

**COMMERCIAL HANGAR AND GROUND LEASE
AND
OPERATING AGREEMENT**

Show Low Regional Airport

THIS AGREEMENT IS MADE ON _____, 200__, between the City of Show Low, an Arizona municipal corporation of the State of Arizona ("LESSOR"), and _____ ("LESSEE").

WHEREAS, LESSOR now owns, controls and operates the Show Low Regional Airport (Airport) in the City of Show Low, County of Navajo, State of Arizona; and

WHEREAS, aircraft services including (**INSERT TYPE OF SERVICE**), are essential to the proper accommodation of general and commercial aviation at the Airport; and

WHEREAS, LESSOR wishes to enhance and promote aviation-related services at the Show Low Regional Airport while making such services available and LESSEE is qualified, ready, willing and able to provide such services; and

NOW, THEREFORE, in consideration of the mutual promises expressed in this Agreement, the parties agree as follows:

1. **Premises.** LESSOR does hereby lease to LESSEE and LESSEE does hereby lease from LESSOR the following: Hangar(s) **1, 2, or 3** (of approximately 8,100 sq. ft) and real property approximately 125 feet by 90 feet located at 3251 Airport Loop Road at the Show Low Regional Airport ("Premises") and hereinafter described in Exhibit A. Exhibit "A" is attached hereto and incorporated herein. The rights of ingress and egress from the Premises is granted to the LESSEE over and across the public areas intended for use by pedestrian, vehicles, and aircraft pursuant to Section 11 of this Agreement.
2. **Term.** The term of this Agreement shall be for () **INSERT** years commencing on the 1st day of **MONTH**, 200__ and expiring on the last day of **MONTH**, 200__. LESSEE shall have the option to extend the term of this Agreement for a maximum of one (1) additional five (5) year period. LESSEE shall provide LESSOR with ninety (90) days prior notice of intent to renew for the additional five (5) year renewal period.
3. **LESSEE's Use.** LESSOR grants to LESSEE the privilege of operating and maintaining the Premises at the Airport for commercial aviation-related activities that are associated with the operation of LESSEE as described in Section 4, Rights and Obligations of LESSEE below.

Should LESSEE sublease or rent a portion or all of the leased premises, LESSEE shall pay to LESSOR five percent (5%) of all sublease fees charged to sublessees. A sublease shall be declared if LESSEE stores aircraft other than

those registered in LESSEE's name in or on any portion of the leased premises. Subleases for commercial purposes shall be subject to Commercial Operating Agreement and User Fees. All subleases and sublessor activities must be in compliance with the Airport Minimum Standards and Rules and Regulations.

LESSEE is granted the use of the leased premises, subject to the ownership and easement rights necessary for LESSOR to operate and maintain the Airport or for FAA requirements, to the terms and provisions of this Agreement; and to ordinances, rules and regulations promulgated by LESSOR.

4. Rights and Obligations of LESSEE.

A. Required Services. LESSEE is hereby granted the non-exclusive privilege and agrees to continuously engage in the business of an aviation service operation subject to all the terms and conditions of this Agreement. LESSEE is prohibited from conducting other commercial aviation services not specifically provided for herein unless the LESSOR has granted prior written approval. The required aviation service is/are as follows:

1. **INSERT APPROPRIATE COMMERCIAL AVIATION OPERATION**
2. LESSEE shall provide LESSOR with a copy of all applicable Federal or State licenses

B. Operating Standards.

1. LESSEE shall comply with the City of Show Low Airport Minimum Standards, promulgated by the LESSOR and as adopted by City of Show Low Resolution No. 715, including subsequent amendments, and LESSEE shall comply with the City of Show Low Airport Rules and Regulations, promulgated by the LESSOR and as adopted by City of Show Low Ordinance No. 415, including subsequent amendments.
2. LESSEE shall comply with all applicable Building and Plumbing Codes, and other design, construction, or architectural codes as applicable to LESSEE's proposed improvements. LESSEE shall also comply with the applicable provisions of Chapter 15 of the Show Low City Code with regard to LESSEE's operations.
3. LESSEE shall control the conduct, demeanor, and appearance of its employees while at the airport or when working for LESSEE. Said employees shall possess such technical qualifications and hold such certificates or qualifications as may be required by any applicable governmental authority in carrying out assigned duties. It shall be the responsibility of LESSEE to maintain close supervision over its employees to assure a high standard of service to customers of LESSEE.
4. LESSEE shall meet all expenses and payments in connection with the use of the Premises and the rights and privileges herein granted, including taxes, permit fees, sewer and water tap fees, trash removal and license fees. LESSEE shall be responsible for all tax of a leasehold interest on the LESSOR's owned property, which is occupied by LESSEE as provided herein, such tax shall be borne and paid by the LESSEE.

