) days notice of cancellation or material change, by certified mail, return receipt requested, to the Cities, Attention: Airport Manager.

8.1.1 The above stated property insurance shall be for the benefit and to safeguard the interests of the Cities and Lessee.

8.1.2 Lessee shall settle all losses with the insurance carrier. Lessee shall consult with the Cities and use its best efforts to obtain a settlement that covers the cost of repairing or rebuilding the Improvements.

8.1.3 Lessee shall provide certificates of insurance, in a form acceptable to the Cities and marked "premium paid" evidencing existence of all insurance required to be maintained prior to occupancy of the Improvements. Upon the failure of Lessee to maintain such insurance as above provided, the Cities, at their option, may take out such insurance and charge the cost thereof to Lessee, which shall be payable on demand, or may give notice of default hereunder pursuant to Article 18 hereof.

8.2 In the event the Improvements and any subsequent improvements, insurable or uninsurable, on the Leased Premises are damaged or destroyed to the extent that they are unusable by Lessee for the purposes for which they were used prior to such damage, or same are destroyed, Lessee shall promptly repair and reconstruct the Improvements substantially as they were immediately prior to such casualty or in a new or modified design, subject to the provisions of Article 5 hereof and applicable building codes and Airport design standards, if any, existing at the time of repairing or rebuilding. If the aforesaid damage or destruction occurs in the last five years of the Initial term or any option term of this Agreement, Lessee may elect not to repair and reconstruct the Improvements, subject to the following terms and conditions:

8.2.1 Lessee shall give the Cities written notice of its election not to repair and reconstruct the Improvements within ninety (90) days of the date upon which the Improvements were damaged or destroyed. In such case, the Cities shall have the option of either:

8.2.1.1 Requiring Lessee to clear the site, remove all debris and paving, stub up all utilities, and restore the site to its original cleared condition prior to commencement of construction; in which case Lessee shall retain all insurance proceeds above those necessary to fund such site restoration; or

8.2.1.2 Taking title to the damaged Improvements, as is, in which case Lessee shall assign to and the Cities shall retain all insurance coverage and proceeds.

8.2.3 Upon Lessee's notice under Section 8.2.1 hereof and Lessee's compliance with the provisions of Sections 8.2.1.1 or 8.2.1.2 hereof, the Cities shall terminate this Agreement and relieve Lessee of all future rental obligations hereunder.

8.3 All policies of insurance required herein shall name the Cities as additional insureds.

8.4 Whenever in this Agreement, provision is made for the carrying of any insurance, it shall be deemed that such provision is complied with if such insurance otherwise complying with such provision is carried under a blanket policy or policies covering the Leased Premises as well as other properties.

8.5 Lessee shall not violate, or permit to be violated, any of the conditions of any of the said policies; and shall perform and satisfy, or cause to be satisfied, the requirements of the companies writing such policies.

ARTICLE 9: LIABILITIES AND INDEMNITIES

9.1 The Cities shall not in any way be liable for any cost, liability, damage or injury including cost of suit and expenses of legal services, claimed or recovered by any person whomsoever, or occurring on the Leased Premises, or the Airport, or as a result of any operations, works, acts or omissions performed on the Leased Premises, or the Airport, by Lessee, its agents, servants, employees or authorized tenants, or their guests or invitees. Lessee shall not in any way be liable for any cost, liability, damage or injury including cost of suit and expenses of legal services, claimed or recovered by any person whomsoever, or occurring on the Lease Premises, or the Airport, or as a result of any operations, works, acts, or commission performed on the Lease Premises, or the Airport, solely by the Cities, their agents, servants, employees or authorized tenants, or their guests or invitees.

9.2 Lessee agrees to indemnify, save and hold harmless, the Cities, their officers, agents, servants and employees, of and from any and all costs, liability, damage and expense, including costs of suit and reasonable expenses of legal services, claimed or recovered, justly or unjustly, falsely, fraudulently or frivolously, by any person, firm or corporation by reason of injury to, or death of, any person or persons, including Cities' personnel, and damage to, destruction or loss of use of any property, including Cities' property, directly or indirectly arising from, or resulting from, any operations, works, acts or omissions of Lessee, its agents, servants, employees, contractors, or authorized tenants. Upon the filing with the Cities by anyone of a claim for damages arising out of incidents for which Lessee herein agrees to indemnify and hold the Cities harmless, the Cities shall notify Lessee of such claim and in the event that Lessee does not settle or compromise such claim, then Lessee shall undertake the legal defense of such claim on behalf of Lessee and the Cities. It is specifically agreed, however, that the Cities at their own cost and expense, may participate in the legal defense of any such claim. Any final judgment rendered against the Cities for any cause for which Lessee is liable hereunder shall be conclusive against Lessee as to liability and amount upon the expiration of the time for appeal.

9.3 Lessee shall procure and keep in force during the term of the Lease policies of Comprehensive General Liability insurance insuring Lessee and the Cities against any liability for personal injury, bodily injury, death, or property damage arising out of the subject of this Agreement with a combined single limit of at least one million dollars or with a limit of not less than the maximum amount that may be recovered against the Cities under the Colorado Governmental Immunity Act, whichever is greater. No such policies shall be cancelable or subject to reduction in coverage limits or other modification except after ten (10) days prior written notice to the Cities. The policies shall be for the mutual and joint benefit and protection of Lessee and the Cities and such policies shall contain a provision that the Cities, although named as an insured, shall nevertheless be entitled to recovery under said policies for any loss occasioned to it, its servants, agents, citizens, and employees by reason of negligence of Lessee. Lessee shall provide certificates of insurance, in a form acceptable to the Cities and marked "premium paid" evidencing existence of all insurance required to be maintained prior to the commencement of the Agreement.