5. LESSEE shall comply with all federal, state and local laws, rules and regulations that may apply to the conduct of the business contemplated, including rules and regulations, promulgated by the Show Low City Council or pursuant to their direction. LESSEE shall have the opportunity to provide comments before such rules and regulations are enacted or amended. LESSEE shall maintain in effect and post in a prominent place all necessary and/or required licenses or permits.
6. LESSEE shall be responsible for the maintenance and repair of the entire Premises as shown and described in Exhibit A, and shall keep and maintain the Premises in good condition, order and repair, and shall surrender the same upon the expiration of this Agreement, in the condition which they are required to be kept, reasonable wear and tear and damage by the elements not caused by LESSEE's negligence excepted. LESSEE's maintenance shall include, but not be limited to, weed and grass cutting, snow and ice removal, regular maintenance including periodic cleaning of existing oil/water separator, and maintenance and repair of any other improvements or developments on the premises including exterior lighting. The LESSOR shall be responsible for the maintenance of the obstruction lights.
7. It is expressly understood and agreed that in providing the authorized services pursuant to this Agreement, LESSEE shall have the right to choose, in its sole discretion, its vendor and suppliers, except aviation fuels purchased on the airport, which will be provided by the LESSOR or LESSOR's designated supplier.

C. Trade Fixtures. During the term of this Agreement, LESSEE shall have the right, at its expense, to place in or on the Premises trade fixtures, furnishings, personal property, equipment and materials necessary to perform any services required or authorized hereunder. Said trade fixtures, furnishings, personal property, equipment and material shall remain the property of LESSEE.

D. Signs. All signage shall comply with the Show Low City Code and shall be approved by the Airport Manager or the Public Works Director.

E. Nonexclusive Right. It is not the intent of this Agreement to grant to the LESSEE the exclusive right to provide any or all of the services described in this section at any time during the term of this Agreement. LESSOR reserves the right, at its sole discretion, to confer to other operators the rights and privileges pertaining to the airport that may be similar to those rights herein granted to LESSEE. LESSOR does, however, covenant and agree to enforce impartially all Minimum Standards for all commercial aeronautical endeavors or activities at the Airport.

5. Appurtenant Privileges

A. Use of Airport Facilities. LESSEE shall be entitled, in common with others so authorized, to the use of all public airport facilities and improvements of a public nature which now are or may hereafter be connected with or appurtenant to the

Airport, including but not limited to, the use of landing areas, runways, taxiways, navigational aids, and aircraft parking areas designated by LESSOR.

B. Maintenance of Airport Facilities. LESSOR shall maintain all public and common or joint use areas of the Airport, including the Air Operations Area, in good repair, and shall make such repairs, replacements or additions thereto as it considers, in its sole discretion, necessary for the safe and efficient operations of the Airport.

C. Aerial Approaches. LESSOR reserves the right to take any action it considers necessary to protect the aerial approaches of the Airport against obstruction, together with the right to prevent LESSEE from erecting, or permitting to be erected, any building or other structure; and prevent LESSEE from building or designating any parking lot or parking area, on or adjacent to the Airport which LESSOR reasonably believes would limit usefulness of the Airport or constitute a hazard to aircraft.

6. Leasehold Improvements.

LESSEE, after securing all necessary permits, shall at its own cost and expense, erect and install on the leased premises any required structures and improvements. LESSEE's costs and expenses shall also include architect's and engineer's fees, survey fees, costs of plans and specifications, and other costs, incidental to such erection and installation. Plans and specifications, and changes to them, for all such structures and improvements shall be subject to the advance approval in writing by the LESSOR, which approval shall not be unreasonably withheld or delayed. LESSEE shall ensure that all construction complies with the International Building Code, applicable City of Show Low codes, and Show Low Regional Airport Minimum Standards and Architectural Standards.

During the period of construction, all construction work, workmanship, materials, and installation involved or incidental to the construction of the structure and site improvements shall always be subject to inspection by LESSOR, without additional cost to the LESSEE. LESSEE shall give or cause to be given to LESSOR advanced notice before starting any new work, and shall provide and cause the contractors and subcontractors to provide reasonable and necessary facilities for inspection. LESSEE shall cause all construction work, workmanship, materials, and installation to be in full compliance with plans and specifications.

After the completion of the structure and site improvements as shown on the approved plans and specifications are completed, there shall be no enlargement or other modification without the written consent of the LESSOR. Such consent shall not be unreasonably withheld or delayed.

It is agreed and understood that any leasehold improvements undertaken pursuant to this Agreement shall become the property of the LESSOR upon the termination of the lease.

LESSEE shall, at all times throughout this lease, maintain the structure(s) and site improvements and all other portions of the leased premises in good serviceable condition and repair except for reasonable wear and tear, acts of God and other unavoidable casualties.

LESSEE shall keep the leased premises and improvements clear of all liens in any way arising out of the action or use of the premises by LESSEE.

7. Rentals, Charges, and Fees.

LESSEE agrees to pay the LESSOR, for the use and enjoyment of the Premises, public Airport facilities, rights, licenses, services, and privileges granted herein, monthly rent for the leased premises plus three months prepaid rent, user fees and charges, all as set forth below. The LESSEE shall pay rent to the LESSOR at the Airport Manager's office at 3150 Airport Loop Road, #100, Show Low, AZ 85901, for the leased premises in advance commencing on the first day of **MONTH** 200_.

A. Hangar and Ground Lease Rent. LESSEE agrees to pay the LESSOR **INSERT AMOUNT** per year plus applicable transaction privilege tax, paid monthly in twelve (12) equal installments of approximately **INSERT AMOUNT** as compensation and rent for the hangar and ground lease of the Premises.

The hangar and ground rent will be subject to readjustment on an annual basis from the execution date of this Agreement. The readjustment will account for inflation and will be based on a Consumer Price Index (CPI) applicable to the State of Arizona and as determined by the LESSOR. Additionally, the LESSEE may assign, in accordance with Section 17, Assignment, Peaceful Possession; rent or sublease the Premises. Notwithstanding any sublease, LESSEE shall remain fully liable for the amounts due under this lease. The Hangar and Ground Rent is also subject to a 2% Transaction Privilege Tax.

All subleases and sublessor activities must be in compliance with the Show Low Regional Airport Minimum Standards and Rules and Regulations.

B. Prepaid Rent. LESSEE further agrees to pay to LESSOR (upon award of lease) prepaid rent in an amount equal to three months of rent based on the first year's lease rate. This amount shall be deposited by LESSOR and used as guaranteed funds to draw from in the event LESSEE is in default of payment of any or all amounts due to LESSOR. LESSEE's obligation to pay all amounts due shall not be waived due to prepaid amounts. Should LESSEE be delinquent on any amounts, LESSOR will undertake to collect on these amounts and will implement the applicable sections of the Agreement pertaining to termination of the Agreement by LESSOR. At the termination of the lease period, the three months of prepaid rent will be credited towards the last three months rent. Prepaid rent shall be due on the first day of the term of this Agreement as set forth in paragraph "2" herein. LESSEE's initial

Hangar and Ground Lease payment shall include the first month's rent payment plus the aforementioned three month's prepayment.

C. User Fees. User Fees are set by the City Council of the City of Show Low and are subject to change at anytime hereunder without renegotiation of this Agreement. The LESSEE agrees to pay the LESSOR the applicable monthly User Fee(s) as set forth in City of Show Low Resolution No. R2003-21 dated July 15, 2003, and as may be amended by the City Council of the City of Show Low, in the amount(s) as listed below:

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|-----|----------------------------------|----------|
| 1. | Aircraft Flight Instruction - | \$ 50.00 |
| 2. | Aircraft Rental - | |
| | One Aircraft Available | \$ 50.00 |
| | Two or more Aircraft Available | \$100.00 |
| 3. | Aircraft Sales - | \$100.00 |
| 4. | Special Commercial Activity - | \$125.00 |
| 5. | Airframe and Powerplant Repair - | \$150.00 |
| 6. | Avionics Repair - | \$150.00 |
| 7. | Charter/Air Taxi Operations - | \$250.00 |
| 8. | Flying Club - | \$250.00 |
| 9. | Medical Air Ambulance - | \$750.00 |
| 10. | Mobile Mechanic - | \$ 50.00 |

LESSEE shall pay each User Fee applicable to LESSEE's activities however LESSEE in aggregate shall not pay more than the highest individual User Fee. LESSEE shall be responsible for stating to LESSOR activities to be undertaken to determine monthly User Fee amounts. User Fees shall be in addition to the aforementioned Hangar and Ground Lease Rent, and sublease fees, if applicable.

All fees shall be paid in advance on a monthly basis and shall be due on the 1st of each month, including Hangar and Ground Lease, sublease fees, and any User Fees as listed above.

D. Casualty Insurance Premium. Lessee(s) shall reimburse the City the City's cost of casualty insurance on the hangar at the ratio of one-third of the premium per individual hangar leased. The premiums for the casualty insurance and the Lessee(s) pro-rated portion are subject to annual adjustment. As of December 12, 2007, the current rate to be reimbursed by each Lessee as described above is approximately \$180 per month.

E. Charges. Monthly late fees are set by the Show Low City Council in accordance with monthly user fees and are amended from time to time. Any rent or fees payable by LESSEE hereunder which are not paid within fifteen (15) days after the due date shall be assessed the monthly late penalty fee in effect at the time of the delinquency. At the time of execution of this Lease the late penalty fee is ten (\$10) dollars.

LESSEE shall pay, in addition to rent and the charges as specified above, all permit and license fees attributable to LESSEE's operations. In the event

LESSEE fails to pay any permit or license fee when due, LESSOR may, at its option, pay the same and collect from the LESSEE the amounts so disbursed, plus interest at the rate of 1 1/2% per month or fraction of a month thereof.

F. Records of Business Activity. LESSEE shall provide and maintain accurate records of operation statistics, when applicable, to include, but not be limited to, number of passengers enplaned, number of cargo tons enplaned and total number of operations for activities performed at the Airport. Such records shall be maintained for the purpose of statistical reporting by the LESSOR for grants and economic studies. LESSOR, or its duly authorized representative, shall have the right at all reasonable times during business hours and at no cost to the LESSOR to request such operational data from LESSEE.