9.4 Lessee represents that it is the owner of or fully authorized to use any and all services, processes, machines, articles, marks, names or slogans used by it in its operations under or in anyway connected with this Agreement. Lessee agrees to save and hold the Cities, their officers, employees, agents and representatives free and harmless of and from any loss, liability, expense, suit or claim for

damages in connection with any actual or alleged infringement of any patent, trademark or copyright, or arising from any alleged or actual unfair competition or other similar claim arising out of the operations of Lessee under or in any way connected with this Agreement.

ARTICLE 10: LEASEHOLD MORTGAGES

10.1 If Lessee shall execute a Leasehold Mortgage of its leasehold estate to an entity which is not directly or indirectly owned or controlled by, or is not under common ownership or control with Lessee (collectively, an "Unaffiliated Entity" hereafter), and if the holder of such Leasehold Mortgage shall provide the Cities with notice of such Leasehold Mortgage together with a true copy of such Leasehold Mortgage and the name and address of the Mortgagee, then following receipt of such notice by the Cities, the provisions of this Article 10 shall apply in respect to such Leasehold Mortgage.

10.2 The term "Leasehold Mortgage" as used in this Agreement shall include, but not be limited to, a mortgage, a deed of trust, a deed to secure debt, or other security instrument by which Lessee's leasehold estate is mortgaged, conveyed, assigned, or otherwise transferred, to secure a debt or other obligation, in connection with the construction contemplated by Articles 4.4 through 4.5, above.

10.3 The Cities, upon providing Lessee any notice of default under this Agreement or termination of this Agreement, shall at the same time provide a copy of such notice to the Leasehold Mortgagee by first class U.S. mail at the address specified in the notice given pursuant to Section 10.1, above. Such Leasehold Mortgagee shall have the additional periods of time specified in Sections 10.4 hereof to remedy, commence remedying, or cause to be remedied the default or acts or omissions which are specified in any such notice. The Cities shall accept such performance by or at the instigation of such Leasehold Mortgagee as if the same had been done by Lessee.

10.4 Anything contained in this Agreement to the contrary notwithstanding, if any default shall occur which entitles the Cities to terminate this Agreement, the Cities shall have no right to terminate this Agreement unless, following the expiration of the period of time given Lessee to cure such default or the act or omission which gave rise to such default, the Leasehold Mortgagee is given an additional period of thirty (30) days to:

10.4.1 Notify the Cities of such Leasehold Mortgagee's desire to defeat such Termination Notice; and

10.4.2 Pay or cause to be paid all rent, additional rent, and other payments then due and in arrears as specified in the Termination Notice to such Leasehold Mortgagee and which may become due during such thirty (30) day period; and

10.4.3 Comply with due diligence and continuity, or in good faith commence to and with diligence continue to pursue compliance with all non-monetary requirements of this Agreement then in default.

10.5 The making of a Leasehold Mortgage shall not be deemed to constitute an assignment or transfer of this Agreement or of the leasehold estate hereby created, nor shall the Leasehold Mortgagee, as such, be deemed to be an assignee or transferee of this Agreement or of the leasehold estate hereby created so as to require such Leasehold Mortgagee, as such, to assume the performance of any of the terms, covenants or conditions of this Agreement. Any Leasehold Mortgagee who takes an instrument of assignment or transfer in lieu of the foreclosure of the Leasehold Mortgagee shall be deemed to be a permitted assignee or transferee, and shall be deemed to have agreed to perform all of the terms, covenants and conditions on the part of Lessee to be performed hereunder from and after the date of such purchase and assignment, but only for so long as such purchaser or assignee is the owner of the leasehold estate. If the Leasehold Mortgagee or its designee shall become holder of the leasehold estate and if the Hangar and Improvements on the Leased Premises shall have been or become materially damaged on, before or after the date of such purchase and assignment, the Leasehold Mortgagee or its designee shall be obligated to repair, replace or reconstruct the building or other improvements.

ARTICLE 11: RULES AND REGULATIONS

Lessee acknowledges that the Cities have proposed or adopted rules and regulations with respect to the occupancy and use of the Airport, and such rules and regulations may be amended, supplemented or re-enacted from time to time by the Cities provided that such rules and regulations apply generally to all similar occupants and users on the Airport. Lessee agrees to observe and obey any and all such rules and regulations and all other federal, state and municipal rules, regulations and laws and to require its officers, agents, employees, subtenants, contractors, and suppliers, to observe and obey the same. In the event of a conflict between the provisions of Airport Rules and Regulations and this Agreement, the more stringent provisions shall control. This provision will include compliance with the Airport's Noise Abatement Plan as it now exists and as it may hereafter be amended or supplemented. The Cities reserve the right to deny access to the Airport and its facilities to any person, firm or corporation that fails or refuses to obey and comply with such rules, regulations or laws. Nothing in this Article 11 shall be construed to limit the rights of Lessee to file any action challenging the lawfulness of any such amendment, supplement or reenactment of any such rule or regulations, or to challenge the application of the same to Lessee.

ARTICLE 12: SIGNS

Lessee shall have the right to install and maintain one or more signs on the Leased Premises identifying it and its operations, provided, however, the subject matter, type, design, number, location and elevation of such signs, and whether lighted or unlighted, shall be subject to and in accordance with the City of Loveland Sign Code, and Airport design standards, if any. No sign will be allowed that may be confusing to aircraft pilots or automobile drivers or other traffic.

ARTICLE 13: ASSIGNMENT AND SUBLEASE

The prior written consent of the Cities shall be required for any sale, transfer, assignment or sublease of this Agreement and of the leasehold estate hereby created. Consent may be withheld by the Cities in the event (a) Lessee is in default of any of the terms or conditions of this Agreement, (b) the transferee or assignee does not deliver to the Cities its written agreement to be bound by all of the provisions of this Agreement in a form satisfactory to the Cities, or (c) the transferee or assignee does not submit proof of insurance as required at Articles 8 and 9, herein. Consent shall not otherwise be unreasonably withheld. Upon the granting of written consent by the Cities and actual transfer or assignment, Lessee shall be released by the Cities from its obligations under this Agreement. Other than in the manner set forth in paragraph 31 below, Lessee shall not subdivide or fractionalize either its ownership of the Improvements or leasehold interest in the Leased Premises.