8. Restrictions of Other Statutes and Agreements. This Agreement shall be subject and subordinate to any existing or future federal or state statute or any existing or future lease or agreement between the LESSOR and the United States or the State of Arizona relative to the development, construction, operation or maintenance of the Airport, the execution of which has been or may be required as a condition precedent to the expenditure of federal or state funds for the development, construction, operation or maintenance of the Airport. Provided, however, that LESSOR shall, to the extent permitted by law, use its best efforts to cause any such agreements to include provisions protecting and preserving the rights of LESSEE. This Agreement shall likewise be subject to any lease or agreement which the LESSOR has or may later have with others for the operation of a Fixed Based Operator or commercial facility at the Airport, so long as it does not interfere with LESSEE's use of the premises as set forth in Section 3, LESSEE's Use.

9. Signs, Displays, Inspection by LESSOR. LESSEE shall illuminate the apron around the Hangar from dusk to dawn.

LESSEE shall not install, erect or place, or permit others to do so, any signs, placards, illuminated signs, displays, advertising, or other media on the Airport, without the prior written consent of the LESSOR. All signage shall comply with the Show Low City Code and shall be approved by the Airport Manager or the Public Works Director.

10. Title, Cost of Fixed Improvements and Amortization. LESSOR, at all times herein, retains title to the real property and existing improvements.

In case the premises or any part of them, as will substantially impair LESSEE's ability to use the premises for the purposes specified in this Agreement, are required for use by the United States, the State of Arizona, or for other Airport purposes prior to the expiration of this Agreement, LESSOR may, upon one hundred twenty (120) days advance written notice to the LESSEE, direct LESSEE to vacate the premises and this Agreement shall terminate.

11. Access, Ingress, Egress, and Conduct of Operations. LESSOR grants to LESSEE the right of access and ingress to and egress from leased premises to

the public streets by LESSEE and its employees, contractors, suppliers, servicepersons, guests, patrons, and invitees if those rights of access, ingress and egress are always exercised in conformance with any City of Show Low ordinances and all regulations promulgated by the LESSOR, the FAA, the State of Arizona, or other lawful authority, for the care, operation, maintenance and protection of the Airport and the public.

The operations of the LESSEE and its employees shall be conducted in an orderly and proper manner so as not to annoy, disturb, or be offensive to others at the Airport. LESSOR shall have the right to complain to LESSEE as to the demeanor, conduct, or appearance of the premises or LESSEE's employees, visitors, or servicemen. The LESSEE will take steps necessary to remove the cause of any legitimate complaint.

LESSEE and its employees, invitees, and those doing business with the LESSEE shall have no right to park vehicles upon the Airside premises including aircraft parking aprons and the 15 foot ramp extension between the existing ramp and the hangar/structure. Vehicle parking shall be restricted to designated vehicle parking lots and/or parking spaces leased to LESSEE under this Agreement.

LESSOR, by its representatives, shall have the right at any reasonable time, with reasonable notice except in cases of emergency, and as often as it considers necessary to inspect the leased premises and (without any obligation to do so) to enter there to direct LESSEE to make the repairs described in this Agreement.

12. Damage to or Destruction of Premises. If during the term of this Agreement all or part of the leased premises are damaged or destroyed by fire or other casualty, at LESSOR'S option LESSEE shall, with all reasonable dispatch after such damage or destruction, cause plans, specifications and estimate of cost for repairing, replacing, or reconstructing the damaged or destroyed property according to the original design, subject to modifications as may be approved by LESSOR. The plans and specifications for that work (except for emergency repairs) shall be submitted to and receive the approval of LESSOR prior to the commencement of work. Upon approval of the plans and specifications for work as mentioned, and subordinate to LESSOR'S repairs and/or reconstruction of the hangar structure at LESSOR'S option, LESSEE shall, with reasonable diligence, proceed, except for unavoidable delays, to repair, restore, replace, or rebuild, according to the approved plans and specifications, the buildings, structures or other improvements as nearly as possible to their condition immediately before that damage or destruction.

If the LESSEE certifies to the LESSOR that insurance proceeds are insufficient to repair, replace, or reconstruct the Premises to substantially the same condition as before the damage or destruction, LESSEE may upon written notice terminate its ground lease under this Agreement. In that case all of the insurance proceeds shall be paid to LESSOR. LESSEE, at its expense, upon notice to do so by LESSOR, shall demolish the remaining improvements and clear the debris. If LESSEE fails to exercise that right to terminate its ground lease, it shall repair,

replace or reconstruct the Premises regardless of the sufficiency of insurance proceeds for that purpose.

Except in the case provided in the above Section, in which LESSEE may choose to terminate its ground lease, all insurance proceeds recovered on account of damage or destruction to the Premises are to be applied and disbursed in the following order to the limits of the funds available:

A. To pay LESSOR for all losses incurred by LESSOR.

B. To pay neighboring tenants for all losses incurred.

C. To pay or reimburse the LESSEE for all expenses incurred in connection with the adjustment or collection of such loss.

D. To pay or reimburse the LESSEE for all costs and expenses incurred in connection with the preparation of the mentioned plans, specifications and estimates of cost for repairing, replacing or restoring the damaged or destroyed property.

E. To pay or reimburse the LESSEE for the costs and expenses of that work as it progresses so that the leased premises shall always be free from liens for any labor, services or materials performed, furnished or delivered in connection with that work.