ARTICLE 14: CONDEMNATION

14.1 In the event that all or any portion of the Leased Premises is taken for any public or quasi-public purpose by any lawful power or authority by the exercise of the right of appropriation, condemnation or eminent domain (or pursuant to a sale to such power or authority under the threat of condemnation or eminent domain), all rentals payable hereunder with respect to that portion of the Leased Premises taken shall no longer be payable, and the proceeds, if any, from such taking or sale shall be allocated between the Cities and Lessee in accordance with the applicable condemnation law, with Lessee being entitled to compensation for the fair market value of the leasehold interest, Improvements and personal property taken. If a portion of the Leased Premises is so taken or sold, and as a result thereof, the remaining part cannot reasonably be used to continue the authorized uses set forth in Article 3 hereof, then this Agreement shall terminate at Lessee's election, and Lessee's obligation to pay rent and perform the other conditions of the lease shall be deemed to have ceased as of the date of such taking or sale.

14.2 The Cities expressly reserve the right to grant or take easements on rights-of-way across the Leased Premises if it is determined to be in the best interest of the Cities to do so. If the Cities grant or take an easement or right-of-way across any of the Leased Premises, Lessee shall be entitled only to

compensation for damages to all Improvements owned by Lessee destroyed or physically damaged thereby, but not to damages for loss of use of the Leased Premises itself. Damages to improvements shall be determined by the reduction in fair market value of the Improvements caused by said damage or cost of repair, whichever is less.

14.3 Lessee understands and agrees that the Cities have the right to take all or any portion of the Leased Premises, and any additions, alterations or improvements thereon, should the Cities, in their sole discretion, determine that said portion of the Leased Premises, and improvements thereon, are required for other Airport purposes, without initiating condemnation proceedings. If such action is taken, the Cities shall substitute comparable areas within the Airport, or any additions or extensions thereof, brought to the same level of improvement as the area taken. The Cities shall bear all expenses of bringing the substituted area to the same level of improvement to the area taken, and of moving Lessee's improvements, equipment, furniture and fixtures to the substituted area. If any of Lessee's improvements, equipment, furniture or fixtures cannot be relocated, the Cities shall replace, at their own expense, such non-relocatable improvements and other property with comparable property in the substituted area, and the Cities shall be deemed the owner of the non-relocated improvements and other property, free and clear of all claims of any interest or title therein by Lessee, any mortgagee, or any other third party whomsoever. It is the specific intent of this subparagraph that Lessee would be placed, to the extent possible, in the same position it would have been, had the Cities not substituted new premises for the Leased Premises; provided however, that the Cities shall not be obligated to reimburse Lessee for lost revenues or other costs due to such substitution. In the event that such substitution of area is demanded by the Cities, Lessee shall have the right and option to terminate this Agreement, prior to the Cities commencing the substitution, upon thirty (30) days prior written notice to Cities, in which event the Cities shall pay Lessee the fair market value of all Improvements constructed on the Leased Premises pursuant to approval of the Cities. Nothing in this subparagraph shall be construed to limit the Cities' rights to condemn Lessee's leasehold rights and interests in the Leased Premises pursuant to state law.

ARTICLE 15: NON-DISCRIMINATION

15.1 Lessee, for itself, its heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that in the event facilities are constructed, maintained, or otherwise operated on the Leased Premises, for a purpose for which a United States government program or activity is extended, Lessee shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in federally-assisted programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said regulations may be amended.

15.2 Lessee, for itself, its personal representatives, successors in interest and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that:

15.2.1 No person on the grounds of race, color, disability or national origin shall be excluded from participating in, denied the benefits of, or be otherwise subjected to discrimination in the use of the Leased Premises;

15.2.2 That in the construction of any Improvements on, over or under such land and the furnishing of services thereon, no person on the grounds of race, color, disability or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination;

15.2.3 That Lessee shall use the Leased Premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in federally-assisted programs of the Department of Transportation Effectuation of Title VI of the Civil Rights Act of 1964, and as said regulations may be amended.

15.3 In this connection, the Cities reserve the right to take whatever action they might be entitled by law to take in order to enforce this provision following the sixty (60) days prior written notice to Lessee of any alleged violation. This provision is to be considered as a covenant on the part of Lessee, a breach of which, continuing after notice by the Cities to cease and desist and after a determination that a violation exists made in accordance with the procedures and appeals provided by law, will constitute a material breach of this Agreement and will entitle the Cities, at their option, to exercise its right of termination as provided for herein, or take any action that it deems necessary to enforce compliance herewith.

15.4 Lessee shall include the foregoing provisions in every agreement or concession pursuant to which any person or persons, other than Lessee, operates any facility at the Leased Premises providing service to the public and shall include thereon a provision granting the Cities a right to take such action as the United States may direct to enforce such covenant.

15.5 To the extent legally required and applicable, Lessee assures that it will undertake an affirmative action program as required by 14 CFR, Part 152, Subpart E, to insure that no person shall on the grounds of race, creed, color, national origin, disability or sex, be excluded from participation in any employment activities covered in 14 CFR Part 152 Subpart E. Lessee assures that no person shall be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by this subpart. Lessee assures that it will require that its covered suborganizations provide assurances to Lessee that they similarly will undertake affirmative action program and that they will require assurances from their suborganizations, to the extent required by 14 CFR Part 152, Subpart E, to the same effect.

ARTICLE 16: GOVERNMENTAL REQUIREMENTS

16.1 Lessee shall procure all licenses, certificates, permits or other authorization from all governmental authorities, if any, having jurisdiction over Lessee's operations at the Leased Premises which may be necessary for Lessee's operations on the Airport.

16.2 Lessee shall pay all taxes, license, certification, permits and examination fees and excise taxes which may be assessed, levied, exacted or imposed on the Leased Premises or operation hereunder or on the gross receipts or gross income to Lessee there from, and shall make all applications, reports and returns required in connection therewith.

16.3 Lessee shall pay all water, sewer, utility and other applicable use taxes and fees, arising from its occupancy and use of the Leased Premises and/or the Improvements thereon.

ARTICLE 17: RIGHTS OF ENTRY RESERVED

17.1 The Cities, by their officers, employees, agents, representatives and contractors, shall have the right at all reasonable times to enter upon the Leased Premises and enter the Improvements for any and all purposes not inconsistent with this Agreement, including, without limitation, inspection and environmental testing, provided such action by the Cities, their officers, employees, agents, representatives and contractors does not unreasonably interfere with Lessee's use, occupancy or security requirements of the Leased Premises. Except when necessary for reasons of public safety or law enforcement, or for the protection of property, as determined by Cities, Cities shall provide seventy-two (72) hours written notice of its intent to inspect.

17.2 Without limiting the generality of the foregoing, the Cities, by their officers, employees, agents, representatives, contractors and furnishers of utilities and other services, shall have the right, at their own cost and expense, whether for their own benefit, or for the benefit of others than Lessee at the Airport, to maintain existing and future Airport mechanical, electrical and other utility systems and to enter upon the easements in the Leased Premises to make such repairs, replacements or alterations thereto, as may, in the opinion of the Cities, be deemed necessary or advisable, and from time to time to construct or install over, in or under existing easements within the Leased Premises such systems or parts

thereof and in connection with such maintenance use the Leased Premises existing easements for access to other parts of the Airport otherwise not conveniently accessible; provided, however, that in the exercise of such rights of access, repair, alteration or new construction, the Cities shall not install a utility under or through any building on the Leased Premises or unreasonably interfere with the actual use and occupancy of the Leased Premises by Lessee, all such utilities to be placed within existing easements, except as provided in Article 14, hereof. It is specifically understood and agreed that the reservation of the aforesaid right by the Cities shall not impose or be construed to impose upon the Cities any obligation to repair, replace or alter any utility service lines now or hereafter located on the Leased Premises for the purpose of providing utility services only to the Leased Premises; provided, however, that if they repair, replace or alter any utility service lines now or hereafter located on the Leased Premises for the purpose of providing utility services to others, the Cities will restore the Leased Premises to their preexisting condition in a timely manner. Lessee will provide for the installation, maintenance and repair, at its own expense, of all service lines of utilities providing services only to the Leased Premises. Cities will repair, replace and maintain all other utility lines, at Cities' expense.

17.3 In the event that any personal property of Lessee shall obstruct the access of the Cities, their officers, employees, agents or contractors, or the utility company furnishing utility service over, along and across the existing easements to any of the existing utility, mechanical, electrical and other systems, and thus shall interfere with the inspection, maintenance or repair of any such system pursuant to Section 17.2, Lessee shall move such property, as directed by the Cities or said utility company, upon reasonable notice by the Cities, in order that access may be had to the system or part thereof for inspection, maintenance or repair. If Lessee shall fail to so move such property after direction from the Cities or said utility company to do so, the Cities or the utility company may move it, and Lessee hereby waives any claim against the Cities for damages as a result there from, except for claims for damages arising from the Cities' negligence.

ARTICLE 18: TERMINATION

18.1 In the event of a default on the part of Lessee in the payment of rents, the Cities shall give written notice to Lessee and each holder of a Leasehold Mortgage, if any, of which it has been give notice under Section 10.1, above, of such default, and demand the cancellation of this Agreement, or the correction thereof. If, within sixty (60) days after the date the Cities give such notice, Lessee has not corrected said default and paid the delinquent amount in full, then subject to Article 10, above the Cities may, by written notice to Lessee and holder of a Leasehold Mortgage, terminate this Agreement.

18.2 Subject to the provisions of Article 18.1 above, this Agreement, together with all rights and privileges granted in and to the Leased Premises, shall terminate at the option of the Cities with prompt written notice to Lessee and holder of a Leasehold Mortgage upon the happening of any one or more of the following events:

18.2.1 The filing by Lessee of a voluntary petition in bankruptcy, or any assignment for benefit of creditors of all or any part of Lessee's assets; or

18.2.2 Any institution of proceedings in bankruptcy against Lessee; provided, however, that Lessee may defeat such termination if the petition is dismissed within one hundred twenty (120) days after the institution thereof; or

18.2.3 The filing of a petition requesting a court to take jurisdiction of Lessee or its assets under the provision of any Federal reorganization act which, if it is an involuntary petition is not dismissed within one hundred twenty (120) days after its being filed; or

18.2.4 The filing of a request for the appointment of a receiver or trustee of all, or substantially all, of Lessee's assets by a court of competent jurisdiction, which if the request if not made by Lessee is not rejected within one hundred twenty (120) days after being made, or the request for the appointment of a receiver or trustee of all, or substantially all, of Lessee's assets by a voluntary agreement with Lessee's creditors.

18.3 Upon the default by Lessee in the performance of any covenant or condition required to be performed by Lessee other than the payment of rent, and the failure of Lessee, and each holder of a Leasehold Mortgage to remedy such default for a period of sixty (60) days after mailing by the Cities of written notice to remedy the same, unless more extensive notice is otherwise provided for in this Agreement, the Cities may, by written notice of cancellation to Lessee, and each such holder of a Leasehold Mortgage, terminate this Agreement and all rights and privileges granted hereby in and to the Leased Premises.

18.4 Upon the default by Lessee, and the giving of notice of the default and cancellation by the Cities as provided for elsewhere herein, the notice of cancellation shall become final.