13. Indemnity. LESSEE agrees to indemnify, defend, and save harmless the LESSOR, its Mayor and Council, appointed board and commissions, officials, officers and employees, individually and collectively from all losses, claims, suits, demands, expenses, attorney's fees or actions of any kind and nature resulting from personal injury to any person (including bodily injury and death) or damages to any property, arising out of the LESSEE's negligent acts, errors, omissions, or violations of the law through the use or occupancy of the leased premises by the LESSEE or others with its consent or out of any other acts or omissions of the LESSEE, its officers, agents and employees, on the premises or elsewhere on the Airport. This indemnity shall include injuries, death, damage to property, environmental liability, etc. which arises out of LESSEE's use of the premises.

The amount and type of insurance coverage requirements set forth in Section 14 will in no way be construed as limiting the scope of indemnity in this Section.

14. Insurance. The LESSEE shall obtain and maintain continuously in effect at all times during the term of this Agreement, at LESSEE's sole expense, insurance of the type and in the amount as set forth below. The required insurance coverage and limits will be determined by LESSOR and shall be subject to review and adjustment at two (2) year intervals, at the sole discretion of the LESSOR with the first adjustment date to be two (2) years following the commencement date of this Agreement.

Insurance must cover all aspects of LESSEE's operations and reflect any deviations from, changes to, or additions of activities, services, or operations. Insurance policies must be renewed annually, and the LESSOR named as an additional insured. LESSEE shall provide but not be limited to the following types of insurance:

- A. Comprehensive General Liability insurance of an amount not less than **INSERT AMOUNT PER MINIMUM STANDARDS** protecting LESSOR against any and all liability arising by reason of LESSEE's conduct incident to the use of the Premises, or resulting from any accident occurring on or about the roads, driveways, or other public places, including runways and taxiways, used by LESSEE at the Airport, caused by or arising out of any wrongful or negligent acts or omissions of LESSEE.
- B. Hangar Keeper's Liability Insurance of an amount not less than \$1,000,000 per occurrence if aircraft other than those owned by LESSEE are to be stored in LESSEE's leased area(s).
- C. Worker's Compensation per statutory requirements, if applicable.
- D. Casualty Insurance against loss or damage to tenant's improvements in the amount of not less than 100% of replacement value.
- E. Fire Legal Liability Insurance covering the hangar in an amount not less than \$1.5 million.
- F. Motor Vehicle Insurance covering all motor vehicles that will be driven on aircraft operating areas including aircraft ramps and aprons during the course of LESSEE's operations
- G. Any other insurance as may be required in the Airport Minimum Standards or as may be required by the LESSOR's insurance carriers.

All such insurance policies shall contain the following endorsements: (1) that a certificate of insurance be provided to the LESSOR when insurance coverage is effected, (2) written notice be given to the LESSOR at least thirty (30) days prior to termination, cancellation, or reduction in coverage in any policy, and (3) the LESSOR is to be included as an additional insured as their respective interests may appear.

All contractors of LESSEE must show evidence of, and maintain throughout the course of construction, Comprehensive General Liability insurance of an amount not less than \$2,000,000.

15. LESSEE as Independent Contractor. In conducting its business hereunder, LESSEE acts as an independent contractor and not as an agent of LESSOR. The selection, retention, assignment, direction and payment of LESSEE's employees shall be the sole responsibility of LESSEE, and LESSOR shall not

attempt to exercise any control over the daily performance of duties by LESSEE's employees, subcontractors, and/or vendors.

16. Applicable Laws, Ordinances, Rules and Regulations. LESSEE, its employees, visitors, servicepersons and any other persons over which the LESSEE has control, shall comply with all lawful rules and regulations, including the Show Low Regional Airport's Minimum Standards and Rules and Regulations, and amendments or supplements thereto, governing or related to the use of the Airport or of the leased premises as may be promulgated by LESSOR in the interests of health, safety, sanitation and good order that are consistent with applicable rules and regulations of any federal, state, or local governmental body having jurisdiction in that respect.

LESSEE shall always faithfully obey and comply with all lawful present and future laws and ordinances of federal, state or local governmental bodies and rules and regulations lawfully promulgated under them, whether or not of the type enumerated, applicable to, or affecting LESSEE and its operations and activities in the leased premises or elsewhere at the Airport consistent with the provisions of this Agreement.

The leased premises and the Show Low Regional Airport are included in the regulated industrial activities of the Clean Water Act and are required to comply with the conditions of a storm water discharge permit under the National Pollutant Discharge Elimination System (NPDES). The LESSEE, at its own expense, shall ensure that all activities under this Lease comply with the conditions of the NPDES permit.

17. Assignment, Peaceful Possession. LESSEE shall not sell, lease or sublease for commercial purposes, assign, transfer, mortgage, or pledge this Agreement or the leasehold interest it creates, without the express written approval of the City Council of the City of Show Low, which approval shall not be unreasonably withheld. LESSEE shall notify the Airport Manager in writing if LESSEE intends to sublease the premises. Commercial subleases require a commercial operating agreement and user fees, all as set forth in Section 3 above. LESSEE shall not permit any transfer of its leasehold interest that may occur by operation of law.

It is agreed that the only activity or activities which LESSEE may conduct from the leased premises, directly or indirectly, alone or through others, are those as referenced in Section 3, LESSEE's Use, and Section 4, Rights and Obligations of LESSEE, of this Agreement.

This Agreement does not make either party the agent or representative of the other for any reason.

LESSOR agrees that LESSEE shall and may peaceably enjoy the premises or space leased to it during the lease unless the lease shall cease, close or expires sooner or shall be terminated as provided in this Agreement.

18. Equal Opportunity. LESSEE, in performing under this Agreement, shall not discriminate against any worker, employee or applicant, or any member of the public, because of race, creed, color, religion, age, sex, disability or national origin. LESSEE shall comply with Title VII of the Civil Rights Act of 1964, as amended (42 U.S.C. Sec 2000e) and the Arizona Civil Rights Act (A.R.S. Sec. 44-1401 et. Seq.) in its dealings with employees, applicants, and members of the public.

LESSEE further agrees that this clause will be incorporated in all contracts entered into with suppliers of materials or services, contractors, and subcontractors, and all labor organizations, furnishing skilled, unskilled, and craft union skilled labor, or who may perform any such labor or services in connection with this Agreement.

To demonstrate compliance, LESSEE and his/her contractors and subcontractors will furnish those documents requested by LESSOR.

19. Nondiscrimination in the Use of the Premises by LESSEE. This Agreement involves the construction or use of, access to, space on, over, or under real property acquired, or improved under the Airport Development Aid Program of the Federal Aviation Administration, and therefore involves activity that provides services to the public.

LESSEE, or LESSEE and LESSEE's personal representatives, successors in interest, and assigns, as part of the consideration here, agrees as a covenant running with the land that (1) no person on the grounds of race, color, religion, sex, disability or national origin shall be excluded from participation in, denied benefits of, or otherwise be subjected to discrimination in the use of the facilities, (2) that in the construction of any improvements on, over, or under such land and the furnishing of services there, no person on the grounds of race, color, religion, sex, disability or national origin shall be excluded from participation in, denied benefits of, or otherwise be subjected to discrimination, and (3) that LESSEE shall use the premises in compliance with all other requirements imposed by, or pursuant to Title 49, Code of Federal Regulations (C.F.R.), the 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, and that (4) in the event of breach of any of the above non-discrimination covenants, LESSOR shall have the right to terminate this Agreement and to reenter and repossess the Premises and hold the same as if said Agreement had never been made or issued. This provision does not become effective until the procedures of 49 C.F.R. Part 21 have been followed and completed, including expiration of appeal rights.

LESSEE assures that it will undertake an affirmative action program, as required by 14 C.F.R. Part 152, Subpart E, to ensure that no person shall, on the grounds of race, creed, color, national origin, or sex, be excluded from participating in any employment, contracting, or leasing activities covered in 14 C.F.R. 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 Subpart E. LESSEE assures that it will require that its covered organizations provide assurance to the LESSEE that they similarly will undertake affirmative action programs and that they will require assurances from their suborganizations, as required by 14 C.F.R. Part 152, Subpart E, to the same effect.

20. Storm Water Compliance.

A. Acknowledgements

1. Notwithstanding any other provisions or terms of the Lease, LESSEE acknowledges that the airport is subject to Federal Storm Water regulations, 40 C.F.R. Part 122, for "vehicle maintenance shops" (including vehicle rehabilitation, mechanical repairs, painting, fueling and lubrication), equipment cleaning operations and/or de-icing operations that occur at the Airport as defined in these regulations and, if applicable, state storm regulations. LESSEE further acknowledges that it is familiar with these storm water regulations; that it conducts or operates "vehicle maintenance" (including vehicle rehabilitation, mechanical repairs, fueling and lubrication), equipment cleaning operations and/or de-icing activities as defined in the federal storm water regulations; and it is aware that there are significant penalties for submitting false information, including fines and imprisonment for knowing violations.
2. Notwithstanding any other provisions or terms of this Lease, LESSOR acknowledges that it has taken steps necessary to apply for or obtain a storm water discharge permit as required by the applicable regulations for the Airport, including the Property occupied or operated by the LESSEE. LESSEE acknowledges that the storm water discharge permit issued to the Airport may name the LESSEE as co-permittee.
3. Notwithstanding any other provisions or terms of this Lease, including the LESSEE' s right to quiet enjoyment, LESSOR and LESSEE both acknowledge that close cooperation is necessary to ensure compliance with any storm water discharge permit terms and conditions, as well as to ensure safety and to minimize costs. LESSOR acknowledges that, as discussed more fully below, it may have to undertake to minimize the exposure of storm water (and snow melt) to "significant materials" generated, stored, handled or otherwise used by the LESSEE, as defined in the federal storm water regulations, by implementing and maintaining "Best Management Practices".
4. LESSEE acknowledges that the Airport's Storm Water discharge permit is incorporated by reference into the Lease and any subsequent renewals.
5. LESSEE, its employees, and those doing business with LESSEE shall be expressly prohibited from painting aircraft, equipment, or

fixtures within, on, or around the Premises with the exception of those items that can be painted with a hand-held brush. The use of spray paint guns, or similar, is expressly prohibited.

B. Permit Compliance

1. LESSOR will provide LESSEE with written notice of those storm water discharge permit requirements, that are in the Airport's storm water permit, that LESSEE will be obligated to perform from time to time, including, but not limited to: certification of non-storm water discharges; collection of storm water samples; preparation of storm water pollution prevention or similar plans; implementation of "good housekeeping" measures or Best Management Practices; and maintenance of necessary records. Such written notice shall provide LESSEE with reasonable time, not to exceed sixty (60) days, to perform the storm water requirements as directed by LESSOR. LESSEE shall notify LESSOR in writing if it disputes any of the storm water discharge permit requirements it is being directed to undertake. If LESSEE does not provide such timely notice, it is deemed to assent to undertake such requirements.
 2. LESSEE agrees to undertake, at its sole expense unless otherwise agreed to in writing between LESSOR and LESSEE, those storm water discharge permit requirements for which it has received written notice from the LESSOR. LESSEE warrants that it shall meet any and all deadlines that may be imposed on or agreed to by LESSOR and LESSEE. LESSEE acknowledges that time is of the essence.
 3. LESSOR agrees to provide LESSEE, at its request, with any non-privileged information collected and submitted to any governmental entity(ies) pursuant to applicable storm water regulations.
 4. LESSEE agrees that the terms and conditions of the Airport's storm water discharge permit may change from time to time and hereby appoints LESSOR as its agent to negotiate with the appropriate governmental entity(ies) any such permit modifications.
 5. LESSOR will give LESSEE written notice of any breach by LESSEE of the Airport's storm water discharge permit or the provisions of this section when such a breach is significant, and, if of a continuing nature, LESSOR may seek to terminate this Lease pursuant to the terms of this Lease. Tenant agrees to cure promptly any breach.
 6. LESSEE agrees to participate in any Airport-organized task force or other work group established to coordinate storm water activities at the Airport.
21. Environmental. LESSEE shall comply with all federal, state, and local laws and regulations regarding the storage, use, and disposal of hazardous materials, biological wastes and petroleum products. LESSEE shall be responsible for the operation and maintenance of an industrial waste oil water interceptor and shall ensure that all employees or contract employees are familiar with the operation

of the interceptor. In the event that a spill occurs within the leased premises LESSEE shall notify the LESSOR as soon as possible and ensure that the interceptor is returned to essentially the same condition as it was prior to the spill.

22. Holdover. In the event LESSEE shall occupy the leased premises after the termination of this Lease either by expiration of the Lease term or otherwise, such holdover shall not be construed as a holding over from month to month or year to year or term of years or for a periodic term of any kind, but shall be a holding over from day to day, wholly at the will of the LESSOR.
23. 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.
24. Termination by LESSOR. In any of the following events, which shall constitute "events of default", LESSOR shall have the right, at LESSOR's election, to terminate this Agreement immediately, or to terminate LESSEE's tenancy hereunder:
 - A. LESSEE shall fail to pay the rent in the amounts and at the times and in the manner provided here and that failure shall continue for thirty (30) or more days after written notice of it shall have been given to LESSEE; or

The default by LESSEE in the performance of any of the terms, covenants or conditions of this Agreement, and the failure of LESSEE to remedy, or undertake to remedy, to LESSOR's satisfaction, such default for a period of thirty (30) days after receipt of notice from LESSOR to remedy the same, or, if remedy of same cannot be cured within thirty (30) days through no fault of LESSEE, LESSEE shall have further time as is necessary to cure, upon LESSOR's approval.
 - B. LESSEE shall make an assignment for the benefit of creditors, or shall file a petition in bankruptcy, or shall be adjudged bankrupt, and that adjudication be not stayed or vacated within sixty (60) days later, or the interest of LESSEE under this Agreement shall be levied upon and sold upon execution or shall by operation of law become vested in another person, firm, or corporation because of the insolvency of LESSEE; or in the event that a receiver or trustee shall be appointed for LESSEE or the interest of LESSEE under this Agreement, and such appointment has not been vacated within sixty (60) days later.
 - C. LESSEE shall vacate or abandon the premises, or shall permit them to remain vacant or unoccupied for more than thirty (30) days without first obtaining the consent of LESSOR.
 - D. LESSEE shall fail to observe any other provision of this Agreement after thirty (30) days written notice given by LESSOR of such failure, or, if such failure cannot be cured within thirty (30) days through no fault of LESSEE,

upon LESSOR approval, LESSEE shall have further time as is reasonably necessary to cure.

- E. This Agreement may be subject to immediate suspension, without benefit of the thirty (30) day remediation period, and LESSEE's right to tenancy of the Premises may be suspended immediately if, in the opinion of the CITY, the safety and health of personnel in, on or around the Premises is in jeopardy and serious injury or death could occur. Immediate suspension may occur as the result of conditions, issues or events arising through LESSEE's use or occupancy of the Premises including, but not limited to, failure of LESSEE to maintain adequate insurance coverage as outlined in Section 14, Insurance; the presence of hazardous materials or conditions, adverse environmental conditions, structural damage to any structure on the Premises or other conditions, issues or events that may arise or be present on the Premises affecting personnel health or safety.

25. Termination by LESSEE. This Agreement shall be subject to termination by LESSEE in the event of any one or more of the following events:

- A. The abandonment of the Airport as an airport or airfield.
- B. The LESSOR fails to remedy, or undertake to remedy, to LESSEE's satisfaction, any of the following defaults for a period of thirty (30) days after receipt of notice from LESSEE:
 - 1. Fails to observe any provision of this Agreement.
 - 2. Condemns property for right-of-way purposes.
- C. This Agreement and all the provisions hereof shall be subject to whatever right the United States Government now has or in the future may have or acquire, affecting the control, operation, regulation and taking over of said airport or the exclusive or nonexclusive use of the airport by the United States during the time of war or national emergency.

26. Default. Upon the occurrence of any of the events of default specified in Section 24, LESSEE's right to possession of the leased premises shall at LESSOR's option terminate and LESSEE shall surrender the premises immediately. In that event, LESSEE grants to LESSOR full license to enter into the premises, or any part of them, to take possession with or without process of law, and to remove LESSEE or any other person who may be occupying the premises, or any part of them, and LESSOR may use that force in removing LESSEE and that other person as may reasonably be necessary. And LESSOR may repossess itself of the premises as of its former estate, but that entry of the premises shall not constitute a trespass or forcible entry or detainer, nor shall it cause a forfeiture of rents due, nor waiver of any agreement or promise in this lease that is to be performed by LESSEE. LESSEE shall make no claim of any kind against LESSOR, its agents and representatives by reason of that termination or any act incident to it.

At its option, LESSOR may terminate this Agreement for any uncorrected default. LESSOR may sue for all damages and rent accrued or accruing under this Agreement or arising out of any breach of it.

If it so elects, LESSOR may pursue any other remedies provided by law for the breach of this Agreement or any of its terms or conditions. No right or remedy conferred herein or reserved to LESSOR or LESSEE is intended to be exclusive of any other right or remedy, and each right and remedy shall be in addition to any other right or remedy given, or now or later existing at law or at equity or by statute.

The acceptance of rent by LESSOR, whether in a single instance or repeatedly, after it falls due, or after knowledge of any breach of this Agreement by LESSEE, or the giving or making of any notice or demand, whether according to any statutory provision or not, or any act or series of acts except an express waiver in writing, shall not be construed as a waiver of LESSOR's right to act or of any other right here given LESSOR, or as an election not to proceed under the provisions of this Agreement.

27. Termination of Agreement. Upon termination of this Agreement by lapse of time or otherwise as provided here, LESSEE agrees to surrender the leased premises in good condition and repair, normal wear and tear excepted, without the receipt of any demand for rent, notice to quit or demand for possession.

LESSEE shall be entitled during the term of this Agreement and for fifteen (15) calendar days after its termination, to remove from the premises all personal property, aircraft, trade fixtures, tools, machinery, equipment, materials and supplies placed there by it under this Agreement, subject, however, to any valid lien LESSOR may have on those items for unpaid rents or other amounts payable by LESSEE to LESSOR, and provided that LESSEE shall have repaired all damage resulting from that removal.

LESSEE shall be deemed to have abandoned to LESSOR any of that equipment or property of LESSEE which LESSEE has failed to remove from the premises within the mentioned fifteen (15) calendar days after the end of the period of this Agreement or effective date of termination, unless the LESSOR shall grant in writing a further period for this purpose.

28. Choice of Law. This Agreement shall be deemed to have been made in and shall be construed in accordance with the laws of the State of Arizona. Venue for any litigation arising from this Agreement shall be in Navajo County, Arizona.
29. Notices. Notices to LESSOR provided for here shall be sent by registered or certified United States mail, postage prepaid, addressed to the Airport Manager, Show Low Regional Airport, 3150 Airport Loop Road, Show Low, Arizona 85901, and notices to LESSEE provided for here shall be sent by registered or certified United States mail, postage prepaid, addressed to LESSEE, **INSERT ADDRESS**, or in either case to such other respective parties and addresses as

the parties may designate in writing, and those notices shall be deemed to have been given when so sent.

30. Entire Agreement. This Agreement consisting of Sections numbered 1 to 31 including all Exhibits and Appendices shall constitute the entire Agreement between the parties, and no warranties, inducements, considerations, promises or other inferences shall be implied or impressed upon such agreement that are not set forth here at length.

31. Attorney's Fees. In the event an action or proceeding arises regarding this Agreement, the prevailing party shall be entitled to recover its costs, and attorney's fees in such action.

IN WITNESS WHEREOF, the parties have caused this instrument to be executed under their respective seals on the day and year written first above:

CITY OF SHOW LOW (LESSOR):

ATTEST:

Rick Fernau, Mayor

Ann Kurasaki, City Clerk

APPROVED AS TO FORM:

K. Kane Graves, City Attorney

INSERT NAME (LESSEE):

By: _____
INSERT NAME

STATE OF ARIZONA)
) ss
County of Navajo)

Subscribed and sworn to before me this ____ day of _____, 200__ by _____, known to me to be the persons whose name is subscribed to the foregoing instrument.

Notary Public

My Commission Expires:

EXHIBIT "A"

PREMISES LOCATION

(Insert map)

EXHIBIT "B"

LEASEHOLD IMPROVEMENTS

(IF APPLICABLE)

(insert design plan)