18.5 Subject to the provisions of Article 18.1, above, upon the cancellation or termination of this Agreement for any reason, all rights of Lessee, authorized tenants and any other person in possession shall terminate, including all rights or alleged rights of creditors, trustees, assigns, and all others similarly so situated as to the Leased Premises. Except as may be expressly provided to the contrary elsewhere herein, upon said cancellation or termination of this Agreement for any reason, the Leased Premises and all Improvements located thereon, except for Lessee's equipment, fixtures and other personal property which may be removed from said Leased Premises without damage thereto as provided elsewhere herein, shall be and become the property of the Cities, free and clear of all encumbrances and all claims of Lessee, its subtenants, creditors, trustees, assigns and all others, and the Cities shall have immediate right of possession of the Leased Premises and such Improvements.

18.6 Failure by the Cities or Lessee to take any authorized action upon default by Lessee of any of the terms, covenants or conditions required to be performed, kept and observed by Lessee shall not be construed to be, nor act as, a waiver of said default nor of any subsequent default of any of the terms, covenants and conditions contained herein to be performed, kept and observed by Lessee. Acceptance of rentals by the Cities from Lessee, or performance by the Cities under the terms hereof, for any period or periods after a default by Lessee of any of the terms, covenants and conditions herein required to be performed, kept and observed by Lessee shall not be deemed a waiver or estoppel of any right on the part of the Cities to cancel this Agreement for any subsequent failure by Lessee to so perform, keep or observe any of said terms, covenants or conditions.

18.7 This Lease will terminate at the option of Lessee:

18.7.1 Upon the permanent closure of the Airport, the term "permanent closure" to mean for the purposes of this Agreement, the closure of the airport for ninety (90) or more consecutive days;

18.7.2 The loss of the ability of Lessee due to no significant fault of Lessee to fly in or out of the Airport for reasons other than inclement weather, casualty or disaster, for a period of ninety (90) consecutive days; and

18.7.3 The default by Cities in the performance of any covenant or condition required to be performed by the Cities, and the failure of the Cities to remedy such default for a period of sixty (60) days after receipt from Lessee of written notice to remedy the same, or default in the timely payment of any money due Lessee and failure to cure such default within sixty (60) days after notice to the Cities. Notice of exercise of the option to terminate by Lessee shall be given in the manner specified in Article 23 (Notices). In the event of Termination pursuant to this subsection 18.7.3, Lessee shall be entitled to compensation from the Cities for the fair market value of the Improvements.

18.8 If Lessee ceases to conduct its authorized Aeronautical Activities on the Leased Premises for a period of twelve (12) consecutive months, the Cities may terminate this Agreement by written notice to Lessee given at any time while such cessation continues, unless Lessee resumes such activities within

sixty (60) days following receipt of written notice from the Cities of such intent to terminate this Agreement.

18.9 If Lessee fails to obtain any required permit or other governmental approval for the use of the Leased Premises pursuant to Article 3.1 herein, within eighteen (18) months of the commencement date set forth in Article 1.1 herein, or if Lessee fails to maintain any such permits or approvals during the term of this Agreement, this Agreement shall terminate, unless cured by Lessee within sixty (60) days following receipt of written notice from the Cities specifying the nature of such failure. Upon termination of this Agreement pursuant to this Article 18.9, and upon vacating the Leased Premises, Lessee shall not be required to pay additional rentals hereunder, but no refund shall be due to Lessee of payments made by Lessee pursuant to this Agreement.

18.10 Upon termination of this Agreement prior to the expiration of the Initial Term or the Extended Term, if any, the Cities may, but are not required to, relet the Leased Premises, or any part thereof, for the whole or any part of the remainder of such Initial Term or Extended Term, or for a longer period of time. Subject to Section 21.3, below, any rents received by the Cities as a result of such reletting shall remain the property of the Cities and shall not be credited to or otherwise become the property of Lessee.

ARTICLE 19: SURRENDER AND RIGHT OF RE-ENTRY

19.1 Subject to Article 8.2 above, upon the expiration, cancellation or termination of this Agreement pursuant to any terms hereof, Lessee agrees peaceably to surrender up the Leased Premises to the Cities in the condition required by Article 29 below. Upon such expiration, cancellation or termination, the Cities may re-enter and repossess the Leased Premises together with all Improvements and additions thereto, or pursue any remedy permitted by law for the enforcement of any of the provisions of this Agreement, at the Cities' election.

19.2 In the event that Lessee remains in possession of the Leased Premises after the expiration, cancellation or termination of this Lease without written agreement with respect thereto, then Lessee shall be deemed to be occupying the Leased Premises as a tenant at-will, subject to all of the conditions, provisions and obligations of this Lease, but without any rights to extend the term of this Lease. The Cities' acceptance of rent from Lessee in such event shall not alter the status of Lessee as a tenant at will whose occupancy of the Leased Premises may be terminated by Cities at anytime upon ten (10) days prior written notice.

ARTICLE 20: SERVICES TO LESSEE

20.1 The Cities covenant and agree that during the term of this Agreement, and subject to Airport priorities then in effect, they will use reasonable efforts to (a) operate the Airport as such for the use and benefit of the public; provided, however, that the Cities may prohibit or limit any given type, kind or class of aeronautical use of the Airport if such action is necessary for the safe and/or efficient operation of the Airport or necessary to serve the civil aviation needs of the public, (b) maintain the runways and taxiways in good repair, including the removal of snow, and (c) keep in good repair hard-surfaced public roads for access to the Leased Premises and remove snow there from.

20.1.1 Said obligations of the Cities relevant to the maintenance of public roads and taxiways shall extend to the point where in such roads, streets and taxiways reach the property line of the Leased Premises, or the Ramp area constructed by Lessee under Article 4.5, above.

20.1.2 Said obligations of the Cities relevant to the snow removal from public roads and taxiways shall extend to the point where in such roads, streets and taxiways reach the property

line of the Leased Premises, and shall additionally include the Ramp area constructed by Lessee under Article 4.5 subject to the snow removal limitations set forth under Article 4.5, above.

20.2 Except in cases of emergency, in which case no notice shall be required, Cities will endeavor to give not less than fourteen (14) days' prior written notice to Lessee of any anticipated temporary Airport closure, for maintenance, expansion or otherwise. Notwithstanding the above, the Cities shall not be deemed to be in breach of any provision of this Article 20 in the event of a permanent closure of the Airport. Provided, however, that if such permanent closure is in connection with the construction of a new airport by the Cities, Lessee shall have the option to enter into a substitute hangar ground lease agreement with the Cities, for the use of a portion of such new airport not smaller than the Leased Premises, under financial terms which are no less favorable than those set forth herein.

ARTICLE 21: SURVIVAL OF THE OBLIGATIONS OF LESSEE

21.1 In the event that the Agreement shall have been terminated due to default by Lessee in accordance with notice of termination as provided in Article 18 hereof, all of the obligations of Lessee under this Agreement shall survive such termination, re-entry, regaining or resumption of possession and shall remain in full force and effect for the full term of this Agreement, and the amount or amounts of damages or deficiency shall become due and payable to the Cities to the same extent, at the same time or times, and in the same manner as if no termination, re-entry, regaining or resumption of possession had taken place. The Cities may maintain separate actions each month to recover the damage or deficiency then due or at its option and at any time may sue to recover the full deficiency less the proper discount, for the entire unexpired term of this Agreement.

21.2 The amount of damages for the period of time subsequent to termination (or re-entry, regaining or resumption of possession) on account of Lessee's rental obligations shall be the sum of the following:

21.2.1 The amount of the total of all installments of rents, less the installments thereof payable prior to the effective date of termination; and

21.2.2 An amount equal to all expenses incurred by the Cities and not reimbursed in connection with regaining possession, restoring the Leased Premises required by paragraph 19, above, acquiring a new lease for the Leased Premises, legal expenses (including, but not limited to, attorneys' fees) and putting the Leased Premises in order.

21.3 There shall be credited to the account of Lessee against its survived obligations hereunder, the amount actually received from any lessee, licensee, permittee, or other occupier in connection with the use of the said Leased Premises or portion thereof during the balance of the term of use and occupancy as the same is originally stated in this Agreement, and the market value of the occupancy of such portion of the Leased Premises as the Cities may themselves during such period actually use and occupy. No such use and occupancy shall be, or be construed to be, an acceptance of a surrender of the Leased Premises, nor shall such use and occupancy constitute a waiver of any rights of the Cities hereunder. The Cities will use their best efforts to minimize damages to Lessee under this Article.

21.4 The provisions of this Article 21 shall not be applicable to termination of this Agreement pursuant to Section 3.1.2 or Section 4.4, or if expressly provided to the contrary elsewhere in this Agreement.

ARTICLE 22: USE SUBSEQUENT TO CANCELLATION OR TERMINATION

The Cities shall, upon termination or cancellation, or upon re-entry, regaining or resumption of possession, have the right to repair and to make structural or other changes in the Leased Premises, including changes which alter its character and the suitability thereof for the purposes of Lessee under this

Agreement, without affecting, altering or diminishing the obligations of Lessee hereunder, provided that any structural changes shall not be at Lessee's expense.

ARTICLE 23: NOTICES

23.1 Any notice, consent, approval or other communication given by either party to the other relating to this Agreement shall be in writing, and shall be delivered in person, sent by certified mail, return receipt requested, sent by reputable overnight courier, or sent by facsimile transmission (with evidence of such transmission received) to such other party at the respective addresses set forth below (or at such other address as may be designated from time to time by written notice given in the manner provided herein). Such notice shall, if hand delivered or personally served, be effective immediately upon receipt. If sent by certified mail, return receipt requested, such notice shall be deemed given on the third business day following deposit in the United States mail, postage prepaid and properly addressed; if delivered by overnight courier, notice shall be deemed effective on the first business day following deposit with such courier; and if delivered by facsimile, notice shall be deemed effective when received.

23.2 The notice addresses of the parties are as follows:

To the Cities:

Airport Manager
Loveland-Fort Collins Airport
4900 Earhart Drive
Loveland, CO 80538
Facsimile: (970) 962-2855
and
City Manager
City of Loveland
500 E. Third St.
Loveland, CO 80537
Facsimile: (970) 962-2900
and
City Manager
City of Fort Collins
P.O. Box 580
Fort Collins, CO 80522-0580
Facsimile: (970) 224-6107

To Lessee: [Attn: NAME]
[COMPANY NAME]
[ADDRESS]
[CITY, STATE ZIP CODE]

ARTICLE 24: INVALID PROVISIONS

The invalidity of any provisions, articles, paragraphs, portions or clauses of this Agreement shall have no effect upon the validity of any other part or portion hereof, so long as the remainder shall constitute an enforceable agreement. Furthermore, in lieu of such invalid provisions, articles, paragraphs, portions or clauses, there shall be added automatically as a part of this Agreement, a provision as similar in terms to such invalid provision as may be possible and be legal, valid and enforceable.

ARTICLE 25: MISCELLANEOUS PROVISIONS

25.1 Remedies to be Non-exclusive. All remedies provided in this Agreement shall be deemed cumulative and additional and not in lieu of, or exclusive of, each other, or of any other remedy

available to the Cities, or Lessee, at law or in equity, and the exercise of any remedy, or the existence herein of other remedies or indemnities shall not prevent the exercise of any other remedy provided that the Cities' remedies in the event of default shall not exceed those set forth in this Agreement.

25.2 Non-liability of Individuals. No director, officer, agent or employee of the Cities shall be charged personally or held contractually liable by or to the other party under any term or provision of this Agreement or of any supplement, modification or amendment to this Agreement because of any breach thereof, or because of his or their execution or attempted execution of the same. Except to the extent expressly provided for herein, no manager, member, agent or employee of Lessee or of any Unit Owner shall be charged personally or held contractually liable by or to the other party under any term or provision of this Agreement or of any supplement, modification or amendment to this Agreement because of any breach thereof, or because of his or their execution or attempted execution of the same.

25.3 Estoppel Certificate. At the request of Lessee in connection with an assignment of its interest in this Agreement, the Cities shall execute and deliver a written statement identifying them as the Lessors under this Agreement and certifying:

25.3.1 The documents that then comprise this Agreement,

25.3.2 That this Agreement is in full force and effect,

25.3.3 The then current annual amount of rent and the date through which it has been paid,

25.3.4 The expiration date of this Agreement,

25.3.5 That no amounts are then owed by Lessee to the Cities (or, if amounts are owed, specifying the same)

25.3.6 To the knowledge of the Cities, there are not defaults by Lessee under this Agreement or any facts which but for the passage of time, the giving of notice or both would constitute such a default, and

25.3.7 Remaining rights to renew the term of this lease to the extent not theretofore exercised.

The party acquiring Lessee's interest in the Agreement shall be entitled to rely conclusively upon such written statement.

25.4 Recording of Lease. This Agreement shall be recorded by the Cities, and the costs of such recordation, and any closing costs associated with this Agreement, its execution and recordation, shall be billed to and paid by Lessee as additional rent.

25.5 General Provisions.

25.5.1 This Agreement shall be performable and enforceable in Larimer County, Colorado, and shall be construed in accordance with the laws of the State of Colorado.

25.5.2 This Agreement is made for the sole and exclusive benefit of the Cities and Lessee, their successors and assigns, and is not made for the benefit of any third party.

25.5.3 In the event of any ambiguity in any of the terms of this Agreement, it shall not be construed for or against any party hereto on the basis that such party did or did not author the same.

25.5.4 All covenants, stipulations and agreements in this Agreement shall extend to and bind each party hereto, its legal representatives, successors and assigns.

25.5.5 The titles of the several articles of this Agreement are inserted herein for convenience only, and are not intended and shall not be construed to affect in any manner the terms and provisions hereof, or the interpretation or construction thereof.

25.5.6 Nothing herein contained shall create, or be construed to create, a partnership, joint venture, agency or any other relationship between the Cities and Lessee, other than that of landlord and tenant. The Cities and Lessee each expressly disclaim the existence of any such other relationship between them.

25.5.7 Cities have and may allow certain portions of the Airport to be used by others tenants at any time and Lessee shall not interfere in any manner with said other tenants or with the facilities granted to such tenants. Nothing herein contained shall be construed to grant or authorize the granting of an exclusive right prohibited by Section 308 of the Federal Aviation Act of 1958, as amended, and the Cities reserved the right to grant to others the privilege and right of conducting any one or all of the activities specified herein, or any other activities of an aeronautical nature.

25.5.8 In the event any action or proceeding is brought to recover payments due under this Agreement or take possession of the Leased Premises and/or the improvements thereon, or to enforce compliance with this Agreement for failure to observe any of its covenants, the prevailing party shall be awarded reasonable attorneys' fees and costs to be allowed by the court.

25.5.9 The time within which either party hereto shall be required to perform any act under this Agreement, other than the payment of money, shall be extended by a period equal to the number of days during which performance of such act is delayed unavoidably by strikes, lockouts, acts of God, governmental restrictions, failure or inability to secure materials or labor by reason of or similar regulation or order of any governmental or regulatory body, war, enemy action, acts of terrorism, civil disturbance, fire, unavoidable casualties, or any similar occurrence.

25.6 Availability of Government Facilities. In the event the existence, maintenance or operation of air navigation aids or other facilities supplied or operated by the United States or the State of Colorado at or in conjunction with the Airport are discontinued, the Cities shall have no obligation to furnish such facilities.

ARTICLE 26: SUBORDINATION CLAUSES

26.1 This Agreement is subject and subordinate to the following:

26.1.1 The Cities reserve the right to develop and improve the Airport as they see fit, regardless of the desires or view of Lessee, and without interference or hindrance by or on behalf of Lessee, provided Lessee is not deprived of the use or access to the Leased Premises or any of Lessee's rights under this Agreement and unless said activities by the Cities shall result in the loss of convenient access to the Leased Premises by motor vehicles and/or aircraft owned or operated by Lessee or Lessee's assigns, subtenants, renters, agents, employees or invitees.

26.1.2 The Cities reserve the right to take any action they consider necessary to protect the aerial approaches to the Airport against obstruction, together with the right to prevent Lessee from erecting or permitting to be erected any building or other structure on the Airport which would limit the usefulness of the Airport or constitute a hazard to aircraft.

26.1.3 This Agreement is and shall be subordinate to the provision of existing and future agreements between the Cities and the United States relative to the operation or maintenance of the Airport, the execution of which has been or may be required as a condition precedent to the obtaining or expenditure of federal funds for the benefit of the Airport.

26.1.4 During the time of war or national emergency, the Cities shall have the right to lease all or any part of the landing area or of the airport to the United States for military use, and if any such lease is executed, the provisions of this Agreement insofar as they may be inconsistent with the provisions of such lease to the government, shall be suspended, but such suspension shall not extend the term of this Agreement. Abatement of rentals shall be reasonably determined by the Cities and Lessee in proportion to the degree of interference with Lessee's use of the Leased Premises.

26.1.5 Except to the extent required for the performance of any obligations of Lessee hereunder, nothing contained in this Agreement shall grant to Lessee any rights whatsoever in the airspace above the Leased Premises other than those reasonably necessary to Lessee's enjoyment of the Leased Premises and Cities' Airport facilities and which are consistent with Federal Aviation Administration rules, regulations and orders currently or subsequently effective. Further, Lessee's rights in airspace above the Leased Premises and the Airport and the Airport facilities shall be not less than the rights therein by other users of the Airport and Airport facilities.

ARTICLE 27: QUIET ENJOYMENT

Cities hereby covenant and warrant that they are the owners of the Leased Premises and that Lessee upon payment of rentals herein provided for and performance of provisions on its part to be performed shall and may peacefully possess and enjoy the Leased Premises during the term hereof and any extensions hereof without any interruption or disturbance.

ARTICLE 28: ENTIRE AGREEMENT

This Agreement constitutes the entire agreement of the parties hereto and may be changed, modified, discharged or extended by written instrument duly executed by the Cities and Lessee. The parties agree that no representations or warranties shall be binding upon the Cities or Lessee unless expressed in writing.

ARTICLE 29: TITLE TO IMPROVEMENTS UPON TERMINATION

 **29.1** Upon the expiration, cancellation or termination of this Agreement, Lessee may elect to remove the Improvements and all additions and appurtenances thereto at its own expense in accordance with the following:

(a) Lessee may elect to remove the Improvements upon expiration of the Initial Term or any Extended Term by giving the Cities written notice of Lessee's election not less than sixty (60) days prior to the expiration of the Initial Term or Extended Term (the "Notice Deadline"). If Lessee gives such written notice of its election on or before the Notice Deadline, Lessee shall complete removal of the Improvements and all additions and appurtenances as required by this Article 29 on or before the expiration of the Initial Term or any Extended Term. Failure of Lessee to give such written notice of its election on or before the Notice Deadline shall be deemed to be an election, by Lessee, to surrender ownership of the Improvements and all additions and appurtenances thereto to the Cities in accordance with Section 29.2 below.

(b) Lessee may elect to remove the Improvements upon cancellation or termination of this Agreement by giving the Cities written notice of its election within thirty (30) days after such cancellation or termination. Provided Lessee is not in default in the payment of rental or other financial obligations due hereunder and has given written notice of its election within such thirty (30) day period, Lessee shall have a reasonable time, not to exceed sixty (60) days after notice of such election is given to the Cities, in which to complete removal of Improvements and restoration as required by this Article 29. During any occupancy by Lessee after cancellation or termination of this Agreement for the time period prior to completion of removal of Improvements and restoration, Lessee shall be deemed to be holding over under the terms and conditions of Section 19.2 above and shall pay to the Cities rent at the then-current lease

rate for such period. If Lessee (i) fails to give such written notice of its election within the thirty (30) day period set forth in this subsection (b); or (ii) is ineligible to make such election because Lessee is in default in the payment of rental or other financial obligations due hereunder, Lessee shall be deemed to have made an election to surrender ownership of the Improvements and all additions and appurtenances thereto to the Cities in accordance with Section 29.2 below.

(c) Removal of Improvements and all additions and appurtenances thereto and restoration as required under this Article 29 shall include Lessee's completion of all work necessary to leave the Leased Premises in a clean, orderly, and as close to original condition as possible as approved by the Cities, and shall include as a minimum:

(i) removal of all Improvements and above ground structures and above ground foundations, including utilities and utility connections, which shall be capped or otherwise left in a safe condition; and

(ii) modification of the surface so that it is free of any holes or obstructions that would prevent normal aircraft taxi operations and graded as necessary to ensure proper drainage.

29.2 In the event that Lessee fails to give written notice to the Cities of its election to remove Improvements within the time periods and as otherwise provided in Section 29.1 above, then Cities and Lessee agree that in consideration of Lessee's use of the Airport for construction and operation of the Improvements, the Improvements and all additions and appurtenances thereto shall become the property of and title shall automatically vest in the Cities upon expiration, cancellation or termination of this Agreement, without payment of additional consideration by the City, and free and clear of all liens and encumbrances. Lessee agrees to execute all documents and take such reasonable actions, if any, as may be necessary to confirm the transfer of title to the Improvements to the Cities.

Lessee's obligations under this Article 29 shall survive any expiration, cancellation, or termination of this Agreement

ARTICLE 30: RIGHT OF FIRST REFUSAL

If at any time Lessee desires to sell, assign, or otherwise transfer its interest under this Agreement, including the Improvements existing on the Leased Premises, to an Unaffiliated Entity as defined in Section 10.1, above, and has obtained a bona fide offer for such sale, Lessee must first offer to sell, assign, or otherwise transfer such interest to the Cities, at the price and on the same terms as such bona fide offer, and the Cities shall have the right to purchase Lessee's interest under such terms. Such offer must be in writing and state the name of the proposed transferee and all of the terms and conditions of the proposed transfer. The Cities shall have the right for a period of sixty (60) after receipt of the offer from Lessee to elect to purchase Lessee's interest (such sixty (60) day period referred to as the "Election Period"). If the Cities do not desire to purchase Lessee's interest, Lessee may then sell, assign, or otherwise transfer its interest in this Agreement to the person making the said offer, at the price and terms set forth in the offer, subject to the requirements of Article 13. If Lessee fails to close such sale within sixty (60) days after the expiration of the Election Period, any proposed sale, assignment or other transfer thereafter shall again be subject to this Article. This right of the Cities shall be continuing and shall survive any sale, assignment or other transfer of Lessee's interest under this Agreement. The intent of this Article is to require all of Lessee's interests in this Agreement be sold, assigned or otherwise transferred intact, without fractionalization.

ARTICLE 31: REQUIREMENTS FOR CONDOMINIUMIZATION

This Agreement does not authorize Lessee to create either a common interest community or hangar condominiums on the Leased Premises. If Lessee desires to create a common interest community or

hangar condominiums on the Leased Premises, a written amendment to this Agreement shall be required, containing such additional terms as the Cities may reasonably require, including but not necessarily limited to terms necessary for compliance with the Colorado state law.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

CITY OF LOVELAND, COLORADO

City Manager

ATTEST:

City Clerk

APPROVED AS TO FORM:

Assistant City Attorney

CITY OF FORT COLLINS, COLORADO

City Manager

ATTEST:

City Clerk

APPROVED AS TO FORM:

Assistant City Attorney

LESSEE:
