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U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION
WASHINGTON, DC 20591

MAR 6 2002

SKYDANCE HELICOPTERS, INC.,

COMPLAINANT,

vs.

SEDONA-OAK CREEK AIRPORT AUTHORITY,

RESPONDENT.

DOCKET NO.

FAA-02-13068-1

PART 16 COMPLAINT

COMMUNICATIONS WITH RESPECT
THIS DOCUMENT SHOULD BE SENT TO:

Marshall S. Filler
John Craig Weller
FILLER & WELLER, PC
117 North Henry Street
Alexandria, VA 22314
(703) 299 0784
(703) 299 0254
msf@fillerweller.com
icw@fillerweller.com

Dated: March 5, 2002

U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION
WASHINGTON, DC 20591

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RESPONDENT.)	
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PART 16 COMPLAINT

Pursuant to §16.23 of the Federal Aviation Administration's ("FAA") Rules of Practice for Federally-Assisted Airport Enforcement Proceedings ("Rules") Complainant Skydance Operations, Inc. *d/b/a* Skydance Helicopters ("Skydance"), through counsel, hereby files its complaint against the Sedona-Oak Creek Airport Authority for violations of 49 USC § 47107(a) by virtue of its failure to comply with grant assurances made as a condition of receipt of federal funds for improvements to the Sedona-Oak Creek Airport. Skydance further certifies, as required by §16.21 of the Rules, that it has made numerous substantial and reasonable good faith efforts to resolve this matter including seeking informal resolution through the cognizant FAA office. As will be shown, Skydance believes there is no reasonable prospect of informal resolution of this matter. Therefore, Skydance files this complaint seeking an order finding the Sedona-

Oak Creek Airport Authority in violation of 49 USC § 47107(a) and its grant assurances and requiring that it cease and desist from such violations.

I. FACTUAL BACKGROUND

A. Sedona Airport Administration

The Sedona-Oak Creek Airport (the "Airport") is owned by the County of Yavapai, Arizona. Exhibit 1. Some years ago, Yavapai County leased the Airport for administrative purposes to a non-profit corporation. Exhibit 1. This corporation, the Sedona-Oak Creek Airport Authority is now known as the Sedona Airport Administration (hereinafter jointly the "SAA" or the "Authority"), with its address at 235 Air Terminal Drive, Suite 1, Sedona, AZ 86336. It leases the Airport from Yavapai County for a nominal amount per year. In effect, the County has delegated its responsibilities for administration and operation of the Airport to SAA.

SAA is controlled by an appointed Board of Directors ("Board") who are usually persons who are non-commercial users of the Airport with aircraft based at the Airport. Exhibit 1. Board members are elected by existing Board members so the Board is self-perpetuating. There is limited input from the County Board of Supervisors on Board membership and none from its electorate. Exhibit 1. As far as Skydance is aware, no commercial user of the Airport has ever been a member of the Board. The day-to-day operation of the Airport is run by a paid staff member of SAA who functions as airport manager and who answers only to the Board.

B. Skydance's Operations at the Airport

Skydance began its operations at the Airport on March 1, 1994. At that time it leased an office and a helicopter landing pad. Exhibit 2. Shortly after moving in, Skydance made safety improvements, at its own expense, to the helipad area. Exhibit 3. Skydance Operations, Inc. d/b/a Skydance Helicopters holds an air carrier certificate issued under Part 119 of the Federal Aviation

Regulations ("FAR") and operations specifications authorizing operations under the rules in Part 135 of the FAR. Skydance provides helicopter tours of the area around Sedona, one of the most scenic in the United States, as well as transportation to a remote Native American village.

C. Disputes Between Skydance, Another Tenant, and SAA

Until the current dispute, there have been two only disagreements between the SAA and Skydance. The first centers around the relations between Skydance and another air tour operator, Red Rock Biplanes ("Biplanes"), which shared sales and office space in a commercial building at the Airport. Employees of Biplanes repeatedly harassed Skydance customers and employees. Indeed, Biplanes' employees on more than one occasion verbally or physically assaulted Skydance employees. In addition, Biplanes often conducted its operations in an unsafe manner. However, when Skydance complained to SAA about these activities, its complaints were ignored.

The second dispute involved a change in SAA's charges for commercial tenants on the Airport. Under a new commercial use fee schedule, Skydance would have paid \$1,000 per month while some larger operators paid less. Skydance and several other commercial tenants believed that the new fee schedule was excessive and discriminatory. While this dispute was pending, Skydance signed a new lease for its facilities under protest. Exhibit 4. Eventually, when the FAA agreed to examine the fairness of the new fee schedule, SAA relented and amended its fee structure to provide for a charge based upon a percentage of an operator's gross revenue at the Airport. Exhibit 5. As this arrangement was acceptable to Skydance, it agreed to an amendment to its existing lease incorporating this charge and, at the same time, exercised its option to extend the lease for an additional two years. After this extension, Skydance's lease was due to expire on March 31, 2001. Exhibit 6.

Biplanes' operations adjacent to Skydance continued to create friction. Following an incident during which an enraged Biplanes' employee threw objects at a landing Skydance helicopter (apparently because of dust blown into the Biplanes' hangar by the rotors), Skydance and SAA reached an agreement to move Skydance operations away from Biplanes. Skydance was authorized to proceed with plans to construct its own office and hangar building on the Airport. SAA agreed to make needed improvements to any Airport roads for access to this proposed building. In addition, SAA agreed that Skydance would be given a 30-year lease on this facility and that Skydance would be allowed to remain at its current location until its new facility was complete. Exhibit 7. SAA's agreement to allow a 30-year lease of the new facility was crucial to Skydance as the initial estimates for construction of its new facility totaled nearly \$300,000. Exhibit 8. Only its ability to amortize such a substantial capital investment over a long period of time made such a large investment sensible for Skydance. At this point, Skydance believed it had finally achieved a viable long-term plan for its operations on the Airport.

D. The Current Dispute

On January 23, 2001, Skydance submitted a diagram of its proposed hangar to the SAA. Exhibit 9. Skydance anticipated no difficulty in negotiating a lease for this facility because several new hangars were already being constructed by members of the SAA Board on property adjacent to the existing Skydance site. SAA granted 30-year leases for these hangars at favorable terms (although they were not going to be used for commercial activities). As Skydance was eager to begin construction of its own hangar, it urged the SAA to provide a lease as soon as possible. Exhibit 9.

On February 10, 2001, SAA finally provided Skydance with a draft copy of a 30-year ground lease for the new hangar. However, its cover letter also mentioned, for the very first time, a requirement for a "commercial business operations license." Such a license would be issued only for two-year terms and

would be renewable "subject to business conditions." While the license was mentioned in the February 10 letter from the SAA, a copy of such a license was not included. Exhibit 10. On February 12, 2001, Skydance acknowledged receipt of the draft lease and requested a copy of the proposed business license. Exhibit 11. Then, on March 5, 2001, Skydance again wrote to SAA expressing frustration with the delay in completing arrangements for the new hangar and again asking for a draft copy of the proposed business license. Exhibit 12. Finally, because Skydance's existing lease was near its expiration, SAA notified Skydance on March 28, 2001 that the lease would be continued on a month-to-month basis. Exhibit 13. The next day Skydance replied by noting that SAA had already agreed (Exhibit 7) in writing that Skydance's existing leases would remain in effect until completion of the new hangar. Exhibit 14. At the time, Skydance was relying on the good faith of the SAA and did not believe that its month-to-month notification was a material change to this prior agreement. Id.

Finally, on April 11, 2001, Skydance received a draft copy of the proposed license agreement. Exhibit 15. Until this time, Skydance had not been opposed to a requirement of a license in addition to a ground lease for its hangar property. Indeed, it had been relying upon the good faith of the SAA in drafting such a license. A review of the proposed license quickly revealed that such reliance had been misplaced. Several provisions of the document were oppressive and unacceptable.

E. The Unacceptable License Agreement

First, Paragraph 3 of the license, entitled Grant of License, provided that the license could be terminated by SAA upon any breach of a provision of the lease determined *in the sole discretion of SAA*. Indeed, SAA was authorized to revoke the license "***with or without cause***" and any such action by SAA was deemed to be binding upon Skydance. **Further, all rights to appeal or contest such a determination were waived.** Upon such a determination by SAA, Skydance would be required to vacate its premises (the 30-year lease

notwithstanding) within seven days. In short, Skydance's 30-year lease could be reduced to a mere seven days at the whim of the SAA and Skydance would have no right to challenge this action, no matter how arbitrary.

Paragraph 4 of the proposed license further required that Skydance refrain from any action that might be "objectionable" to SAA or to any Airport patron. However, nowhere is there any method of determining just what might be "objectionable." Paragraph 6 of the draft license provided that any extension of the license for subsequent two-year terms would be subject to an increase in fees and costs to be determined by SAA "*at its sole discretion and determination.*" Finally, Paragraph 7.4.5 relieved the SAA of all liability for negligence.

Just after receiving the draft license, Skydance was contacted by an SAA safety consultant, Mr. Bieber. Skydance asked Bieber if all commercial operators would be required to sign such a license. The next day Bieber advised Skydance that only commercial operators wanting to construct their own hangars would be required to sign. (*i.e.*, only Skydance and Biplanes). Indeed, a statement by the Airport manager, Mac McCall, that was overheard by a Skydance employee indicates that McCall intended to require the license only of Skydance and Biplanes in order to give him more control over their operations. Exhibit 16.

Skydance requested that its counsel review the proposed lease and license documents. On July 6, 2001, counsel for Skydance wrote to Mr. McCall to advise him that the proposed lease was substantially acceptable, subject only to certain minor changes. He also noted that Skydance was willing to accept a license agreement that was fair, reasonable, and applicable to all commercial operators at the Airport. However, he then pointed out that the proposed agreement was simply unacceptable and contrary to law. Exhibit 17. SAA replied that it was now unable to enter into a long-term lease with Skydance because its lease with the County would end in May, 2031. Exhibit 18. Counsel

for Skydance responded on August 8 with a detailed explanation of Skydance's position regarding the proposed lease (substantially acceptable) and the proposed license (unacceptable in its current form). This letter also detailed the legal basis for Skydance's position and placed SAA on notice that Skydance intended to file a Part 16 complaint if SAA continued to deal in bad faith. Exhibit 19. On August 17, counsel for Skydance provided to SAA a revised draft of the proposed license agreement in an effort to move negotiations along. Exhibit 20. Another proposed revision (substantially similar) was sent on August 20. Exhibit 21.

On August 20, 2001, counsel for SAA replied that Skydance's proposed changes were unacceptable. Exhibit 22. The tone of this letter gave the clear impression that SAA did not intend to negotiate issues concerning the license in good faith. On August 23, 2001, counsel for Skydance replied to this letter, repeating the legal and equitable justification for Skydance's position and soliciting the assistance of the SAA and its counsel in resolving the matter. However, SAA was also advised that Skydance intended to seek mediation from Mr. Tony Garcia of the FAA. Exhibit 23. A letter was sent to Mr. Garcia that same day. Exhibit 24.

When he received Skydance's letter, Mr. Garcia requested certain information from SAA in a letter dated September 7, 2001. Exhibit 25. SAA apparently sent Mr. Garcia some information in response to this request, although Skydance did not receive copies at the time. After reviewing SAA's response to his first request, on October 17, 2001, Mr. Garcia requested additional information about the licensing process at the Airport. Exhibit 26. Meanwhile, SAA and Skydance continued to exchange correspondence concerning the issues. While SAA made some concessions concerning the language of Paragraph 3, its proposal was still unreasonable. In addition, it was unwilling to modify the other objectionable portions of the license document. Indeed, while purporting to negotiate in good faith, SAA also threatened to

terminate Skydance's existing lease and evict it from the Airport. This threat was not carried out until later.

On October 26, 2001, Mr. Garcia wrote to Skydance with a determination that the proposed license agreement did not violate the Airport's grant assurances. Exhibit 27. Naturally, Skydance was shocked. This result was especially disconcerting because Mr. Garcia did not solicit Skydance's views on any information he received from SAA. Thus, his investigation was necessarily one-sided. On October 31, 2001, counsel for Skydance wrote to Mr. Garcia pointing out that much of the information he had relied upon in his letter was untrue. Exhibit 28. This letter also pointed out that, emboldened by his letter, SAA had presented an ultimatum to Skydance: Sign the license agreement or vacate its premises by November 12, 2001. Exhibit 29.

Despite the letter from Skydance's counsel pointing out errors in the facts he relied upon, Mr. Garcia indicated that he considered the matter closed. However, he did agree to send copies of all the documents he had relied upon in reaching his decision. When Skydance received these copies on November 12, 2001, it realized that much of the information submitted to Mr. Garcia by SAA was slanted, immaterial, or simply untrue. However, before it could take any further action, Skydance was locked out of its offices on November 13, 2001. Exhibit 30.

F. Skydance's Efforts to Obtain Relief

In the face of this draconian action, Skydance wanted to resume its business at the Airport as soon as possible. Because a Part 16 complaint would take some time, counsel for Skydance advised seeking a restraining order against SAA in the local courts. Thus, Skydance's immediate actions to force SAA to permit it to resume operations concentrated on this alternative. When this action was delayed by procedural issues, Skydance realized that immediate relief from the SAA action would not be possible. For this reason, Skydance was

forced to lay off its employees at the Airport and relocate its helicopters to other locations. Naturally, this relocation consumed most of Skydance's immediate attention for the remaining weeks of 2001.

In January 2002, Skydance retained this firm to prepare and file a Part 16 complaint. Preparation of this complaint and the supporting materials has proceeded diligently since that time.

II. The Airport's Grant Assurances.

In the course of its history, the Airport has received federal funds under the Airport and Airway Improvement Act of 1982. Specifically, the Airport has received at least 11 grants of federal funds since 1982. Exhibit 31. Thus, SAA is required to comply with all the standard grant assurances that are part of the airport grant program. Indeed, the SAA model ground lease that was presented for signature by Skydance (Exhibit 9) provides in Paragraph 19 that the lease is subordinate to *inter alia* "airport grant assurances contained in agreements with the FAA and airport compliance requirements issued by the FAA."

In particular, Assurance No. 22 prohibits economic discrimination at an airport which has received federal funds. Two of the specific sub-assurances in this area are pertinent to the actions of SAA. First, Assurance 22a requires an airport sponsor to:

make its airport available as an airport for public use on fair and reasonable terms and without unjust discrimination, to all types, kinds, and classes of aeronautical use.

Thus, the first question which must be examined is if the terms proposed by SAA in the license agreement were fair and reasonable.

In addition to a duty to impose only conditions that are fair and reasonable, this assurance also imposes an obligation to ensure maximum utility to the public from the airport by making available leased space on the airport to

those willing and able to provide flight services to the public. FAA Order 5190.6A, Airports Compliance Handbook ("Compliance Handbook"), Chapter 4, Paragraph 4-11. Paragraph 4-15(c) of the Handbook explains this duty with respect to activities offering services to the public.

If adequate space is available on the airport, and if the airport owner is not providing the service, **it is obligated to negotiate on reasonable terms** for the lease of space needed by those activities offering flight services to the public, or support services to other flight operators, to the extent there may be a public need for such services. A willingness by the tenant to lease the space and invest in the facilities required by reasonable standards shall be construed as establishing the need of the public for the services proposed to be offered.

[Emphasis supplied]

In addition, Assurance 22e requires (in pertinent part) that each air carrier using an airport:

shall be subject to such nondiscriminatory and substantially comparable rules, regulations, conditions, rates, fees, rentals, and other charges with respect to facilities directly and substantially related to providing air transportation as are applicable to all such carriers which make similar use of such airport and utilize similar facilities

For the purpose of satisfying this grant assurance, SAA must have required all air carriers using similar facilities at the Airport to submit to the same licensing requirements that it sought to impose on Skydance. Skydance believes that the facts of this matter, as set forth above, show that SAA did not comply with either of these assurances.

III. SAA's Noncompliance with its Grant Assurances.

Even a cursory examination of the license agreement proposed by SAA shows that it was far from fair and reasonable. Exhibit 15. Its most egregious defect is the power granted to SAA in Paragraph 3 to deem a licensee in default in its own sole discretion and without any ability of the licensee to cure the default. Indeed, this paragraph gives SAA the power to declare a licensee in default "with or without fault." Once the SAA makes this determination, no matter

how arbitrary or unfounded, a licensee must vacate its premises within seven days.

For a tenant like Skydance, this provision is clearly unfair and unreasonable. SAA encouraged Skydance to undertake to build its own hangar and office facilities at considerable expense to Skydance. As an inducement to Skydance to make such a substantial investment at the Airport, SAA offered to grant Skydance a 30-year lease for such property. Although Skydance subsequently agreed to a minor shortening of this period to correspond to the underlying lease from the County, it is clear that such a long-term commitment was essential to any agreement between SAA and Skydance.

However, what the SAA promised in the lease it took away in the proposed license. First, no license would run for more than two years. Thus, every two years Skydance faced the prospect of losing its ability to conduct business from its Airport facility even if the lease continued. However, the even more draconian provisions of Paragraph 3 subjected Skydance to an even greater risk. At the whim of the SAA, Skydance could be declared in default "with or without cause" and summarily evicted from its leasehold within seven days no matter how long the underlying lease had to run.

Finally, as if this were not enough, SAA insisted that Skydance waive all rights to appeal or contest its actions in any forum whatsoever (including apparently with SAA itself). In short, SAA appointed itself prosecutor, judge, jury, and executioner. No one can suggest that such a requirement is either fair or reasonable.

In fact, if such a requirement were imposed by the County as a governmental agency rather than SAA as a non-profit corporation, it might very well be unconstitutional. It seems clear that Skydance would have had some form of property rights in both the leasehold agreement on its hangar as well as

the license to conduct commercial operations at the Airport. As such, any governmental action to deprive Skydance of such property rights would be subject to *some* form of due process requirement, no matter how attenuated. Paragraph 3, however, provides no due process whatsoever.

Other provisions of the proposed license agreement are nearly as unfair and unreasonable. Paragraph 4 proscribes any conduct by a licensee that may be "objectionable" to either SAA or any Airport customer. However, there is no clue given as to what might be deemed objectionable or who might make that judgment. Once again, this is hardly fair and reasonable.

Paragraph 6 empowers SAA to determine fees and costs upon renewal of a license "at its sole discretion and determination." However, the document is devoid of any method by which SAA will make such a determination. Thus, SAA could, if it wished, simply price a licensee out of the Airport. This is clearly neither fair nor reasonable.

Finally, Paragraph 7.4.5 waives any claims against SAA or its employees even for negligent acts. In general, the law does not favor such disclaimers of liability for negligence, especially when one party (SAA) has a superior bargaining position. Once more, SAA tried to impose terms that were neither fair nor reasonable. Because of its attempt to impose such terms in its license agreement, SAA is in violation of Grant Assurance 22a.

In addition, it is abundantly clear from the exhibits that SAA did not negotiate in good faith with Skydance over the terms of its ground lease and, in particular, the license. It engaged in delay and bullying throughout its negotiations, often threatening Skydance with termination of its existing lease. Then, after Mr. Garcia's ruling, it simply cut off negotiations and locked Skydance out of its facility. This failure to negotiate in good faith also constitutes a breach of Grant Assurance 22a.

Finally, the terms in the license agreement are so unfair and unreasonable that it would be a violation of SAA's grant assurances even if they were imposed on all commercial operators at the Airport. However, Skydance believes that not all commercial operators at the Airport have, in fact, been required to sign the same license agreement presented to Skydance. It understands that at least one Part 135 operator still doing business at the Airport has not even been asked to sign the license. The FAA should require more than mere assurances from SAA that all have signed. If, as Skydance believes, some have not, SAA is also in violation of Assurance 22e.

IV. Skydance Has Complied with §16.21 of the Rules.

§16.21 of the Rules requires that before filing a complaint, a party must have made good faith efforts to resolve the matter informally. The factual narrative above shows that Skydance went far beyond reasonable efforts to resolve this matter, only to be thwarted at every turn by SAA's intransigent attitude. In fact, Skydance twice put SAA on notice that it might file a complaint if SAA did not negotiate in good faith. Skydance also sought the intervention of the FAA to resolve this matter. Unfortunately, the FAA's representative did not solicit Skydance's side of the story before reaching a conclusion. In any event, Skydance has made more than substantial and reasonable good faith efforts to resolve this matter informally. Moreover, SAA's summary eviction of Skydance from its existing facility at the Airport makes it crystal clear that no informal resolution of this matter is possible.

V. Conclusion.

Based upon the facts and arguments set forth in this complaint, Skydance believes it has amply demonstrated that SAA has violated 49 USC § 47107(a) by failing to comply with at least two of its grant assurances. Accordingly, it requests that the FAA issue an order so finding and requiring SAA to cease and desist from such violations in the future.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Marshall S. Filler" and "John Craig Weller" joined together, with a long horizontal flourish extending to the right.

Marshall S. Filler
John Craig Weller
FILLER & WELLER, PC
117 North Henry Street
Alexandria, VA 22314
(703) 299 0784
(703) 299 0254
msf@fillerweller.com
jcw@fillerweller.com

Dated: March 5, 2002

CERTIFICATE OF SERVICE

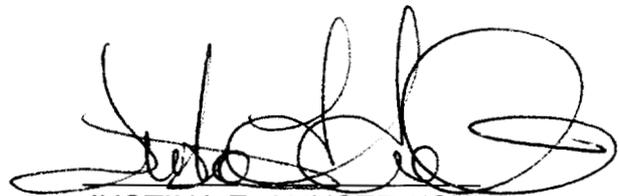
I hereby certify that on this date I have caused the executed original and three (3) copies of the foregoing Part 16 Complaint to be hand-delivered to:

Office of the Chief Counsel
ATTN: FAA Part 16 Airport Proceedings Docket (AGC-610)
Federal Aviation Administration
800 Independence Avenue, SW
Washington, DC 20591

I further certify that on this date I have placed in United States mail, certified-return receipt requested, true copies of the foregoing Part 16 Complaint addressed to:

Mr. Edward McCall
General Manager
Sedona Airport Administration
235 Air Terminal Drive
Suite 1
Sedona, AZ 86336

Richard Spector, Esq.
Spector Law Offices, P.C.
6900 East Camelback Road
Suite 640
Scottsdale, AZ 85251



JUSTINA F. ANUSZEWSKI

DATED: March 5, 2002

BY-LAWS
OF
SEDONA-OAK CREEK AIRPORT AUTHORITY

ARTICLE I

Title, Location, Corporate Seal

1. The title of this corporation shall be SEDONA-OAK CREEK AIRPORT AUTHORITY.
2. The principal office of this corporation shall be in or near the community of Sedona, Arizona, but this corporation may have other offices at such places as the Board of Directors shall designate and the business of this corporation may require.
3. This corporation shall have a corporate seal which shall be of such form and device as the Board of Directors may determine. It shall have inscribed thereon the name of this corporation and the year of its creation and the words "Corporate Seal, Arizona". The Directors may change the form and device and inscription of the seal at pleasure. The Directors may, if they deem advisable, provide more than one seal press for making imprints of the corporate seal and make suitable regulations and provisions for the custody and use thereof.

ARTICLE II

Membership and Meetings

1. The membership of this corporation shall be confined to bona fide electors and taxpayers of the State of Arizona, residing in or near Sedona, Arizona, who have repeatedly evidenced their interest in the promotion of air transportation and commerce.

2. The election of new members shall be by secret ballot of the existing membership present in person or by proxy at the annual meeting of members and no one may be considered elected a member if more than one-quarter (1/4) of the votes cast are negative.

If a member of the Authority in good standing desires to recommend for membership in the Authority a qualified person who is not then a member to be voted upon at the ensuing annual meeting, such member shall present the name of such proposed member to the Chairman of the nominating committee not more than forty-five (45) days nor less than fifteen (15) days before the date of the said annual meeting.

3. The nominating committee shall consider all proposals submitted to it by members in accordance with the foregoing paragraph and shall consider any and all other qualified persons and it shall present to the annual meeting a slate of nominees to membership in the Authority of persons qualified in accordance with the foregoing provisions, provided, however, that the number of nominees submitted at any such meeting, and the number of the existing members in good standing shall not exceed sixteen (16) in the aggregate. The nominees actually submitted at any such meeting shall be those selected by the nominating committee which shall have the right to reject any or all proposals submitted to it.

No nomination for new members of the Authority shall be made except by the nominating committee and in accordance with the foregoing provisions. Notwithstanding the provisions of Article II, Section 2 or anything to the contrary in this section: at any time

the membership of this corporation is less than a total of nine (9) members, new members may be added on recommendation of the Board of Directors, subject to election by secret ballot, of the members present at any meeting of the members called for the purpose, provided no one shall be considered elected a member if more than one-fourth (1/4) of the votes are negative. Persons elected to membership shall be notified of such election and shall have ten (10) days to accept such membership. After ten (10) days have elapsed with no indication of acceptance the person so notified shall be considered not interested and his name dropped from the membership list. Members shall serve for a term of ten (10) years. Members may be re-elected and there shall be no limit to the number of terms a member may serve.

4. Annual Meeting. A meeting of the members of the corporation shall be held annually at the principal office of the corporation in the State of Arizona at eleven o'clock in the forenoon of the first Monday in December in each year, if not a legal holiday, for the purpose of electing Directors and for the transaction of such other business as may be brought before the meeting.

Written notice of the annual meeting shall be mailed at least ten (10) days prior to the meeting to each member at his address as the same appears on the record book of the corporation. A failure to mail such notice, or any irregularity in such notice shall not affect the validity of any annual meeting, or of any proceedings at any such meeting.

5. Special Meetings. Special meetings of the members of the corporation may be held at the principal office of the corporation

in the State of Arizona or at such other place as designated, whenever called in writing, or by vote, by a majority of the Board of Directors or when demand is made by 51% of the membership in writing delivered to any officer of this corporation.

Written notice of such special meeting, stating the day, hour and place thereof, and in general terms the business to be transacted thereat, shall be mailed at least five (5) days prior to the meeting to each member at his address last shown on the records of the corporation. No notice of such meeting shall be required if all members waive notice, and whenever all members shall meet in person or by proxy, such meeting shall be valid for all purposes without call or notice and at such meeting any corporate action may be taken.

6. Quorum. At any meeting of the members, those present in person or represented by proxy, if two-thirds (2/3) of the total membership, shall constitute a quorum for all purposes. If at any meeting insufficient members are present to constitute a quorum, a majority of the members present in person or by proxy may adjourn from time to time, without notice other than by announcement at the meeting; until enough members either in person or by proxy to constitute a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

7. Voting.

(a) At all meetings of the members, the members may vote in person or by proxy, and all questions except such questions, the manner of deciding which is specially regulated by law or regulation or by contrary provision in

these By-Laws, shall be determined by a majority vote of those present in person or by proxy.

(b) Not less than sixty (60) days prior to the annual meeting of the Authority, the President shall appoint a nominating committee to serve until the close of such meeting, consisting of a Chairman and two (2) members, all of whom shall be members of the Authority.

(c) The nominating committee shall present to the annual meeting the nominations of those whom it recommends for election to the Board of Directors, to serve in accordance with these By-Laws.

Additional nominations for Director may be made from the floor at the annual meeting.

No nomination for the office of Director shall be made except in conformity with this By-Law.

8. Order of Business. The following shall be the order of business at all annual meetings of the members:

(a) All persons claiming to hold proxies shall present them to the President (or Vice-President in charge of the meeting) and the Secretary for verification.

(b) Reading of the minutes of the preceding meeting, and action thereon.

(c) Report of Officers.

(d) Reports of Committees.

(e) Election of Directors.

(f) Unfinished Business.

(g) New Business.

ARTICLE III

Board of Directors

1. Number and Term of Office.

(a) The Board of Directors shall consist of nine (9) members. Two (2) or three (3) members of the Board of Directors as the case may be, shall be chosen by the membership at their annual meeting to succeed those members whose terms are then expiring. The Directors so elected shall serve for three (3) years or until their successors have been elected and have qualified.

(b) No Director who has completed six (6) successive years of service on the Board may be re-elected as a Director until the expiration of one (1) year following completion of such service.

2. Vacancies. In case of any vacancy among the Directors through death, resignation, disqualification or other cause, the remaining Directors by affirmative vote of a majority thereof may elect a successor to hold office for the unexpired portion of the term of the Director whose place shall be vacant, and until the election of his successor. A vacancy shall occur when seventy-five (75) per cent of the members file with the Secretary of this corporation a written petition for removal of a Board member. The petition need not set forth any reason and upon filing of the petition, as hereinbefore set forth, the vacancy shall automatically occur.

3. Place of Meeting. All regular meetings of the Board of Directors shall be held at the general office of the corporation

at the Sedona-Oak Creek Airport, or at such other place as the Board of Directors may from time to time by resolution determine. Special meetings shall be held at the place specified in the call therefor, and notice thereof.

4. Regular Meetings. The Board of Directors shall hold a meeting at the principal office of the Corporation, or at such other place as it may from time to time designate by resolution, on the fifteenth day of each month, or at such other time or times as may be designated by the President, at the hour of seven o'clock in the afternoon, or at such other hour as it may from time to time designate by resolution, on said fifteenth day of each month. Immediately after the adjournment of the annual meeting of the members of the corporation, the newly elected Directors shall meet for the purpose of organization, the election of officers, and the transaction of other business. If the fifteenth of any month is a legal holiday, the Board shall by resolution either waive said regular meeting for that month or require that it be held on the next succeeding business day. Except for said waiver or change in date occasioned by legal holidays in months other than January, no notice shall be required for such meetings.

6. A majority of the Board of Directors shall constitute a quorum.

7. A retiring President of this corporation, if he has not been elected as a member of the Board of Directors, shall be an ex officio member of the Board of Directors, shall be entitled to attend meetings of the Board of Directors and to participate in all discussions at such meetings, but, as such ex officio member, he

shall have no vote upon questions coming before the Board.

ARTICLE IV

Officers

The Officers of this corporation shall consist of a President, a First Vice-President, a Secretary, and a Treasurer, and such other officers as shall from time to time be chosen and appointed from the Board of Directors. The Office of Secretary and Treasurer may be combined.

The President shall preside at all meetings of the Directors and members and shall have general charge of and control over the affairs of the corporation subject to the Board of Directors.

The Vice-President shall perform such duties as may be assigned to him by the Board of Directors. In the case of the disability or absence of the President, the First Vice-President shall perform and be vested with all of the duties and powers of the President.

The Secretary shall keep a record of the minutes of the proceedings of meetings of members and Directors and shall give notice as required in these By-Laws of all such meetings. He shall have the custody of all books, records, and papers of the corporation, except such as shall be in the charge of the Treasurer or of some other person authorized to have custody and possession thereof by a resolution of the Board of Directors.

The Treasurer shall keep accounts of all moneys of the corporation received or disbursed, and shall deposit all moneys and valuables in the name of and to the credit of the corporation in such banks and depositories as the Board of Directors shall designate.

1. Indemnification of Directors and Officers.

The corporation shall indemnify any and all persons who may serve or who have served from time to time as directors or officers, or who, at the request of the Board of Directors of the corporation, may serve or at any time have served as directors or officers of another corporation in which the corporation at such time owned or may own shares of stock or of which it was or may be a creditor, and their respective heirs, administrators, successors, and assigns, against any and all expenses, including amounts paid upon judgments, counsel fees, and amounts paid in settlement (before or after suit is commenced), actually and necessarily incurred by such persons in connection with the defense or settlement of any claim, action, suit or proceeding in which they, or any of them, are made parties, or a party, or which may be asserted against them or any of them, by reason of being or having been directors or officers or a director or officer of the corporation, or of such other corporation, provided that the Board of Directors shall determine in good faith that such person or persons did not act, fail to act, or refuse to act wilfully or with gross negligence or with fraudulent or criminal intent in regard to the matter involved in the action. Such indemnification shall be in addition to any other rights to which those indemnified may be entitled under any law, by-law, agreement, vote of stockholders or otherwise.

ARTICLE V

Vacancies in Office

In the case of the death, disability or resignation of one or more of the Officers, the majority of the remaining Directors,

although less than a quorum, shall fill the vacancies for the unexpired term.

ARTICLE VI

Compensation of Directors and Officers

Neither the Directors nor the Officers, as such, shall receive any salary or compensation for their services, but by resolution of the Board of Directors they may be reimbursed for their actual expenses paid or obligated to be paid in connection with service rendered solely for the benefit of the corporation.

ARTICLE VII

Duties of the President

It shall be the duty of the President to preside at all meetings of the members. He shall be the chief administrative officer of this corporation, and shall have such powers and be subject to such duties as are provided by the law of Arizona, or in these By-Laws, and such as may be conferred upon him by vote or resolution of the Board of Directors.

ARTICLE VIII

The Vice-Presidents

In the absence or disability of the President, one of the Vice-Presidents, a member of the Board, whenever designated by the Directors, shall have all the powers and be subject to all the duties of the President so long as such absence or disability continues. The various Vice-Presidents shall have such powers and duties as may from time to time be conferred on them by the Board.

ARTICLE IX

Books, Accounts and Records

1. This corporation shall keep at its principal office in the State of Arizona records of the meetings of members and a book showing a true and complete list of all members, their residences, and books containing a record of the affairs of this corporation.

2. The books, accounts and records of this corporation shall be open to the inspection of any member of the Board of Directors at all times in business hours.

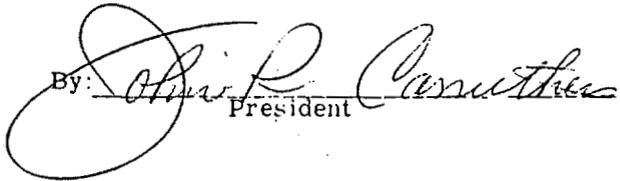
3. It shall be the duty of the Board of Directors at least once a year and within sixty (60) days after the close of the fiscal year to cause the books and accounts of the corporation to be examined and audited by a Certified Public Accountant, and to cause a copy of the report of said accountant to be mailed to each of the members of this corporation.

ARTICLE X

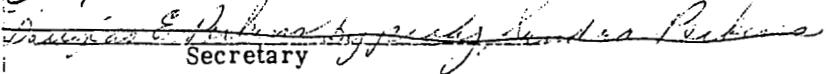
Amendment of By-Laws

Any of these By-Laws may be altered, amended or repealed by majority vote of the Board of Directors at any regular meeting; or at any special meeting called for the purpose, when all the Directors are present.

SEDONA-OAK CREEK AIRPORT AUTHORITY

By: 
President

ATTEST:



Secretary

ARTICLES OF INCORPORATION
OF
SEDONA-OAK CREEK AIRPORT AUTHORITY

KNOW ALL MEN BY THESE PRESENTS:

That we, the undersigned, have this day voluntarily associated ourselves together for the purpose of forming a non-profit corporation under the laws of the State of Arizona and we hereby certify the following ARTICLES OF INCORPORATION:

ARTICLE I.

That the name of the corporation shall be SEDONA-OAK CREEK AIRPORT AUTHORITY; That the principal place of business shall be in Yavapai County, Arizona at the Sedona-Oak Creek Airport.

ARTICLE II.

That the purposes for which this corporation is formed are as follows:

A. The development and promotion of transportation and commerce by air in the State of Arizona and all parts of the Western Hemisphere in any way related to air transportation and commerce in Arizona.

B. The promotion, development, and encouragement of all forms of air transportation into and out of the Sedona-Oak Creek Airport and other communities in Northern Arizona.

C. The operation and maintenance of airports, air depots, landing fields, hangars, beacons, and all kinds and character

of devices incidental to the operation, development, and maintenance of aircraft fields and strips for landing and operation facilities in Northern Arizona.

D. The advocacy and support of all projects, activities and legislation for the promotion of commerce by air.

E. The leasing, purchasing, holding, operation, possession and enjoyment in fee simple or otherwise of any personal or real property, and the sale, lease, release, conveyance, reconveyance, mortgaging, hypothecating or disposal of any such personal or real property.

F. This corporation is one where pecuniary profit is not an objective and all profits and gains of this corporation shall be held and used solely for the development, promotion and accomplishment of the objectives and purposes of this corporation.

ARTICLE III.

This corporation shall neither have nor issue any capital stock, and this corporation shall not be conducted for profit, and no part of the net income of this corporation shall inure to the benefit of any officer, member or individual, and no member, officer or employee of this corporation shall receive or be lawfully entitled to receive any pecuniary profit of any kind therefrom except reasonable compensation for services effecting one or more of its purposes or as a proper beneficiary of its strictly non-profit activities.

The highest amount of indebtedness or liability to which this corporation may at any time subject itself is TWO MILLION DOLLARS (\$2,000,000.00).

ARTICLE IV.

The general nature of the business proposed to be transacted by this corporation is as follows:

To manufacture, own, buy, sell, lease, equip, operate and deal in generally: airports, hangars, air strips, landing areas, docks, depots, and passenger and cargo terminals, machine and electrical shops and plants, airplanes, airships, flying machines, dirigible balloons, aeronautical equipment, and all kinds of aircraft, of every name and nature, whether of domestic or foreign make: to deal in parts, supplies, buildings, and equipment for said airports and machines, to buy, own and sell patents, to own, buy, sell and lease, mortgage and dispose of all kinds of property, real and personal: to carry and transport passengers, merchandise, express, baggage or mail by airplane, airship or other aircraft: to own, operate and maintain automobiles and automobile busses, and to operate automobile and bus lines in connection with its business, to purchase, own, lease, hold, mortgage, sell and dispose of airports, hangars, air strips, landing areas, docks, depots and passenger and cargo terminals, machine and electrical shops and plants, airplanes, airships and all kinds of aircraft, to maintain a service station or stations for the repair, overhauling and testing of said machines, airships and aircraft, and to maintain supply depots for airplane and flying machine service generally, and to buy and sell and deal in gasoline, oils and fuels of all kinds. Also to manufacture and to buy and sell any and all machinery, supplies and equipment necessary or incidental to carrying on the general business of buying, selling, repairing, testing and flying airplanes and flying machines of every kind and description.

To establish, own, operate and maintain, under duly licensed instructors, a school or schools for the training of mechanics, and airplane and airship pilots, and any other training related directly or indirectly to air commerce.

To hire, lease, manage, promote and conduct air circuses, carnivals and all kinds of indoor and outdoor amusements, entertainments, boat or other races, and attractions of whatsoever nature or kind and the hiring of individuals and companies for such entertainment or shows: the conducting of all kinds of excursions and the transportation of passengers or freight or both, by water, automobile or aircraft: to own, engage in, lease and conduct restaurants, refreshment booths and stands of various kinds: to own, lease, operate and conduct hotels, lodging houses and auto camps.

To purchase, own, sell and operate communications operations and to buy, sell, job, distribute and otherwise acquire or dispose of and deal in any and all kinds of radio apparatus, electrical supplies, and merchandise: to take moving pictures and engage in all kinds of photography.

To borrow money, and to make and issue notes, bonds, debentures, obligations and evidences of indebtedness of all kinds, whether secured by mortgage, pledge or otherwise, and to secure the same by mortgage, pledge or otherwise.

To acquire by purchase, subscription or otherwise, and to hold for investment or otherwise, and to use, sell, assign, transfer, mortgage, pledge or otherwise deal with or dispose of stocks, bonds, or any other obligations or securities of any corporation in such manner as may be permitted by law, to aid in any manner any

corporation whose stock, bonds, or other obligations are held^{OR} in any manner guaranteed by the company, or in which the company is in any way interested; to do any other acts or things for the preservation, protection, improvement or enhancement of value of any such stock, bonds, or other obligations, or to do any acts or things designed for any such purpose, and while the owner of any such stock, bonds, or other obligations, to exercise all the rights, powers and privileges or ownership thereof, and to exercise any and all voting powers thereon.

To do any and all of the things hereinbefore set forth to the same extent as natural persons would do or upon such terms and conditions as the Board of Directors may determine.

The foregoing paragraphs shall be construed as the objects, purposes and powers of this corporation and it is expressly intended that said objects, purposes and powers shall not be limited or restricted by reference to or inference from the terms of any other clause, term or paragraph herein contained.

ARTICLE V.

That the time of commencement of the corporation shall be the day upon which the Corporation Commission of Arizona shall issue unto it a certificate of incorporation, and its termination shall be twenty-five (25) years thereafter, with the right of renewal as provided by law.

ARTICLE VI.

That the officers of the corporation shall consist of a President, Vice-President, a Secretary, Treasurer and Board of Directors consisting of not less than five nor more than nine persons

and such subordinate officers as may from time to time be provided for under the By-Laws of the corporation; the officers of the corporation shall be elected from the membership of the Board of Directors, and all officers shall be elected at annual meetings to be held upon the first Monday in December of each year if not a legal holiday, and if it is a legal holiday, then on the next succeeding Monday not a holiday.

ARTICLE VII.

That at a meeting held June 23, 1970 at the Security Building, Cottonwood, Arizona, the following were elected members of the Board of Directors:

John R. Carruthers, Director and President

Dr. Harnor Selvidge, Director and Vice-President

Hal Meloney, Director

Douglas Perkins, Director and Secretary-Treasurer

Art Farmingham

Leonard Kilgore

~~Warren Kerr~~

~~Met Arthur~~ ROBERT P. FOLEY

Dr. Oliver C. Hundelt

ARTICLE VIII.

That the authorized number, election, qualifications and removal of members of this corporation, classifications of membership, voting and other rights and privileges of all members shall be set forth in the By-Laws of this corporation, that the membership shall be transferable or assignable.

ARTICLE IX.

The corporation may indemnify any and all of its Directors and Officers or former Directors and Officers, against expenses incurred by them including legal fees, or judgments or penalties rendered or levied against any such person in a legal action brought against any such person for actions or omissions alleged to have been committed by any such person while acting within the scope of his employment as a Director or Officer of the corporation, provided that the Board of Directors shall determine in good faith that such person did not act, fail to act, or refuse to act willfully or with gross negligence or with fraudulent or criminal intent in regard to the matter involved in the action.

ARTICLE X.

RICHARD WALRAVEN of Prescott, Yavapai County, Arizona, who has been a bona fide resident of the State of Arizona for at least three (3) years, is hereby appointed the lawful agent of this corporation, to accept and acknowledge service and upon whom may be served all necessary process or processes, in any action, suit or proceedings that may be brought against this corporation in any of the courts of the State of Arizona, and for all purposes required by law. The Board of Directors of this corporation may revoke this appointment of agent at any time and shall have the power to fill any vacancy in such position.

ARTICLE XI.

The corporation shall have power to make and adopt By-Laws and alter them at pleasure and it may amend its Articles of Incorporation as provided by the laws of Arizona. The personal

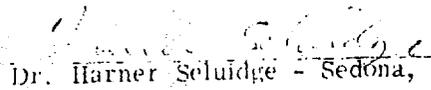
property of the members, Directors and Officers shall be exempt from its debts and obligations.

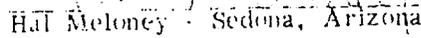
ARTICLE XII.

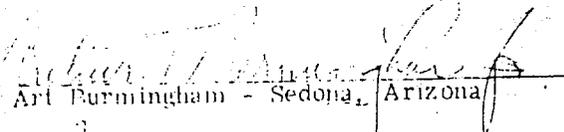
In the event that this corporation should be dissolved for any reason, then upon dissolution, any debts and obligations of the corporation shall be first paid, and thereupon the remaining or net assets shall be distributed, transferred, delivered and paid over to Yavapai County for the use of the SEDONA-OAK CREEK AIRPORT AUTHORITY.

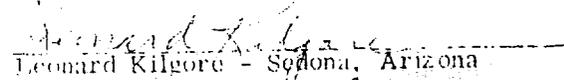
IN WITNESS WHEREOF the persons hereinafter named as Incorporators verify these Articles and set their hands this 28th day of June, 1970:


John R. Carruthers - Sedona, Arizona

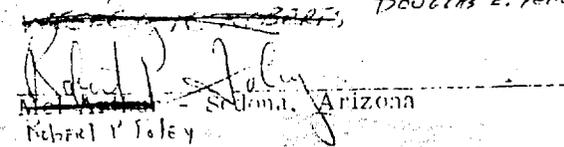

Dr. Harner Seluidge - Sedona, Arizona

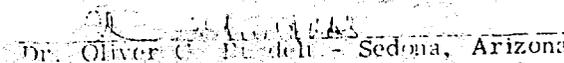

Hal Meloney - Sedona, Arizona

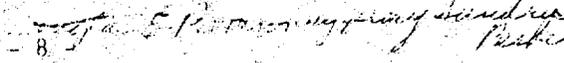

Art Birmingham - Sedona, Arizona


Leonard Kilgore - Sedona, Arizona


Warren Keef - Sedona, Arizona


Richard Y. Foley - Sedona, Arizona


Dr. Oliver C. Eudell - Sedona, Arizona


Douglas E. Perkins - Sedona, Arizona

SUPPLEMENTAL LEASE AGREEMENT

This Supplemental Agreement entered into on this 27 day of April, 1981, by and between Yavapai County, a subdivision of the State of Arizona, hereinafter called "County" and the Sedona-Oak Creek Airport Authority, a non-profit corporation organized under the Laws of the State of Arizona, hereinafter called "Authority" witnesseth that:

Whereas, an agreement of leasing was made between the County and Authority on January 18, 1971, for a term of 25 years, all as set forth in the agreement hereunto attached as Exhibit "A" and made a part of this agreement; and

Whereas, the Authority desires to have such lease term extended, pursuant to the Authority of A.R.S. 2-311, for a term of 25 years from the date of this Supplemental Lease Agreement in order to provide its sub-lessees with an adequate term to amortize building investments on the airport property; and

Whereas, certain other provisions of the January 18, 1971 agreement should be modified to conform to FAA requirements and changed circumstances.

Now, therefore, IT IS AGREED that the lease agreement dated January 18, 1971, be and the same hereby is extended to the 1st day of May, 2006, subject to the following changes and modifications thereof which shall be effective as of the date of this Supplemental Lease Agreement:

1. The real property included in the lease is described in the new Exhibit B, attached to this Agreement.
2. The buildings, structures and improvements now upon the leased premises that are subject to the terms of this lease are listed on the new Exhibit C, attached to this Agreement.

3. Portable buildings, structures and improvements now upon the leased premises that are not subject to the terms of this lease are listed on the new Exhibit "D" attached to this agreement.
4. The personal property now upon the leased premises that is County property and subject to the terms of this lease is listed on the new Exhibit "E", attached to this agreement.
5. Any additions to or deletions from these lists, and any replacement or exchange of personal property on any list shall be reported to the County in writing, signed by an officer of the Authority and the report attached to this supplemental agreement.
6. A New Article IIA is added to the lease as follows:
The Authority may sublease portions of the leased premises other than the runways, taxiways and public ramps.
 - (a) Subleases shall be restricted to such space as is actually required for and used by the sub-lessee.
 - (b) No sublease shall be made of so much of the area as to prevent other subleases for competitive aeronautical activities.
 - (c) All subleases shall be made only after advertising, and shall be made available upon a competitive bid basis. The Authority shall establish standards for qualification of bidders at the time of advertising for bids. The Authority reserves the right to reject any or all bids for less than adequate consideration. Once bids are received by the Authority, they become the property of the Authority and are of public record.

ONLY NEW DIRT?
OR SPACE W/IN EXISTING
BUILDINGS TOO?
Believe new divt, not
interior spaces of
existing bldgs!

10. Article V-B of the lease is amended by changing the date of "1st day of June" to the "15th day of October".

11. Article VIII-C is amended by adding:

"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 308a of the Federal Aviation Act, published 1958 as amended.

12. Article X is amended as follows to increase the minimum insurance coverage:

Legal liability, 1 million dollars

Public liability and property damage, 1 million dollars

The Authority agrees that as facilities increase, we will carry sufficient coverage for said premises.

13. Article XX is amended by changing the address of the Authority.

Sedona-Oak Creek Airport Authority
Post Office Box No. 1065
Sedona, Arizona 86336

14. Article IV of the lease is amended by the addition of a Provision D, as follows:

"Lessee agrees to comply with the notification and review requirements covered in Part 77 of the Federal Aviation Regulations in the event of future construction of a building being planned for the leased premises, or in the event of any planned modification or alteration of any present or future building or structure situated on the leased premises."

15. Option of Lessee to renew Lease: The Lessee is hereby given an option to renew the term of this lease for twenty-five (25) years from and after the expiration of the initial term hereof, provided that said Lease shall be

NEEDS TO BE UPDATED

NEED NEW CORRECT MAILING ADDRESS

15. in full force and effect immediately prior to the date of the commencement of such renewal period. Notice of Lessee's intention to renew said Lease shall be given on or before two (2) years prior to the expiration of the initial term hereof. Said renewal shall be upon the same terms, covenants and conditions as in this Lease provided.
16. A New Article XXI is added to the lease as follows:
 1. The Authority, for itself, personal representatives, successors in interest and assigns, as a part of the consideration hereof, does hereby covenant and agree that in the event facilities are constructed, maintained, or otherwise operated on the said property described in this lease for a purpose for which a DOT program or activity is extended or for another purpose involving the provision of similar services or benefits, the Authority shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to Title 49, Code of Federal Regulations, DOT, 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.
 2. The Authority, for itself, its personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree that:
 - (1) No person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities
 - (2) that in the construction of any improvements on, over, or under such land, the furnishing of services thereon, no person on the grounds of race, color or national origin, shall be excluded from participation in, denied the benefits of, or otherwise be subject to discrimination.
 - (3) that the Authority shall use the 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.
 3. Non-compliance with Provision VIII-B or XXI of lease shall constitute a material breach thereof and in the event of such non-compliance, the County shall have the rights to terminate this lease and the estate hereby created without liability therefore or at the election of the County or the United States, either or both said Governments shall have the right to judicially enforce provisions.

16. 4. The Authority agrees that it shall insert the above provisions in any lease agreement by which said Authority grants a right or privilege to any person, firm or corporation to render accommodations, and/or services to the public on the premises herein leased.

5. The Authority 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, or sex be excluded from participating in any employment activities covered in 14 CFR Part 152, Subpart E. The Authority 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. The Authority assures that it will require that its covered suborganizations provide assurances to the Authority that they similarly will undertake affirmative action programs and that they will require assurances from their suborganizations, as required by 14 CFR Part 152, Subpart E, to the same effect.

17. A New Article XXII is added to the Lease as follows:

Required Provisions Deemed Inserted

Each and every provision of law and clause required by law to be inserted in this Agreement shall be deemed to be inserted herein and the Agreement shall be read and enforced as though it were included herein, and if through mistake or otherwise any such provision is not inserted, or is not correctly inserted, then upon the application of either party, the Agreement shall forthwith be physically amended to make such insertion or correction.

IN WITNESS WHEREOF we have hereunto set our hands the
day and year first above written

YAVAPAI COUNTY BOARD OF SUPERVISORS

LESSOR:

John Olsen
John Olsen, Chairman
Duane Kirby
Duane Kirby
Gladys Gardener
Gladys Gardener

SEDONA-OAK CREEK AIRPORT AUTHORITY

LESSEE:

Lawrence Fox
Lawrence Fox, President
Wayne Moore
Wayne Moore, Vice-President
John F. Lake
John F. Lake, Secretary-Treasurer

APPROVED AS TO FORM:

Janice Urbanic
Janice Urbanic, Deputy County Attorney

EXHIBIT "B"

Supplemental Lease Agreement Between
Yavapai County, Arizona and Sedona-Oak Creek
Airport Authority
Referred to as Article 1, Page 1 of this Agreement

That certain real property situated within Yavapai County embraced by the deed from the United States of America to Yavapai County which deed is dated October 31, 1956 and approved February 6, 1957 and recorded in the office of the Yavapai County Recorder in official records Book 93, at pages 472-478 inclusive, less the real property embraced by that certain lease instrument which is recorded in the office of the Yavapai County Recorder in official records Book 351 at pages 99-108 inclusive, which real property is described as:

Township 17 North, Range 5 East
G&SRB&M

Section 13- NW $\frac{1}{4}$ SE $\frac{1}{4}$
W $\frac{1}{2}$ NW $\frac{1}{4}$ -NE $\frac{1}{4}$ SE $\frac{1}{4}$
NW $\frac{1}{4}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$
NW $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$
NW $\frac{1}{4}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$
W $\frac{1}{2}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$
SE $\frac{1}{4}$ SW $\frac{1}{4}$
NE $\frac{1}{4}$ SW $\frac{1}{4}$ except NW $\frac{1}{4}$ -NE $\frac{1}{4}$ -SW $\frac{1}{4}$
S $\frac{1}{2}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$
SE $\frac{1}{4}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$
E $\frac{1}{2}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$

Section 24- NW $\frac{1}{4}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$
N $\frac{1}{2}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$
SW $\frac{1}{4}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$
NE $\frac{1}{4}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$
E $\frac{1}{2}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$
SE $\frac{1}{4}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$
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NE $\frac{1}{4}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$
NW $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$

containing 230.00 acres, more or less; excepting however,
that portion of the aforesaid property described as:

EXHIBIT "B"

Supplemental Lease Agreement Between
Yavapai County, Arizona and Sedona-Oak Creek
Airport Authority

BEGINNING at the Quarter corner common to Sections 13
and 24, Township 17 North, Range 5 East, Gila and Salt
River Base and Meridian, Yavapai County, Arizona.

Meridian, Yavapai County, Arizona; thence
North 20°25'10" West for 1976.03 feet to the
true point of beginning of this description
thence North 25°44' West for 239.94 feet;
thence North 24°17' East for 36.20 feet;
thence North 55°08' East for 311.26 feet;
thence North 84°26' East for 553.61 feet;
thence South 9°28' East for 468.97 feet;
thence South 81°20' West for 434.37 feet;
thence South 86°00' West for 516.45 feet
to the point of beginning of this description.

This parcel contains 9.887 acres more or less.

That certain real property and easements situated within Yavapai
County, embraced by the deed from the United States of America
to Yavapai County, which deed is dated December 10, 1969.

Which real property is described as follows:

NE $\frac{1}{4}$ NW $\frac{1}{4}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$; SE $\frac{1}{4}$ NW $\frac{1}{4}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 13;
SW $\frac{1}{4}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$ and the NW $\frac{1}{4}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 24,
all in T. 17 N., R. 5 E., Gila and Salt River Base
and Meridian, containing 10 acres more or less.

In connection with the land described above, the Grantor does hereby
grant the following easements and rights-of-way over that portion
of the following described land, designated as Area 1 and Area 2,
lying within the Northeast and Southwest Clear Zone Approach Areas,
as hereinafter described, and situated in the County of Yavapai,
State of Arizona:

Area 1: (Land underlying Northeast Clear Zone Approach Area)

The NW $\frac{1}{4}$ of the NW $\frac{1}{4}$ of the NE $\frac{1}{4}$ of the NE $\frac{1}{4}$ of the SE $\frac{1}{4}$ and
the SE $\frac{1}{4}$ of the SW $\frac{1}{4}$ of the SW $\frac{1}{4}$ of the SE $\frac{1}{4}$ of the NE $\frac{1}{4}$ and the
S $\frac{1}{2}$ of the SE $\frac{1}{4}$ of the SW $\frac{1}{4}$ of the SE $\frac{1}{4}$ of the NE $\frac{1}{4}$ and the
SW $\frac{1}{4}$ of the SW $\frac{1}{4}$ of the SE $\frac{1}{4}$ of the SE $\frac{1}{4}$ of the NE $\frac{1}{4}$ of
Section 13, T. 17 N., R. 5 E., Gila and Salt River Base
and Meridian, Yavapai County, Arizona.

EXHIBIT "B"

Area 2: (Land underlying Southwest Clear Zone Approach Area)

The NE $\frac{1}{4}$ of the NE $\frac{1}{4}$ of the SE $\frac{1}{4}$ of the NE $\frac{1}{4}$ and the S $\frac{1}{2}$ of the NE $\frac{1}{4}$ of the SE $\frac{1}{4}$ of the NE $\frac{1}{4}$ and the N $\frac{1}{2}$ of the SE $\frac{1}{4}$ of the SE $\frac{1}{4}$ of the NE $\frac{1}{4}$ of Section 23; the S $\frac{1}{2}$ of the NW $\frac{1}{4}$ of the SW $\frac{1}{4}$ of the NW $\frac{1}{4}$ and the NW $\frac{1}{4}$ of the SW $\frac{1}{4}$ of the SW $\frac{1}{4}$ of the NW $\frac{1}{4}$ of Section 24, all in T 17 N., R. 5 E., Gila and Salt River Base and Meridian, Yavapai County, Arizona.

That portion of Area 1 and Area 2 lying within said Northeast and Southwest Clear Zone Approach Areas is delineated on the Exhibit "A" attached hereto and made a part hereof.

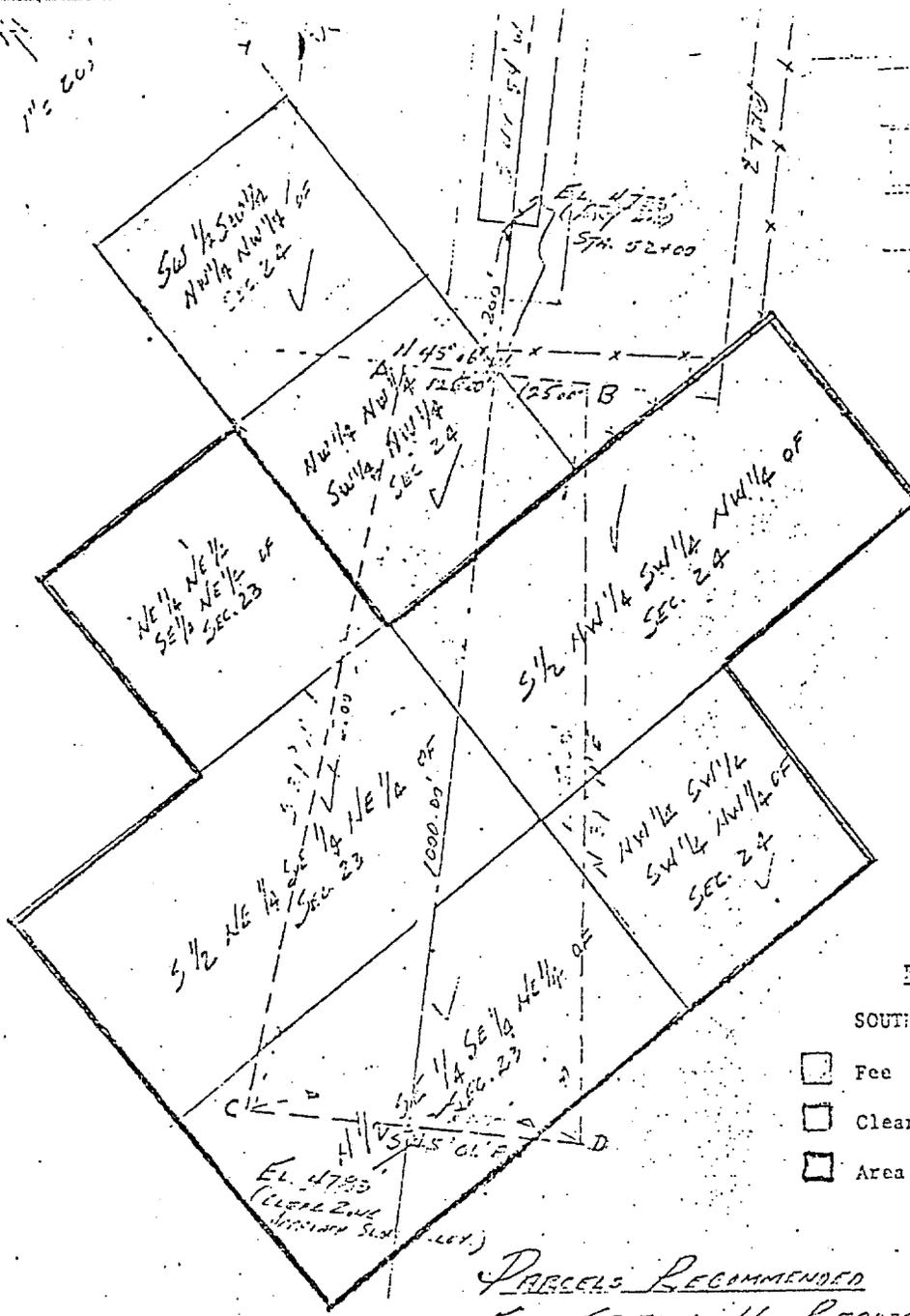


EXHIBIT "A"

SOUTHWEST CLEAR ZONE

- Fee
- Clear Zone Approach
- Area 2

PARCELS RECOMMENDED
FOR SECTION 16 REQUEST
SW. CLEAR ZONE
OAK CREEK CANYON AIRPORT

EXHIBIT "C"

Supplemental Lease Agreement Between Yavapai
County, Arizona and Sedona-Oak Creek Airport
Authority.

Referred to as Article 2, Page 1 of this
Agreement.

1. Office building, frame 20 ft. by 60 ft. *COMMACT BLDG?*
2. Restaurant building, frame 36 ft. by 57 ft.
3. Hangar, concrete block and frame 32 ft. by 56 ft. *OLD RRA BLDG?*
4. Hangar, 10 Unit Steel 36 ft. by 343 ft. *PASCOE BLDG!*
5. Two underground gasoline storage tanks, each of
8,000 gallon capacity and fuel dispensers. *GONE!*
6. Two underground gasoline storage tanks, each of
6,000 gallons capacity and fuel dispensers. *GONE!*

EXHIBIT "D"

Supplemental Lease Agreement Between Yavapai
County, Arizona and Sedona-Oak Creek Airport
Authority.

1. (1) 8' x 10' Metal storage shed *SAA's*
- Lawrence J. 2.*
John Fisher
Wayne J. 3. ~~(32)~~ individually owned portable aircraft shelters *NOW 50!*
(24) (Port-a-Port)
- Lawrence J. 4.*
John Fisher
Wayne J. 4. FAA owned portable steel building, 8' x 8', containing
FSS remote communication radio (RCO) *where?*
~~one YAVAPAI~~
~~Two Coconino County Sheriff mobile homes~~

EXHIBIT "E"

Supplemental Lease Agreement Between Yavapai
County, Arizona and Sedona-Oak Creek Airport
Authority.

1. Non-directional radio beacon Wilcox NDB M/N 785-D located
1.3 miles southwest *DECOM SEP 97*
2. Narco Radio telephone Model VGTR-3A, S/N 19BN9 ?
3. Two 33" x 60" executive desks (wood) ?
4. Two executive high back swivel desk chairs ?
5. One secretarial desk, 30" x 45" ?
6. Three occasional arm chairs ?
7. One wooden couch and chair set ?
8. One coffee table and two matching end tables ?
9. Two 30" x 72" folding tables ?
10. Seven folding chairs ?
11. One, two drawer legal size file ?
12. One refrigerated drinking fountain
Halsey-Taylor M/N S-5-C, S/N 917067 ?
13. Two certified Kollsman altimeters ?
S/N AF52-4124, S/N AF43-231901
14. Aircraft components weather station ?
M/N BCH S/N 213-1071
15. Tie-down cable, 2400 ft. ?
16. Tie-down chains, approximately 40 sets ?
17. Three, fifteen gallon garbage cans ?
18. Two aluminum step ladders ?

AGREEMENT

THIS AGREEMENT is made and executed this 18th day of January , 1971, by and between YAVAPAI COUNTY, ARIZONA, a body politic and corporate, hereinafter called "COUNTY", and the SEDONA-OAK CREEK AIRPORT AUTHORITY, a non-profit corporation organized under the Laws of the State of Arizona, hereinafter called "AUTHORITY";

RECITALS:

WHEREAS, the COUNTY owns the Oak Creek Canyon Airport, located in Yavapai County, Arizona, hereinafter called AIRPORT; and,

WHEREAS, the COUNTY is authorized, among other things, to acquire, hold, control, equip, improve, maintain, operate and regulate airports and landing fields and to enter into agreements with corporations engaged in the air transportation industry for the operation and maintenance of airports and landing fields and for uses incidental thereto; and,

WHEREAS, the COUNTY desires to lease the airport including all of the rights, licenses, services and privileges in connection therewith upon the terms and conditions hereinafter stated; and,

WHEREAS, the AUTHORITY was formed as a non-profit corporation pursuant to Arizona Revised Statutes, Title 10, Chapter 1, Article 16, for the purpose of developing and promoting transportation and commerce by air in the State of Arizona, and is particularly interested in the development, promotion and operation of air transportation facilities and air commerce in and around the Sedona area of Yavapai County; and,

WHEREAS, the COUNTY has complied with the terms and provisions of Arizona Revised Statutes, Section 2-313, and the AUTHORITY has submitted a bid pursuant to notice and call for bids issued by the COUNTY, said bid being duly accepted by the COUNTY on the 21st day of December, 1970;

NOW, THEREFORE, for and in consideration of the premises and mutual covenants and agreements herein contained, and other valuable considerations, the COUNTY does hereby demise and let unto the AUTHORITY, and the AUTHORITY does hereby lease and take from the COUNTY, certain premises, facilities, rights, licenses, services and privileges in connection with and on the AIRPORT, as follows, to-wit:

COVENANTS

ARTICLE I

PREMISES

The COUNTY hereby demises and leases to the AUTHORITY, and the AUTHORITY does hereby take and hire from the COUNTY for airport and air terminal purposes, and for all purposes incidental and related thereto, and for the purpose of carrying on any other revenue producing business in connection therewith, the following described property, to-wit:

- A. All real property described as follows:
See Exhibit "A", attached and by this reference made a part hereof;
- B. The buildings, structures, and improvements, as shown on "Exhibit B" attached hereto, and by this reference made a part hereof;
- C. All personal property as listed in "Exhibit C", attached hereto, and by this reference made a part hereof;

- D. Additional and after-acquired property, as well as improvements thereon and equipment used in connection with the operation of the airport and air terminal purchased or acquired for such purposes;

All covenants, stipulations, agreements, and other provisions in this instrument shall extend to and bind the heirs, legal representatives, successors, and permitted assigns, if any, of the respective parties hereto;

ARTICLE II

TERM

Subject to earlier termination, as hereinafter provided, the term of this Agreement shall be for the period commencing on the 1st day of January, 1971, and ending on the 31st day of December, 1995;

ARTICLE III

RENTAL

A. The AUTHORITY shall pay to the COUNTY for the use of the premises, facilities, rights, licenses, services and privileges granted hereunder, the sum of One and No/100 (\$1.00) Dollar per year, the first payment to be made on or before the 1st day of December, 1970, and subsequent payments to be made on or before the 1st day of December of each succeeding year;

(B) In addition to the foregoing yearly rental, the AUTHORITY shall pay to the COUNTY such amount of the gross operating revenues of the AUTHORITY for the twelve (12) months period ending on the 30th day of April immediately preceding every 1st day of June, from whatever source derived, remaining after deducting the following:

1. The expense of the AUTHORITY directly attributable to the operation and maintenance of the airport and air terminal;
2. Interest at the coupon or stated rate upon outstanding AUTHORITY bonds issued for airport and air terminal purposes and for purposes incidental and related thereto;
3. Amounts required to be paid into sinking funds annually for the redemption of sinking fund bonds issued for airport and air terminal purposes and for purposes incidental and related thereto;
4. Amounts required for serial maturity of bonds issued for airport and air terminal purposes and for purposes incidental and related thereto;
5. Amounts required to pay principal and interest on all other outstanding obligations incurred or assumed by the AUTHORITY for airport and air terminal purposes and for purposes incidental and related thereto;
6. A reasonable amount for operating and maintenance reserves;

C. No sub lease or business privilege shall be granted by the AUTHORITY to any other party for less than adequate and full consideration;

ARTICLE IV

DEVELOPMENT OF AIRPORT

A. The AUTHORITY shall be obligated to the extent it deems necessary to rehabilitate, expand, improve and develop the airport and air terminal, and to relocate or replace existing facilities in or on any space which is or may be leased hereunder and shall have the right, in its discretion, to issue bonds and incur other obligations and make expenditures for such purposes. None of the bonds issued by the AUTHORITY shall be a lien or charge upon the demised premises;

B. The COUNTY may, at the COUNTY'S sole option, make payments to the AUTHORITY for operation and maintenance of the airport and air terminal and for purposes incidental and related thereto. Payments may be made from time to time as the COUNTY shall determine, provided, however, no part of these payments shall be payable out of any ad valorem tax imposed by the COUNTY, or under which the COUNTY'S general taxing authority is pledged unless:

- (1) The same shall have been duly budgeted by the COUNTY according to law;
- (2) Such payment or payments shall be within the budget limitations of the statutes of the State of Arizona;

C. Title to all buildings, structures and additions made or added to the demised premises by the AUTHORITY or any of its sub-tenants shall vest in the COUNTY upon termination of this lease. No building, structure or addition shall be removed from the demised premises at any time during or at the expiration of this lease without written consent of the COUNTY, which consent shall be granted or withheld by the COUNTY, according to its own sole and exclusive discretion, unless the lease, permit, license, or other agreement under which the building, structure, or addition was affixed to the land provides a right of removal and said lease, permit, license, or other agreement was presented to and approved in writing by the COUNTY before title vested in the COUNTY;

ARTICLE V

ACCOUNTS

(A.) The AUTHORITY shall keep separate books, records and accounts in regard to the financing, refinancing, construction, operation and maintenance of the demised premises and the COUNTY and its designated representative shall have the right to inspect and audit such books, records and accounts during regular business hours. The AUTHORITY shall deliver to the COUNTY a complete report and account in regard to the financing, refinancing, construction, operation and maintenance of the demised premises for the twelve (12) months period ending on the 30th day of April last preceding. Said report shall be furnished in connection with the yearly budget submitted as required in Sub-paragraph B hereof;

(B.) For the purpose of assuring the COUNTY that the AUTHORITY is accomplishing the desired objects of this Agreement, and for the purpose of assuring the COUNTY that Article III, Sub-paragraph B above is being complied with, the AUTHORITY shall prepare and on or before the ^{15th} ~~1st~~ day of ^{October} ~~June~~, 1971, and on the same month and day yearly thereafter, shall submit to the COUNTY in detail a statement of estimated revenues together with its proposed budget for the ensuing year, covering the improvement, development, operation and maintenance of the airport and air terminal and purposes incidental and related thereto and the expense. Within a period of thirty (30) days after the submission of said proposed budget, the COUNTY shall notify the AUTHORITY of its approval or disapproval thereof. In the event said proposed budget is

approved by the COUNTY, the same shall constitute the adopted budget of the AUTHORITY for the ensuing period. In the event the COUNTY notifies the AUTHORITY of its disapproval of said proposed budget, the AUTHORITY and the COUNTY shall, within five (5) days after such notification by the COUNTY, endeavor to agree upon a budget satisfactory to the COUNTY and the AUTHORITY. In the event a satisfactory agreement is not reached within five (5) days thereafter, the said proposed budget shall be submitted for consideration and decision to a Board of Arbiters which shall consist of two members of the AUTHORITY and two members of the governing body of the COUNTY, and a fifth member to be agreed upon by the arbiters appointed by the COUNTY and the AUTHORITY. The said Board of Arbiters shall submit a budget and the decision of the arbiters shall be final and the budget submitted shall constitute the adopted budget of the AUTHORITY for the ensuing year. In the event this Paragraph B of Article V shall be held ultra vires or otherwise unenforceable and in the event the parties are unable mutually to agree upon a procedure for assuring the COUNTY that the AUTHORITY is accomplishing the desired objectives of this Agreement and for the purpose of assuring the COUNTY that our Article III, Paragraph B, above, is being complied with, either party shall have access to any Court of competent jurisdiction and in the event the Court shall find either party to have been so arbitrary and capricious as to permit a finding of bad faith, the Court, in its discretion, but not as a matter of course, may grant to the other party, whether that party prevailed or not, a reasonable Attorney's fee;

ARTICLE VI

REPAIRS AND MAINTENANCE

The AUTHORITY shall be responsible for the care of the demised premises, together with all improvements, fixtures and personal property thereon, whether now on the premises or hereafter added. The AUTHORITY shall have the right to use all of the equipment and personal property located on the demised premises and referred to in "Exhibit C", hereto annexed. It is understood and agreed that such personal property is expendable and the AUTHORITY shall have no obligation to replace the same and any such personal property which may become worn out or obsolete may be disposed of by the AUTHORITY in its discretion. All equipment used in connection with the operation of the demised premises as an airport and air terminal and purchased or acquired for such purposes shall be turned over to the COUNTY upon the termination of this Agreement in good order and condition, ordinary wear and tear excepted. Notwithstanding the foregoing, the COUNTY shall remain responsible for the maintenance of the access road to the airport, the runway, and other landing areas thereon, and all taxiways, ramps and parking or tie-down areas constructed wholly or in part with federal funds;

ARTICLE VII

OPERATING CONTRACTS

The AUTHORITY shall be responsible for and shall indemnify and hold the COUNTY harmless from all claims arising out of or in respect to all leases, permits, licenses, contracts and agreements made from and

after the date of this lease. The COUNTY, however, shall be responsible for and shall indemnify the AUTHORITY for and hold it harmless from any claims arising out of acts done or omitted to be done by the COUNTY in respect to any contracts, leases, licenses or permits relating to the demised premises prior to the commencement of the term hereof, as shown in Article Two;

ARTICLE VIII

OTHER CONTRACTS

AND AGREEMENTS

A. The AUTHORITY agrees to operate the airport in accord with the obligations of the COUNTY to the Federal Government contained within the following grant agreements and Deeds of Conveyance pursuant to Section 16 of the Federal Airport Act:

Grant Agreements for Projects:

9-02-028-0701
9-02-028-0802
9-02-028-6003
9-02-028-C904

Section 16 Deeds dated 4/15/56 and 12/10/69

This lease shall be subordinate to the above listed agreements and any future agreements entered into between the COUNTY and the United States to obtain Federal Aid for the improvement and maintenance of the airport;

(B) The AUTHORITY agrees to operate the airport for the use and benefit of the public; to make available all airport facilities and services to the public without discrimination; and to refrain from imposing

or letting excessive, insufficient, discriminatory or otherwise unreasonable charges or fees for any use of the airport or its facilities or for any airport service.

C. 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 303 of the Civil Aeronautics Act of 1938, as amended;

D. The COUNTY agrees to cooperate with the AUTHORITY, if so requested by the AUTHORITY, in making any necessary application for and in securing any and all governmental aid which may be obtainable for the airport and air terminal under any applicable laws, but the COUNTY shall not be obligated to the AUTHORITY to assume any financial liability or obligation in connection therewith;

E. During the time of war or national emergency, the COUNTY shall have the right to enter into an agreement with the United States Government for military or naval use of part or all of the landing area, the publicly owned air navigation facilities and/or other area or facilities of the airport. If such agreement is executed, the provisions of this instrument, insofar as they are inconsistent with the provisions of the agreement with the government, shall be suspended;

F. The COUNTY reserves the right, but shall not be obligated to the AUTHORITY, to take any action it considers necessary to protect its interest in the airport including but not limited to direction, control and approval of developments and improvements, and may budget such sums as it shall deem necessary for the proper maintenance and development of said airport;

G. The AUTHORITY shall do all things reasonably necessary to achieve and maintain the proper and safe operation of the airport, including without limitation:

(a) take active charge of the management and supervision of the airport, establishing such written field rules and air traffic pattern regulations as may be appropriate, subject always to the superior control and direction of the COUNTY;

(b) abide by, comply with, conform to and enforce all applicable Federal, State and County statutes, orders, rules, regulations and ordinances which in any manner affect the use or operation of the airport premises, including but not limited to existing or hereinafter enacted rules and regulations of the Federal Aviation Agency, or any succeeding agency thereof, including enforcement of field rules and air traffic pattern regulations;

(c) inspect the runway, landing areas, and taxiways and the lighting thereof daily, repair, and correct any conditions requiring minor and immediate repairs, and report any major disrepair or hazardous conditions to the COUNTY, or its proper representative, and maintain illuminated at Lessee's expense, the lighting of the runway, landing areas, taxiways and the airport beacon during hours of darkness; and,

(d) mark any temporarily unusable areas of the airport with red flags for daylight hours, and with lanterns or torches at night;

H. The AUTHORITY shall pay or cause to be paid all charges for gas, water, steam, electricity, light, heat, power, telephone or other utility service furnished to or used in connection with the improvements from the time the AUTHORITY takes possession of the property. The AUTHORITY shall also be responsible and pay or cause to be paid, punctually when due and payable, all taxes, assessments or any other charge of every kind and nature which may be levied, assessed or imposed;

I. The AUTHORITY shall within six (6) months from the date hereof construct or cause to be constructed and thereafter maintained hangars or hangar space for inside storage for not less than eight (8) aircraft, the hangars to be constructed of permanent first class construction according to plans and specifications previously submitted to and approved by the COUNTY, which specifications shall be equal to or better than those maintained for inspection in the office of the Clerk of the Board of Supervisors during the advertising for bids on this lease, which hangars or hangar space shall become and remain a part of the realty at the time elsewhere herein specified and shall at the termination of this lease be surrendered to the COUNTY in as good condition as when constructed, reasonable wear and tear excepted;

J. The AUTHORITY shall not engage in or permit any business or activity on the demised premises which in the opinion of the COUNTY and its legal adviser is in violation of or contrary to the COUNTY'S deed;

K. The COUNTY reserves the right to occupy and use for airport purposes a total of one (1) acre of land in one or more parcels lying within the premises described in Exhibit "A", the land to be selected by mutual consent of the parties;

ARTICLE IX

ASSIGNMENT AND MORTGAGE

The AUTHORITY shall not assign, mortgage, pledge, hypothecate, or encumber this agreement but may sublet parts or parcels of the demised premises less than the whole for the purposes for which this lease is granted and may enter into other agreements with third persons for the use thereof for such purposes. Nothing in this Article shall prevent the AUTHORITY from pledging in whole or in part the revenues of the airport and air terminal as security for the payment of bonds or other obligations issued, incurred or assumed for airport and air terminal purposes to or for the benefit of the holders of such bonds or other obligations, or from making such bonds and other obligations a lien and charge upon such revenues, but such security, lien, or charge shall not extend for any longer time or to any later date than the term of this lease;

ARTICLE X

INSURANCE

A. The AUTHORITY shall obtain and maintain in force liability insurance, in which the COUNTY shall be a named insured, the said insurance to be obtained from company or companies approved by the COUNTY, the said policies or certified copies or certificates thereof to be deposited with the COUNTY, the said liability insurance to provide public liability, property damage, hangar keeper's liability, and fire

legal liability coverages, in amounts of not less than \$300,000.00/
\$500,000.00 public liability and \$300,000.00 property damage. In addition, the AUTHORITY shall and it does hereby covenant and agree to indemnify and save harmless the COUNTY from any and all fines, suits, claims, demands, actions and/or causes of action of any kind and nature for personal injury or death or property damage in any way arising out of or resulting from any activity or operation of the AUTHORITY on the premises or in connection with its use of the premises; provided, however, that the AUTHORITY shall not be liable for any injury, damage or loss occasioned by the sole negligence or willful misconduct of the COUNTY, its agents or employees other than the AUTHORITY. The AUTHORITY shall give to the COUNTY and the COUNTY shall give to the AUTHORITY prompt and timely notice of any claim made or suit instituted which in any way, directly or indirectly, contingently or otherwise, affects or might affect the COUNTY or the AUTHORITY respecting the airport, and the AUTHORITY shall have the right to compromise and defend the same to the extent of its own interest, provided however that the aforesaid liability insurance shall, to the limits thereof, be allowed and credited against the AUTHORITY'S duty of indemnity, the AUTHORITY remaining liable for any exposure or loss over and above that covered by said insurance;

B. The AUTHORITY further agrees to procure fire insurance with extended coverage endorsement on all buildings, structures, equipment and fixtures in and upon the demised premises and used in connection with the operation and maintenance of the airport and air terminal.

Such policy shall cover the property to the extent of a minimum of 80% of the construction cost thereof and cover the interests of both the COUNTY and the AUTHORITY. All policies shall provide that loss, if any, shall be payable jointly to the COUNTY and the AUTHORITY and proceeds of all such insurance shall be used for the purpose of repairing or reconstructing any of the buildings, structures, equipment or fixtures damaged or destroyed by reason of any of the risks insured against by such policies or for the purpose of making other capital improvements at the airport or air terminal;

C. In the event the proceeds of such insurance exceed the cost of any such repairs or reconstruction, or of the making of such capital improvements, such excess shall be paid to the AUTHORITY;

D. All policies of insurance or certificates thereof shall be delivered to the COUNTY and premiums therefor shall be paid by the AUTHORITY;

ARTICLE XI
ADDITIONAL LANDS
OR INTERESTS

Immediately upon acquisition of any lands or improvements thereon or rights, easements, or interest therein which are situate adjacent to the demised premises, the AUTHORITY shall convey the same to the COUNTY without consideration, and such property shall become part of the demised premises;

ARTICLE XII
CONDEMNATION OR
ACQUISITION BY OTHERS

A. In the event the demised premises, or any part thereof, or the right and interest of the AUTHORITY hereunder in or to the demised premises or any part thereof shall be condemned, taken or acquired by a body having superior power of eminent domain, then the compensation or award therefor shall be payable in accordance with the following provisions:

1. Out of said compensation or award, there shall be paid to the AUTHORITY an amount equal to the sum of the following:

- a) The amount required to redeem AUTHORITY bonds or to pay any AUTHORITY obligations issued or incurred for airport and air terminal purposes and outstanding at the time title vests in the condemning power at the earliest dates after such decree or judgment when any such bonds may be called for redemption, or such obligations may be paid, or, if any such bonds or obligations are not subject to call or immediate payment, then the amount required to redeem or pay them at their maturity; less the following three items:

- 1) The assets of any sinking fund established for the redemption of any bonds or other obligations issued, incurred or assumed for airport and air terminal purposes, including interest thereon;
- 2) The proceeds remaining unexpended from the sale of any and all bonds issued, incurred or assumed for airport and air terminal purposes;
- 3) Any cash set aside for redemption of bonds issued in payment of any obligations incurred or assumed for airport and air terminal purposes;

b) The interest on any such bonds or obligations from the last interest payment date prior to the vesting of title in the condemning power up to the date of such call or maturity;

c) The call premium, if any;

d) Any unamortized AUTHORITY fund, other than bond or other obligation proceeds, or Federal, State or City grants, expended for capital improvements at the airport or air terminal;

2. The balance, if any, of such compensation or award shall be paid to the COUNTY;

B. The amount paid to the AUTHORITY as provided for in this Article shall, together with any funds remaining unexpended for airport and air terminal purposes from the proceeds of any such bonds or obligations, be set aside in a special fund. If, after payment or redemption of all of said bonds and obligations with interest and after the deduction of unamortized AUTHORITY funds as aforesaid, there shall remain any balance in said special fund, including income and appreciation thereon, AUTHORITY shall pay such balance to the COUNTY;

C. If the whole of said demised premises or the right and interest of the AUTHORITY in or to the same shall be condemned, taken or acquired, as aforesaid, then no further rental shall be payable hereunder. If only part of the said demised premises or if only part of the right and interest of the AUTHORITY is condemned, taken or acquired and if such part is so substantial as to make it impractical to proceed with the operation of the demised premises for airport or air terminal purposes, then, and in such event, no further rental shall be payable

hereunder; provided, however, that possession of the demised premises remaining shall be promptly surrendered to the COUNTY as if the term hereof shall have come to an end;

D. If, however, only a part of said demised premises or of the right and interest of the AUTHORITY in or to the same shall be condemned, taken or acquired, and the remaining is sufficient to conduct the operation thereof for airport and air terminal purposes, then, and in such event, the obligations of the AUTHORITY under the provisions of this agreement relating to rent as well as under other provisions of this Agreement, shall continue and remain unaffected by such condemnation, taking or acquisition;

ARTICLE XIII

TERMINATION BY COUNTY

A. The COUNTY shall have the right to terminate this Agreement in its entirety or to enforce this lease by any appropriate remedy immediately upon the happening of any of the following events:

1. Filing of a petition, voluntary or involuntary, for the adjudication of the AUTHORITY as a bankrupt;
2. The making by the AUTHORITY of any general assignment for the benefit of creditors;
3. The occurrence of any act which operates to deprive the AUTHORITY permanently of the ability to perform its duties under this Agreement (except suspension of operations resulting from war or national emergency);
4. The abandonment of operations at the airport by the AUTHORITY; and,

5. The failure by the AUTHORITY to perform, keep and observe any and all of the terms, covenants and conditions herein contained on the part of the AUTHORITY to be performed, kept, observed after the expiration of ninety (90) days from the date written notice has been given to the AUTHORITY by the COUNTY to correct such default or breach, provided that the COUNTY shall extend said period in the event the AUTHORITY shall furnish satisfactory evidence that it is continuously and diligently attempting to correct such default or breach and that such attempt is reasonably likely to succeed;

6. For the payment of rents and the furnishing of accounting information by the AUTHORITY to the COUNTY time is and shall be deemed to be of the essence, and failure to provide accountings when required or to pay rent when due shall be deemed a material breach hereof. Upon the occurrence of such breach the COUNTY may give notice of termination of this lease and if such breach is not cured within thirty (30) days after such notice this lease shall be terminated as of the end of the said thirty (30) day period;

(B) In the event this lease, the term hereof, or the AUTHORITY'S interest herein does end or is terminated before the end of the term specified in Article II hereof, any tenant of the AUTHORITY, whose tenancy, right, license, or other interest in, to, at, or upon the demised premises arises out of or is based upon a written instrument approved by the COUNTY in writing before the end or termination of this lease, the term hereof, or the AUTHORITY'S interest herein, shall nevertheless be protected according to the language of the COUNTY'S approval;

ARTICLE XIV

TERMINATION BY AUTHORITY

Should the COUNTY fail to observe any provision of this agreement, written notice of such delinquency shall be given by the AUTHORITY; if such delinquency continues uncured for ninety (90) days after receipt of such notice, the AUTHORITY may elect to terminate this Agreement in its entirety or enforce this lease by any appropriate legal remedy;

ARTICLE XV

PROMOTION OF AIRPORT

ACTIVITIES AND

SUPERVISION

(A.) It is the object of this Agreement that the AUTHORITY, as a non-profit corporation, shall actively supervise and direct the operation and development of the demised premises in a prudent and business-like manner and prevent the commission of waste, extravagance and unsound practices and in all respects, to diligently give its best endeavors to those ends;

B. The COUNTY reserves the right at all times of free access to all portions of the demised premises for the purposes of inspection;

(C.) The AUTHORITY agrees to use diligent efforts to promote aeronautical activities at the airport and to secure persons who wish to base their aeronautical activities at the airport, either as fixed base users or non-scheduled air carriers, or as lessees, and to promote other types of revenue producing businesses at the airport;

D. The AUTHORITY shall supervise the airport and all activities thereon in a businesslike and prudent manner, and shall cooperate with the COUNTY in securing compliance by other airport users of pertinent laws and regulations and of the terms in any agreement or lease relative to the use of the airport;

ARTICLE XVI

WAIVER

Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated orally, but only by an instrument in writing, signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns;

ARTICLE XVII

SECTION HEADINGS

The headings in this Agreement are inserted for reference only, and shall not define or limit the provisions hereof;

ARTICLE XVIII

SEVERABILITY

In the event any clause or provision of this Agreement shall be held to be invalid by any Court of competent jurisdiction, the invalidity of any such clause or provision shall not affect any of the remaining provisions hereof;

ARTICLE XIX

APPLICABLE LAW

ENTIRE UNDERSTANDING

This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Arizona. This Agreement expresses the entire understanding and all agreements of the parties hereto with each other and neither party hereto has made or shall be bound by any Agreement or any representation to the other party which is not expressly set forth in this Agreement;

ARTICLE XX

NOTICES

All notices, consents or other communications required or permitted hereunder shall be deemed sufficient if given in writing addressed and mail by registered mail, or delivered to the party for which the same is intended, as follows:

To the AUTHORITY:

Sedona-Oak Creek Airport Authority,

Post Office Box No. 874,

Sedona, Arizona, 86336.

To COUNTY:

Yavapai County,

c/o Clerk of the Board of Supervisors,

Post Office Box No. 147,

Prescott, Arizona, 86301.

Either of such addresses may be changed by the respective party by giving written notice thereof to the other;

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first above written.

YAVAPAI COUNTY, ARIZONA, a body politic and corporate,

By: *M. E. Rohrer*
Chairman, Board of Supervisors

ATTEST:

Lucile Johnson
Clerk, Board of Supervisors

APPROVED AS TO FORM:

Tustan D. Bush
Yavapai County Attorney

SEDONA-OAK CREEK AIRPORT AUTHORITY,

By: *John R. Canutt*
Its President

ATTEST:

Dogbeath
Its Secretary

EXHIBIT A
TO
INDENTURE OF LEASE AGREEMENT BETWEEN
YAVAPAI COUNTY, ARIZONA AND SEDONA-
OAK CREEK AIRPORT AUTHORITY

This is Exhibit "A" referred to as Item A in Article I on Page 2 of the said agreement:

That certain real property situated within Yavapai County embraced by the deed from the United States of America to Yavapai County which deed is dated October 31, 1956 and approved February 6, 1957 and recorded in the office of the Yavapai County Recorder in official records Book 93, at pages 472-478 inclusive, less the real property embraced by that certain lease instrument which is recorded in the office of the Yavapai County Recorder in official records Book 351 at pages 99-108 inclusive, which real property is described as:

Township 17 North, Range 5 East, G&SRB&M

Section 13 - $N\frac{1}{2}SE\frac{1}{4}$
 $W\frac{1}{2}NW\frac{1}{2}NE\frac{1}{2}SE\frac{1}{4}$
 $NW\frac{1}{2}SW\frac{1}{2}NE\frac{1}{2}SE\frac{1}{4}$
 $NW\frac{1}{2}NE\frac{1}{2}SW\frac{1}{2}SE\frac{1}{4}$
 $N\frac{1}{2}SW\frac{1}{2}SE\frac{1}{4}$
 $W\frac{1}{2}SW\frac{1}{2}SW\frac{1}{2}SE\frac{1}{4}$
 $SE\frac{1}{2}SW\frac{1}{2}$
 $NE\frac{1}{2}SW\frac{1}{2}$ except $NW\frac{1}{2}NW\frac{1}{2}NE\frac{1}{2}SW\frac{1}{2}$
 $S\frac{1}{2}NE\frac{1}{2}NW\frac{1}{2}SW\frac{1}{2}$
 $SE\frac{1}{2}NW\frac{1}{2}SW\frac{1}{2}$
 $E\frac{1}{2}SW\frac{1}{2}SW\frac{1}{2}$

Section 24 - $N\frac{1}{2}NE\frac{1}{2}NW\frac{1}{2}$
 $N\frac{1}{2}NE\frac{1}{2}NE\frac{1}{2}NW\frac{1}{2}$
 $SW\frac{1}{2}NE\frac{1}{2}NE\frac{1}{2}NW\frac{1}{2}$
 $NE\frac{1}{2}NW\frac{1}{2}NW\frac{1}{2}$
 $E\frac{1}{2}SW\frac{1}{2}NE\frac{1}{2}NW\frac{1}{2}$
 $SE\frac{1}{2}NW\frac{1}{2}NW\frac{1}{2}$
 $W\frac{1}{2}SW\frac{1}{2}NE\frac{1}{2}NW\frac{1}{2}$
 $NE\frac{1}{2}NW\frac{1}{2}SW\frac{1}{2}NW\frac{1}{2}$
 $NW\frac{1}{2}NE\frac{1}{2}SW\frac{1}{2}NW\frac{1}{2}$

containing 230.00 acres, more or less;

excepting however, that portion of the aforesaid property described as:

(See page 2 of this exhibit)

cont'd.

EXHIBIT A
TO
INDENTURE OF LEASE AGREEMENT BETWEEN
YAVAPAI COUNTY, ARIZONA AND SEDONA-
OAK CREEK AIRPORT AUTHORITY

BEGINNING at the Quarter corner common to Sections 13 and 24, Township 17 North, Range 5 East, Gila and Salt River Base and Meridian, Yavapai County, Arizona; thence North 20°25'10" West for 1976.03 feet to the true point of beginning of this description; thence North 25°44' West for 239.94 feet; thence North 24°17' East for 36.20 feet; thence North 55°08' East for 171.48 feet; thence North 58°28' East for 311.26 feet; thence North 84°26' East for 553.61 feet; thence South 9°28' East for 468.97 feet; thence South 81°20' West for 434.37 feet; thence South 86°00' West for 516.45 feet to the point of beginning of this description.

This parcel contains 9.887 acres more or less.

EXHIBIT B

TO

INDENTURE OF LEASE AGREEMENT BETWEEN
YAVAPAI COUNTY, ARIZONA AND SEDONA -
OAK CREEK AIRPORT AUTHORITY

This is Exhibit B referred to as Item B in Article I
on Page 2 of the said agreement:

The buildings, structures and improvements situated upon
the real property described in Exhibit A are:

Office building, frame (gas shack), 12 feet by 24 feet.

Storage shed, metal, 12 feet by 17 feet.

Hangar, concrete block, 42 feet by 32 feet, 6 inches.

Pump house, frame (insulated), 6 feet by 8 feet.

Underground gasoline storage tanks, 2 (one of 8,000 gallons
capacity and the other of 8,000 gallons capacity).

End of this Exhibit

EXHIBIT C

TO

INDENTURE OF LEASE AGREEMENT BETWEEN
YAVAPAI COUNTY, ARIZONA AND SEDONA-
OAK CREEK AIRPORT AUTHORITY

This is Exhibit C referred to as Item C in Article I of
Page 2 of the said Agreement;

The following personal property is situated upon the real
property described in Exhibit A and is included within this lease:

Gasoline pumps (2), Tokheim, Model 45-H, Serial Nos.
45-10512 and 45-10505

Sta-rite Booster water pump (Masonic Temple), Model C48LZE11A3,
~~EE, XX, 88, 66, 11, 00, 99, 88, 77, 66, 55, 44, 33, 22, 11~~ Serial No. E66

Narco Radio Telephone, Model VTGR-2A, Serial No.
09HNO, 1951

Tie down cable, 1270 feet

Tie down chains, approximately 20 sets

Gas Heater, Peerless, Model 7805A, Serial No. 149499

Metal folding chairs (4)

Air Compressor, Dewease, Serial No. S106059, (Not in
working order)

Small wooden desks (2)

Metal garden type chairs (2)

Ratan Sectional chairs (2)

Book shelf

Fifteen gallon garbage can

Water tank, Medalist, Model 11, Serial Number 136629

Aluminum step ladder

3,724 gallons 80 octane fuel

4,050 gallons 100 octane fuel

116 quarts of oil

Steel service cabinet (1)

End of this Exhibit

SUPPLEMENTAL AGREEMENT NO. 2

This Supplemental Agreement No. 2 entered as of the 15th day of April, 1990, by and between Yavapai County, a political subdivision of the State of Arizona, hereinafter "County" and the Sedona-Oak Creek Airport Authority, a nonprofit Arizona corporation, hereinafter "Authority" witnesseth that:

WHEREAS, an agreement for the lease of certain properties for airport purposes was made January 18, 1971, and a supplemental agreement modifying the terms of the original agreement was made on April 27, 1981 as recorded in Book 1734, page 744 et seq. in the office of the Yavapai County Recorder; and

WHEREAS, the Authority desires that the Board of Supervisors of the county have the right to approve or disapprove candidates nominated as a member or Director of the Authority; and

WHEREAS, participation of the County in the appointment process will clarify the status of the Board of Directors of the Authority as a public body.

NOW, THEREFORE, IT IS AGREED as follows:

1. The current members and Directors of the Authority as listed on Exhibit A hereto are approved by the County to serve as members and Directors, respectively, during their remaining terms.

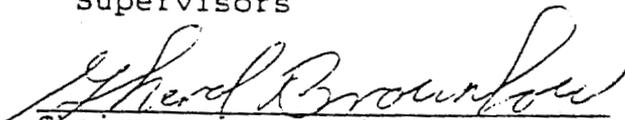
2. No person may be elected to membership unless approved by the Board of Supervisors to be a member. No member may be elected or re-elected to the Board of Directors unless approved by the Board of Supervisors to serve as a Director. Approval may be made in advance of the election. The County Board of Supervisors shall review and pass upon all lists of possible nominees for members and Directors submitted by the Authority for election and shall promptly approve or disapprove each name so submitted. If the Board of Supervisors does not respond to a submitted list or to any name on a submitted list within thirty days, such list of names shall be deemed approved without any further action by the Board of Supervisors. The Board of supervisors may prepare its own list of, or add to a submitted list, one or more persons approved to be elected and serve as members and deliver such list to the Authority. Biographical information on each candidate shall be made available upon request.

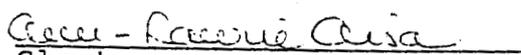
3. The Authority shall be considered a public body pursuant to A.R.S. § 38-431(5) and shall comply with all Arizona laws concerning public bodies including public meeting and public record statutes.

DATED as of April 15, 1990.

Yavapai County Board of
Supervisors

Attest:

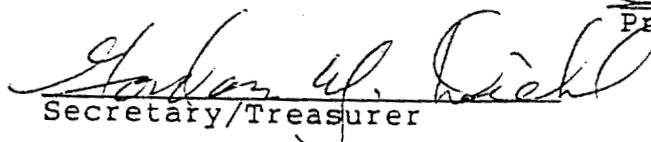

Chairman


Clerk

Sedona-Oak Creek Airport
Authority

Attest:


President


Secretary/Treasurer

THIS LEASE, made and entered into by and between
SEDONA ARIZONA AIRPORT SERVICES, INC. skydance corporation,
hereinafter called "Lessor" and ~~SUNSHINE~~ HELICOPTERS
INC. hereinafter called "Lessee",

TERM AND OPTION TO RENEW. This lease shall be for a
term commencing on the 1 day of MARCH 1994 through
FEBRUARY 28, 1996.

RENTS AND OTHER OBLIGATIONS. Lessee shall pay as rent
to Lessor the following specified minimum monthly rents, which
shall be paid in advance on or before the first day of each
calendar month during the term of this lease. Rents shall be
paid to Lessor at the address specified in this lease for giving
notice to Lessor..

RENT SHALL BE \$ 325.00 PER MONTH FOR AREA
INDICATED ON ATTACHED EXHIBIT. AND THE USE OF
ONE (1) HELICOPTER PAD.

RENTAL ON FIRST ANNIVERSARY WILL BE INCREASED
BY C.P.I AS INDICATED BY SEDONA AIRPORT AUTHORITY

for
M.C.

USES AND QUIET ENJOYMENT.

CONDUCT TOURIST AERIAL TOURS.

UTILITY CHARGES. Lessee shall pay for the cost of all utilities used and located on the leased facilities, as well as the installation, upkeep and repair thereof, insofar as it is not provided by the utility companies.

APPURTENANT PRIVILEGES. Lessee and Lessee's customers are hereby granted the nonexclusive use of all airport facilities and improvements of a public nature which are now or may be hereafter connected with or appurtenant to the Airport, including, but not limited to, the use of landing areas, runways, taxiways, aircraft and automobile parking areas, roadways, aprons, ramps and the use of navigational aids and terminal facilities.

OPERATING PROCEDURES. It is understood and agreed that the uses permitted and the facilities and services allowed under this lease are to serve the general public. Lessee shall operate and manage the services and facilities which it offers to the public in a competent and efficient manner at least comparable to other operations of a similar type. Lessee shall be fully responsible to Lessor for management and control of all such activities.

B D
T.C.

Lessee shall be responsible for the appearance of the premises and shall at all times keep and maintain the premises and all improvements situated thereon in good condition and in substantial repair. Lessee shall take all steps necessary or appropriate so as to maintain the premises in a neat, orderly, safe, clean and sanitary condition, and in compliance with all applicable rules, regulations, ordinances or laws. Lessee shall provide proper containers for trash, garbage and waste and shall keep the premises free and clear of rubbish and litter to the satisfaction of the Airport Manager. Lessor reserves the right for its agents or employees to enter upon and inspect the premises at any and all reasonable times to ascertain whether the above-described standards are maintained.

In the event Lessee fails to make repairs or replacements to any improvements as required herein within thirty (30) days after written notice of such, Lessor may make such repair or replacement and Lessee shall pay the cost thereof, (including, but not limited to, the cost of labor, material, and equipment) within ten (10) days of receipt of statement of such costs from Lessor.

INSURANCE AND INDEMNIFICATION.

General. Lessee shall procure and maintain public liability, property damage, and fire and casualty insurance for the leased property, the buildings and improvements placed thereon, and the activities conducted thereon. The insurance shall provide coverage against loss, damage or liability by reason of fire, accident, damage, casualty or other common perils, as Lessor and Lessee in their mutual discretion may deem to be necessary, subject to the minimum coverages

The insurance policies shall be written only with such company or companies that are authorized to do business within the State of Arizona and which are acceptable to Lessor. All policies shall be written in the name of the Lessee and shall include the Lessor and the County of Yavapai, as additional named insureds for the mutual benefit of such parties' respective interests. Lessee shall pay all premiums for such insurance and shall furnish Lessor with certificates of such insurance.

Minimum Coverages. Lessee shall provide minimum insurance coverage of not less than the following amounts:

a. Liability:

Bodily Injury- \$1,000,000.00 each occurrence
Property Damage

b. Fire and Casualty:

have the right to terminate this lease, in whole or in part, upon the occurrence of any of the following events:

a. Lessee's failure to pay the required rents when due. However, Lessee is given a thirty (30) day grace period in which to cure such default from the date the rent became due or after any dispute is resolved or a determination is made as to the amount of rents actually due as provided for herein.

b. The insolvency of Lessee, the filing by the Lessee of any bankruptcy petition, the final adjudication of bankruptcy against the Lessee, the making of any transfer or general assignment for the benefit of creditors which has not been previously authorized by the Lessor or the appointment of any trustee, receiver or liquidator of Lessee's assets.

c. The failure of the Lessee to substantially perform, keep or observe any of the material terms, covenants and conditions under this lease prior to the expiration of a period of not less than sixty (60) days after written notice from Lessor to cure or correct such deficiency of default.

d. Any act which operates to deprive the Lessee permanently of the rights, powers and privileges necessary for the proper conduct of the Lessee's business on the premises.

e. The abandonment of the leased premises. Should this occur, the Lessor shall not be held responsible for the custodial protection of merchandise, fixtures or equipment abandoned, even though it is necessary for the Lessor to remove same for storage or disposal from the leased premises.

f. In the event the premises are needed by the United States Government for national defense or other public purposes subject to Lessee's claims and rights under the law for such taking.

Termination Procedures. In the event of Lessee's default, substantial nonperformance

a. Lessor shall give Lessee writte notice specifying the particulars of the alleged default and specifying the period of time in which such default may be cured or corrected.

b. Within fifteen (15) days after service of such notice, Lessee may, by written notice, request that the alleged default be submitted to arbitration

c. If Lessee does not exercise its option to arbitrate and Lessee fails to cure such default within the period of time allowed to cure, or, any extensions thereof, Lessor shall notify the Lessee in writing of the effective date of termination and specify the particulars regarding the rights and responsibilities of the Lessee and the Lessor.

to arbitration and the alleged default is upheld and not cured by Lessee within the time period allowed to do so, Lessor may, within a reasonable period of time thereafter, grant Lessee additional time within which to remedy or cure the default or notify Lessee of the effective date of termination of the lease and specify any particulars regarding the rights and responsibilities of the Lessee and Lessor.

Rights After Termination.

a. Upon the termination of this lease for any reason, Lessor shall have the right (unless otherwise specified in the termination notice) to immediately reenter without further notice to Lessee, take possession of the premises occupied by Lessee, expel and remove any and all parties who may occupy any portion of the premises, and remove any and all goods and chattels belonging to Lessee and others associated with Lessee which may be found in or upon such premises.

b. Upon such termination, all rights, powers and privileges of Lessee shall cease and Lessee shall immediately vacate any and all spaces occupied by it under this lease.

c. In connection with any termination of this lease, Lessor agrees it will honor and recognize any valid and existing sublease made by Lessee with third persons which has been approved in writing by Lessor at the time said sublease was entered into.

d. Upon termination for Lessee's default, Lessee shall forfeit all interest in the premises and the buildings, structures and improvements situated thereon, any further rents shall cease and Lessee shall not be subject to any claims for future or expected rents or other damages as a result of such termination. If the termination is through no fault of or beyond the Lessee's control, then Lessee shall be entitled to have monies which have been prepaid or advanced to Lessor predicated on occupancy of the premises to the end of the lease term, if any, refunded by Lessor.

e. Upon termination of this lease, Lessee shall be permitted to remove all trade fixtures, equipment and other personal property lawfully owned by Lessee in such manner and such time as agreed upon by the parties hereto. Lessor and Lessee shall negotiate for the expeditious removal of Lessee's trade fixtures, equipment and personal property. However, Lessor shall, at its option, have the right to remove the same, place such in storage at the expense of Lessee, restore the premises to a satisfactory condition, and hold Lessee liable for all costs incident thereto. Lessor shall not be liable for any loss or damage by reason of the removal or custodial care of such property.

ASSIGNMENT AND SUBLEASES.

Lessee shall not transfer, assign or sublease the premises or any part thereof without the prior written consent of Lessor, which consent shall not be unreasonably withheld. However, Lessee shall have the right to assign this lease to a corporation principally owned, controlled and managed by Lessee.

COMPLIANCE WITH FEDERAL, STATE AND LOCAL LAW. The Lessor and Lessee shall each comply at their own cost and expense with all federal, state, county or local laws, orders, ordinances, rules or regulations, now or hereafter in force, which may be applicable to the Lessee in its operations at the Airport and to the Lessor as to the facilities and property not leased but whose use is guaranteed to Lessee.

CO-PARTNERSHIP DISCLAIMER. It is mutually understood and agreed that nothing in this lease is intended or shall be construed in any way as creating or establishing the relationship of co-partners or a joint venture between the parties hereto, or as constituting the Lessee as an agent or representative of the Lessor for any purpose or in any manner whatsoever.

PROHIBITION AGAINST DISCRIMINATION. The Lessee, in providing goods and services to the public under this lease, shall not in any way discriminate against or segregate persons because of race, color, religion, national origin or place of residence, and will comply with regulations relating to such discrimination or segregation established by the Lessor for the operation of the Airport.

RIGHT OF ENTRY. The Lessor shall be permitted to enter and inspect the premises upon giving reasonable notice and at reasonable times with respect to the maintenance of the premises and proper conduct of Lessee's business.

WAIVER OF PERFORMANCE. Failure of the Lessor to insist in one or more instances upon strict performance by the Lessee of any provisions, term, covenants, reservation, condition or stipulation contained in this lease shall not be construed as a waiver or relinquishment thereof as to any future breach of the same or any other term, but the same shall continue and remain in full force and effect. No waiver by the Lessor of any provisions, term, covenant, reservations, condition or stipulation hereof shall be deemed to have been made in any instance unless specifically expressed in writing by the Lessor as an amendment to this lease. The acceptance of any rental payment or portion thereof shall not be construed to be a waiver of any breach by Lessee of any other term, covenant or condition of this lease.

ARBITRATION OF DISPUTES. Any dispute, controversy or claim arising out of or relating to this lease which is not disposed of by agreement between the parties hereto, may be decided by arbitration. Either party may elect to have a dispute submitted to arbitration in accordance with the Arizona Arbitration Act (A.R.S. §12-1501 et. seq.) by giving written notice of such election to the other party. Pending final decision of any dispute, the parties shall proceed diligently with the performance of the lease. The arbitration of any disagreement shall be submitted to three (3) arbitrators, one to be appointed by each party, and the third to be appointed by the two appointed by the parties. A written decision signed by any two of the arbitrators shall be binding.

LEASE SUBORDINATED TO EXISTING FEDERAL COMMITMENTS, COUNTY LEASE, AND SUBJECT TO APPLICABLE LAWS. This lease is subordinate and subject to the provisions of existing agreements and leases between Lessor and the County of Yavapai, State of Arizona, and the United States of America, and all applicable county, state and federal laws, orders rules or regulations now or hereafter in effect.

LESSOR'S APPROVAL. Wherever the approval of the Lessor is required, such approval shall not be unreasonably or arbitrarily withheld.

NOTICES. Any notice, request, demand or other communication required or desired to be given in connection with this lease shall be deemed served and fully given if delivered in person or sent by certified mail, postage prepaid, addressed as follows:

LESSOR: SEDONA ARIZONA AIRPORT SERVICES INC.
1225 AIRPORT ROAD SUITE #1
Sedona, Arizona 86336

LESSEE: SKYDANCE HELICOPTER INC.
1915 ~~1935~~ N MARSHALL AVE. SUITE 205
EL CAJON, CALIFORNIA 92020

A new or different address may hereafter be specified by written notice to the other party. Any period of time provided for herein shall commence to run as of the date such notice is personally delivered or when deposited into the mails - as evidenced by the certified mail postal receipt.

FEDERAL AVIATION ADMINISTRATION REQUIREMENTS. In the event there is any conflict between the provisions in this clause and the other provisions in this lease, the provisions in this clause shall take precedence.

a. The Lessee and Lessee's heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, do hereby covenant and agree as a covenant running with the land, that in the event facilities are constructed, maintained, or otherwise operated on the said property described in this lease, for a purpose for which a DOT program or activity is extended, or for another purpose involving the provision of similar service or benefits, Lessee shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to Title 49, Code of Federal Regulations, DOT, 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.

b. The Lessee and Lessee's heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, do hereby covenant and agree as a covenant running with the land that: (1) no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities; (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 or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subject to discrimination; (3) that the Lessee shall use the 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-Execution of Title VI of the Civil Rights Act of 1964, and as said Regulation may be amended.

c. That in the event of breach of any of the above nondiscrimination covenants by the named Lessee, Lessor shall have the right to terminate this lease and to reenter and repossess said land and the facilities thereon, and hold the same as if this lease had never been made or issued. This provisions does not become effective until the procedures of 49 CFR Part 21 are followed and completed, including expiration of appeal rights.

d. Lessee shall furnish its accommodations and/or services on a fair, equal and not unjustly discriminatory basis to all users thereof and it shall charge fair, reasonable and not unjustly discriminatory prices for each unit or service; PROVIDED, that the Lessee may be allowed to make reasonable and nondiscriminatory discounts, rebates or other similar type of price reductions to volume purchasers or users.

e. Noncompliance with Provision (d) above shall constitute a material breach thereof and in the event of such noncompliance Lessor shall have the right to terminate this lease and the estate hereby created without liability therefor or at the election of the Lessor or the United States either or both said governments shall have the right to judicially enforce provisions.

f. Lessee agrees to insert the above five (5) provisions in any sublease by which said Lessee grants a right or privilege to any person, firm or corporation to render accommodations and/or services to the public on the premises herein leased.

g. 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, or sex be excluded from participating in any employment activities

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 programs and that they will require assurance from their suborganizations, as required by 14 CFR Part 152, Subpart E, to the same effect.

h. Lessor reserves the right to further develop or improve the landing area of the Airport as it sees fit, regardless of the desires or view of Lessee, and without interference or hindrance, provided such improvements do not create a hazard to Lessee.

i. Lessor reserves the right, but shall not be obligated to Lessee, to maintain and keep in repair the landing area of the Airport and all publicly-owned facilities of the Airport, together with the right to direct and control all activities of Lessee in this regard.

j. This lease shall be subordinate to the provisions and requirements of any existing or future agreement between Lessor and the United States, relative to the development, operation or maintenance of the Airport.

k. Lessee agrees to comply with the notification and review requirements covered in Part 77 of the Federal Aviation Regulations in the event any future structure or building is planned for the leased premises, or in the event of any planned modification or alteration of any present or future building or structure situated on the leased premises.

l. It is understood and agreed that nothing herein contained shall be construed to grant or authorize the granting of an exclusive right within the meaning of Section 308 of the Federal Aviation Act.

m. There is hereby reserved to Lessor, 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 herein leased. This public right of flight shall include the right to cause in said airspace any noise inherent in the operation of any aircraft used for navigation or flight through the said airspace or landing at, taking off from, or operation on the Airport.

n. Lessee shall not erect nor permit the erection of any structure or object nor permit the growth of any tree on the land leased hereunder at any elevation on the land leased that conflicts with Part 77 of the Federal Aviation Regulations. In the event that aforesaid covenants are breached, Lessor reserves the right to enter upon the land leased hereunder and to remove the offending structure or object and cut the offending tree, all of which shall be at the expense of Lessee.

o. Lessee shall not make use of the leased premises in any manner which might interfere with the landing and taking off of aircraft from the Airport or otherwise constitute a hazard. In the event the aforesaid covenant is breached, Lessor reserves the right to enter upon the premises hereby leased and abate such interference at the expense of Lessee.

p. This lease 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 uses of the Airport by the United States during the time of war or national emergency.

REQUIRED PROVISIONS DEEMED INSERTED. Each and every provision of law and clause required by law to be inserted in this agreement shall be deemed to be inserted herein and the agreement shall be read and enforced as though it were included herein, and if through mistake or otherwise any such provision is not inserted, or is not correctly inserted, then, upon the application of either party, the agreement shall forthwith be physically amended to make such insertion or correction. Lessee shall not, however, have any obligation for provisions of which it had no actual notice.

EMINENT DOMAIN. If the whole or any part of the premises is condemned or taken under eminent domain by any public authority other than Lessor, Lessee shall be entitled to a portion of the total compensation paid therefor equivalent to the proportionate value for the buildings, structures and improvements placed upon the premises by Lessee and Lessee's loss of the use thereof in relation to the total value of the property so condemned or taken. If only part of the premises are condemned and the taking of that part does not substantially impair the continued use of the remainder of the premises, then this lease shall continue. However, if such taking substantially impairs the continued uses and operation of Lessee's business in the premises, then Lessee shall have the option to terminate this lease and be absolved of all obligations hereunder or to continue to occupy the remainder of the premises under the terms of this lease or such other terms as the parties hereto may then agree, with proportionate abatement of the minimum monthly rents for the portion of the premises so taken. Lessee shall give Lessor written notice of Lessee's election within thirty days after the date the public entity takes possession of the portion condemned.

FORCE MAJEURE. If either party hereto shall be delayed or prevented from the performance of any act required hereunder by reason of acts of God, restrictive governmental laws or regulations, or other cause without fault and beyond the control of the party obligated (financial inability excepted), performance of such act shall be excused for the period of the delay; and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay.

However, nothing in this clause shall excuse Lessee from the prompt payment of any rental or other charge required of Lessee, except as may be expressly provided elsewhere in this lease.

HOLDING OVER. If Lessee holds over after the term herein granted, such holding shall be deemed to be a tenancy from month to month and shall be governed by the terms, conditions, and covenants contained in this lease.

AMENDMENTS. This lease sets forth all of the agreements and understandings of the parties and any modification hereof must be written.

SURRENDER OF POSSESSION. As of the date this lease expires, or is terminated for cause by Lessor, Lessee shall peaceably surrender the premises to Lessor in good condition and repair in all respects, reasonable wear and tear excepted.

INVALID PROVISIONS. In the event any covenant or provision herein contained is held to be invalid by any court of competent jurisdiction, the invalidity of any such covenant, condition or provision shall in no way affect any other covenant, condition or provision herein contained, provided that the invalidity of any such covenant, condition or provision does not materially prejudice either Lessor or Lessee in its respective rights and obligations contained in the valid covenants, conditions or provisions of this agreement.

ATTORNEY'S FEES. If either party to this lease institutes legal action or initiates default or termination procedures as provided for herein to enforce the terms hereof, the party that obtains judgment or that is successful in such proceedings shall be entitled to recover the reasonable attorney's fees and costs of suit incurred in connection therewith from the other party.

TIME OF THE ESSENCE AND BINDING EFFECT. Time is of the essence as to each and every provision, term, covenant or condition in this lease, which shall inure to the benefit of and be binding upon the parties hereto, their heirs, devisees, personal representatives, successors in interest and permitted assigns.

DEPOSIT

SECURITY DEPOSIT IN THE AMOUNT OF \$ 325.00 SHALL BE MADE ON DATE OF SIGNING. DEPOSIT SHALL BE RETURNED AT EXPIRATION OF LEASE

GASOLINE PURCHASES

IN CONSIDERATION OF THIS LEASE BY LESSOR, TO LESSEE, THE LESSOR SHALL BE THE SOLE AND EXCLUSIVE PROVIDER OF FUEL TO LESSEE. FUEL PURCHASES APPLY ONLY TO FUEL PURCHASED AT SEDONA AIRPORT BY LESSEE. THIS PROVISION IS AN INTEGRAL PART OF THE LEASE AND LESSEE'S FAILURE TO COMPLY WITH THE TERMS SHALL BE DEEMED A VIOLATION OF THE LEASE AND MAY BE CANCELLED BY LESSOR.

PAYMENTS

ALL PAYMENT FOR RENT AND GASOLINE PURCHASES ARE DUE ON FIRST OF EACH MONTH.

BJB.
M.C.

IN WITNESS WHEREOF, THE PARTIES HERETO
EXECUTE THIS LEASE THIS 22 DAY OF
February 1994

LESSOR: SEDONA ARIZONA AIRPORT SERVICES, INC

BY Burt B.
PRESIDENT

LESSEE: Skydance Helicopters, Inc.

BY [Signature]
Secretary

GUARANTY

WE THE UNDERSIGNED JOINTLY AND SEVERALLY
GUARANTEE THIS LEASE AND SHALL BE PERSONALLY
LIABLE FOR ALL PAYMENTS THEREIN

[Signature]

[Signature]

SKYDANCE

1225 Airport Rd. Suite 5
Sedona, AZ 86336

Phone: (602) 282-1651
Fax: (602) 282-3004

HELICOPTERS

Mr. Burt Blum
730 Oakmount Ave., Apt. 108
Las Vegas, N.V. 89109.

5-2-94

Dear Mr. Blum

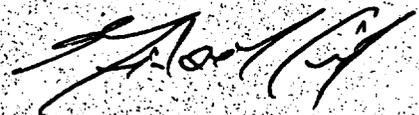
We would like your permission to make the following improvements by the heli-pad area for safety considerations:

Proposal A: A border on the west side of the gravel to separate the heli-pads from the walkway with 3' foot high posts 10' apart.

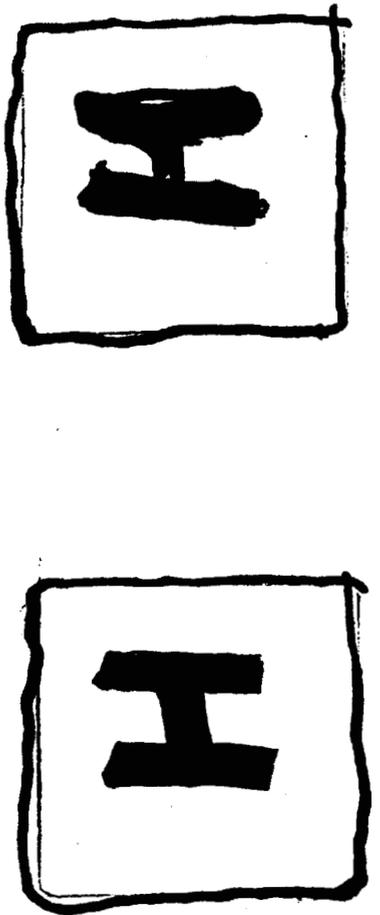
Proposal B: A white pickett fence 3' high, 20' by 36' for passengers safety during loading and unloading.

If this meets with your approval, if you would please fax this letter back with your O.K. signed and Jack La Baron will permit us to go ahead. Thank you.

Yours sincerely,



Michael Cain



PROPOSAL
A
↑

3 FT POSTS

ROPE

EXISTING WALKWAY

PROPOSAL

B
↑

WALKWAY

37 FT.

GATE

WAITING AREA

WHITE PICKETT FENCE

20 FT.

Sedona Airport

146 P01

Sedona Airport Administration
P.O. BOX 1053, SEDONA, ARIZONA 86319, 602-982-1487

FAX 204-1292

MAY 6, 1994

Skydance Helicopters
Mike Cain

Your request to improve the passenger
waiting area and your concern for their
safety is approved. Thank

Jack DeBaron
Airport Manager

SKYDANCE



1225 Airport Rd., Suite 5
Sedona, AZ 86336

Phone: (800) 882-1651
(520) 282-1651
Fax: (520) 282-3004

HELICOPTERS

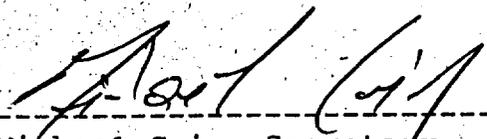
Sedona Airport Administration
235 Air Terminal Dr., Suite 1
Sedona, A.Z. 86336.
Attention: Airport Manager

3-31-97

Dear Sir

Skydance Helicopters, Inc. as lessee, serves notice that the building, hangar, hangar pad or tie down space lease with the Sedona Airport Administration dated 3-31-97 is being entered into under protest as defined by PARA 1.16, DOT Final Policy regarding Airport Rates and Charges, Federal Register Vol. 61, No.12, June 21, 1996.

Signed in Sedona, A.Z. this 31st day of March, 1997.



Michael Cain, Secretary.
Skydance Helicopters, Inc.

**BUILDING, HANGAR, HANGAR PAD OR TIE-DOWN SPACE LEASE
SEDONA AIRPORT**

THIS LEASE (the "Lease"), is made and entered into as of the 25TH day of APRIL, 1997 (the "Lease Date") by and between the SEDONA-OAK CREEK AIRPORT AUTHORITY, also known as SEDONA AIRPORT ADMINISTRATION, a non-profit corporation (hereinafter referred to as "Lessor"), and the Lessee defined below.

In consideration of the mutual covenants contained herein, and for other good and valuable consideration, the parties hereby agree as follows:

1. BASIC LEASE INFORMATION AND DEFINED TERMS.

1.1 **Airport.** Sedona Airport, Yavapai County, Arizona.

1.2 **Basic Rent.** Eight Thousand-Seventy Four and 92/100 Dollars (\$8074.92) per annum, payable in twelve equal monthly increments, subject to escalation as described at Exhibit B attached hereto.

1.3 **Building.** Hangar building space or office space known as Space A of approximately 192.26 square feet located in the Commercial Activities Building on the Airport, as depicted at Exhibit A attached hereto.

1.4 **Lessee's Percentage.** 15.7 %, the ratio that the square footage of the Premises bears to the square footage of the Building, if such Premises are less than 100% (for purposes of determining Lessee's share of building utility costs).

1.5 **Airport Use Fee or Permit.** An additional fee of \$1,000.00 per month is assessed for conducting a commercial activity at, to, from the Sedona Airport.

1.6 **Exclusive Use. Reserved Aircraft Parking Space(s).** An additional fee of \$100.00 per month is assessed for parking up to two aircraft on exclusive use, reserved aircraft parking spaces.

1.7 **Commencement Date.** April 1, 1997.

1.8 **Expiration Date.** March 31, 1999.

1.9 **Lessee.** Michael Cain

1.10 Lessor. SEDONA OAK CREEK AIRPORT AUTHORITY, also known as SEDONA AIRPORT ADMINISTRATION.

1.11 Notices.

Lessor: Sedona Airport Administration
235 Air Terminal Drive, Unit #1
Sedona, AZ 86336
Attention: Airport Manager

Lessee: Skydance Helicopters, Inc.
1225 Airport Road, #5
Sedona, AZ 86336

1.12 Security Deposit. Waived Dollars (\$_____).

1.13 Lease Period. Twenty-Four (24) months.

1.14 Lessee Occupancy At Conclusion of Initial Term. This lease agreement and Lessee occupancy of stated premises after the conclusion of the initial term stated in Section 1.13 above, or any extension granted, can continue on a month-to-month basis unless Lessee is informed in writing by Lessor not less than sixty (60) days prior to the conclusion of the initial term of Lessor's intention to either terminate Lessee's occupancy or to negotiate a subsequent lease of a specified term. The terms and conditions of the initial lease will remain in effect for the month-to-month Lessee occupancy. Basic Rent and any applicable and appropriate additional rent/fee/charge will remain the same for continued month-to-month occupancy for a period not to exceed ninety (90) days.

1.15 Lease Extension. This lease may be extended by mutual agreement, for a single, additional period of twenty-four months, from April 1, 1999 through March 31, 2001. Said extension shall be on the same terms and conditions as herein stated, except as to rents, which shall be fixed at Lessor's discretion for renting the lease premises at the time the extension is granted. Said extension may be applied for by written request thereof given by Lessee to Lessor not more than sixty days prior to expiration of initial lease period.

2. PREMISES.

2.1 Lease of Premises. Lessor hereby leases to Lessee and Lessee hereby leases from Lessor and takes possession of the Premises for the period and upon all of the terms, conditions, covenants and agreements hereinafter provided.

2.2 Use of Premises.

2.2.1 Lessee may use the stated Premises for the sole purposes as stated at Exhibit C. Lessee shall control the conduct and demeanor of its agents, officers, representatives, employees, guests and invitees, and of those doing business with it, on, from and around the Premises, and shall take all steps necessary to remove persons whom Lessor may for good and sufficient cause deem objectionable.

2.2.2 No persons shall be permitted to live or sleep overnight in or on the Premises.

2.2.3 Vehicles shall be parked only in designated parking areas designated by Lessor, or as otherwise allowed on a temporary basis.

2.2.4 Lessee's rights hereunder are subject to the express limitations contained herein and the lawful rights and powers of all governmental authorities having jurisdiction. In addition to the limitations stated elsewhere in this Lease, Lessee shall not use the Premises, or allow the Premises to be used, in any manner that would constitute waste, nuisance, or unreasonable annoyance to Lessor or any other tenant, occupant or user of the Airport.

2.2.5 Items of personal property other than allowed under Section 2.2.1, must be approved in writing by Lessor.

2.3 Quiet Enjoyment. Upon payment by Lessee of the rent herein provided, and upon the observance and performance of all the covenants, terms and conditions on Lessee's part to be observed and performed hereunder, Lessee shall have the right to peaceably and quietly use and enjoy the Premises for the period without hindrance or interruption by Lessor or any other person or persons lawfully or equitably claiming by, through or under Lessor.

2.4 Inspection. Lessee acknowledges that Lessor has the right to inspect the Premises. Accordingly, upon reasonable prior notice to Lessee, Lessor and Lessor's agents shall have the right to enter the Premises during regular business hours for the purpose of inspecting the same or for such other purposes as Lessor may in good faith determine. Lessor shall make a reasonable effort not to interfere with the normal conduct of Lessee or unnecessarily disturb Lessee's property and belongings on the Premises. Lessee shall establish procedures so that in an emergency threatening Lessor's property or any property of another, or threatening substantial damages to Lessor's interest as Lessor, Lessor may gain admittance to the Premises at all hours. Lessee agrees to have available to Lessor, at reasonable times and upon reasonable notice, a representative who may, at Lessee's election, accompany Lessor's representative during Lessor's exercise of its right of entry and access. Lessee will provide to Lessor lock keys or combination number for Lessor's use for inspection or emergency access.

2.5 Airport Functions.

2.5.1 Lessor shall have the right, but shall not be obligated to Lessee, to maintain and keep in repair the landing area (which shall include, without limitation, the runway, taxiway, and apron areas) of the Airport and all publicly-owned facilities of the Airport, together with the right to direct and control all activities of Lessee in this regard. Lessor shall have the right to further develop or improve the landing area of the Airport or any other facility or function of the Airport as it sees fit, and Lessee shall be prohibited from interfering with or hindering such development or improvement. Lessor retains the right and power to perform all conditions and obligations required of it by i) any authorized agency of the United States, including, but not limited to, the United States Department of Transportation ("DOT") and the United States Federal Aviation Administration ("FAA"), ii) any authorized agency of the State of Arizona, iii) the airport grant assurances contained in agreements with the FAA or the State of Arizona, or iv) any Federal, State, or local law, ordinance, or regulation. Lessee shall not interfere with the exercise of such rights by Lessor or Lessor's performance of such conditions and obligations.

2.5.2 There is hereby reserved to Lessor, its designees, 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. This public right of flight shall include the right to cause in said airspace any noise inherent in the operation of any aircraft used for navigation or flight through the said airspace or for landing at, taking off from, or operation on, the Airport.

2.5.3 It is understood and agreed that nothing herein contained shall be construed to grant to Lessee or authorize the granting of an exclusive right in violation of 49 U.S.C. 40103(e) of the Federal Aviation Act.

2.5.4 This Lease 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 a time of war or national emergency.

2.5.5 Lessor shall in no event be liable in damages or otherwise, nor shall Lessee be released from any obligations hereunder, because of the interruption of any service, or a termination, interruption or disturbance, attributable to strike, lockout, accident, war or other emergency, law, order, rule or regulation of or by any governmental authority (including but not limited to grant assurances and airport compliance requirements issued by the FAA), failure of supply, inability to obtain supplies, parts or employees, or any cause beyond Lessor's reasonable control, or any cause due to any act or neglect of Lessee or its agents, officers, representatives, employees, guests, invitees, or any person claiming by, through or under Lessee.

2.6 Condition of Premises. By execution of this Lease, Lessee shall be deemed to have accepted the Premises in an "AS IS" condition. Lessee represents and warrants that it has satisfied itself, by its own investigation and research, regarding all physical conditions affecting Lessee's

use and enjoyment of the Premises, Lessee further represents and warrants that it has had the advice of such independent professional consultants and experts as it deems necessary in connection with its investigation of the Premises, has (to the extent it deems necessary) independently investigated the condition of the Premises, including the environmental condition, soils, hydrology and seismology thereof, and the laws and regulations relating to the construction and operation of the intended activities on the Premises, and has not relied upon any statement, representation or warranty of Lessor of any kind or nature in connection with Lessee's decision to execute and deliver this Lease and its agreement to perform the obligations of Lessee hereunder, except as expressly set forth in this Lease.

2.7 Improvements and Alterations.

2.7.1 Lessee agrees not to install any fixture or make any alterations, additions or improvements to the Premises, including the installation of any sign, without the prior written approval of Lessor.

2.7.2 All structures and improvements which Lessee proposes to place on the leased premises must be approved by Lessor, and if so required, the County of Yavapai, prior to installation. The Lessor's consent pertaining to exterior alterations or structural alterations will not be unreasonably withheld. Lessee is responsible for all costs of said improvements and for securing all necessary permits or approvals as may be required by any public agency with jurisdiction relating to said improvements. In making any improvements or alterations which require the Lessor's consent hereunder, Lessee shall supply Lessor with reasonably detailed final plans and specifications of the proposed alterations and the name of the proposed contractor, if any, at least sixty (60) days before the date Lessee proposes to commence alteration.

2.7.3 Lessee, at its sole cost, shall have the right to make, without Lessor's consent, nonstructural alterations to the interior of any structures on the leased premises. In all cases of exterior improvements or alterations to or on the leased premises, LESSOR approval must first be obtained.

2.7.4 Upon the expiration or earlier termination of this Lease, all fixed improvements then existing upon the Premises shall revert to and become the property of Lessor without compensation to, or requirement of consent or act of Lessee, and Lessee shall thereafter have no further rights thereto or interest therein. Upon such expiration or earlier termination of the Lease, Lessee agrees to execute, acknowledge, and deliver to Lessor any instrument reasonably requested by Lessor to carry out the intention of this Section 2.7.4.

2.7.5 If Lessee is not in default upon termination of this lease, lessee may remove all of its equipment and non-fixed improvements provided Lessee restores the premises to a condition equal to or better than the condition of said premises prior to removal. Lessee shall have thirty (30) days from termination of this lease to remove such items. Any items not removed within thirty (30) days will become the sole property of the Lessor.

2.8 Environmental-Compliance. Lessee shall not generate, use, store or dispose of any Hazardous Materials in or about the Premises. Hazardous Materials shall mean (a) "hazardous wastes," as defined by the Resource Conservation and Recovery Act of 1976, as amended from time to time, (b) "hazardous substances," as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time, (c) "toxic substances," as defined by the Toxic Substances Control Act, as amended from time to time, (d) "hazardous materials," as defined by the Hazardous Materials Transportation Act, as amended from time to time, (e) oil or other petroleum products (except in such quantities as may be reasonably necessary for the customary servicing and maintenance of the aircraft resident at the Premises), and (f) any substance whose presence could be detrimental to the building or hazardous to health or the environment. Lessee shall indemnify and hold Lessor and Yavapai County harmless from any and all claims, damages, fines, judgments, penalties, costs, liabilities or losses arising during or after the Term and arising from Lessee's breach of this Section 2.8. The indemnification pursuant to this Section 2.8 shall survive termination of this Lease.

3. LEASE PERIOD.

3.1 Commencement and Expiration Dates. This Lease shall commence on the stated Commencement Date and be for the period through the stated Expiration Date, unless earlier terminated under the terms of this Lease. After the Expiration Date (unless this Lease has been earlier terminated under its terms), this Lease and the period hereof may continue in effect from month to month, subject to the terms of Section 1.14, being automatically renewed after each month, unless notice of termination is given by Lessor or Lessee to the other at least one month in advance of such termination. Upon the giving of such notice, this Lease shall terminate on the date of termination specified in the notice.

3.2 Events Prior to Commencement Date.

3.2.1 Lessee's inability or failure to complete or take occupancy of the Premises shall not delay the Commencement Date or Lessee's obligation to make any payments under this Lease.

3.2.2 Prior to the Commencement Date, Lessee shall pay to Lessor the Security Deposit,

3.2.3 Prior to the Commencement Date, Lessee shall deliver to Lessor certificates or binders evidencing the existence of the insurance required as described in Section 10 of this Lease.

4. RENT.

4.1 Rental Payments. Lessee shall pay Lessor the Basic Rent in equal monthly installments on or before the first day of each calendar month during the lease period, but no later than the tenth day. All sums payable to Lessor under this Lease shall be paid to Lessor, without demand, deduction or offset, in lawful money of the United States of America, which shall be legal tender at the time of payment. Lessor's acceptance of rent after it shall have become due and payable shall not excuse a delay upon any subsequent occasion or constitute a waiver of any of Lessor's rights. Rents will be paid to Lessor at the address set forth for Notices. The Rent for any period between the Commencement Date and the first day of the following month, if such period is less than one (1) month, shall be prorated on a daily basis for the portion of the month involved.

4.2 Late Fee. In the event any payment due is not paid in full within five days after due date, Lessee agrees to pay a late charge of five percent of the payment due. Lessee further agrees to pay a twenty dollar (\$20.00) charge for each dishonored check submitted for any payment due. Any unpaid balance, including late charges, shall bear interest at eighteen percent per annum, or one-and -one half percent per month. Such late charge shall constitute additional rent due hereunder, shall be paid with the next monthly installment of Base Rent coming due hereunder, shall constitute agreed liquidated damages and not penalties, and shall be in addition to, and not in lieu of, all other rights and remedies provided to Lessor in this Lease, at law, or in equity.

5. COMPLIANCE WITH LAW. NONDISCRIMINATION.

5.1 Compliance. Lessee shall comply with this Lease, all applicable federal, state, county or local agreements (including agreements between Lessor and/or Yavapai County and federal, state, county, or local governmental authorities or agencies), laws, rules, regulations, ordinances, grant assurances, airport compliance requirements, and orders of any and all governmental authorities and agencies concerning the Airport or the Premises or the use thereof, including but not limited to the United States Department of Transportation (DOT), United States Federal Aviation Administration (FAA), the United States Environmental Protection Agency (EPA), the Arizona Department of Transportation (A.D.O.T.), and the Arizona Environmental Quality Department (A.D.E.Q.), and shall also comply with any rules of occupancy or airport rules, regulations, or minimum standards issued by Lessor.

5.2 Nondiscrimination. Lessee agrees that: (i) no person on the grounds of race, creed, color, national origin, sex, sexual orientation, age, or handicap shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (ii) in the construction of any improvements on, over or under such land, in providing employment, and in the furnishing of services thereon, no person on the grounds of race, creed, color, national origin, sex, sexual orientation, age, or handicap shall be excluded from participation in, denied the benefits of, or otherwise be subject to discrimination, and (iii) Lessee: shall use the Premises in compliance with all other requirements imposed by or pursuant to 41 C.F.R. Part 60, 49 U.S.C. _306,

49 C.F.R. Part 21, 49 C.F.R. Part 27, or the grant assurances contained in FAA Order 5100.38A as said laws, regulations, or assurances may be amended from time to time.

5.3 Civil Rights. The Lessee assures that it will comply with pertinent statutes, Executive Orders and such rules as are promulgated to assure that no person shall, on the grounds of race, creed, color, national origin, sex, sexual orientation, age, or handicap be excluded from participating in any activity conducted with or benefiting from Federal assistance. This provision obligates the Lessee or its transferee for the period during which Federal assistance is extended to the airport program, except where Federal assistance is to provide, or is in the form of personal property or real property or interest therein or structures or improvements thereon. In these cases, this provision obligates the party or any transferee for the longer of the following periods. (a) the period during which the property is used by the sponsor or any transferee for a purpose for which Federal assistance is extended, or for another purpose involving the provision of similar services or benefits; or (b) the period during which the airport sponsor or any transferee retains ownership or possession of the property.

5.4 Nondiscriminatory Pricing. Lessee shall furnish its accommodations and/or services on a fair, equal and not unjustly discriminatory basis to all users thereof, and it shall charge fair, reasonable and not unjustly discriminatory prices for each unit or service; provided, however, that Lessee may be allowed to make reasonable and nondiscriminatory discounts, rebates or other similar type of price reductions to volume purchasers or users.

5.5 Affirmative Action. Regardless of the applicability of 14 C.F.R. Part 152 to the Airport, Lessee assures that it will undertake an affirmative action program as described in 14 C.F.R. Part 152, Subpart E, to assure that no person shall, on the grounds of race, creed, color, national origin, sex, or sexual orientation be excluded from participating in any employment 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 this subpart. Lessee agrees that in the event facilities are constructed, maintained, or otherwise operated on the said property described in this Lease, for a purpose for which a DOT program or activity is extended, or for another purpose involving the provision of similar service or benefits, Lessee shall maintain and operate such facilities and services in compliance with all requirements imposed pursuant to Title 49, Code of Federal Regulations, DOT, 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, as said regulations may be amended from time to time.

5.6 Affecting Navigable Airspace.

5.6.1 Lessee agrees to comply with the notification and review requirements contained in Part 77 of the Federal Aviation Regulations (14 C.F.R. Part 77) in the event any future structure or building is planned for the Premises, or in the event of any planned modification or alteration of any present or future building or structure situated on the Premises.

5.6.2 Lessee shall not erect, nor permit the erection of, any structure or object, nor permit the growth of any tree, on the Premises above a mean sea level elevation of 4,835 feet at the building restriction line nor at any elevation on the land leased that conflicts with the standards set forth in Part 77 of the Federal Aviation Regulations. In the event that aforesaid covenants are breached, Lessor reserves the right to enter upon the land leased hereunder and to remove the offending structure or object or cut the offending tree, all of which shall be at the expense of Lessee.

5.7 Affecting Aircraft Operations. Lessee shall not use the Premises in any manner which might interfere with the taxiing, landing or taking off of aircraft from the Airport or which may otherwise constitute a hazard. In the event the aforesaid covenant is breached, Lessor reserves the right to enter upon the Premises and abate such interference at the expense of Lessee.

5.8 Sublease or Assignment. Lessee agrees to insert the provisions of Section 5.1 through this Section 5.8 in any sublease or assignment (if permitted by this Lease) by which Lessee grants a right or privilege to any person, firm or corporation to render accommodations and/or services to the public on the Premises. Also see Section 13.

5.9 Material Breach. Notwithstanding any provision or applicable rule to the contrary, and without limitation to any other provision of this Lease, noncompliance with any of the foregoing requirements of this Section 5 by Lessee shall be deemed to be a material breach of this Lease. In the event of such breach Lessor may pursue the remedies set forth in this Lease and any other legal or equitable remedy, including the right to terminate this Lease and to reenter and repossess the Premises, and hold the same as if this Lease had never been made or issued, without liability therefor. The United States and Yavapai County (in addition to Lessor), shall have the right to enforce these provisions judicially, at the election of any or all of said governments.

6. MAINTENANCE. Except as otherwise expressly provided elsewhere in this Lease, Lessee shall at all times during the lease period keep in good order, condition and repair and free from waste, clean, safe and sanitary, and free of debris, the leased Premises. Nothing in this provision defining the duty of maintenance shall be construed as limiting any right of Lessor provided elsewhere in this Lease.

7. UTILITIES (As Applicable and Appropriate). Lessee is responsible for arranging and paying for telephone service. If separate utility metering shall not have been arranged or be available, Lessee shall pay to Lessor, Lessee's Percentage of such utility costs as part of Basic Rent.

8. PAYMENT OF TAXES, ASSESSMENTS, LIENS AND ENCUMBRANCES. Lessee shall pay any and all taxes, assessments, penalties and interest levied or charged by any governmental agency against the Premises and the improvements, leasehold interest or personal property situated on the Premises, either to the imposing authority if assessed directly against Lessee or the Premises, or by payment to Lessor of Lessee's percentage of such taxes and charges at the same time and same place as the monthly installments of Basic Rent. Lessee shall pay all sales, excise,

educational, rental or privilege taxes that may be assessed in connection with this Lease or any Lessee business activities conducted on or from the Premises. Lessee shall keep the Premises, and any fixtures and improvements located thereon, free and clear of all other liens or encumbrances of any kind or character except as pre-approved in writing by Lessor. Lessee shall at all times indemnify and save Lessor harmless from all claims for labor or materials used in structures, improvements, equipment or facilities on the Premises, and from the cost of defending against such claims, including attorney's fees and costs (including any appellate proceedings).

9. DAMAGE TO PROPERTY AND INJURY TO PERSONS. Loss or damage to property of any kind, or injury to persons, on the Premises, except that which is caused by the gross negligence or willful misconduct of Lessor, shall be Lessee's responsibility and at Lessee's sole risk. Lessor and Yavapai County, and their respective agents, officers, representatives, employees, guests and invitees, shall not have any obligation or otherwise be liable in any respect to Lessee, its agents, officers, representatives, employees, guests or invitees for injury to property or persons from any cause or occurrence of any nature whatsoever, including but not limited to aircraft accident, water, rain, snow, ice, sleet, wind, fire, storms and accidents or by breakage, stoppage or leakage of water, gas, electricity, or by theft or vandalism on, about or adjacent to the Premises.

10. INSURANCE.

10.1 Liability Insurance. At all times during the lease period, Lessee shall maintain comprehensive public liability insurance, (issued by such companies authorized to do business in the State of Arizona as are acceptable to Lessor) for the benefit of Lessee, Lessor, and Yavapai County, at Lessee's own expense, with coverage of not less than such amounts and scope as may be required by Lessor, at Lessor's sole determination, insuring against liability for damage or loss to aircraft and other property, and against liability for personal injury or death arising from acts or omissions of Lessee, its agents, officers, representatives, employees, guests and invitees. Said liability insurance will name LESSOR and Yavapai County as Additional Insureds. Adjustments shall be made to the minimum required coverage as Lessor, in its sole discretion, may deem necessary to protect its interests. Such policies shall contain a provision whereby Lessee's insurer waives any rights of subrogation against Lessor, its agents, officers, representatives, employees, guests and invitees, and providing that Lessor must receive at least ten (10) days' prior written notice of any cancellation of Lessee's insurance coverage. Lessee shall furnish Lessor a certificate of insurance as proof of the above coverage ten (10) days before the commencement of the lease term and any extensions and/or within ten (10) days if demanded by Lessor at any other time. Failure to timely furnish said certificate shall constitute a material breach of this lease. Insurance types and amounts are: General Liability of \$1,000,000.

10.2 Increased Premiums. If any insurance premiums being paid by Lessor for its insurance are increased because of any activity, happening or occurrence on the Premises, then Lessee shall reimburse Lessor for such increases in premiums within ten (10) days after written demand by Lessor for such.

10.3 **Workmen's Compensation**. Lessee shall maintain insurance to protect both Lessor and Lessee from all claims for personal injury, including death, whether the claims are under the Arizona Workmen's Compensation Act or otherwise, which may arise from the business operations, or employment or utilization of persons incidental to this Lease.

10.4 **No Increased Risk**. Lessee shall not do or permit to be done, on or about the Premises, any act or thing, and shall not permit any structure or improvements at any time to be placed, kept or maintained on the Premises in such condition or to be so occupied in such a manner, and shall not permit the Premises to be used for any purpose or in any manner, that would cause the cancellation or invalidation of any of Lessor's or Lessee's insurance policies, or that would make it impossible to obtain insurance at reasonable rates from a highly rated insurance carrier, authorized to do business in the State of Arizona, to insure the Premises or the Airport.

11. **DESTRUCTION OR DAMAGE TO PREMISES**. If the Premises or the improvements thereon or any part thereof are destroyed or damaged by fire or other casualty, Lessee is required to promptly reconstruct and repair same, using its own funds and insurance proceeds. Should Lessee fail to do so, Lessor may direct Lessee's insurance proceeds to be used for that purpose, and leasehold and ownership rights to such improvements shall immediately revert to Lessor. If such insurance proceeds do not fully cover the cost of such reconstruction or repair, Lessee shall be liable to Lessor for any deficiency.

12. **INDEMNITY**. Lessee shall indemnify and hold Lessor and Yavapai County, and their agents, officers, representatives, employees, guests and invitees harmless from any and all claims, liabilities, penalties, damages, expenses and judgments for injuries or accidents to persons or damage to property of any nature and cause whatsoever arising directly or indirectly from the use of the Premises, except that which is caused by gross negligence or willful misconduct of Lessor. Lessee's obligation to indemnify Lessor and Yavapai County shall include, without limitations costs, expenses and attorney's fees (including those on appeal) incurred in defense of such claims, whether or not such are adequately covered by insurance. The parties hereby agree that under no circumstances shall Lessor or Yavapai County be liable for indirect, consequential, special or exemplary damages, such as, but not limited to, loss of revenue or anticipated profits or other damage related to the leasing of the Premises under this Lease.

13. **ASSIGNMENT, TRANSFER OF INTEREST**.

13.1 **No Transfer Without Lessor's Consent**. Lessee shall not sublet, assign, transfer, license or encumber any interest in the Premises or this Lease, in whole or in part, without Lessor's prior written consent (which may be withheld in Lessor's sole and absolute discretion). Approval of any transfer shall not be unreasonably withheld.

13.2 **Transfer of Interest in Lessee**. Lessor reserves the right to approve (which must be in writing), in its sole discretion, the sale or transfer of a majority interest in Lessee or any sales

or transfer of an interest in Lessee which singly or cumulatively results in a majority interest being owned by any person or entity other than the current owner(s) of the majority interest. Should Lessee proceed to accomplish any of said transfers without Lessor's prior written approval, Lessor may treat the event as a material breach subject to the remedies set forth in this Lease and may pursue any other legal or equitable remedy for material breach. Lessee is obligated to inform Lessor promptly whenever any such sale or transfer of interest occurs, and failure to do so shall be deemed a material breach. Approval of any transfer shall not be unreasonably withheld.

13.3 Transfer of Obligations. All of Lessee's obligations pursuant to this Lease become the obligations of Lessee's heirs, personal representatives, successors in interest, and assigns, if any attain an interest in this Lease.

14. SUBORDINATION. Upon Lessor's request, Lessee will subordinate Lessee's rights and interest hereunder to the lien of any mortgage, deed of trust, or any other lien document in favor of any lending institution, and to all advances made upon the security thereof.

15. SURRENDER. Upon expiration or the sooner termination of this Lease, Lessee shall peaceably surrender possession of the Premises (including all keys for the Premises and improvements) to Lessor in a condition and state of repair at least as good as the condition and state of repair the Premises and improvements were in at the lease Commencement Date, reasonable wear and tear excepted, and the Premises shall be cleared of all persons and property not belonging to Lessor. Upon termination of this Lease under conditions other than a default or breach by Lessee, Lessee shall be permitted to remove all trade fixtures, equipment and other personal property lawfully owned by Lessee in an expeditious manner or as mutually agreed upon by the parties hereto. However, if Lessee fails to do so, Lessor shall have the right, in its discretion, to remove such property, place such in storage at the expense of Lessee, restore the Premises to the condition required by this Lease, and hold Lessee liable for all costs incident thereto. Lessor shall not be liable for any loss or damage incurred in connection with the removal or custodial care of such property.

16. DEFAULT. The occurrence of any one or more of the following events shall constitute a material breach and default of this Lease by Lessee:

16.1 Vacating Premises. Lessee's vacating or abandoning the Premises will be deemed to have occurred if Lessee ceases to occupy Premises for more than fifteen (15) consecutive days in any calendar year.

16.2 Failure to Pay Rent. Lessee's failure to pay the rent or any other payment required herein, as and when due, if such failure continues for a period of ten (10) days after becoming due.

16.3 Failure to Perform. Lessee's failure to observe or perform any of the covenants, conditions or provisions of this Lease, if such failure continues for fifteen (15) days after written notice of such breach and demand for compliance.

16.4 Bankruptcy. Lessee's making any general assignment or general arrangement for the benefit of creditors; or the filing by or against Lessee of a petition in bankruptcy or a petition for reorganization or arrangement under any law relating to bankruptcy (unless the petition filed against Lessee is involuntary and is dismissed within ninety (90 days)); or upon the appointment of a trustee or receiver to take possession of Lessee's assets located at the Premises or Lessee's interest in this Lease, or any other similar thing that substantially interferes with or jeopardizes Lessee's continued use and occupancy of the Premises and payment of the required rents.

17. WAIVER. Lessor's waiver of a breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition upon any subsequent breach of the same or of any other term, covenant or condition. The acceptance of rents hereunder shall not be construed to be a waiver of any existing breach by Lessee of any term, covenant or condition. Any such waiver by Lessor must be in writing.

18. REMEDIES FOR DEFAULT/BREACH. In the event of a default or breach by Lessee, Lessor may, at any time thereafter (with or without notice or demand and without limiting Lessor's other lawful rights and remedies), immediately terminate this Lease and immediately reenter and repossess the Premises and improvements and remove all persons and property therefrom. If the Lease is so terminated, all rents and other payments theretofore paid and all improvements made on the Premises shall be forfeited. Lessor may assert a Lessor's lien on the personal property and fixtures of Lessee or any other occupant of the Premises, and may take possession of same and sell or transfer same to recover any monetary amounts owed and all costs associated with exercising said lien rights.

Alternatively, Lessor, in its discretion, may elect to enforce this Lease by legal action, and reenter the Premises, take possession thereof and rent such Premises to another Lessee: upon such terms, conditions and rents as Lessor deems acceptable, whereupon Lessee shall continue to be liable to Lessor for the difference, if any, between the rents so obtained and the amounts provided for in this Lease or by law for the recovery of rent, repossession of the Premises, and damages occasioned by such default. Lessor may also avail itself of any or all other appropriate legal or equitable remedies. This provision does not prohibit Lessee from exercising its lawful legal rights in respect of any material breach or default by Lessor in relation to this agreement.

19. LEASE SUBORDINATED TO FEDERAL GRANT REQUIREMENTS, COUNTY LEASE. This Lease is subordinate and subject to the provisions of existing and/or future agreements between Lessor and the County of Yavapai, the State of Arizona, and the United States of America, and all applicable city, county, state and federal ordinances, laws, orders, rules or regulations now or hereafter in effect (including, but not limited to, airport grant assurances contained in agreements with the FAA and airport compliance requirements issued by the FAA). Should any provisions of this Lease be or become contrary to any of said agreements, enactment's, ordinances, orders, rules and regulations, those agreements, enactment's, ordinances, orders, rules or regulations shall control, each and every clause required by law or agreement to be inserted in this Lease shall be deemed inserted herein, and this Lease shall be read and enforced as though each such clause were

included herein, and if through mistake or otherwise any such provision is not inserted, or is not correctly inserted, then, upon the application of either party, this Lease shall forthwith be physically amended to make such insertion or correction, and the other party hereby agrees to such amendment.

20. CONSENT BY COUNTY. Lessee's and Lessor's obligations to perform under this Lease are contingent and conditioned upon Yavapai County's acknowledgment of this Lease, its written consent for Lessor to enter into this Lease upon the terms and provisions contained herein, and written agreement by Yavapai County to recognize and honor this Lease notwithstanding any default or cancellation or other termination of Lessor's master lease for the Airport. Consent by Yavapai County to this Lease shall except this Lease from the advertising requirements contained in section 6(c) of that certain Supplemental Lease Agreement between Lessor and Yavapai County, dated April 27, 1981.

21. MISCELLANEOUS.

21.1 Applicable Law. Attorney's Fees. Except to the extent a federal law, rule or order may apply, this Lease shall be governed by the laws of the State of Arizona (without resort to the choice of law rules thereof). If any action or proceeding is brought by either party to enforce the provisions hereof, the prevailing party shall be entitled to recover all reasonable costs and attorneys fees incurred in such action or proceeding, including those on appeal, in such amounts as the court may determine without a jury.

21.2 Estoppel Certificates. Within ten (10) days of a party's receipt of written request therefor by the other party hereto, such party shall provide a written statement acknowledging the Commencement Date and Expiration Date of this Lease, that this Lease is in full force and effect, has not been modified (or if it has, stating such modifications), and providing any other pertinent information as the requesting party or its agent might reasonably request. Failure to comply with this Section 21.2 within said ten (10) day period shall be deemed to be an acknowledgment by such party of the truth of the matters set forth in the other party's request.

21.3 Notices. Any notice, request, demand or other communication required or desired to be given in connection with this Lease shall be made in writing and personally delivered by hand or recognized overnight courier or mailed, postage prepaid, to the party's address specified in Section 1.11, or as may hereafter be designated by such party in writing to the other. Notices or other communications mailed by registered or certified mail shall be deemed effective as of the third day after being accepted by the U.S. Postal Service.

21.4 Authorization. Each individual executing this Lease on behalf of a corporation, trust, partnership or other legal entity represents, guarantees and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of such entity and that this Lease shall be binding upon such entity.

21.5 No Partnership. Time Is of Essence, Successors and Assigns. The relationship between the parties hereto shall at all times hereto be solely that of Lessor and Lessee and not as any partnership, joint venture or other association. Time is of the essence, and this Lease shall be binding upon and inure to the benefit of the parties hereto and their successors and assignees, if such successors and assignees are permitted by this Lease.

21.6 Section Headings. The headings in this Lease are inserted for reference only, and shall not define or limit the provisions hereof.

21.7 Severability. Any provisions of this Lease that is legally invalid, void or unenforceable shall in no way affect, impair or invalidate any other provision hereof, and the other provisions shall remain in full force and effect. No remedy or election hereunder shall be deemed exclusive, but shall, whenever possible, be cumulative with all available remedies at law or in equity.

21.8 Entire Agreement. This Lease contains all of the agreements of the parties hereto with respect to the subject matter hereof, and no prior or contemporaneous agreements or understandings shall be effective for any purpose. This Lease may be amended or modified only by a written document signed by Lessor and Lessee.

IN WITNESS WHEREOF, the parties hereto hereby execute this Lease this 25 day
of April, 1997.

LESSOR:

THE SEDONA-OAK CREEK AIRPORT AUTHORITY,
an Arizona non-profit corporation.

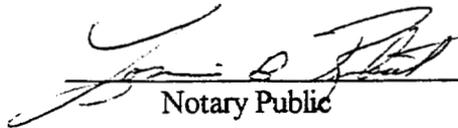
By: Robert Mitchell
Robert Mitchell, President

LESSEE:

By: Asst. City Secretary
(Title)

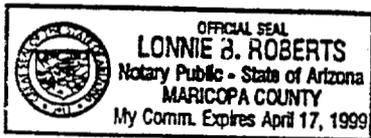
STATE OF ARIZONA)
) ss.
County of Yavapai)

The foregoing instrument was acknowledged before me this 25th day of April, 1997, by Robert Mitchell, the President of the SEDONA-OAK CREEK AIRPORT AUTHORITY, an Arizona non-profit corporation, for and on behalf of the corporation, being duly authorized to execute the same for purposes contained therein.



Notary Public

My Commission Expires:



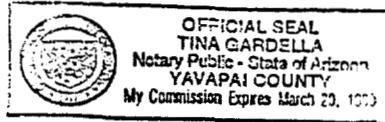
(LESSOR)

STATE OF ARIZONA)
) ss.
County of Yavapai)

The foregoing instrument was acknowledged before me this 1 day of APRIL, by MICHAEL CAIN the _____ of the _____, for and on behalf of the corporation, being duly authorized to execute the same for purposes contained therein.

Tina Gardeella
Notary Public

My Commission Expires:
3-20-09



(LESSEE)

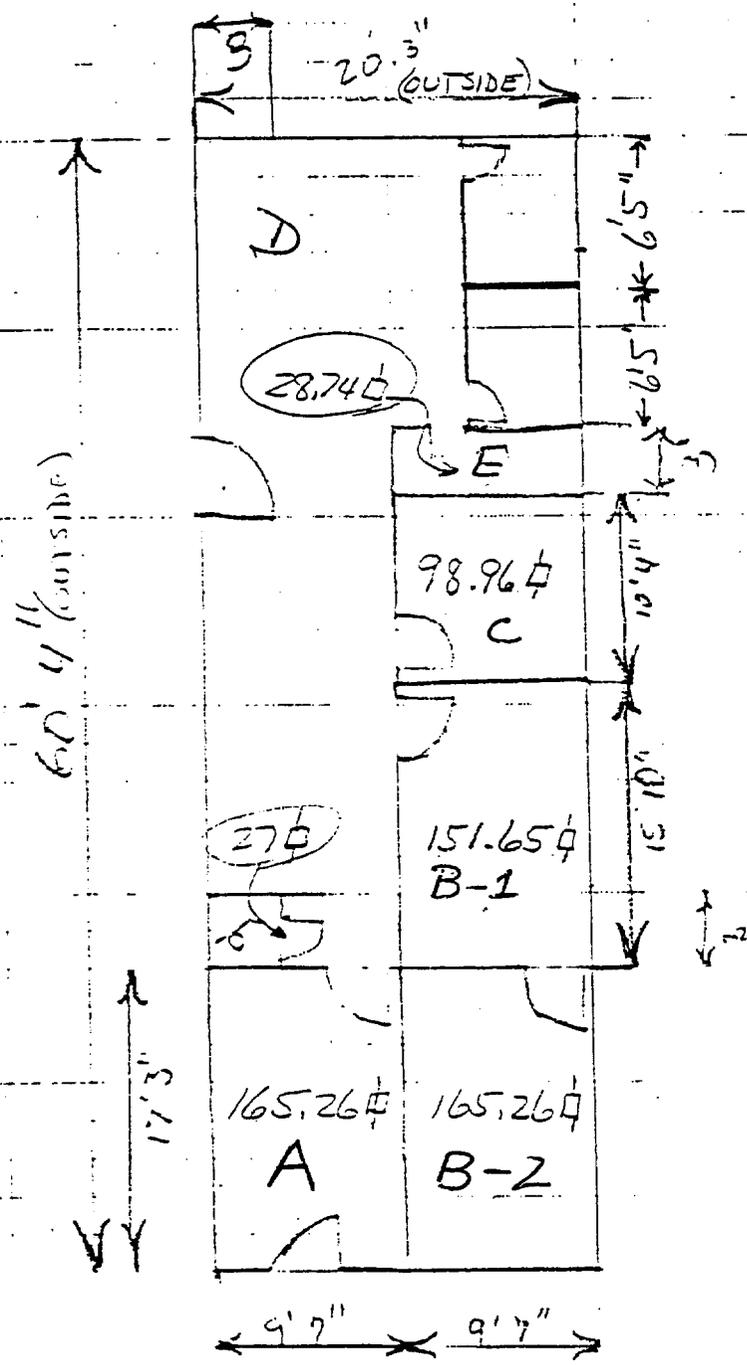
EXHIBIT A-1

DEPICTION AND/OR DESCRIPTION OF PREMISES

Space A, Commercial Activities Building, Sedona Airport, as show at Exhibit A-2. Two reserved, exclusive use aircraft parking spaces on public use Ramp B.

8-20-96

EXHIBIT A-2



COMMERCIAL ACTIVITIES
BUILDING SPACES

TOTAL: 1221.68 sq ft

EXHIBIT B

BASIC RENT ESCALATION

Commencing April 1, 1998, and every anniversary date thereafter, the amount of stated Basic Rent may be increased above any previously set basic rent in accordance with rates of inflation as measured by the annual cost of living index issued by the Department of Labor pertaining to its "All City Average", or any other index or schedule of inflation which might replace same, not to exceed 5% per year.

EXHIBIT C

DESCRIPTION OF ALLOWED COMMERCIAL ACTIVITY

Passenger and cargo carrying charter flights, scenic sightseeing flights and retail sales of gifts, souvenirs, etc. The number of revenue flights flown from, to, or at the Sedona Airport will be reported to airport management monthly.



Sedona Airport Administration

235 Air Terminal Drive, Suite 1 • Sedona, Arizona 86336
(520) 282-4487 • Fax: (520) 204-1292

12 Feb 97

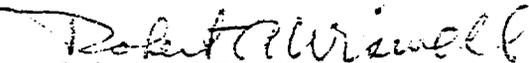
Dear Mr. Cain

Attached please find the new Sedona Airport Administration lease agreement. This document is now the standard for new leases and for rollover of prior agreements (such as the former Sky Mountain Aviation lease agreement).

If you have any questions or concerns, please contact me at my airport office.

Upon my receipt of a properly signed agreement document from you it will then be signed by an Administration officer. You will later receive a fully signed, and formally executed document for you files.

Sincerely,


Robert A. Wiswell
General Manager
Sedona Airport Administration

MIKE - Your hangar #7 has its own electric meter. Instead of the \$10⁰⁰/month utilities surcharge you can assume responsibility for your own electric service. Your electric meter is #416513.

**BUILDING, HANGAR, HANGAR PAD OR TIE-DOWN SPACE LEASE
SEDONA AIRPORT**

THIS LEASE (the "Lease"), is made and entered into as of the _____ day of _____, 19____ (the "Lease Date") by and between the SEDONA-OAK CREEK AIRPORT AUTHORITY, also known as SEDONA AIRPORT ADMINISTRATION, a non-profit corporation (hereinafter referred to as "Lessor"), and the Lessee defined below.

In consideration of the mutual covenants contained herein, and for other good and valuable consideration, the parties hereby agree as follows:

1. BASIC LEASE INFORMATION AND DEFINED TERMS.

1.1 **Airport.** Sedona Airport, Yavapai County, Arizona.

1.2 **Basic Rent.** Nine Thousand-Four Hundred Thirty One and 76/100. Dollars (\$9431.76) per annum, payable in twelve equal monthly increments, subject to escalation as described on Exhibit B attached hereto.

1.3 **Utilities Surcharge.** A monthly utilities availability surcharge of Ten (\$10.00) dollars per month is assessed for electrical service, water service, and trash disposal. Unless sole use meters are available for which tenant assumes responsibility.

1.4 **Premises.** Hangar # 7 or hangar pad # N/A, a total area of approximately 3023 square feet, as depicted at Exhibit A attached hereto.

1.5 **Commencement Date.** ^{April 1, 1997} ~~March 1~~, 1997.

1.6 **Expiration Date.** ^{March 31, 1999} ~~February 28~~, 1999.

1.7 **Lessee.** ^{M.C.W.} ~~Michael Cain dba~~ Skydance Helicopters, Inc.

1.8 **Lessor.** SEDONA OAK CREEK AIRPORT AUTHORITY, also known as SEDONA AIRPORT ADMINISTRATION.

1.9 Notices.

Lessor: Sedona Airport Administration
235 Air Terminal Drive, Unit #1
Sedona, AZ 86336
Attention: Airport Manager

Lessee: ~~Michael Cam~~ Skydance Helicopters, Inc.
1225 Airport Road, #5
Sedona, AZ 86336

1.10 Security Deposit. Seven Hundred-Eighty Five & 98/100 Dollars
(\$ 785.98).

1.11 Lease Period. Twenty-four (24) months.

1.12 Lessee Occupancy At Conclusion of Initial Term. This lease agreement and Lessee occupancy of stated premises after the conclusion of the initial term stated in Section 1.13 above, or any extension granted, can continue on a month-to-month basis unless Lessee is informed in writing by Lessor not less than thirty (30) days prior to the conclusion of the initial term of Lessor's intention to either terminate Lessee's occupancy or to negotiate a subsequent lease of a specified term. The terms and conditions of the initial lease will remain in effect for the month-to-month Lessee occupancy. Basic Rent and any applicable and appropriate additional rent/fee/charge may be negotiated for continued month-to-month occupancy.

1.13 Lease Extension. This lease may be extended by mutual agreement, for a single, additional period of twenty-four months, from ~~March 1, 1999~~^{April 1, 1999} through ~~February 28, 2001~~^{March 31, 2001}. Said extension shall be on the same terms and conditions as herein stated, except as to rents, which shall be fixed at Lessor's discretion for renting the lease premises at the time the extension is granted. Said extension may be applied for by written request thereof given by Lessee to Lessor not more than sixty days prior to expiration of initial lease period.

2. PREMISES.

2.1 Lease of Premises. Lessor hereby leases to Lessee and Lessee hereby leases from Lessor and takes possession of the Premises for the period and upon all of the terms, conditions, covenants and agreements hereinafter provided.

2.2 Use of Premises.

2.2.1 Lessee may use the stated Premises for the sole purpose of storing Lessee's aircraft and other personal property related to the ownership and operation, servicing, maintaining, repairing, or assembling of the aircraft regularly used by Lessee. Unless otherwise

described or allowed per Exhibit C attached hereto, no commercial activity whatsoever shall be conducted by Lessee on, from or around the Premises. Aircraft painting is limited to touch-up and spot painting of components and parts for corrosion control or to refinish a repaired/replaced component or part. Lessee shall take steps to ensure that the performance of any aircraft maintenance work shall not damage the Premises. Lessee shall control the conduct and demeanor of its agents, officers, representatives, employees, guests and invitees, and of those doing business with it, on, from and around the Premises, and shall take all steps necessary to remove persons whom Lessor may for good and sufficient cause deem objectionable. If Lessee desires to place items of personal property in/on the premises not related to the ownership and operation, servicing, maintaining, repairing or assembly of the aircraft regularly used, prior written permission must first be obtained from airport management. One operating motor vehicle may be stored in addition to the regularly used aircraft. Lessee shall not store or maintain hazardous materials on the premises.

2.2.2 No persons shall be permitted to live or sleep overnight in or on the Premises.

2.2.3 Vehicles shall be parked only in designated parking areas designated by Lessor, or as otherwise allowed on a temporary basis.

2.2.4 Lessee's rights hereunder are subject to the express limitations contained herein and the lawful rights and powers of all governmental authorities having jurisdiction. In addition to the limitations stated elsewhere in this Lease, Lessee shall not use the Premises, or allow the Premises to be used, in any manner that would constitute waste, nuisance, or unreasonable annoyance to Lessor or any other tenant, occupant or user of the Airport.

2.2.5 Items of personal property other than allowed under Section 2.2.1, must be approved in writing by Lessor.

2.3 **Quiet Enjoyment.** Upon payment by Lessee of the rent herein provided, and upon the observance and performance of all the covenants, terms and conditions on Lessee's part to be observed and performed hereunder, Lessee shall have the right to peaceably and quietly use and enjoy the Premises for the period without hindrance or interruption by Lessor or any other person or persons lawfully or equitably claiming by, through or under Lessor.

2.4 **Inspection.** Lessee acknowledges that Lessor has the right to inspect the Premises. Accordingly, upon reasonable prior notice to Lessee, Lessor and Lessor's agents shall have the right to enter the Premises during regular business hours for the purpose of inspecting the same or for such other purposes as Lessor may in good faith determine. Lessor shall make a reasonable effort not to interfere with the normal conduct of Lessee or unnecessarily disturb Lessee's property and belongings on the Premises. Lessee shall establish procedures so that in an emergency threatening Lessor's property or any property of another, or threatening substantial damages to Lessor's interest as Lessor, Lessor may gain admittance to the Premises at all hours. Lessee agrees to have available to Lessor, at reasonable times and upon reasonable notice, a representative who may, at Lessee's election,

accompany Lessor's representative during Lessor's exercise of its right of entry and access. Lessee will provide to Lessor lock keys or combination number for Lessor's use for inspection or emergency access.

2.5 Airport Functions.

2.5.1 Lessor shall have the right, but shall not be obligated to Lessee, to maintain and keep in repair the landing area (which shall include, without limitation, the runway, taxiway, and apron areas) of the Airport and all publicly-owned facilities of the Airport, together with the right to direct and control all activities of Lessee in this regard. Lessor shall have the right to further develop or improve the landing area of the Airport or any other facility or function of the Airport as it sees fit, and Lessee shall be prohibited from interfering with or hindering such development or improvement. Lessor retains the right and power to perform all conditions and obligations required of it by i) any authorized agency of the United States, including, but not limited to, the United States Department of Transportation ("DOT") and the United States Federal Aviation Administration ("FAA"), ii) any authorized agency of the State of Arizona, iii) the airport grant assurances contained in agreements with the FAA or the State of Arizona, or iv) any Federal, State, or local law, ordinance, or regulation. Lessee shall not interfere with the exercise of such rights by Lessor or Lessor's performance of such conditions and obligations.

2.5.2 There is hereby reserved to Lessor, its designees, 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. This public right of flight shall include the right to cause in said airspace any noise inherent in the operation of any aircraft used for navigation or flight through the said airspace or for landing at, taking off from, or operation on, the Airport.

2.5.3 It is understood and agreed that nothing herein contained shall be construed to grant to Lessee or authorize the granting of an exclusive right in violation of 49 U.S.C. 40103(e) of the Federal Aviation Act.

2.5.4 This Lease 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 a time of war or national emergency.

2.5.5 Lessor shall in no event be liable in damages or otherwise, nor shall Lessee be released from any obligations hereunder, because of the interruption of any service, or a termination, interruption or disturbance, attributable to strike, lockout, accident, war or other emergency, law, order, rule or regulation of or by any governmental authority (including but not limited to grant assurances and airport compliance requirements issued by the FAA), failure of supply, inability to obtain supplies, parts or employees, or any cause beyond Lessor's reasonable control, or any cause due to any act or neglect of Lessee or its agents, officers, representatives, employees, guests, invitees, or any person claiming by, through or under Lessee.

2.6 Condition of Premises. By execution of this Lease, Lessee shall be deemed to have accepted the Premises in an "AS IS" condition. Lessee represents and warrants that it has satisfied itself, by its own investigation and research, regarding all physical conditions affecting Lessee's use and enjoyment of the Premises, Lessee further represents and warrants that it has had the advice of such independent professional consultants and experts as it deems necessary in connection with its investigation of the Premises, has (to the extent it deems necessary) independently investigated the condition of the Premises, including the environmental condition, soils, hydrology and seismology thereof, and the laws and regulations relating to the construction and operation of the intended activities on the Premises, and has not relied upon any statement, representation or warranty of Lessor of any kind or nature in connection with Lessee's decision to execute and deliver this Lease and its agreement to perform the obligations of Lessee hereunder, except as expressly set forth in this Lease.

2.7 Improvements and Alterations.

2.7.1 Lessee agrees not to install any fixture or make any alterations, additions or improvements to the Premises, including the installation of any sign, without the prior written approval of Lessor.

2.7.2 All structures and improvements which Lessee proposes to place on the leased premises must be approved by Lessor, and if so required, the County of Yavapai, prior to installation. The Lessor's consent pertaining to exterior alterations or structural alterations will not be unreasonably withheld. Lessee is responsible for all costs of said improvements and for securing all necessary permits or approvals as may be required by any public agency with jurisdiction relating to said improvements. In making any improvements or alterations which require the Lessor's consent hereunder, Lessee shall supply Lessor with reasonably detailed final plans and specifications of the proposed alterations and the name of the proposed contractor, if any, at least sixty (60) days before the date Lessee proposes to commence alteration.

2.7.3 Lessee, at its sole cost, shall have the right to make, without Lessor's consent, nonstructural alterations to the interior of any structures on the leased premises. In all cases of exterior or interior improvements or alterations to or on the leased premises, LESSOR approval must first be obtained.

2.7.4 Upon the expiration or earlier termination of this Lease, all fixed improvements then existing upon the Premises shall revert to and become the property of Lessor without compensation to, or requirement of consent or act of Lessee, and Lessee shall thereafter have no further rights thereto or interest therein. Upon such expiration or earlier termination of the Lease, Lessee agrees to execute, acknowledge, and deliver to Lessor any instrument reasonably requested by Lessor to carry out the intention of this Section 2.7.4.

2.7.5 If Lessee is not in default upon termination of this lease, lessee may remove all of its equipment and non-fixed improvements provided Lessee restores the premises to a

condition equal to or better than the condition of said premises prior to removal. Lessee shall have thirty (30) days from termination of this lease to remove such items. Any items not removed within thirty (30) days will become the sole property of the Lessor.

2.8 Environmental-Compliance. Lessee shall not generate, use, store or dispose of any Hazardous Materials in or about the Premises. Hazardous Materials shall mean (a) "hazardous wastes," as defined by the Resource Conservation and Recovery Act of 1976, as amended from time to time, (b) "hazardous substances," as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time, (c) "toxic substances," as defined by the Toxic Substances Control Act, as amended from time to time, (d) "hazardous materials," as defined by the Hazardous Materials Transportation Act, as amended from time to time, (e) oil or other petroleum products (except in such quantities as may be reasonably necessary for the customary servicing and maintenance of the aircraft resident at the Premises), and (f) any substance whose presence could be detrimental to the building or hazardous to health or the environment. Lessee shall indemnify and hold Lessor and Yavapai County harmless from any and all claims, damages, fines, judgments, penalties, costs, liabilities or losses arising during or after the Term and arising from Lessee's breach of this Section 2.8. The indemnification pursuant to this Section 2.8 shall survive termination of this Lease.

3. LEASE PERIOD.

3.1 Commencement and Expiration Dates. This Lease shall commence on the stated Commencement Date and be for the period through the stated Expiration Date, unless earlier terminated under the terms of this Lease. After the Expiration Date (unless this Lease has been earlier terminated under its terms), this Lease and the period hereof may continue in effect from month to month, subject to the terms of Section 1.12, being automatically renewed after each month, unless notice of termination is given by Lessor or Lessee to the other at least one month in advance of such termination. Upon the giving of such notice, this Lease shall terminate on the date of termination specified in the notice.

3.2 Events Prior to Commencement Date.

3.2.1 Lessee's inability or failure to complete or take occupancy of the Premises shall not delay the Commencement Date or Lessee's obligation to make any payments under this Lease.

3.2.2 Prior to the Commencement Date, Lessee shall pay to Lessor the Security Deposit,

3.2.3 Prior to the Commencement Date, Lessee shall deliver to Lessor certificates or binders evidencing the existence of the insurance required as described in Section 10 of this Lease.

4. RENT.

4.1 Rental Payments. Lessee shall pay Lessor the Basic Rent in equal monthly installments on or before the first day of each calendar month during the lease period, but no later than the tenth day. All sums payable to Lessor under this Lease shall be paid to Lessor, without demand, deduction or offset, in lawful money of the United States of America, which shall be legal tender at the time of payment. Lessor's acceptance of rent after it shall have become due and payable shall not excuse a delay upon any subsequent occasion or constitute a waiver of any of Lessor's rights. Rents will be paid to Lessor at the address set forth for Notices. The Rent for any period between the Commencement Date and the first day of the following month, if such period is less than one (1) month, shall be prorated on a daily basis for the portion of the month involved.

4.2 Late Fee. In the event any payment due is not paid in full within five days after due date, Lessee agrees to pay a late charge of five percent of the payment due. Lessee further agrees to pay a twenty dollar (\$20.00) charge for each dishonored check submitted for any payment due. Any unpaid balance, including late charges, shall bear interest at eighteen percent per annum, or one-and-one-half percent per month. Such late charge shall constitute additional rent due hereunder, shall be paid with the next monthly installment of Base Rent coming due hereunder, shall constitute agreed liquidated damages and not penalties, and shall be in addition to, and not in lieu of, all other rights and remedies provided to Lessor in this Lease, at law, or in equity.

4.3 Security Deposit. Simultaneously with Lessee's execution of this Lease, Lessee shall deposit with Lessor the Security Deposit equal to one month's rent. Lessor shall not be required to maintain the Security Deposit in a separate account. Except as may be required by law, Lessee shall not be entitled to interest on the Security Deposit. The Security Deposit shall be security for Lessee's performance of its obligations under this Lease, and Lessor may apply such deposit in satisfaction of any unfulfilled obligations of Lessee under this Lease. Within three (3) days after written notice of Lessor's use of the Security Deposit or any portion thereof, Lessee shall deposit with Lessor an amount sufficient to restore the Security Deposit to its amount prior to such use, and Lessee's failure to do so shall constitute a default hereunder. Within thirty (30) days after the later of (a) the expiration or earlier termination of the lease period, and (b) Lessee's vacating the Premises, Lessor shall return the Security Deposit less such portion thereof as Lessor shall have used to satisfy Lessee's obligations under this Lease.

5. COMPLIANCE WITH LAW, NONDISCRIMINATION.

5.1 Compliance. Lessee shall comply with this Lease, all applicable federal, state, county or local agreements (including agreements between Lessor and/or Yavapai County and federal, state, county, or local governmental authorities or agencies), laws, rules, regulations, ordinances, grant assurances, airport compliance requirements, and orders of any and all governmental authorities and agencies concerning the Airport or the Premises or the use thereof, including but not limited to the United States Department of Transportation (DOT), United States Federal Aviation Administration (FAA), the United States Environmental Protection Agency (EPA), the Arizona Department of

Transportation (A.D.O.T.), and the Arizona Environmental Quality Department (A.D.E.Q.), and shall also comply with any rules of occupancy or airport rules, regulations, or minimum standards issued by Lessor.

5.2 Nondiscrimination. Lessee agrees that: (i) no person on the grounds of race, creed, color, national origin, sex, sexual orientation, age, or handicap shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (ii) in the construction of any improvements on, over or under such land, in providing employment, and in the furnishing of services thereon, no person on the grounds of race, creed, color, national origin, sex, sexual orientation, age, or handicap shall be excluded from participation in, denied the benefits of, or otherwise be subject to discrimination, and (iii) Lessee shall use the Premises in compliance with all other requirements imposed by or pursuant to 41 C.F.R. Part 60, 49 U.S.C. § 306, 49 C.F.R. Part 21, 49 C.F.R. Part 27, or the grant assurances contained in FAA Order 5100.38A as said laws, regulations, or assurances may be amended from time to time.

5.3 Civil Rights. The Lessee assures that it will comply with pertinent statutes, Executive Orders and such rules as are promulgated to assure that no person shall, on the grounds of race, creed, color, national origin, sex, sexual orientation, age, or handicap be excluded from participating in any activity conducted with or benefiting from Federal assistance. This provision obligates the Lessee or its transferee for the period during which Federal assistance is extended to the airport program, except where Federal assistance is to provide, or is in the form of personal property or real property or interest therein or structures or improvements thereon. In these cases, this provision obligates the party or any transferee for the longer of the following periods: (a) the period during which the property is used by the sponsor or any transferee for a purpose for which Federal assistance is extended, or for another purpose involving the provision of similar services or benefits; or (b) the period during which the airport sponsor or any transferee retains ownership or possession of the property.

5.4 Nondiscriminatory Pricing. Lessee shall furnish its accommodations and/or services on a fair, equal and not unjustly discriminatory basis to all users thereof, and it shall charge fair, reasonable and not unjustly discriminatory prices for each unit or service; provided, however, that Lessee may be allowed to make reasonable and nondiscriminatory discounts, rebates or other similar type of price reductions to volume purchasers or users.

5.5 Affirmative Action. Regardless of the applicability of 14 C.F.R. Part 152 to the Airport, Lessee assures that it will undertake an affirmative action program as described in 14 C.F.R. Part 152, Subpart E, to assure that no person shall, on the grounds of race, creed, color, national origin, sex, or sexual orientation be excluded from participating in any employment 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 this subpart. Lessee agrees that in the event facilities are constructed, maintained, or otherwise operated on the said property described in this Lease, for a purpose for which a DOT program or activity is extended, or for another purpose involving the provision of similar service or benefits, Lessee

shall maintain and operate such facilities and services in compliance with all requirements imposed pursuant to Title 49, Code of Federal Regulations, DOT, 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, as said regulations may be amended from time to time.

5.6 Affecting Navigable Airspace.

5.6.1 Lessee agrees to comply with the notification and review requirements contained in Part 77 of the Federal Aviation Regulations (14 C.F.R. Part 77) in the event any future structure or building is planned for the Premises, or in the event of any planned modification or alteration of any present or future building or structure situated on the Premises.

5.6.2 Lessee shall not erect, nor permit the erection of, any structure or object, nor permit the growth of any tree, on the Premises above a mean sea level elevation of 4,835 feet at the building restriction line nor at any elevation on the land leased that conflicts with the standards set forth in Part 77 of the Federal Aviation Regulations. In the event that aforesaid covenants are breached, Lessor reserves the right to enter upon the land leased hereunder and to remove the offending structure or object or cut the offending tree, all of which shall be at the expense of Lessee.

5.7 **Affecting Aircraft Operations.** Lessee shall not use the Premises in any manner which might interfere with the taxiing, landing or taking off of aircraft from the Airport or which may otherwise constitute a hazard. In the event the aforesaid covenant is breached, Lessor reserves the right to enter upon the Premises and abate such interference at the expense of Lessee.

5.8 **Sublease or Assignment.** Lessee agrees to insert the provisions of Section 5.1 through this Section 5.8 in any sublease or assignment (if permitted by this Lease) by which Lessee grants a right or privilege to any person, firm or corporation to render accommodations and/or services to the public on the Premises. Also see Section 13.

5.9 **Material Breach.** Notwithstanding any provision or applicable rule to the contrary, and without limitation to any other provision of this Lease, noncompliance with any of the foregoing requirements of this Section 5 by Lessee shall be deemed to be a material breach of this Lease. In the event of such breach Lessor may pursue the remedies set forth in this Lease and any other legal or equitable remedy, including the right to terminate this Lease and to reenter and repossess the Premises, and hold the same as if this Lease had never been made or issued, without liability therefor. The United States and Yavapai County (in addition to Lessor), shall have the right to enforce these provisions judicially, at the election of any or all of said governments.

6. **MAINTENANCE.** Except as otherwise expressly provided elsewhere in this Lease, Lessee shall at all times during the lease period keep in good order, condition and repair and free from waste, clean, safe and sanitary, and free of debris, the entire Premises, including but not limited to the structural and non-structural portions of the Premises, foundations, roofs, walls, entrances, windows,

partitions, doors, lighting and plumbing fixtures, heating, ventilation and air conditioning systems, grounds and all landscaping, paving and other surfaces, and all fixtures, equipment and appurtenances relating to the Premises. Nothing in this provision defining the duty of maintenance shall be construed as limiting any right of Lessor provided elsewhere in this Lease. Lessee will regularly abate weeds and other vegetation growing adjacent to the premises in the interest of fire prevention.

7. **UTILITIES (As Applicable and Appropriate).** Lessee is responsible for arranging and paying for all utilities to and upon the Premises, including without limitation electric power, telephone, water and sewage disposal. Lessee shall obtain separate utility meters and pay directly to the provider for all utility charges, including telephone service. If separate utility metering shall not have been arranged or be available, Lessee shall pay to Lessor, at the same time and at the same place as the monthly installments of Basic Rent, Lessee's Percentage of such utility costs.

8. **PAYMENT OF TAXES, ASSESSMENTS, LIENS AND ENCUMBRANCES.** Lessee shall pay any and all taxes, assessments, penalties and interest levied or charged by any governmental agency against the Premises and the improvements, leasehold interest or personal property situated on the Premises, either to the imposing authority if assessed directly against Lessee or the Premises, or by payment to Lessor of Lessee's percentage of such taxes and charges at the same time and same place as the monthly installments of Basic Rent. Lessee shall pay all sales, excise, educational, rental or privilege taxes that may be assessed in connection with this Lease or any Lessee business activities conducted on or from the Premises. Lessee shall keep the Premises, and any fixtures and improvements located thereon, free and clear of all other liens or encumbrances of any kind or character except as pre-approved in writing by Lessor. Lessee shall at all times indemnify and save Lessor harmless from all claims for labor or materials used in structures, improvements, equipment or facilities on the Premises, and from the cost of defending against such claims, including attorney's fees and costs (including any appellate proceedings).

9. **DAMAGE TO PROPERTY AND INJURY TO PERSONS.** Loss or damage to property of any kind, or injury to persons, on the Premises, except that which is caused by the gross negligence or willful misconduct of Lessor, shall be Lessee's responsibility and at Lessee's sole risk. Lessor and Yavapai County, and their respective agents, officers, representatives, employees, guests and invitees, shall not have any obligation or otherwise be liable in any respect to Lessee, its agents, officers, representatives, employees, guests or invitees for injury to property or persons from any cause or occurrence of any nature whatsoever, including but not limited to aircraft accident, water, rain, snow, ice, sleet, wind, fire, storms and accidents or by breakage, stoppage or leakage of water, gas, electricity, or by theft or vandalism on, about or adjacent to the Premises.

10. **INSURANCE.**

10.1 **Liability Insurance.** At all times during the lease period, Lessee shall maintain comprehensive public liability insurance, and ~~property damage insurance~~ (issued by such companies authorized to do business in the State of Arizona as are acceptable to Lessor) for the benefit of Lessee, Lessor, and Yavapai County, at Lessee's own expense, with coverage of not less than such amounts

and scope as may be required by Lessor, at Lessor's sole determination, insuring against liability for damage or loss to aircraft and other property, and against liability for personal injury or death arising from acts or omissions of Lessee, its agents, officers, representatives, employees, guests and invitees. Said liability insurance will name LESSOR and Yavapai County as Additional Insureds. Adjustments shall be made to the minimum required coverage as Lessor, in its sole discretion, may deem necessary to protect its interests. Such policies shall contain a provision whereby Lessee's insurer waives any rights of subrogation against Lessor, its agents, officers, representatives, employees, guests and invitees, and providing that Lessor must receive at least ten (10) days' prior written notice of any cancellation of Lessee's insurance coverage. Lessee shall furnish Lessor a certificate of insurance as proof of the above coverage ten (10) days before the commencement of the lease term and any extensions and/or within ten (10) days if demanded by Lessor at any other time. Failure to timely furnish said certificate shall constitute a material breach of this lease.

10.2 **Increased Premiums.** If any insurance premiums being paid by Lessor for its insurance are increased because of any activity, happening or occurrence on the Premises, then Lessee shall reimburse Lessor for such increases in premiums within ten (10) days after written demand by Lessor for such.

10.3 **Workmen's Compensation.** Lessee shall maintain insurance to protect both Lessor and Lessee from all claims for personal injury, including death, whether the claims are under the Arizona Workmen's Compensation Act or otherwise, which may arise from the business operations, or employment or utilization of persons incidental to this Lease.

10.4 **No Increased Risk.** Lessee shall not do or permit to be done, on or about the Premises, any act or thing, and shall not permit any structure or improvements at any time to be placed, kept or maintained on the Premises in such condition or to be so occupied in such a manner, and shall not permit the Premises to be used for any purpose or in any manner, that would cause the cancellation or invalidation of any of Lessor's or Lessee's insurance policies, or that would make it impossible to obtain insurance at reasonable rates from a highly rated insurance carrier, authorized to do business in the State of Arizona, to insure the Premises or the Airport.

Deleted - not applicable. Wwise

11. **DESTRUCTION OR DAMAGE TO PREMISES.** If the Premises or the improvements thereon or any part thereof are destroyed or damaged by fire or other casualty, Lessee is required to promptly reconstruct and repair same, using its own funds and insurance proceeds. Should Lessee fail to do so, Lessor may direct Lessee's insurance proceeds to be used for that purpose, and leasehold and ownership rights to such improvements shall immediately revert to Lessor. If such insurance proceeds do not fully cover the cost of such reconstruction or repair, Lessee shall be liable to Lessor for any deficiency.

12. **INDEMNITY.** Lessee shall indemnify and hold Lessor and Yavapai County, and their agents, officers, representatives, employees, guests and invitees harmless from any and all claims, liabilities, penalties, damages, expenses and judgments for injuries or accidents to persons or damage to

property of any nature and cause whatsoever arising directly or indirectly from the use of the Premises, except that which is caused by gross negligence or willful misconduct of Lessor. Lessee's obligation to indemnify Lessor and Yavapai County shall include, without limitations costs, expenses and attorney's fees (including those on appeal) incurred in defense of such claims, whether or not such are adequately covered by insurance. The parties hereby agree that under no circumstances shall Lessor or Yavapai County be liable for indirect, consequential, special or exemplary damages, such as, but not limited to, loss of revenue or anticipated profits or other damage related to the leasing of the Premises under this Lease.

13. **ASSIGNMENT, TRANSFER OF INTEREST.**

13.1 **No Transfer Without Lessor's Consent.** Lessee shall not sublet, assign, transfer, license or encumber any interest in the Premises or this Lease, in whole or in part, without Lessor's prior written consent (which may be withheld in Lessor's sole and absolute discretion).

13.2 **Transfer of Interest in Lessee.** Lessor reserves the right to approve (which must be in writing), in its sole discretion, the sale or transfer of a majority interest in Lessee or any sales or transfer of an interest in Lessee which singly or cumulatively results in a majority interest being owned by any person or entity other than the current owner(s) of the majority interest. Should Lessee proceed to accomplish any of said transfers without Lessor's prior written approval, Lessor may treat the event as a material breach subject to the remedies set forth in this Lease and may pursue any other legal or equitable remedy for material breach. Lessee is obligated to inform Lessor promptly whenever any such sale or transfer of interest occurs, and failure to do so shall be deemed a material breach.

13.3 **Transfer of Obligations.** All of Lessee's obligations pursuant to this Lease become the obligations of Lessee's heirs, personal representatives, successors in interest, and assigns, if any attain an interest in this Lease.

14. **SUBORDINATION.** Upon Lessor's request, Lessee will subordinate Lessee's rights and interest hereunder to the lien of any mortgage, deed of trust, or any other lien document in favor of any lending institution, and to all advances made upon the security thereof.

15. **SURRENDER.** Upon expiration or the sooner termination of this Lease, Lessee shall peaceably surrender possession of the Premises (including all keys for the Premises and improvements) to Lessor in a condition and state of repair at least as good as the condition and state of repair the Premises and improvements were in at the lease Commencement Date, reasonable wear and tear excepted, and the Premises shall be cleared of all persons and property not belonging to Lessor. Upon termination of this Lease under conditions other than a default or breach by Lessee, Lessee shall be permitted to remove all trade fixtures, equipment and other personal property lawfully owned by Lessee in an expeditious manner or as mutually agreed upon by the parties hereto. However, if Lessee fails to do so, Lessor shall have the right, in its discretion, to remove such property, place such in storage at the expense of Lessee, restore the Premises to the condition required by this Lease, and hold

Lessee liable for all costs incident thereto. Lessor shall not be liable for any loss or damage incurred in connection with the removal or custodial care of such property.

16. **DEFAULT.** The occurrence of any one or more of the following events shall constitute a material breach and default of this Lease by Lessee:

16.1 **Vacating Premises.** Lessee's vacating or abandoning the Premises will be deemed to have occurred if Lessee ceases to occupy Premises for more than fifteen (15) consecutive days in any calendar year.

16.2 **Failure to Pay Rent.** Lessee's failure to pay the rent or any other payment required herein, as and when due, if such failure continues for a period of ten (10) days after becoming due.

16.3 **Failure to Perform.** Lessee's failure to observe or perform any of the covenants, conditions or provisions of this Lease, if such failure continues for fifteen (15) days after written notice of such breach and demand for compliance.

16.4 **Bankruptcy.** Lessee's making any general assignment or general arrangement for the benefit of creditors; or the filing by or against Lessee of a petition in bankruptcy or a petition for reorganization or arrangement under any law relating to bankruptcy (unless the petition filed against Lessee is involuntary and is dismissed within ninety (90) days); or upon the appointment of a trustee or receiver to take possession of Lessee's assets located at the Premises or Lessee's interest in this Lease, or any other similar thing that substantially interferes with or jeopardizes Lessee's continued use and occupancy of the Premises and payment of the required rents.

17. **WAIVER.** Lessor's waiver of a breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition upon any subsequent breach of the same or of any other term, covenant or condition. The acceptance of rents hereunder shall not be construed to be a waiver of any existing breach by Lessee of any term, covenant or condition. Any such waiver by Lessor must be in writing.

18. **REMEDIES FOR DEFAULT/BREACH.** In the event of a default or breach by Lessee, Lessor may, at any time thereafter (with or without notice or demand and without limiting Lessor's other lawful rights and remedies), immediately terminate this Lease and immediately reenter and repossess the Premises and improvements and remove all persons and property therefrom. If the Lease is so terminated, all rents and other payments theretofore paid and all improvements made on the Premises shall be forfeited. Lessor may assert a Lessor's lien on the personal property and fixtures of Lessee or any other occupant of the Premises, and may take possession of same and sell or transfer same to recover any monetary amounts owed and all costs associated with exercising said lien rights.

Alternatively, Lessor, in its discretion, may elect to enforce this Lease by legal action, and reenter the Premises, take possession thereof and rent such Premises to another Lessee: upon such

terms, conditions and rents as Lessor deems acceptable, whereupon Lessee shall continue to be liable to Lessor for the difference, if any, between the rents so obtained and the amounts provided for in this Lease or by law for the recovery of rent, repossession of the Premises, and damages occasioned by such default. Lessor may also avail itself of any or all other appropriate legal or equitable remedies. This provision does not prohibit Lessee from exercising its lawful legal rights in respect of any material breach or default by Lessor in relation to this agreement.

19. LEASE SUBORDINATED TO FEDERAL GRANT REQUIREMENTS, COUNTY LEASE. This Lease is subordinate and subject to the provisions of existing and/or future agreements between Lessor and the County of Yavapai, the State of Arizona, and the United States of America, and all applicable city, county, state and federal ordinances, laws, orders, rules or regulations now or hereafter in effect (including, but not limited to, airport grant assurances contained in agreements with the FAA and airport compliance requirements issued by the FAA). Should any provisions of this Lease be or become contrary to any of said agreements, enactments, ordinances, orders, rules and regulations, those agreements, enactments, ordinances, orders, rules or regulations shall control, each and every clause required by law or agreement to be inserted in this Lease shall be deemed inserted herein, and this Lease shall be read and enforced as though each such clause were included herein, and if through mistake or otherwise any such provision is not inserted, or is not correctly inserted, then, upon the application of either party, this Lease shall forthwith be physically amended to make such insertion or correction, and the other party hereby agrees to such amendment.

20. CONSENT BY COUNTY. Lessee's and Lessor's obligations to perform under this Lease are contingent and conditioned upon Yavapai County's acknowledgment of this Lease, its written consent for Lessor to enter into this Lease upon the terms and provisions contained herein, and written agreement by Yavapai County to recognize and honor this Lease notwithstanding any default or cancellation or other termination of Lessor's master lease for the Airport. Consent by Yavapai County to this Lease shall except this Lease from the advertising requirements contained in section 6(c) of that certain Supplemental Lease Agreement between Lessor and Yavapai County, dated April 27, 1981.

21. MISCELLANEOUS.

21.1 Applicable Law, Attorney's Fees. Except to the extent a federal law, rule or order may apply, this Lease shall be governed by the laws of the State of Arizona (without resort to the choice of law rules thereof). If any action or proceeding is brought by either party to enforce the provisions hereof, the prevailing party shall be entitled to recover all reasonable costs and attorneys fees incurred in such action or proceeding, including those on appeal, in such amounts as the court may determine without a jury.

21.2 Estoppel Certificates. Within ten (10) days of a party's receipt of written request therefor by the other party hereto, such party shall provide a written statement acknowledging the Commencement Date and Expiration Date of this Lease, that this Lease is in full force and effect, has not been modified (or if it has, stating such modifications), and providing any other pertinent

information as the requesting party or its agent might reasonably request. Failure to comply with this Section 21.2 within said ten (10) day period shall be deemed to be an acknowledgment by such party of the truth of the matters set forth in the other party's request.

21.3 Notices. Any notice, request, demand or other communication required or desired to be given in connection with this Lease shall be made in writing and personally delivered by hand or recognized overnight courier or mailed, postage prepaid, to the party's address specified in Section 1.11, or as may hereafter be designated by such party in writing to the other. Notices or other communications mailed by registered or certified mail shall be deemed effective as of the third day after being accepted by the U.S. Postal Service.

21.4 Authorization. Each individual executing this Lease on behalf of a corporation, trust, partnership or other legal entity represents, guarantees and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of such entity and that this Lease shall be binding upon such entity.

21.5 No Partnership, Time Is of Essence, Successors and Assigns. The relationship between the parties hereto shall at all times hereto be solely that of Lessor and Lessee and not as any partnership, joint venture or other association. Time is of the essence, and this Lease shall be binding upon and inure to the benefit of the parties hereto and their successors and assignees, if such successors and assignees are permitted by this Lease.

21.6 Section Headings. The headings in this Lease are inserted for reference only, and shall not define or limit the provisions hereof.

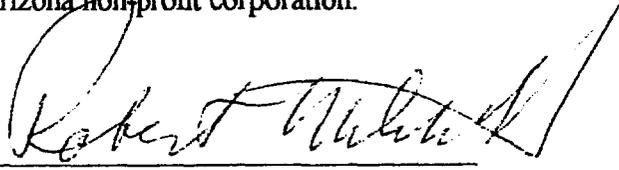
21.7 Severability. Any provisions of this Lease that is legally invalid, void or unenforceable shall in no way affect, impair or invalidate any other provision hereof, and the other provisions shall remain in full force and effect. No remedy or election hereunder shall be deemed exclusive, but shall, whenever possible, be cumulative with all available remedies at law or in equity.

21.8 Entire Agreement. This Lease contains all of the agreements of the parties hereto with respect to the subject matter hereof, and no prior or contemporaneous agreements or understandings shall be effective for any purpose. This Lease may be amended or modified only by a written document signed by Lessor and Lessee.

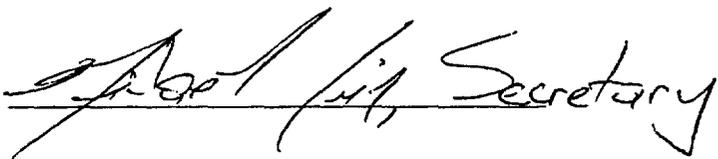
IN WITNESS WHEREOF, the parties hereto hereby execute this Lease this _____ day
of _____.

LESSOR:

THE SEDONA-OAK CREEK AIRPORT AUTHORITY,
an Arizona non-profit corporation.

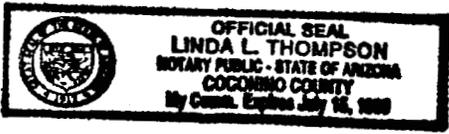
By: 
Robert Mitchell, President

LESSEE:

By: 
(Title) Secretary

STATE OF ARIZONA)
) ss.
County of Yavapai)

The foregoing instrument was acknowledged before me this 27th day of August by _____, the _____ of the SEDONA-OAK CREEK AIRPORT AUTHORITY, an Arizona non-profit corporation, for and on behalf of the corporation, being duly authorized to execute the same for purposes contained therein.



Linda L. Thompson
Notary Public

My Commission Expires: July 15, 1999

(LESSOR)

STATE OF ARIZONA)
) ss.
County of Yavapai)

The foregoing instrument was acknowledged before me this 1 day of APRIL, by MICHAEL CHAIN, the _____ of the _____, for and on behalf of the corporation, being duly authorized to execute the same for purposes contained therein.

Tina Gardeella
Notary Public

My Commission Expires:
3-20-99



(LESSEE)

EXHIBIT A

DEPICTION AND/OR DESCRIPTION OF PREMISES

Hangar #7, Area A, Sedona Airport

EXHIBIT B

BASIC RENT ESCALATION

Commencing March 1, 1998, and every anniversary

thereafter, the amount of stated Basic Rent shall be increased in accordance with rates of inflation as measured by the annual cost of living index issued by the Department of Labor pertaining to its "All City Average", or any other index or schedule of inflation which might replace same, not to exceed 5% per year.

EXHIBIT C

DESCRIPTION OF ALLOWED COMMERCIAL ACTIVITY

Storage, maintenance, and repair of helicopters used in commercial flight activity. Aircraft components, parts and assemblies, tools, supplies and other items of equipment used in the maintenance and repair activity. Subject hangar shall not serve as an office or passenger reception area for commercial flight activity.



Sedona Airport Administration

235 Air Terminal Drive, Suite 1 • Sedona, Arizona 86336
520-282-4487 • Fax: 520-204-1292

September 30, 1998

Mike Cain
Sky Dance Helicopters
1225 Airport Road, #5
Sedona, AZ 86336

Dear Mike:

Advance planning is important to any business. Advance notice of changes in the business environment is very helpful to advance planning. Here is advance notice so we both can do advance planning.

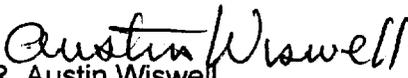
Upon renewal/extension of your lease on April 1, 1999, there will be a significant change to your airport commercial use fee. As of January 1, 1998, the Airport Administration implemented a program of 2 ½ percent of gross business volume as the use charge, replacing the former monthly flat rate use fee. Your current lease, which expires March 31, 1999, is under the old monthly flat rate use fee. Any lease renewal/extension will come under the new 2 ½ percent of gross business volume program.

Let me here explain what we mean by your gross business volume. Gross business volume subject to the 2 ½ percent charge includes all sales of gifts, souvenirs, food, and drink from/at your Sedona Airport location and all revenue generating flights leaving from and terminating at the Sedona Airport.

I would very much like to have our business relationship settled in February – early March at the latest – so as to have any lease renewal/extension in place by April 1st. Please refer to your lease's sections 1.14 and 1.15 for guidance on renewing/extending your lease.

Feel free to discuss this matter with me as I am sure there are many questions you wish answered before you make any decision.

Sincerely,


R. Austin Wiswell
General Manager
Sedona Airport Administration



Sedona Airport Administration

235 Air Terminal Drive, Suite 1 • Sedona, Arizona 86336
(520) 282-4487 • Fax: (520) 204-1292

March 8, 1999

Mike Cain
SkyDance Helicopters
1225 Airport Road #5
Sedona, AZ 86336

Dear Mike:

We are rapidly closing on March 31st, the date your current lease ends for the office/counter space you occupy in the Commercial Activities Building. As we have already discussed, your exercising the allowed two-year renewal/extension requires approval by the airport administration's Board of Directors.

Your letter of January 29, 1999, expressed a desire to exercise the two-year renewal/extension allowed by Section 1.15 of your existing lease. Continued occupancy under this Section 1.1.5 is contingent upon your acceptance of the two-and-one-half percent commercial use charge on all gross sales. This charge replaces the former monthly flat rate commercial use fee of Section 1.5. As you requested, I provided information on the two-and-one-half percent charge now in effect for all airport commercial operators.

It is my intention to either amend your existing lease or issue an entirely new lease for the two years you have available. In either case, we need to talk soon. Please contact me by March 19th with your intentions.

Sincerely,


R. Austin Wiswell
General Manager
Sedona Airport Administration



Sedona Airport Administration

235 Air Terminal Drive, Suite 1 • Sedona, Arizona 86336
520-282-4487 • Fax: 520-204-1292

March 23, 1999

Mike Cain
Skydance Helicopters
1225 Airport Road, #5
Sedona, AZ 86336

Dear Mike:

Here is the lease amendment for your existing lease, that allows extension for another two years. This amendment also implements our percent of gross sales volume commercial use charge and rescinds the former monthly flat rate commercial use fee.

If you have no issues with this amendment, please sign off on it and return it to me before March 31st. If you have any questions, please contact me soonest. The SAA Board wants this matter wrapped up by the end of March so as to have it on the April 19th Board meeting agenda for approval.

Sincerely,


R. Austin Wiswell
General Manager
Sedona Airport Administration

LEASE AMENDMENT AND EXTENSION

THIS LEASE AMENDMENT is made and entered into this 31st day of March, by and between the Sedona Oak Creek Airport Authority operating as the Sedona Airport Administration (hereinafter SAA) and Skydance Helicopters, Inc. hereinafter Tenant.

Whereas SAA and Tenant, parties to the original existing lease dated April 25, 1997 jointly wish to exercise the lease renewal and extension provided for in Section 1.15, which provides for extension of the lease on the same terms and conditions except for rent; and

Whereas SAA has implemented a new commercial use charge for airport based commercial aviation enterprises replacing the preexisting flat rate charge with a use charge based on a percentage of Tenant's gross revenues;

Now, therefore, the parties hereto agree to extend the term of the lease and amend the lease as provided in this Lease Amendment and Extension.

1. The term of the leases is extended to March 31, 2001 as provided in Section 1.15 of the Lease.
2. Section 1.5 of the Lease is amended to read as follows:

An additional fee shall be assessed in the manner and on the terms and conditions set forth in Exhibit D, attached hereto, incorporated by this reference and made a part hereof.

LESSOR

D. Webster
Dave Webster, President
Board of Directors
Sedona Airport Administration

4-19-99
DATE

LESSEE

Michael Cain
TITLE
Michael Cain, Vice-President
Skydance Helicopters, Inc.

3-31-99
DATE

EXHIBIT D

COMMERCIAL ACTIVITY FEE

- A. Lessee shall pay to Lessor a commercial activity fee of two and one half percent (2.5%) of its gross receipts from any and all commercial activities conducted by Lessee from, to, or on the Sedona Airport. Contract support activities with Federal or State agencies are exempt from this fee.
- B. As used in this Lease the term "gross receipts" includes all revenue received from any source which relate to Lessee's operations, activities and presence on the airport, including, but not limited to actual prices, fees and rents charged for merchandise, services or subleases or any combination of the, including without limitation, deposits not refunded; sales by subtenants, concessionaires and licensees; revenue from coin operated vending or similar devices, consideration related to placement or use of public telephone or facsimile equipment on the premises.
- C. The commercial activity fee shall be payable in the manner set forth in this paragraph. Not later than thirty (30) days following the end of each calendar month during the term of this lease, Lessee shall provide to Lessor a written statement, which shall be prepared in accordance with generally accepted accounting principles, consistently applied and certified as true and correct by Lessee's principal financial officer, showing in detail the amount of Lessee's "gross receipts" for the preceding calendar month. Simultaneously with the submission of the certified statement of gross receipts, Lessee shall pay to lessor, in cash or by check, the specified percentage rent based on the reported "gross receipts".
- D. In order to enable Lessor to verify the amount of the commercial activity fee payable under this Lease, Lessee shall maintain at its Premises, copies of all bank records and any other relevant materials.
- E. Lessor shall have the right, at any reasonable time, and from time to time after giving reasonable notice to Lessee, to cause an audit or examination of the records to be made by its agents or accountants, to make abstracts for the records, to examine and make copies of any records, subleases, licenses and concession agreements. Such examination or audit shall be conducted during normal business hours and without undue interference with normal activities of Lessee. Lessee shall make all relevant records available at the time of any audit at the place where the records are kept, however, Lessor may remove any or all records for examination and review. Information obtained by Lessor as a result of an audit shall be confidential except for its use in enforcement of the terms of this Lease and any litigation or arbitration or communication related thereto.
- F. If any audit discloses an underpayment by Lessee, the sum of such underpayment as well as the entire cost of the examination or audit shall be immediately due and payable by Lessee as additional rent. If no underpayment is found, Lessor shall bear the cost of the audit or examination.
- G. Lessee shall use its best efforts to maximize revenues received from its business by maintaining appropriate business hours for its activities and by undertaking advertising and other marketing efforts calculated to enhance its business. Lessee shall not divert trade to other locations.
- H. Nothing in this Lease shall be construed to render the Lessor in any way, or for any purpose, a partner, joint venturer, or associate in any relationship with Lessee other than that of Landlord and Tenant, nor shall this Lease be construed to authorize either agent for the other.
- I. A late charge of five percent (5%) of the rent due shall be paid by Lessee where any payment required by this section is not made within the required time. Lessee shall pay a fee of \$20 as additional rent for any dishonored check submitted for rent due. If Lessee shall fail to deliver any monthly statement within the time required in paragraph C above, Lessor shall have the right, in addition to any and all other rights and remedies available to Lessor, to employ an accountant to examine Lessee's relevant records and to establish the amount of Lessee's "gross receipts" for purpose of computing the Commercial Activity Fee. Such

examination shall be conducted pursuant to Paragraph E above. The report of the accountant shall be binding upon both parties and the cost of the examination shall be paid by Lessee as additional rent in the following month.



Sedona Airport Administration

235 Air Terminal Drive, Suite 1 • Sedona, Arizona 86336
520-282-4487 • Fax: 520-204-1292

November 1, 2000

Mr. Michael Cain
SkyDance Helicopters
1225 Airport Road #5
Sedona, AZ. 86336

Dear Mr. Cain:

This letter serves to document our discussions on October 31, 2000. It was agreed:

All arrivals and departures of your aircraft would be to and from the A and A4 taxiway intersection. Transition from your parking area to that location would be via hover taxi.

Your aircraft would arrive and depart for hangar purposes from the end of the hangar row and be tugged to and from that location and the hangar. In circumstances when that is not possible all personnel in the hangar row area would be informed of a direct safe approach to the hangar by your aircraft. Aircraft maintenance work to be performed in the same manner with notification and consent of the airport and cooperation of other hangar row tenants.

You will proceed with plans to construct an office / hangar building on the proposed site near the helipads. We will determine how road improvements to the site will be made and implement them. You will be given a 30-year lease with any increases in payments tied to the CPI produced by the Federal government. The current rate of the land lease will be 4.4 cents per square foot per month. Sign consideration will be determined to identify a helicopter area for all airport visitors. You would continue to use your current leased area until completion of the new facilities.

We will prepare to provide a larger clear area around your aircraft parking position by removal of one aircraft tie down position and vehicle parking restrictions.

We will reissue letter concerning solicitation on the Airport. You agree to instruct your employees not to divert passengers booked for other tours. We agree to instruct other businesses likewise.

No further actions are required by either parties' attorney.

Very Truly,

A handwritten signature in black ink that reads 'Mac McCall'.

Mac McCall, A.A.E.
General Manager
Sedona Airport

Review / Sign / Return Copy

A handwritten signature in black ink that reads 'Michael Cain'.

Michael Cain
SkyDance Helicopters



AL BIEBER
520-284-5007

- SAA Airport Safety Consultant
- Retired FAA Supervisory Operations Consultant
- FAA Aviation Safety Counselor

TEL: 520-282-4487 FAX: 520-204-1292
235 Air Terminal Dr., Unit 1 • Sedona, Arizona 86336

AZ FLIGHT STANDARDS DISTRICT OFFICE



#252
Clarence Betants
775-772-7305 (H)
775-858-7100

LARRY L. BUCHANAN

Principal Operations Inspector
17777 N. Perimeter Drive Suite 101
Scottsdale, Arizona 85255
[480] 419-0330 Ext. 254 ~ FAX [480] 419-0300

A SPECIAL...Fax Transmission

DATE: 12-13-00

- ◇ To: Jock; Fleming West
- ◇ Fax Number: 480-951-5989
- ◇ Phone Number: 480-951-5301

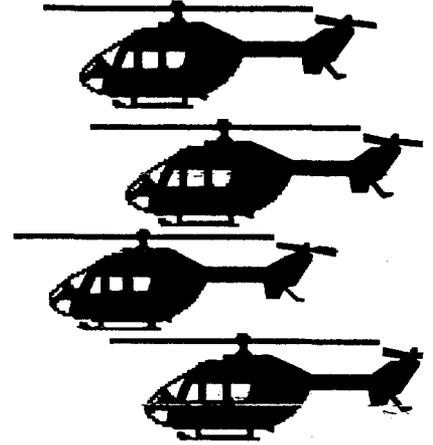
From: *Skydance Helicopters*

Our Phone: 1(520)282-1651

Toll Free: 1-800-882-1651

Our Fax: 1-(520)-282-3004

No. of pages including cover page: 3



Hi Jock

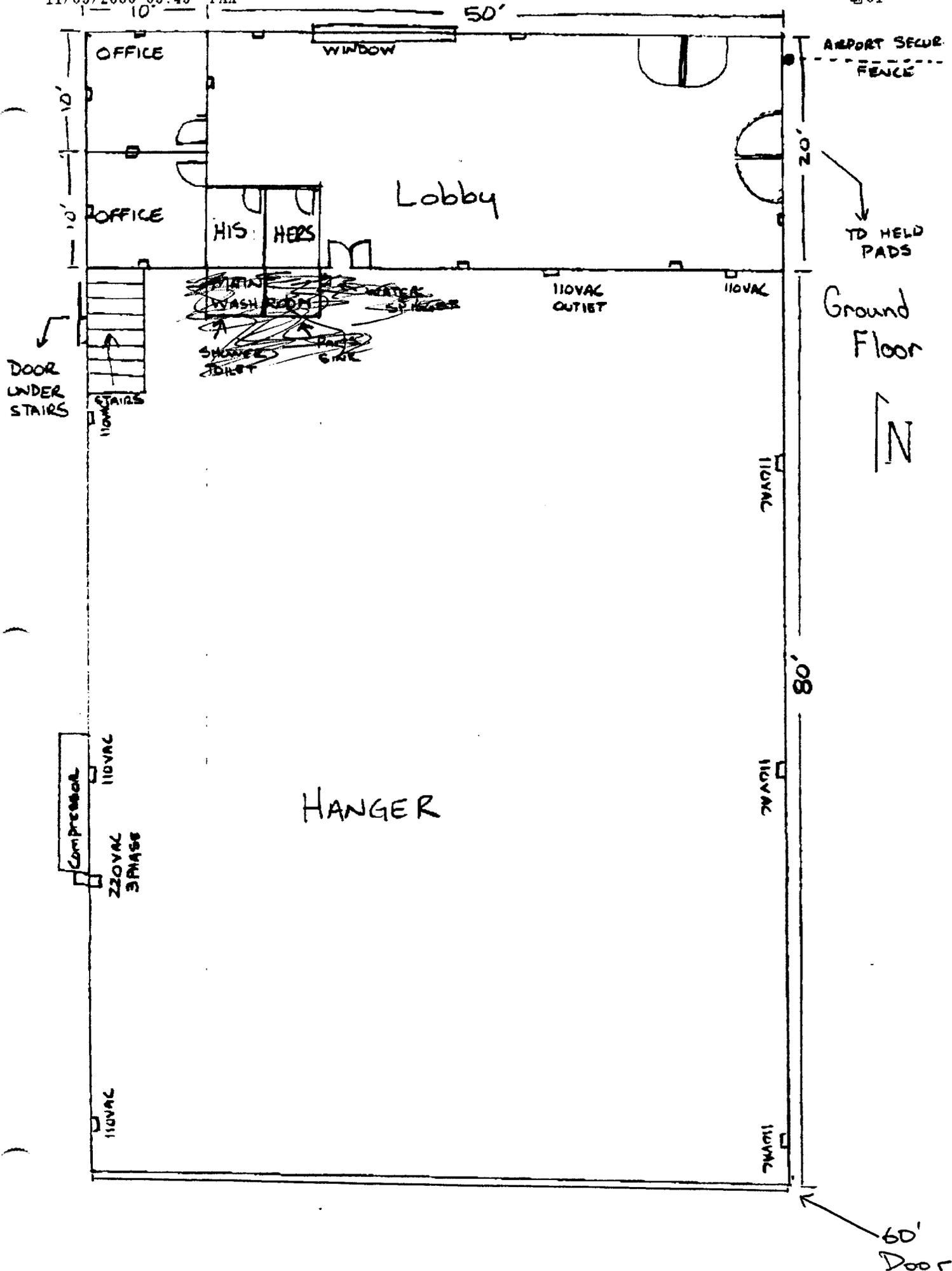
Have enclosed a rough drawing of the 60' x 100' hangar . At this stage we need a rough idea of cost so we can let the Airport know what size of hangar we're putting up.

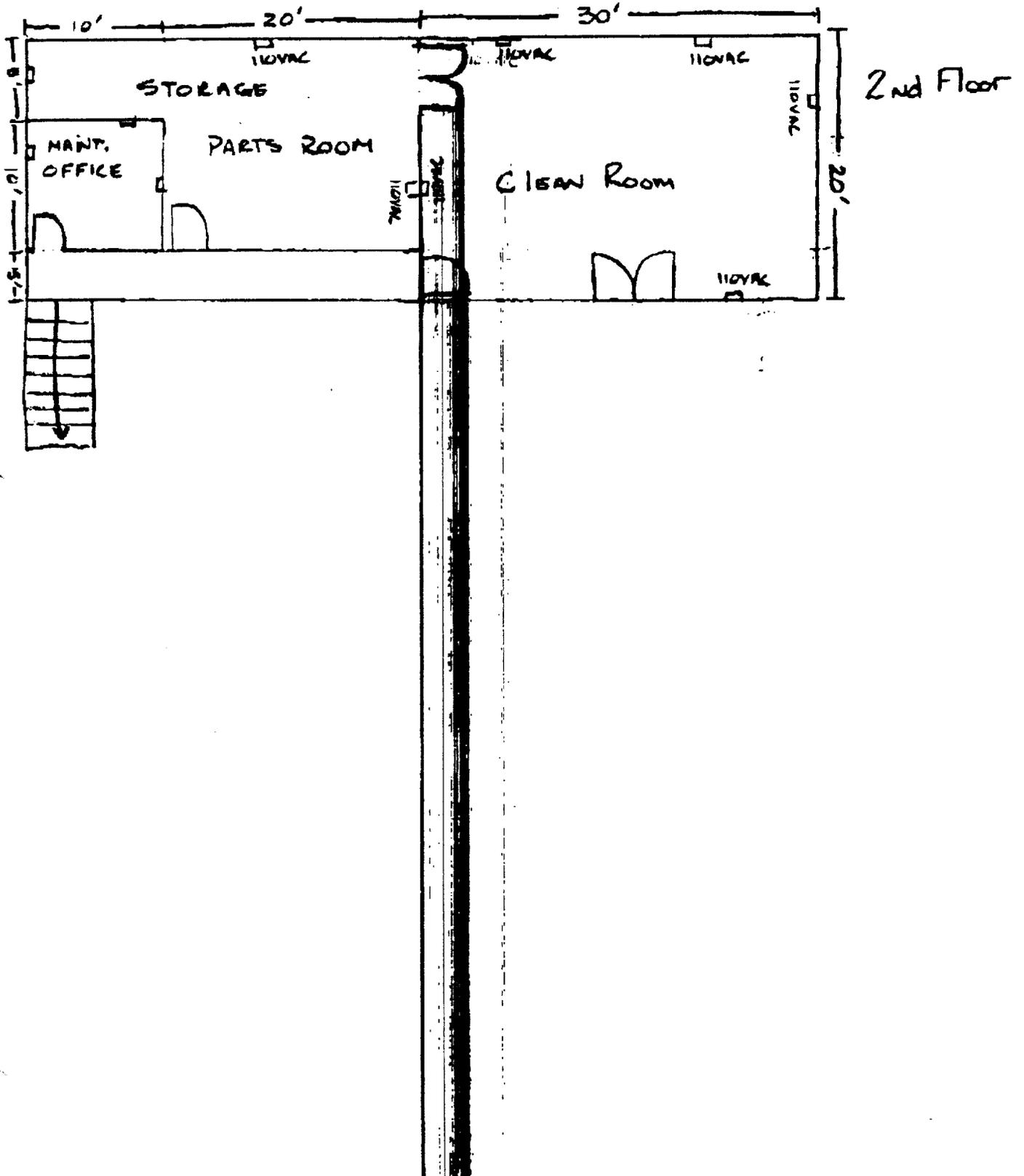
Any questions, please phone me at 520-284-2867.

Sincerely,

Handwritten signature of Michael Cain

Michael Cain





Fleming West

A Division of Fleming Building Co. of Arizona

7830 E. Redfield Road, Ste. 2 Scottsdale, Arizona 85260

Phone: (480) 951-5301 Fax: (480) 951-5989

December 27, 2000

SKYDANCE HELICOPTER 100' X 60' X 24' PROPOSED BUDGET

ARCHITECTURAL	10,000
PERMIT	5,000
STAKING	1,500
GRADING - BUILDING PAD	2,000
CONCRETE	33,000
BUTLER BUILDING/INSULATION	64,600
SLIDING HANGAR DOOR	15,000
MEZZ FLOOR & STAIRS	11,000
OFFICE IMPROVEMENTS	30,000
HVAC	12,000
ELECTRICAL	25,000
FIRE SPRINKLER	7,000
PLUMBING	8,000
GENERAL CONDITIONS	36,000
PROFIT & OVERHEAD	26,000
TAX	12,900
TOTAL	\$299,000



General Construction • Design-Build • Steel Erected

AZ Lic/B 125285

Holgate Consulting Engineers, Inc

LETTER OF TRANSMITTAL

Phone

(520) 282-4664

DATE: JAN. 8, 2001

PROJECT: PROPOSED HANGAR

TO: • SKYDANCE
• HELICOPTERS
•
•

ATTN: • MIKE CAIN

OUR PROJECT NO.: _____

We are sending herewith () Under Separate Cover () the following material by:

- () Our Delivery () 1st Class Mail () Parcel Post () Registered Mail
- () Your Pickup () Air Mail () Air Express () Other FAX
- () Blueprinter () Special Delivery () Air Freight

The following is transmitted for: () Review & Comment, () Approval, () Approval & Issuance, () Your Files, () Your Information, () Resubmit, () Approved as Submitted, () as Requested

Other: _____

NUMBER OF COPIES	DATE OR NUMBER	DESCRIPTION
1 Ea	1/5/01	Geotechnical Services Proposal

REMARKS: For your review. Please call me if you have any questions.

Copy to:

Signed: Joseph Holgate, P.E.

Holgate Consulting Engineers, Inc.
365 Foothills Drive
Sedona, Arizona 86336

January 5, 2001

Attention: Mr. Joe Holgate, P.E.

Project: Geotechnical Engineering Services for
Helicopter Hangar Facilities
Sedona Airport
Sedona, Arizona

Proposal No. P-1160

In accordance with your request our firm presents the following scope of services and fee for accomplishing services for a geotechnical engineering report for the above mentioned project. We understand that site access to the site for a two-wheel drive drill rig and pickup truck is readily accomplished and will require no access road development.

- **Project Description:** A visual reconnaissance of the site was accomplished on January 4, 2001. Based upon the site review, we find that a major portion of the proposed hangar building area will be sited upon either old spread fill zones or previously developed areas. The building will be about 60 x 100 feet in plan dimension and will probably be constructed as a metal frame and cladding structure. Structural loads have not yet been determined.

Helicopter Hangar Facilities
Sedona Airport
Sedona, Arizona

Scope of Services: The following scope of services will be provided.

1. **Field Services:**
 - a. **Utilities:**
 - i. Layout and mark the proposed test boring locations.
(1) Four borings will be required in the hangar building area.
 - ii. Follow-up on Blue Stake marked locations prior to start of exploration.
2. **Exploration:**
 - a. **Test Borings:**
 - i. Four (4) test borings, approximately 18 feet in depth, or shallower auger refusal, will be advanced at locations within the proposed hangar building footprint.
 - b. Undisturbed samples will be obtained where appropriate.
 - c. Bulk samples will be obtained as necessary for subsequent laboratory testing.
 - d. Field Engineer: A field engineer will direct exploration and accomplish sampling and logging of the encountered soil materials.
3. **Laboratory Testing Services:** Accomplish at least the following testing:
 - a. Moisture content & dry density (in-place density & moisture)6 tests assumed
 - b. Compression testing (settlement potentials).....2 tests assumed
 - c. Swell testing (expansion potential).....2 tests assumed
 - d. Proctor test (maximum density and optimum moisture) 1 test assumed
4. **Engineering Services:** Provide the following in a Geotechnical Engineering Report(s):
 - a. results of all field exploration and laboratory test data;
 - b. foundation design recommendations [foundation types, footing depth(s), minimum width(s), allowable soil bearing pressure(s), and estimated movements];
 - c. site grading procedures and subgrade preparation and fill placement for support of foundations and floor slabs-on-grade;
 - d. site drainage recommendations;
 - e. evaluation of on-site soils for use within the building area.

Helicopter Hangar Facilities
Sedona Airport
Sedona, Arizona

Schedule of Work: The field services will be scheduled and accomplished within about one week after notice to proceed is received and the Blue Stake utility clearances have been accomplished. Generally the engineering report can be issued about 3 to 4 weeks after completion of the field services. We will be happy to provide verbal design recommendations approximately one week after completion of the field exploration.

Fees: The estimated fee for the above stated "Scope of Service" will be \$2,255.00*

*If the site can be drilled and tested with another proposed facility at the airport the fee can be reduced by \$510.00 so that the reduced fee would be \$1,745.00

If the above scope of services and fee are acceptable, please sign a copy of this proposal and return to us as soon as it has been approved so that we can expedite the scheduling of this work. If the person or company responsible for payment of the fees is different than shown above, please note the changes below so that we can bill the responsible party.

If we may be of further service or should you have any questions, please contact us.

Respectfully Submitted,
COPELAND GEOTECHNICAL CONSULTANTS, INC.

Proposal Approved

By: _____

Printed Name: _____

Title: _____

Firm: _____

Address: _____

City, State, Zip: _____

Phone: _____

FAX: _____

Glen K. Copeland, P.E.

copies: Addressee (2)

Jan 08 01 10:14a

Helicopter Hangar Facilities
Sedona Airport
Sedona, Arizona**General Conditions for Technical Services****1. Client**

1.1 Client as used herein is the entity who authorizes performance of services by Copeland Geotechnical Consultants, Inc. and accepts responsibility for payment under the conditions stated herein.

2. On-Site Responsibilities and Risks

2.1 Right-of-Entry. Unless otherwise agreed, right-of-entry will be provided for by Holgate Consulting Engineers, Inc. and Sedona Airport personnel.

2.2 Damage to Property. We will take reasonable precautions to minimize damage to land and other property caused by our operations.

2.3 Utilities and Pipelines. While performing our field work, we will take reasonable precautions to avoid damage to underground structures, pipelines, and utilities that have been marked by Blue Stake and/or as shown to us by others.

3. Warranty

3.1 Services performed by Copeland Geotechnical Consultants, Inc. will be conducted in a manner consistent with that level of care and skill ordinarily exercised by members of the profession currently practicing under similar conditions. No other warranty, either expressed or implied, is made or intended by our proposal, contract, or reports.

3.2 The data presented by Copeland Geotechnical Consultants, Inc. represents conditions only at the specified locations and at the time designated. Client acknowledges that this data may not represent conditions at other locations and times. We will be responsible for our data, interpretations, and recommendations, but shall not be responsible for the interpretation by others.

4. Invoices and Payment

Invoices will be submitted monthly or upon the completion and submittal of the report. Payment is due upon presentation of our invoice and is past due thirty (30) days from invoice date. A finance charge of 1.5 percent per month may be added to any balance unpaid after the 30 days. If any proceeding or action shall be brought to recover any amount due under this agreement, or for or on account of any breach of this agreement, the prevailing party shall be entitled to recover from the other party reasonable attorney's fees, the amount of which shall be determined by the Court.

SKYDANCE

1225 Airport Rd., Suite 5
Sedona, AZ 86336

Phone: (602) 282-1651
Fax: (602) 282-3004

HELICOPTERS

Mr. Mac McCall
Sedona Airport Administration
235 Air Terminal Drive, Suite 1
Sedona, AZ. 86336

1-23- 01

Dear Sir,

As we have discussed, enclosed is a diagram of our proposed hangar.

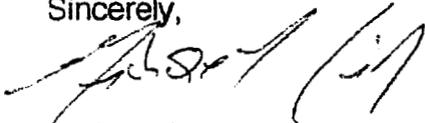
We have received a number of construction bids and are ready to proceed.

Copeland Geotechnical Consultants are prepared to conduct a geotechnical engineering report of the site.

At this stage, we need a copy of the lease from S.A.A. so we can start this project.

If you have any questions, please don't hesitate to contact me.

Sincerely,



Michael Cain

SECTION _____

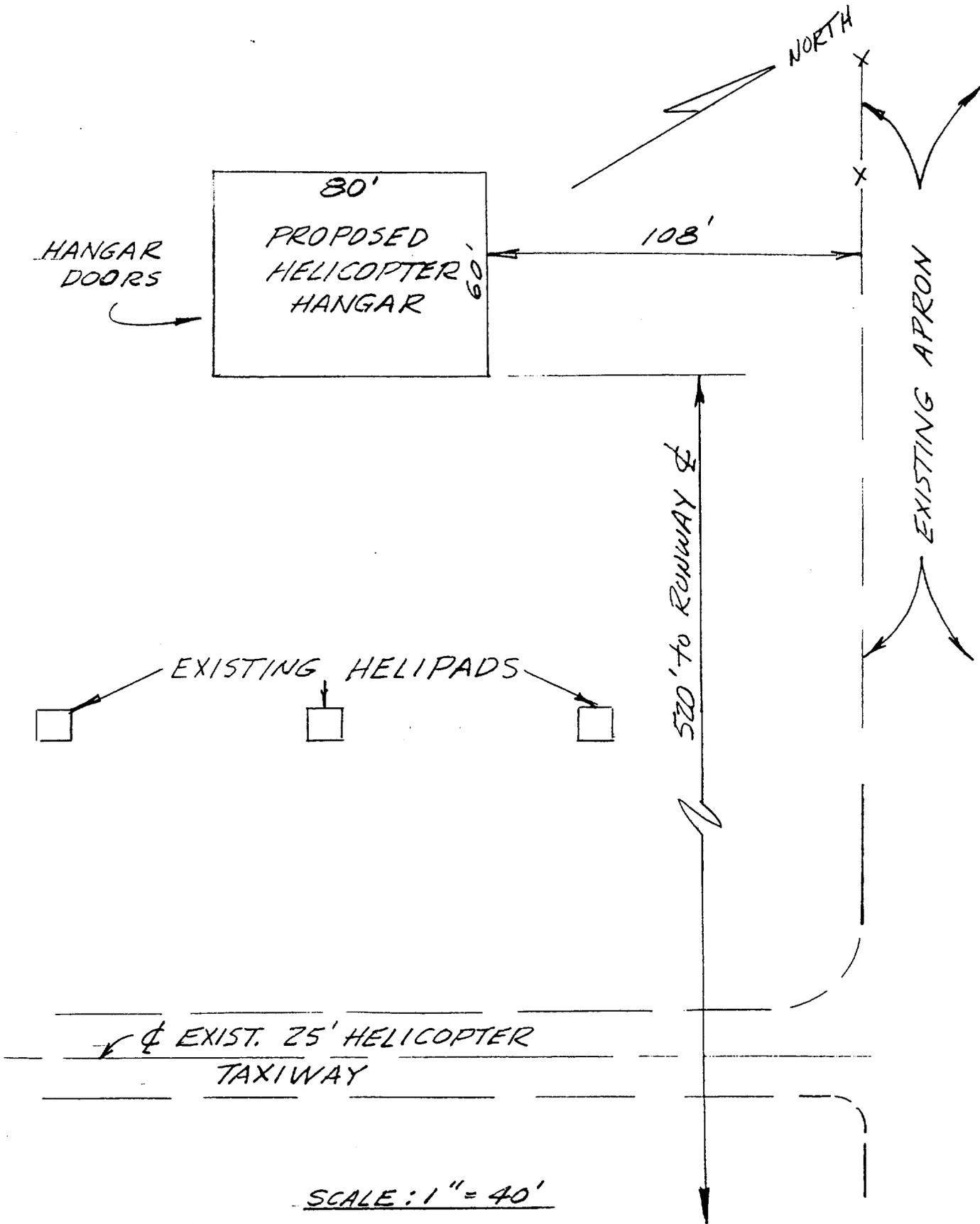
DESIGNED BY HOLGATE DATE 1/20/01

CHECKED BY _____ DATE _____

HOLGATE
CONSULTING ENGINEERS INC.,
PHOENIX, ARIZONA

JOB TITLE SKYDANCE HELICOPTER SITE

JOB. NO. _____





HOLGATE
CONSULTING
ENGINEERS, INC.

365 FOOTHILLS DRIVE
SEDONA, AZ. 86336-5027
Tel/Fax (520) 282-4664
Cell Phone (520) 300-0430

February 2, 2001

Skydance Helicopters, Inc.
1225 Airport Road
Sedona, Arizona 86336

ATTN: Mr. Mike Cain

RE: SITE INVESTIGATION AND RESEARCH FOR PROPOSED HELICOPTER
HANGAR

FOR PROFESSIONAL SERVICES RENDERED 9/19/00 through 1/31/2001:

PROFESSIONAL ENGINEER -- 7.0 hours @ \$60.00/hr. ---- \$420.00

Thank you,

HOLGATE CONSULTING ENGINEERS, INC.

Joseph Holgate
Joseph Holgate, P.E.



Sedona Airport Administration

235 Air Terminal Drive, Suite 1 • Sedona, Arizona 86336
520-282-4487 • Fax: 520-204-1292

February 10, 2001

Mr. Michael Cain
Sky Dance Helicopter Tours
1225 Airport Road #5
Sedona, AZ. 86336

Dear Mr. Cain,

In response to your proposal to construct a hangar building, we have enclosed the draft copy of a 30-year ground lease for your review and comment.

While this document will cover the land to be used an additional commercial business operations license will also be required. The license periods will be 2 years and renewable subject to business conditions. The license cost will consist of \$100.00 per month and 2&1/2 % of monthly gross sales.

All issues are subject to Airport Board and Yavapai County approval.

We look forward to participating in your project.

Very Truly,

A handwritten signature in black ink that reads 'Mac McCall'.

Mac McCall, A.A.E.
General Manager
Sedona Airport

Enclosure

MM/jfb

DRAFT

**CORPORATE-SIZE HANGAR PAD LEASE
SEDONA AIRPORT**

THIS LEASE (the "Lease"), is made and entered into as of the ___ day of _____, ____ (the "Lease Date") by and between the SEDONA-OAK CREEK AIRPORT AUTHORITY, also known as SEDONA AIRPORT ADMINISTRATION, a non-profit corporation (hereinafter referred to as "Lessor"), and the Lessee defined at paragraph 1.8 and 1.9 below.

In consideration of the mutual covenants contained herein, and for other good and valuable consideration, the parties hereby agree as follows:

1. BASIC LEASE INFORMATION.

- 1.1 Airport. Sedona Airport, Yavapai County, Arizona.
- 1.2 Basic Rent. _____ Dollars (\$_____) per annum, payable in at least twelve equal monthly increments, subject to escalation as described on Exhibit B attached hereto. Land lease monthly rent is set at 4.4 cents/square foot under lease/month.
- 1.3 Pavement Repair/Maintenance Assessment. A charge of five dollars (\$5.00) per month is assessed for pavement maintenance and, when required, repairs for taxilanes serving privately owned hangars occupying rented pad space.
- 1.4 Premises. Corporate-Size Hangar Pad _____ a total area of approximately _____ square feet, as described or depicted at Exhibit A attached hereto.
- 1.5 Commencement Date. _____
- 1.6 Expiration Date. May 31, 2031.
- 1.7 Lessee. _____

1.8 Lessor. SEDONA OAK CREEK AIRPORT AUTHORITY, also known as SEDONA AIRPORT ADMINISTRATION.

1.9 Notices.

Lessor: Sedona Airport Administration
235 Air Terminal Drive, Unit #1
Sedona, AZ 86336
Attention: Airport Manager

Lessee: _____

Sedona, AZ 86339

1.10 Security Deposit. _____ Dollars (\$_____), equal to one month's rent for area under lease.

1.11 Lease Period. To expire May 31, 2031.

1.12 **Lessee Occupancy At Conclusion of Initial Term.** This lease agreement and Lessee occupancy of stated premises after the conclusion of the initial term stated in Section 1.11 above can continue on a month-to-month basis unless Lessee is informed in writing by Lessor not less than sixty (60) days prior to the conclusion of the initial term of Lessor's intention to either terminate Lessee's occupancy or to negotiate a subsequent lease of a specified term. The terms and conditions of the initial lease will remain in effect for the month-to-month Lessee occupancy. Basic Rent and any applicable and appropriate additional rent/fee/charge will be implemented for continued month-to-month occupancy based on rents/fees/charges set for the subsequent period. Month-to-month tenancy will be for a maximum of three (3) months.

1.13 **Lease Extension.** If Lessee is in substantial compliance with all lease terms and conditions, this lease may be extended, by mutual agreement, for successive five year periods commencing May 31, 2031 by executing a new lease agreement with the appropriate authority. Said extension shall be on the same terms and conditions as herein stated, except as to rents, which shall be fixed at Lessor's discretion for renting the lease premises at the time the extension is granted. Per Exhibit B, rents can be increased by a CPI-type inflation factor, not to exceed 5% per year. Each subsequent five year extension period must be applied for by written request thereof by Lessee to Lessor not more than one hundred eighty (180) days prior to expiration of any lease period.

2. **PREMISES**

1.14 **Lease of Premises.** Lessor hereby leases to Lessee and Lessee hereby leases from Lessor and takes possession of the Premises for the period and upon all of the terms, conditions, covenants and agreements hereinafter provided.

2.2 **Use of Premises.**

2.2.1 Lessee may use the stated Premises for the primary purpose of storing Lessee's aircraft and other personal property related to the ownership and operation, servicing, maintaining, repairing, or assembling of aircraft. Unless otherwise described or allowed per Exhibit C attached hereto, no commercial activity whatsoever shall be conducted by Lessee on, from or around the Premises. Aircraft painting is limited to touch-up and spot painting of components and parts for corrosion control or to refinish a repaired/replaced component or part. Lessee shall take steps to ensure that the performance of any aircraft maintenance work shall not damage the Premises. Lessee shall control the conduct and demeanor of its agents, officers, representatives, employees, guests and invitees, and of those doing business with it, on, from and around the Premises. If Lessee desires to place items in/on the Premises not related to the ownership and operation, servicing, maintaining, repairing or assembly of the aircraft regularly used, airport management must be notified. Operating motor vehicles may be stored in addition to the aircraft. Lessee shall not store or maintain hazardous materials on the Premises that exceed quantities or types of materials allowed by fire, health, or environmental protection codes, laws and rules.

2.2.2 No persons shall be permitted to live on the Premises.

2.2.3 Vehicles shall be parked only in parking areas designated by Lessor, or as otherwise allowed on a temporary basis.

2.2.4 Lessee's rights hereunder are subject to the express limitations contained herein and the lawful rights and powers of all governmental authorities having

jurisdiction. In addition to the limitations stated elsewhere in this Lease, Lessee shall not use the Premises, or allow the Premises to be used, in any manner that would constitute waste, nuisance, or unreasonable annoyance to Lessor or any other tenant, occupant or user of the airport.

2.3 **Quiet Enjoyment.** Upon payment by Lessee of the rent herein provided, and upon the observance and performance of all the covenants, terms and conditions on Lessee's part to be observed and performed hereunder, Lessee shall have the right to peaceably and quietly use and enjoy the Premises for the period without hindrance or interruption by Lessor or any other person or person's actions for, through or under Lessor.

2.4 **Inspection.** Lessee acknowledges that Lessor has the right to inspect the Premises to include interiors of structures. Accordingly, upon reasonable prior notice to Lessee, Lessor or Lessor's authorized agents shall have the right to enter the Premises during regular business hours for the purpose of inspecting the same or for such other purposes as Lessor may in good faith determine. Lessor shall make a reasonable effort not to interfere with the normal conduct of Lessee or unnecessarily disturb Lessee's property and belongings on the Premises. Lessee shall establish procedures so that in an emergency threatening Lessor's property or any property of another, or threatening substantial damages to Lessor's interest as Lessor, Lessor may gain reasonable admittance to the Premises at all hours. Lessee agrees to have available to Lessor, at reasonable times and upon reasonable notice, a representative who may, at Lessee's election, accompany Lessor's representative during Lessor's exercise of its right of entry and access. Lessee will provide to Lessor lock keys or combination number for Lessor's use for inspection or emergency access. Lessor assumes full responsibility for use of Lessee provided keys or combinations held by Lessor. Should Lessor enter the premises for any reason without Lessee's presence, Lessor shall notify Lessee by telephone, or in writing within five (5) days, providing date, time of day and reason for entry.

2.5 **Airport Functions.**

2.5.1 Lessor shall have the right, but shall not be obligated to Lessee, to maintain and keep in repair the landing area (which shall include, without limitation, the runway, taxiway, taxilanes, and apron areas) of the Airport and all publicly-owned facilities of the Airport, together with the right to direct and control all activities of Lessee in this regard. Lessor shall have the right to further develop or improve the landing area of the Airport or any other facility or function of the Airport as it sees fit, and Lessee shall be prohibited from interfering with or hindering such development or improvement. Lessor retains the right and power to perform all conditions and obligations required of it by i) any authorized agency of the United States, including, but not limited to, the United States Department of Transportation ("DOT") and the United States Federal Aviation Administration ("FAA"), ii) any authorized agency of the State of Arizona, iii) the airport grant assurances contained in agreements with the FAA or the State of Arizona, or iv) any Federal, State, or local law, ordinance or regulation. Lessee shall not interfere with the exercise of such rights by Lessor or Lessor's performance of such conditions and obligations.

2.5.2 There is hereby reserved to Lessor, its designees, 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. This public right of flight shall include the right to cause in said airspace any noise inherent in the operation of any aircraft used for navigation or flight through the said airspace or for landing at, taking off from, or operation on the Airport.

- 2.5.3 It is understood and agreed that nothing herein contained shall be construed to grant to Lessee or authorize the granting of an exclusive right in violation of 49 U.S.C. 40103(e) of the Federal Aviation Act.
- 2.5.4 This Lease 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 a time of war or national emergency.
- 2.5.5 Lessor shall in no event be liable in damages or otherwise, nor shall Lessee be released from any obligations hereunder, because of the interruption of any service, or a termination, interruption or disturbance, attributable to strike, lockout, accident, war or other emergency, law, order, rule or regulation of or by any governmental authority (including but not limited to grant assurances and airport compliance requirements issued by the FAA), failure of supply, inability to obtain supplies, parts or contractors, or any cause beyond Lessor's reasonable control, or any cause due to any act or neglect of Lessee or its agents, officers, representatives, employees, guests, invitees, or any person claiming by, through or under Lessee.

2.6 **Condition of Premises.** By execution of this Lease, Lessee shall be deemed to have accepted the leased area in an "AS IS" condition. Lessee represents and warrants that it has satisfied itself, by its own investigation and research, regarding all physical conditions affecting Lessee's use and enjoyment of the Premises, Lessee further represents and warrants, if deemed appropriate, that it has had the advice of such independent professional consultants and experts as it considers necessary in connection with its investigation of the Premises, has (to the extent it deems necessary) independently investigated the condition of the Premises, including the environmental condition, soils, hydrology and seismology thereof, and the laws and regulations relating to the construction and operation of the intended activities on the Premises, and has not relied upon any statement representation or warranty of Lessor of any kind or nature in connection with Lessee's decision to execute and deliver this Lease and its agreement to perform the obligations of Lessee hereunder, except as expressly set for in this lease.

2.7 **Alterations and Repairs.**

- 2.7.1 Lessee shall not have the right to make any improvement, alternation or addition to the premises, including the installation of any sign, without the prior written approval of Lessor (which will not be unreasonably withheld). All expenses of material and labor resulting from such alternations or improvements shall be the sole responsibility of Lessee.
- 2.7.2 All structures and improvements which Lessee proposes to place on the Leased Premises must be approved by Lessor, and if so required, the County of Yavapai, prior to installation. The Lessor's consent pertaining to exterior alternations or structural alterations will not be unreasonably withheld. Lessee is responsible for all costs of said improvements and for securing all necessary permits or approvals as may be required by any public agency with jurisdiction relating to the said improvements. In making any improvements or alterations which require the Lessor's consent hereunder, Lessee shall supply Lessor with reasonably detailed final plans and specifications of the proposed alterations and the name of the proposed contractor, if any, at least 60 days before the date Lessee proposes to commence the alteration.

- 2.7.3 Lessee agrees to comply with the notification and review requirements of Part 77 of the Federal Aviation Regulations.
- 2.7.4 Lessee shall cause to be repaired, at its sole expense, any and all damage or injury to the property of Lessor caused by Lessee, its agents or employees, or others who may be on the Leased Premises.
- 2.7.5 Lessee shall make, at its own expense, any and all necessary repairs to, or replacement of, any equipment, structures, or other physical improvements upon the Leased Premises in order to comply with any and all applicable regulations, laws or ordinances of the State of Arizona or County of Yavapai.
- 2.7.6 If Lessee fails to make any repairs or replacements as required to the satisfaction of Lessor, Lessor, at its sole discretion, after giving thirty (30) days written notice to Lessee of the condition, needed repairs or replacements, and the opportunity to make them, may make such repairs or replacements, if Lessee has not done so. If such repairs or replacements are performed by or on behalf of Lessor, the cost of any such repairs or replacements shall be treated as additional rent payable by Lessee. Lessor may elect to treat the failure to make such repairs within thirty (30) days or to pay such additional rent with the installment of rent next following the billing of Lessee for such additional rent as a material breach of this Lease by Lessee.
- 2.7.7 Lessee, at its sole cost, shall have the right to make, without Lessor's consent, nonstructural alterations to the interior of any structures on the Leased Premises. In all cases of exterior improvements or alterations on the Leased Premises, Lessor's approval must first be obtained.
- 2.7.8 Upon the expiration of this Lease, all fixed improvements then existing upon the premises shall revert to and become the property of Lessor without compensation to, or requirement of consent or act of Lessee, and Lessee shall thereafter have no further rights thereto or interest therein. Upon such expiration of the Lease, Lessee agrees to execute, acknowledge and deliver to Lessor any instrument reasonably requested by Lessor to carry out the intention of this Section 2.7.8.
- 2.7.9 If Lessee is not in default upon termination of this Lease, Lessee may remove all of its equipment and nonfixed improvements provided Lessee restores the premises to a condition equal to or better than the condition of said premises prior to removal. Lessee shall have sixty (60) days from termination of this Lease to remove such items. Rent will be due and payable during this period. Any items not removed within sixty (60) days shall become the sole property of the Lessor.

2.8. ENVIRONMENTAL HAZARD.

- 2.8.1 "Environmental Damages" means all claims, judgments, damages, losses, penalties, fines, liabilities (including reasonable attorneys' and consultants' fees) of investigation and defense of any claim, whether or not such claim is ultimately defeated, and of any good faith settlement, which are incurred as a result of the existence of Hazardous Material on, under or about the Premises, or for noncompliance with any other environmental law, including, but not limited to the statutes listed hereafter, their implementing regulations and related state laws. As used in this Lease, environmental laws include: The Airport Noise and Capacity Act of 1990, 49 U.S.C. 47521, et seq., The Aviation Safety and Noise Abatement Act of 1979, 49 U.S.C. 47501, et seq., The Clean Air Act and

Amendments, 42 U.S.C. 7506, 404, 402, 7641, 7642, 7401, et. seq., 33 U.S.C. 1342, 1344; Clean Water Act of 1977, 33 U. S. C. 1251, et. seq., Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), 42 U.S.C. 9601, et. seq., 26 U.S.C. 4611, 4612, 4661, 4662, 4671, 4672; Emergency Planning and Community Right to Know Act of 1986, 42 U.S.C. 1101, et. seq., Endangered Species Act of 1973, 16 U.S.C. 460, et. seq., 668dd, 715I, 714s, 1362, 1371, 1372, 1402, 1531, et. seq.; Federal Water Pollution Control Act and Amendments, 33 U.S.C. 1251, et. seq., 1342, 1344; Fish and Wildlife Coordination Act, 16 U.S.C. 661, et. seq.; Hazardous Materials Transportation Act, 49 U.S.C. 5101, et. seq.; National Environmental Policy Act, 42 U.S.C. 4321, Noise Control Act, 42 U.S.C. 4901, et. seq., Resource Conservation and Recovery Act of 1976 (RCRA), 42 U.S.C. 6901, et. seq.; Superfund Amendments and Reauthorization Act of 1986, 26 U.S.C. 4611, et. seq., 42 U.S.C. 9611, 9601, et. seq.; Toxic Substances Control Act, 15 U.S.C. 2601, et. seq., Water Quality Act of 1987, 33 U.S.C. 251, et. seq. Environmental damages include without limitation: (i) damages for personal injury or injury to property or natural resources occurring on the Premises, foreseeable or unforeseeable; (ii) fees incurred for attorneys, consultants, contractors, experts, laboratories and all other costs incurred in connection with the investigation or remediation of Hazardous Material, including but not limited to, the preparation of any feasibility studies or reports or any cleanup, remediation, removal, abatement, containment, closure, restoration, or monitoring required by any federal, state or local governmental entity.

- 2.8.2 "Hazardous Materials" means any hazardous or toxic substance, material or waste which is or becomes regulated by any federal, state or local governmental entity. The term includes, without limitation, any material or substance which is defined or listed as a hazardous waste, extremely hazardous waste, restricted waste, hazardous substance, hazardous material or waste in any statute of the State of Arizona or County of Yavapai or designated as a hazardous substance pursuant to Section 300 of the Water Pollution Control Act, 33 U.S.C. 1317, et. seq.; defined as a hazardous waste or substance pursuant to the Resource Conservation and Recovery Act, 42 U.S.C. 6901, et. seq. Or the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. 9601, et. seq.; petroleum; asbestos.
- 2.8.3 In no event shall County or Lessor be liable for incidental, special, exemplary or consequential damages including, but not limited to, loss of profits or products, interference with business operations or relationships, or inability to use the Premises. Lessee shall be primarily liable for Environmental Damages due to any act commission or omission of Lessee with respect to the use, storage, or disposal of any Hazardous Material or with respect to damage on the Premises caused by Lessee.
- 2.8.4 Lessee shall not cause or permit any Hazardous Material to be brought on, treated, kept, used, stored, disposed of, discharged, released, produced, or generated in, on, under or about the Premises by Lessee, its agents, employees, contractors, subtenants, assignees, or invitees without the prior written consent of Lessor which shall not be unreasonably withheld if Lessee demonstrates to Lessor's satisfaction that such Hazardous Material is necessary to Lessee's activities and will be brought on, treated, kept, used, stored, disposed of, discharged, released, produced in a manner which complies with all laws regulating such Hazardous Material.
- 2.8.5 Lessee shall defend, indemnify and hold County and Lessor harmless from any and all Environmental Damages relating to any Hazardous Material brought on,

treated, kept, used, stored disposed of, discharged, released produced or generated by Lessee, its employees, agents, contractors, assignees, subtenants or invitees during Lessee's occupation of the Premises, even if done with Lessor's consent, and in addition, from any and all Environmental Damages arising from Hazardous Material in, on, under or about the Premises as a result of Lessee's occupancy of the Premises.

- 2.8.6 Notwithstanding Lessee's obligation to indemnify County and Lessor, at Lessee's sole cost and expense, Lessee must promptly take action to remediate the Premises necessitated by the presence of Hazardous Material in, on, under or about the Premises and caused by Lessee's use or occupancy of the Premises. Such action includes, but is not limited to: investigation of the environmental condition of the Premises, the preparation of any feasibility studies, reports or remedial plans, and the performance of any cleanup or remediation. Lessee shall proceed continuously and diligently with such investigatory and remedial action. All action shall be performed in a good, safe and workmanlike manner. Lessee shall promptly provide to Lessor copies of testing results and reports in connection with Lessee's action pursuant to this paragraph. If County or its Lessor discovers such hazardous materials which have not been properly cleaned up or remediated, County or Lessor at its sole discretion may pay to have same removed and Lessee shall reimburse County or Lessor for all costs incurred related to the removal of such materials within five (5) days of demand of payment.
- 2.8.7 Lessee shall comply with the notice requirements of any statute regarding notice to Lessor or any other party, of the discovery by Lessee of the presence, or suspected presence of any hazardous materials on the Premises.
- 2.8.8 Lessee shall comply with all permits, regulations or orders of any state, local or federal governmental entity having jurisdiction or authority over matters relating to removal and/or discharge of waters or other liquids from the premises.
- 2.8.9 Lessee will be solely responsible for the reporting of the presence or releases of hazardous material to the appropriate public agencies when such presence or releases are caused by or result from Lessee's activities on the airport. Lessee shall immediately notify Lessor of any releases of hazardous materials, whether or not the release is in quantities that would otherwise be reportable to a public agency.
- 2.8.10 Lessee shall comply with all applicable laws, ordinances, and regulations pertaining to hazardous materials. Lessee shall bear any and all cost and expense associated with the use, storage, and disposal of hazardous materials.
- 2.8.11 Lessee's obligation under this section shall survive the expiration or earlier termination of this lease.
- 2.8.12 Lessee will provide containers and be responsible for the collection and disposal of waste oils and solvents generated by Lessee's activities.
- 2.8.13 Lessee hereby warrants and represents that it shall not have, use, store, or dispose of any hazardous substances on or about the premises.
- 2.8.14 Lessee hereby warrants and represents that it will comply with all Federal, State, and local laws and regulations concerning the use, release, storage and disposal of hazardous substances on the Leased Premises.

3. **LEASE PERIOD**

3.1 **Commencement and Expiration Dates.** This Lease shall commence on the stated Commencement Date and be for the period through the stated Expiration Date, unless earlier terminated under the terms of this Lease. After the Expiration Date (unless this Lease has been earlier terminated under its terms), this Lease and the period hereof may continue in effect from month to month, subject to the terms of Section 1.12, being automatically renewed after each month, unless notice of termination is given by Lessor or Lessee to the other at least one month in advance of such termination. Upon the giving of such notice, this Lease shall terminate on the date of termination specified in the notice.

3.2 **Events Prior to Commencement.**

3.2.1 Lessee's inability or failure to complete or take occupancy of the Premises shall not delay the Commencement Date or Lessee's obligation to make any payments under this Lease.

3.2.2 Prior to the Commencement Date, Lessee shall pay to Lessor any Security Deposit required.

3.2.3 Prior to the Commencement Date, Lessee shall deliver to Lessor certificates or binders evidencing the existence of any required insurances as described in Section 11 of this Lease.

4. **RENT.**

4.1 **Rental Payments.** Lessee shall pay Lessor the Basic Rent in at least equal monthly installments on or before the first day of each calendar month during the lease period, but no later than the tenth day. All sums payable to Lessor under this Lease shall be paid to Lessor, without demand, deduction or offset, in lawful money of the United States of America, which shall be legal tender at the time of payment. Lessor's acceptance of rent after it shall have become due and payable shall not excuse a delay upon any subsequent occasion or constitute a waiver of any of Lessor's rights. Rents will be paid to Lessor at the address set forth for Notices. The Rent for any period between the Commencement Date and the first day of the following month, if such period is less than one (1) month, shall be prorated on a daily basis for the portion of the month involved.

4.2 **Late Fee.** In the event any payment due is not paid in full within ten days after due date, Lessee agrees to pay a late charge of five percent of the payment due. Lessee further agrees to pay a twenty dollar (\$20.00) charge for each dishonored check submitted for any payment due. Any unpaid balance, including late charges, shall bear interest at eighteen percent per annum, or one-and-one half percent per month. Such late charge shall constitute additional rent due hereunder, shall be paid with the next monthly installment of Base Rent coming due hereunder, shall constitute agreed liquidated damages and not penalties, and shall be in addition to, and not in lieu of, all other rights and remedies provided to Lessor in this Lease, at law, or in equity.

4.3 **Security Deposit.** Simultaneously with Lessee's execution of this Lease, Lessee shall deposit with Lessor any required Security Deposit(s). Lessor shall not be required to maintain the Security Deposit in a separate account. Except as may be required by law, Lessee shall not be entitled to interest on the Security Deposit. The Security Deposit shall be security for Lessee's performance of its obligations under this Lease, and Lessor may apply such deposit in satisfaction of any unfulfilled obligations of Lessee under this Lease. Within three (3) days after written notice of Lessor's use of the Security Deposit or any portion thereof, Lessee shall deposit with Lessor an amount sufficient to restore the Security Deposit to its amount prior to such use, and Lessee's failure to do so shall constitute a default hereunder. Within thirty (30)

days after the later of (a) the expiration or earlier termination of the lease period, and (b) Lessee's vacating the Premises, Lessor shall return the Security Deposit less such portion thereof as Lessor shall have used to satisfy Lessee's obligations under this Lease.

5. LESSEE'S OBLIGATION TO COMPLY.

5.1 **Compliance.** Lessee agrees to and shall, at Lessee's sole expense, promptly and faithfully comply with all ordinances, resolutions, rules, and regulations of any applicable federal, state, local governmental agency and the County of Yavapai and the Federal Aviation Administration, as well as the covenants and restrictions of this Lease, any and all directives in conjunction with airport operations and flight safety issued by Lessor, and requirements of any fire insurance underwriter or rating bureau. The Lessee understands and agrees that he/she is subject to any and all new regulations which may be imposed by the local, state or federal agencies whether or not they reflect a change in law and policy from that now existing, during the term hereof or any part of the term hereof, relating in any manner to the Lessee's occupation of the Leased Premises. Lessee agrees to obtain and keep in effect, at its sole expense, any and all permits or licenses required for any permits or operations hereunder. Lessee also understands and agrees that he/she is subject to severe restrictions on his/her activities at the Airport due to environmental concerns, statues, regulations, ordinances and rules. If any violation of any ordinance, resolution, rule, regulation or directive must be corrected within thirty (30) days of notice by Lessor.

5.2 **Operational Requirements.**

5.2.1 Lessee shall not permit any aircraft under its control, whether owned by it or by any of its customers or sublessees, to be parked upon any portion of the airfield other than within the Leased Premises and assigned tie down spaces. This shall not apply to aircraft which are entitled, by separate agreement with the Lessor, to occupy hangar or tie down space.

5.2.2 If requested by the Lessor, Lessee shall provide and keep current in the Airport Manager's office a list of all employees, their ratings and current license numbers, and emergency telephone numbers.

5.2.3 Lessee shall at all times comply with all applicable laws, ordinances and regulations pertaining to fire prevention, and shall furnish and keep adequate fire extinguishers in sufficient numbers and in convenient and accessible places upon the premises. Such fire extinguishers shall be charged and ready for immediate use as required by said fire regulations and applicable laws or ordinances. Lessee shall make all alterations and do all things which may be required or be deemed necessary by the provisions of the lease or any applicable law, regulation, order, rule, ordinance or requirement.

5.2.4 Lessee shall pay, at Lessee's sole cost and expense, all fines, penalties, damages, costs and expenses that may in any manner arise out of or be imposed because of the failure of Lessee to comply with this section. Lessee shall, and hereby agrees to save Lessor harmless from any damage, injury or loss suffered by reason of any breach by Lessee of the provisions of this section.

5.3 **FAA Requirements.**

5.3.1 **Nondiscrimination.** Lessee agrees that: (i) no person on the grounds of race, creed, color, national origin, sex, sexual orientation, age, or handicap shall be excluded from participation in, denied the benefits of, or be otherwise subject to discrimination in the use of said facilities; (ii) in the construction of any improvements on, over or under such land, in providing employment, and in the

furnishing of services thereon, no person on the grounds of race, creed, color, national origin, sex, sexual orientation, age, or handicap shall be excluded from participation in, denied the benefits of, or otherwise be subject to discrimination; and (iii) Lessee shall use the premises in compliance with all of the requirements imposed by or pursuant to 41 C.F.R. Part 60, 49 USC 306, 49 C.F.R. Part 21, 49 C.F.R. Part 27, or the assurances contained in FAA Order 5100.38A as said laws, regulations, or assurances may be amended from time to time.

- 5.3.2 **Civil Rights.** The Lessee assures that it will comply with pertinent statutes, executive orders and such rules as are promulgated by insure that no person shall, on the grounds of race, creed, color, national origin, sex, sexual orientation, age, or handicap be excluded from participating in any activity conducted with or benefiting from Federal assistance. This provision obligates the Lessee or its transferee for the period during which Federal assistance is extended to the airport program, except for Federal assistance as to provide, or is in the form of personal property or real property or interest therein or structures or improvements thereon. In these cases, this provision obligates the party or any transferee for the longer of the following periods: (a) the period during which the property is used by the sponsor or any transferee for a purpose for which Federal assistance is extended, or for another purpose involving the provision of similar services or benefits; or (b) the period during which the airport sponsor or any transferee retains ownership or possession of the property.
- 5.3.3 **Nondiscriminatory Pricing.** Lessee shall furnish its accommodations and/or services on a fair, equal and not unjustly discriminatory basis to all users thereof, and it shall charge fair, reasonable and not unjustly discriminatory prices for each unit of service, provided, however, that Lessee may be allowed to make reasonable and nondiscriminatory discounts, rebates or other similar types or price reductions to volume purchasers or users.
- 5.3.4 **Affirmative Action.** Regardless of the applicability of 14 C.F.R. Part 152 to the airport, Lessee assures that it will undertake an affirmative action program as described in 14 C. F. R. Part 152, subpart E to assure that no person shall, on the grounds of race, creed, color, national origin, sex or sexual orientation be excluded from participating in any employment activities covered in 14 C. R. 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 this subpart. Lessee agrees that in the event facilities are constructed, maintained or otherwise operated on the said property described in this Lease for a purpose for which a DOT program or activity is extended, or for another purpose involving the provision of similar service or benefits, Lessee shall maintain and operate such facilities and services in compliance with all requirements imposed pursuant to Title 49, Code of Federal Regulations, DOT, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally Assisted Programs with the Department of Transportation - Effectuation of Title VI of the Civil Rights Act of 1964 as said regulations may be amended from time to time.
- 5.3.5 **Navigable Air Space.** Lessee agrees to comply with the notification and review requirements contained in Part 77 of the Federal Aviation Regulations (14 C.F.R. Part 77) in the modification or alteration of any present or future building is planned for the premises, or in the event of any planned modification or alteration of any present or future building or structure situated on the premises. Lessee shall not erect or permit the erection of any structure or object, or permit the growth of any tree, on the premises, above a mean sea level elevation of 4,835 feet at the building restriction line or at any elevation on the land leased

that conflicts with the standards set forth in Part 77 of the Federal Aviation Regulations. In the event that aforesaid covenants are breached, Lessor reserves the right to enter upon the land leased hereunder and to remove the offending structure or object or cut the offending tree, all of which shall be at the expense of Lessee.

5.3.6 **Aircraft Operations.** Lessee shall not use the premises in any manner which might interfere with the taxiing, landing or taking off of aircraft from the airport or which may otherwise constitute a hazard. In the event the aforesaid covenant is breached, Lessor reserves the right to enter upon the premises and abate such interference at the expense of Lessee.

5.3.7 **Sublease or Assignment.** Lessee agrees to insert the provisions of this subsection 5.3 in any sublease or assignment if such is permitted by this Lease by which Lessee grants a right or privilege to any person, firm or corporation to render accommodations and/or services to the public on the premises.

5.3.8 **Material Breach.** Notwithstanding any provision or applicable rule to the contrary, and without limitation to any other provision of this Lease, non-compliance with any of the foregoing requirements of this Section 5.3 by Lessee shall be deemed to be a material breach of this Lease. In the event of such breach, Lessor may pursue the remedies set forth in this Lease and any other legal or equitable remedy, including the right to terminate this Lease for just cause. The United States and Yavapai County in addition to Lessor shall have the right to enforce the provisions judicially at the election of any or all of said governments. If early termination of this Lease occurs, Lessee must be compensated for his leaseholdings and improvements on a pro-rated basis or Fair Market Value, whichever is greater.

6. **MAINTENANCE OF PREMISES.**

6.1 **Maintenance.** As may be appropriate, lessee shall be responsible for all maintenance, including, but not limited to, the following: grounds maintenance and complete maintenance of the interior office building, including doors, windows, plumbing, lighting, heating and air conditioning systems. Lessee shall maintain the Leased Premises at all times in neat, orderly and safe condition free from waste and debris.

6.2 **Cleaning.** As may be appropriate, lessee shall provide all janitorial services and supplies, and shall provide proper containers for, and regular collection of, all trash, rubbish material, waste oils and solvents.

6.3 **Hazards.** Lessee shall keep the Leased Premises in a good, clean, sanitary and secure manner which is acceptable in appearance and does not create a fire or other safety hazard. No material detrimental to the public health shall be permitted or remain thereon, and lessee shall prevent any such matter or material from being or accumulating on said Leased Premises. Lessee will regularly have vegetation growing adjacent to any structure abated in the interest of fire prevention.

6.4 **Rights of Lessor.** Lessor reserves the right, but shall not be obligated to the Lessee, to maintain and keep in repair the landing area of the airport and all publicly-owned facilities of the airport together with the right to direct and control activities of the Lessee in accordance with normal airport activities.

6.5 **Repair.** As may be appropriate, if the premises or the improvements thereon or any part thereof are destroyed or damaged by fire or other casualty, Lessee is required to promptly

reconstruct and repair same, using its own funds and insurance proceeds. Should Lessee fail to do so, Lessor may direct Lessee's insurance proceeds to be used for that purpose. If such insurance proceeds do not fully cover the costs of such reconstruction or repair, Lessee shall be liable to Lessor for any deficiency.

7. **UTILITIES** (As Applicable and Appropriate). Lessee is responsible for arranging and paying for all utilities to and upon the Premises, including, without limitation, electric power, telephone, water, and sewage disposal. Lessee shall obtain separate utility meters and pay directly to the provider for all utility charges, including telephone service. If separate utility metering shall not have been arranged or be available, Lessee shall pay to Lessor, at the same time and at the same place as the monthly installments of Basic Rent, Lessee's Percentage of such utility cost.
8. **TAXES, ASSESSMENTS, AND LICENSES.** The property interest conveyed herein may be subject to real property taxation or assessment. Lessee agrees to pay before delinquency all lawful taxes, general and special assessments, fees or charges which at any time may be levied by the State of Arizona, County of Yavapai, or any tax or assessment levying body upon any interest in this Lease or any possessory right which Lessee may have in or to premises covered hereby or improvements thereon by reason of its possessory rights, use or occupancy thereof, or otherwise as well as all taxes, assessments, fees, and charges on goods, merchandise, fixtures, appliances, equipment owned or used by it in or about said premises. Lessee shall be solely responsible for the payment of such taxes, assessments, fees or charges. In the event any such taxes or assessments described in this section are charged to Lessor, Lessor shall notify Lessee in writing of the amount due and Lessee shall pay Lessor said amount within (30) days of such notice. Lessor may elect to pay any taxes or assessments which are charged to and due from Lessee. Should Lessor elect to make such payment, the sums paid shall be charged to Lessee as additional rent. Lessee shall at all times keep the premises and any fixtures and improvements located thereon free and clear of all other liens or encumbrances of any kind or character except as approved in writing in advance by Lessor. Lessee shall also at all times indemnify and save Lessor harmless from all claims for labor and materials used in structures, improvements, equipment or facilities on the premises, and from the cost of defending against such claims, including attorneys' fees and costs.
9. **DAMAGE TO PROPERTY AND INJURY TO PERSONS.** Loss or damage to property of any kind, or injury to persons, on the immediate Premises, except that which is caused by the gross negligence or willful misconduct of Lessor, shall be Lessee's responsibility and at Lessee's sole risk. Lessor and Yavapai County, and their respective agents, officers, representatives, employees, guests and invitees, shall not have any obligation or otherwise be liable in any respect to Lessee, its agents, officers, representatives, employees, guests or invitees for injury to property or persons from any cause or occurrence of any nature whatsoever, including but not limited to aircraft accident, water, rain, snow, ice, sleet, wind, fire, storms and accidents or by breakage, stoppage or leakage of water, gas, electricity, or by theft or vandalism on, about or adjacent to the immediate premises.
10. **DESTRUCTION OR DAMAGE TO PREMISES.** If the premises or improvements thereon to include the hangar structure, or any part thereof, are destroyed or damaged by fire or other casualty, Lessee is required to promptly replace, reconstruct or repair same, using its own funds and insurance proceeds. Should Lessee fail to do so, Lessor may direct Lessee's insurance proceeds to be used for that purpose. If such insurance proceeds do not fully cover the cost of such replacement, reconstruction or repair, Lessee shall be liable to Lessor for any deficiency. In the event Lessee fails or refuses to make the necessary repairs, reconstruction or replacement of damaged or destroyed facilities, Lessor may, at its sole option, elect to make such repairs, replacement or reconstruction and the cost of such repairs or construction may be charged as additional rent to Lessee unless Lessor, at its sole option, determines that the improvements shall revert to Lessor immediately upon completion of reconstruction.

11. **INSURANCE.** Without limiting Lessee's indemnification of Lessor, Lessee shall, as may be appropriate, provide and maintain, at its sole expense, during the term of this Lease, the following policy or policies of insurance covering its operations and activities hereunder. Such insurance shall be secured through a carrier satisfactory to Lessor, and a certificate of insurance shall be delivered to Lessor on or before the effective date of this Lease. Such evidence shall specifically identify this Lease and shall contain express conditions that Lessor is to be given written notice at least thirty (30) days in advance of any modification or termination of any policy of insurance. Such insurance shall name the County of Yavapai and Lessor as additional insureds.
- 11.1 **Real Property Insurance.** Lessee shall maintain during the entire term of the Lease, real property insurance covering buildings and improvements for property damage in an amount equal to the replacement value of the Leased Premises and all improvements.
- 11.2 **Liability Insurance.** Lessee shall maintain during the entire term of the Lease, liability insurance for all damages resulting from Lessee's occupation of the Leased Premises, including, but not be limited to, general aviation and airport liability, endorsement for premises liability, products and completed operations, and contractual liability, with a combined single limit of not less than \$1 million per occurrence.
- 11.3 **Worker's Compensation.** Lessee shall cover its employees with Workers' Compensation insurance in an amount and form to meet all applicable requirements of the State of Arizona.
- 11.4 **Failure to Procure Insurance.** Upon failure of Lessee to procure or maintain required insurance, Lessor may, upon ten (10) days notice to Lessee, procure or renew such insurance, pay any and all premiums in connection therewith, and the cost of any such insurance premiums shall be treated as additional rent. If said insurance is not thereafter immediately obtained, and/or if said additional rent is not paid with the installment of rent next following the billing of Lessee for such additional rent, Lessor may elect to treat such failure as a material breach of this Lease by Lessee.
- 11.5 **Amounts of Insurance.** The amounts of required insurance shall be subject to annual review by the Lessor to assure adequate coverage limits apply.
- 11.6 **Increased Premiums.** If any insurance premiums being paid by Lessor for its insurance are increased because of any activity, happening or occurrence on the premises, Lessee shall reimburse Lessor for such increases in premiums within ten (10) days after written demand by Lessor for such reimbursement. Such additional premiums charged to Lessor as a result of activities of Lessee shall be deemed to be additional rent for purposes of this Agreement.
- 11.7 **No Increased Risk.** Lessee shall not do or permit to be done on or about the Premises any act or thing and shall not permit any structure or improvements at any time to be placed, kept or maintained on the premises in such condition or to be so occupied in such manner, and shall not permit the premises to be used for any purposes in any manner, that would cause the cancellation or invalidation of any of Lessor's insurance policies, or that would make it impossible to obtain insurance at reasonable rates from a highly rated insurance carrier, authorized to do business in the State of Arizona, to insure the premises or the airport.

12. **INDEMNIFICATION**

- 12.1 Lessee agrees to release, indemnify and hold harmless the County and Lessor and their agents, officers, employees, representatives, successors and assigns from and against any and all liability, damages, business interruptions, delays, losses, claims, judgments of any kind whatsoever including all costs, attorneys' fees, and expenses incidental thereto, which may be suffered by, or caused to, County or Lessor by reason of loss or damage to any property or injury to, or death of, any person arising from or by reason of Lessee's use of the Airport and Leased Premises. Lessee shall further indemnify and hold harmless the County and Lessor from and against any and all claims, costs and expenses arising out of any act or omission including, but not limited to, any use, conduct, activity, work, things done, permitted or allowed, any breach of any provision of this Lease, the violation of any law, ordinance, field rule, or other regulation of the Lessor, the Federal Aviation Administration, or any other governmental agency, default or negligence of Lessee or of Lessee's agents, employees, contractors, partners or invitees and from and against all costs, attorney fees, expenses and liabilities incurred by the County or Lessor as the result of any such acts or omissions including, but not limited to, the defense or pursuit of any claim or any action or proceeding resulting therefrom. The County or Lessor need not have paid any such claim in order to be so indemnified. Lessee, as a material part of the consideration to the County and Lessor, hereby assumes all risks of damage to property of Lessee or injury to persons, in, upon or about the Airport and/or the Leased Premises arising from any cause and Lessee hereby waives all claims in respect thereof against the County and Lessor.
- 12.2 Neither the County nor the Lessor will be responsible for theft, loss, injury, damage or destruction of the Lessee's property or injury to the Lessee, or the Lessee's agents, contractors, employees, invitees, clients, partners, successors or assigns, it being specifically understood that the fees and rents charged hereunder are for the privilege of use of the Leased Premises only.
- 12.3 Neither the County nor the Lessor shall be liable for failure to perform this Lease or for any loss, injury, damage or delay of any nature whatsoever caused by or resulting from any act of God, fire, flood, accident, strike, labor dispute, riot, insurrection, civil disturbance, war or any other cause beyond its control.
- 12.4 Lessee further agrees to keep the Leased Premises and any improvements constructed thereon free and clear of liens for labor and material and shall hold County and Lessor harmless from any liability with respect thereto.

13. **ASSIGNMENT, TRANSFER OF INTEREST.**

- 13.1 **No Transfer Without Lessor's Consent.** Lessee shall not sublet, assign, transfer, license or encumber any interest in the Premises, excludes structure and contents, or this Lease, in whole or in part, without Lessor's prior written consent (which will not be unreasonably withheld).
- 13.2 **Transfer of Interest in Lessee.** Lessor reserves the right to approve (which must be in writing), in its sole discretion, the sale or transfer of a majority interest in Lessee or any sales or transfer of an interest in Lessee which singly or cumulatively results in a majority interest being owned by any person or entity other than the current owner(s) of the majority interest. Should Lessee proceed to accomplish any of said transfers without Lessor's prior written approval, Lessor may treat the event as a material breach subject to the remedies set forth in this Lease and may pursue any other legal or equitable remedy for material

breach. Lessee is obligated to inform Lessor promptly whenever any such sale or transfer of interest occurs, and failure to do so shall be deemed a material breach. Lessor will not unreasonably withhold approval.

- 13.3 **Transfer of Obligations.** All of Lessee's obligations pursuant to this Lease become the obligations of Lessee's heirs, personal representatives, successors in interest, and assigns, if any attain an interest in this Lease.
14. **SUBORDINATION.** Upon Lessor's request, Lessee will subordinate Lessee's rights and interest in the hangar pad hereunder to the lien of any mortgage, deed of trust, or any other lien document in favor of any lending institution, and to all advances made upon the security thereof.
15. **SURRENDER.** Upon expiration of this Lease, Lessee shall peaceably surrender possession of the Premises [REDACTED] to Lessor in a condition and state of repair allowing for reasonable wear and tear, and the Premises shall be cleared of all persons and property not belonging to Lessor. Upon termination of this Lease under conditions other than by default or breach by Lessee, Lessee shall be permitted to remove all trade fixtures, equipment and other personal property lawfully owned by Lessee in an expeditious manner or as mutually agreed upon by the parties hereto. However, if Lessee fails to do so, Lessor shall have the rights, in its discretion, to remove such property, place such in storage at the expense of Lessee, restore the Premises to the condition required by this Lease, and hold Lessee liable for all costs incident thereto. Lessor shall not be liable for any loss or damage incurred in connection with the removal or custodial care of such property, except for Lessor's negligence.
16. **DEFAULT.** The occurrence of any one or more of the following events shall constitute a material breach and default of this Lease by Lessee.
- 16.1 **Vacating Premises.** Lessee's vacating or abandoning the premises will be deemed to have occurred if Lessee ceases to occupy premises for more than one hundred and eighty (180) consecutive days in any calendar year and no rent has been paid. Lessee's lease holdings and improvements may be sold on a pro-rated basis or Fair Market Value price, whichever is greater, and monies distributed to Lessee or to his estate minus Lessor's costs incurred.
- 16.2 **Failure to Pay Rent.** Lessee's failure to pay the rent or any other payment required herein, as and when due, if such failure continues for a period of thirty (30) days after Lessor's written notice.
- 16.3 **Failure to Perform.** Lessee's failure to observe or perform any of the covenants, conditions or provisions of this Lease, if such failure continues for thirty (30) days after written notice of such breach and demand for compliance.
- 16.4 **Bankruptcy.** Lessee's making any general assignment or general arrangement for the benefit of creditors; or the filing by or against Lessee of a petition in bankruptcy or a petition for reorganization or arrangement under any law relating to bankruptcy (unless the petition filed against Lessee is involuntary and is dismissed within eighteen (18) months); or upon the appointment of a trustee or receiver to take possession of Lessee's assets located at the Premises or Lessee's interest in this Lease, or any other similar thing that substantially interferes with or jeopardizes lessee's continued use and occupancy of the Premises and payment of the required rents.
17. **WAIVER.** Lessor's waiver of a breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition upon any subsequent breach of the same or of any other term, covenant or condition. Any such waiver by Lessor must be in writing.

18. REMEDIES FOR DEFAULT/BREACH

- 18.1 In the event of a default or breach by Lessee, Lessor may, within sixty (60) days after written notification (without limiting Lessor's other lawful rights and remedies), assert a Lessor's lien on the personal property and fixtures of lessee or any other occupant of the Premises.
- 18.2 Any dispute which would create an eviction process or early lease termination must be arbitrated between Lessor and Lessee in accordance with Arizona arbitration laws. In any event, should early termination of this Lease occur for any reason including just cause, Lessor or Yavapai County or whoever is terminating the Lease then must compensate Lessee on a pro-rated basis from the lease period of three hundred ninety-six (396) months or the Fair Market Value of Lessee's holdings and improvements, whichever is greater.
- 18.3 Upon Lessee's response to Lessor's written notification of default/breach, Lessor and Lessee will enter a period of discussion, not to exceed ninety (90) days, toward satisfactory resolution of Lessor's claim of Lessee default/breach.
- 18.4 Should the ninety day grace period for discussion toward resolving Lessor's claim of Lessee default/breach be deemed by Lessor to be non-productive or unsatisfactory, Lessee and Lessor will expeditiously enter an arbitration period, in accordance with Arizona arbitration laws.

19. LEASE SUBORDINATED TO FEDERAL GRANT REQUIREMENTS, COUNTY LEASE.

This Lease is subordinate and subject to the provisions of existing and/or future agreements between Lessor and the County of Yavapai, the State of Arizona, and the United States of America, and all applicable city, county, state and federal ordinances, laws, orders, rules or regulations now or hereafter in effect (including, but not limited to, airport grant assurances contained in agreements with the FAA and airport compliance requirements issued by the FAA). Should any provisions of this Lease be or become contrary to any of said agreements, enactment's, ordinances, orders, rules and regulations, those agreements, enactment's, ordinances, orders, rules or regulations shall control, each and every clause required by law or agreement to be inserted in this Lease shall be deemed inserted herein, and this Lease shall be read and enforced as though each such clause were included herein, and if through mistake or otherwise any such provision is not inserted, or is not correctly inserted, then, upon the application of both parties, this Lease shall forthwith be physically amended to make such insertion or correction, and both parties hereby agree to such amendment.

20. MISCELLANEOUS.

- 20.1 **Applicable Law, Attorney's Fees.** Except to the extent a federal law, rule or order may apply, this Lease shall be governed by the laws of the State of Arizona (without resort to the choice of law rules thereof). If any action or proceeding is brought by either party to enforce the provisions hereof, the prevailing party shall be entitled to recover all reasonable costs and attorneys fees incurred in such action or proceeding, including those on appeal, in such amounts as the court may determine without a jury.
- 20.2 **Estoppel Certificates.** Within ten (10) days of Lessee's receipt of written request therefor by Lessor, Lessee shall provide a written statement acknowledging the Commencement Date and Expiration Date of this Lease, that this Lease is in full force and effect, has not been modified (or if it has, stating such modifications), and providing any other pertinent information as the Lessor or its agent might reasonably request. Failure to comply with this Section 20.2

within said ten (10) day period shall be deemed to be an acknowledgment by Lessee of the truth of the matters set forth in the Lessor's request.

- 20.3 **Notices.** Any notice, request, demand or other communication required or desired to be given in connection with this Lease shall be made in writing and personally delivered by hand or recognized overnight courier or mailed, postage prepaid, to the party's address specified in Section 1.11, or as may hereafter be designated by such party in writing to the other. Notices or other communications mailed by registered or certified mail shall be deemed effective as of the third day after being accepted by the U.S. Postal Service.
- 20.4 **Authorization.** Each individual executing this Lease on behalf of a corporation, trust, partnership or other legal entity represents, guarantees and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of such entity and that this Lease shall be binding upon such entity.
- 20.5 **No Partnership, Time Is of Essence, Successors and Assigns.** The relationship between the parties hereto shall at all times hereto be solely that of Lessor and Lessee and not as any partnership, joint venture or other associates. Time is of the essence and this Lease shall be binding upon and inure to the benefit of the parties hereto and their successors and assignees, if such successors and assignees are permitted by this Lease.
- 20.6 **Section Headings.** The headings in this Lease are inserted for reference only, and shall not define or limit the provisions hereof.
- 20.7 **Severability.** Any provisions of this Lease that is legally invalid, void or unenforceable shall in no way affect, impair or invalidate any other provision hereof, and the other provisions shall remain in full force and effect. No remedy or election hereunder shall be deemed exclusive, but shall, whenever possible, be cumulative with all available remedies at law or in equity.
- 20.8 **Entire Agreement.** This Lease contains all of the agreements of the parties hereto with respect to the subject matter hereof, and no prior or contemporaneous agreements or understandings shall be effective for any purpose. This Lease may be amended or modified only by a written document signed by Lessor and Lessee.

SKYDANCE

1225 Airport Rd., Suite 5
Sedona, AZ 86336

Phone: (800) 382-1651
(520) 282-1651
Fax: (520) 282-3004



HELICOPTERS

Mr. Max McCall
Sedona Airport Administration
235 Air Terminal Drive, Suite 1
Sedona, AZ 86336

2-12-01

Dear Mr. McCall,

Thank you for sending me a copy of the proposed 30 year lease that we are currently reviewing. I am unfamiliar with the commercial business operations license mentioned in your letter. Please send me a copy of this license as soon as possible so that we can proceed. We are anxious to begin this project.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Cain". The signature is written in a cursive style with a long, sweeping underline.

Michael Cain

SKYDANCE



1225 Airport Rd., Suite 5
Sedona, AZ 86336

Phone: (800) 882-1651
(520) 282-1651
Fax: (520) 282-3004

HELICOPTERS

Mr. Mac McCall
Sedona Airport Administration
235 Air Terminal Dr. Ste.1
Sedona, AZ 86336

March 5, 2001

Dear Mr. McCall,

As per our meeting on 2-27-01, have enclosed the following letter from Dwight Jones regarding our operations.

Although I am still acting upon the belief that our agreement of 10-31-00 is in effect, I am becoming uneasy about the time that it has taken to bring our agreement to commencement. I have spent considerable time and effort, plus monies, pursuing this endeavor.

To reiterate, we had agreed that Skydance would construct a facility at the south end of the field as per the Master Plan and we would remain at our present location until it was built, and that the new construction would be subject to a 30 year lease.

We received a copy of the 30 year lease 2-10-01. Prior to that, we were told that it was delayed because the lease had not yet been drafted. Upon receipt of the lease on 2-10-01, we were informed that we would need an operations license to proceed. The operations license had not yet been drafted and we have not received a copy as of the date of this letter.

We wish to proceed with construction as per our agreement and await our receipt of this operations license.

Sincerely,

Michael Cain

SKYDANCE



1225 Airport Rd., Suite 5
Sedona, AZ 86336

Phone: (602) 282-1651
Fax: (602) 282-3004

HELICOPTERS

Mr. Mac McCall, A.A.E.
Sedona Airport Administration
235 Air Terminal Drive, Suite 31
Sedona, AZ 86336

March 29, 2001

Dear Mr. Mac McCall,

As you know, the stated term of Skydance's existing leases expires in two days, and I am therefore writing to document and confirm the agreement which you and I have reached. It is our understanding that our current leases are to simply remain in effect until the thirty-year lease is formalized and executed and we have been able to construct the new hangar pursuant to that lease. Until the new lease is finalized and construction is complete, Skydance is to continue operations under the current arrangements and to pay all applicable rents and fees which fall due under the existing lease.

As you know, the only reason that Skydance has not been able to finalize the thirty year lease and commence construction is that the airport's attorneys have delayed the finalization of the proposed lease and ancillary documents. Please ask them to expedite their drafting so that we can finalize our thirty-year lease and commence construction.

Skydance will rely upon your representations in this regard and the airport's good faith in negotiating the thirty-year lease. We appreciate your working with us to avoid disruption of Skydance operations during the period that the airport's attorneys require to prepare the documentation of our long term lease.

Sincerely,

Michael Cain
Skydance Helicopters: Vice-President



Sedona Airport Administration

235 Air Terminal Drive, Suite 1 • Sedona, Arizona 86336
520-282-4487 • Fax: 520-204-1292

March 28, 2001

Mr. Michael Cain
SkyDance Helicopters
1225 Airport Road #5
Sedona, AZ. 86336

Dear Mr. Cain,

In regard to the pending expiration date of your existing lease, we will consider you on a month-to-month basis until the new document is prepared for execution by our attorneys. We will give you an opportunity to review the document as soon as it is available. We hope the document will be completed in the next several days.

Please feel free to contact me with any questions or concerns, sorry for the delay.

Very Truly,

A handwritten signature in cursive script that reads 'Mac McCall'.

Mac McCall, A.A.E.
General Manager
Sedona Airport

LICENSE AGREEMENT FOR COMMERCIAL BUSINESS ACTIVITIES AT THE SEDONA AIRPORT

This License Agreement ("License") is entered into this ____ day of _____, _____ by and between the Sedona-Oak Creek Airport Authority, also known as Sedona Airport Administration (collectively "Licensor"), and _____

("Licensee")(Licensor and Licensee collectively referred to as "the Parties").

RECITALS

This Agreement is made with reference to the following facts and objectives.

- A. Licensee desires to conduct commercial business activities on Sedona Airport from Sedona Airport from separately leased property.
- B. Licensor and Licensee agree to enter into this License pursuant to the following terms and conditions.

AGREEMENT

The Parties therefore agree as follows.

1. **Incorporation of Recitals.** The Parties agree that the Recitals stated above are substantive provisions of this License as if restated in this paragraph one, such Recitals being incorporated herein by this reference.

2. **Definitions.**

2.1 **Airport.** Sedona Airport, Yavapai Licensor, Arizona.

2.2 **Licensing Fee.** Twelve Hundred Dollars (\$1200) per annum, payable in twelve equal monthly increments, subject to escalation as described on Exhibit A attached hereto.

2.3 **Airport Use Fee/Charge or Permit/Revocable Fee.** An additional fee equal to two and one-half percent (2 ½ %) of monthly sales gross is assessed for conducting a commercial activity at, to, from the Sedona Airport. See Exhibit B, attached hereto, for further explanation.

2.4 Exclusive Use, Reserved Aircraft Parking. An additional fee of \$50.00 per aircraft per month is assessed for parking up to a maximum of _____ aircraft on exclusive use, reserved aircraft parking spaces.

2.5 Lease. A certain thirty (30) year Lease between Licensor and _____ dated _____, _____, such lease terms being incorporated herein by this reference.

2.6 Commencement Date. _____

2.7 Expiration Date. _____

3. Grant of License. Licensor grants to Licensee a License to operate its business in the Premises defined above subject to all the terms and conditions herein and all terms and conditions of the Lease applicable to Tenant therein; provided however, the Licence granted herein is terminable at the will of the Licensor pursuant to the terms and conditions of this License. Nothing herein to the contrary, this shall immediately terminate upon the Licensee's breach of any provision of the Lease, including but not limited to Section 5 of the Lease. If Licensor determines in its sole discretion and authority that Licensee has (i) taken any action that would be a breach of the License or Lease, or (ii) engaged in any behavior prescribed by the Licensor herein, the Licensor shall revoke this License, with or without cause. Licensor's determination as to Licensee's actions shall be binding upon Licensee and Licensee hereby waives any and all rights as to take legal action regarding Licensor's decision and Licensee shall have no further right or interest whatsoever to contest Licensor's decision or actions. Upon notice to Licensor of Licensee's breach and revocation of the License, Licensee shall quit the Premises and terminate all business activities within seven (7) days of such notice. Licensee acknowledges and agrees that the License to operate its business in the Premises does not grant Licensee any possessory real property rights to or in the Premises, such right being subject to the Parties' Lease.

4. Operating Covenant. Licensee agrees that during the term of the License that it shall not operate its business or use the Premises in a manner that is objectionable to Licensor or Airport patrons. Furthermore, Licensee acknowledges receipt of a copy of the Lease and agrees to abide by and be bound by all Tenant's obligations relating thereto, including, but not limited to, insurance, operations, use of premises, condition of premises, nondiscrimination and environmental policies. Licensee shall not allow its employees to engage in verbal altercations, fights, threats, questionable business activities, or actions of any kind that would be a breach of the License.

5. **Terms of License.** The terms and conditions of the Lease between the parties, if any, are incorporated as though set forth herein, with the exceptions of (i) the terms and conditions arising out of all business operations shall be subject to this License, and not the Lease; (ii) the provisions relating to the term or period of the Lease are not incorporated in the License; and (iii) Licensee agrees its rights to use operate its business at the Premises arises solely out of the License and not out of a Landlord/Tenant relationship.

6. **License Extension.** If Licensee is in substantial compliance with all terms and conditions stated herein, as well as those applicable to the Lease, this License may be extended only by a signed mutual agreement, between the Parties, such extension for a two year term and subject to an increase in applicable fees and costs existing at such time in an amount to be determined by Licensor, at its sole discretion and determination.

7. **License Premises.**

7.1 Licensor hereby licenses to Licensee the right to operate on the Sedona Airport for the period and upon all of the terms, conditions, covenants and agreements hereinafter provided.

7.2 **Use of Premises.**

7.2.1 Vehicles shall be parked only in parking areas designated by Licensor, or as otherwise allowed on a temporary basis.

7.2.2 Licensee's rights hereunder are subject to the express limitations contained herein and the lawful rights and powers of all governmental authorities having jurisdiction.

7.3 **Inspection.** Licensee acknowledges that Licensor has the right to inspect the License Premises. Accordingly, upon reasonable prior notice to Licensee, Licensor or Licensor's authorized agents shall have the right to enter the Premises during regular business hours for the purpose of inspecting the same or for such other purposes as Licensor may in good faith determine. Licensor shall make a reasonable effort not to interfere with the normal conduct of Licensee or unnecessarily disturb Licensee's property and belongings on the Premises. Licensee shall establish procedures so that in an emergency threatening Licensor's property or any property of another, or threatening substantial damages to Licensor's interest as Licensor, Licensor may gain admittance to the Premises at all hours. Licensee agrees to have available to Licensor, at reasonable times and upon reasonable notice, a representative who may, at Licensee's election, accompany Licensor's representative during Licensor's exercise of its right of entry and access. Licensee will provide to

Licensors lock keys or combination number for Licensor's use for inspection or emergency access.

7.4 Airport Functions.

7.4.1 Licensor shall have the right, but shall not be obligated to Licensee, to maintain and keep in repair the landing area (which shall include, without limitation, the runway, taxiway, and apron areas) of the Airport and all publicly-owned facilities of the Airport, together with the right to direct and control all activities of Licensee in this regard. Licensor shall have the right to further develop or improve the landing area of the Airport or any other facility or function of the Airport as it sees fit, and Licensee shall be prohibited from interfering with or hindering such development or improvement. Licensor retains the right and power to perform all conditions and obligations required of (i) the Department of Transportation ("DOT") and the United States Federal Aviation Administration ("FAA"), (ii) any authorized agency of the State of Arizona, (iii) the airport grant assurances contained in agreements with the FAA or the State of Arizona, or (iv) any Federal, State, or local law, ordinance, or regulation. Licensee shall not interfere with the exercise of such rights by Licensor or Licensor's performance of such conditions and obligations.

7.4.2 There is hereby reserved to Licensor, its designees, 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. This public right of flight shall include the right to cause in said airspace any noise inherent in the operation of any aircraft used for navigation or flight through the said airspace or for landing at, taking off from, or operation on, the Airport.

7.4.3 It is understood and agreed that nothing herein contained shall be construed to grant to Licensee or authorize the granting of an exclusive right in violation of 49 U.S.C. 40103(e) of the Federal Aviation Act.

7.4.4 This License 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 a time of war or national emergency.

7.4.5 Licensor shall in no event be liable in damages or otherwise, nor shall Licensee be relieved from any obligations hereunder, because of the interruption of any service, or a termination, interruption or disturbance, attributable to strike, lockout, accident, war or other emergency, law, order, rule or regulation of or by any governmental authority (including but not limited to grant assurances and airport compliance requirements issued by the FAA), failure of supply, inability to

obtain supplies, parts or employees, or any cause beyond Licensor's reasonable control, or any cause due to any act or neglect of Licensee or its agents, officers, representatives, employees, guests, invitees, or any person claiming by, through or under Licensee.

7.5 Alternations and Repairs.

7.5.1 Licensee agrees to comply with the notification and review requirements of Part 77 of the Federal Aviation Regulations.

7.5.2 Licensee shall cause to be repaired, at its sole expense, any and all damage or injury to the property of Licensor caused by Licensee, its agents or employees, or others who may be on the Premises.

8. Waivers and Acceptance of Fees

8.1 No waiver of default by either party hereto of any of the terms, covenants or conditions hereof to be performed, kept or observed will be construed to be or act as a waiver of any subsequent default of any of the terms, covenants, conditions herein contained to be performed, kept and observed.

8.2 No acceptance of fees or other money payments in whole or in part for any period or periods during or after default of any of the terms, conditions or covenants to be performed, kept or observed by the Licensee will be deemed a waiver on the part of the Licensor of its right to terminate this License on account of such default.

9. Suspension and Abatement In the event that Licensee's operation from the Premises should be restricted substantially by action of the federal government or agency thereof or by any judicial or legislative body, then Licensee will have the right, upon written notice to Licensor, to a suspension of this License and an abatement of an equitable proportion of the payments to become due hereunder, from the time of such notice until such restrictions will have been remedied and normal operations restored.

10. Nondiscrimination in Furnishing Accommodations And/or Services Licensee will furnish its accommodations and/or services on a fair, equal and not unjustly discriminatory basis to all users thereof and it will charge fair, reasonable and not unjustly discriminatory prices for each unit or service; provided that Licensee may be allowed to make reasonable and nondiscriminatory discounts, rebates or other similar type of price reductions to volume purchasers.

11. **Rights for Noncompliance with Section 10** Noncompliance with Section 10 above will constitute a material breach of this License, any applicable Lease between the Parties, and in the event of such noncompliance and such default is not cured within seven (7) days, Licensor will have the right to terminate this License hereby created without liability therefor or at the election of Yavapai Licensor or the United States of America either or both said Governments will have the right to judicially enforce the provision.

12. **Licensee Obligation** Company hereby assures that no person shall be excluded from participation in, denied the benefits of or otherwise be discriminated against in connection with the award and performance of any contract, including leases, covered by 49 CFR Part 23 on the grounds of race, color, national origin or sex.

13. **General Civil Rights Provision** Licensee assures that it will comply with pertinent statutes, Executive Orders and such rules as are promulgated to assure that no person shall, on the grounds of race, creed, color, national origin, sex, age or handicap be excluded from participating in any activity conducted with or benefitting from Federal assistance. This Provision obligates the Licensee and or its transferee for the period during which Federal assistance is extended to the Airport program, except where Federal assistance is to provide, or is in the form of personal property or real property or interest therein or structures or improvements thereon. In these cases, the Provision obligates the party or any transferee for the longer of the following periods: (a) the period during which the property is used by the sponsor or any transferee for a purpose for which Federal assistance is extended, or for another purpose involving the provision of similar services or benefits; or (b) the period during which the Airport sponsor or any transferee retains ownership or possession of the property. In the case of contractors, this Provision binds the contractors from the bid solicitation period through the completion of the contract.

14. **Affirmative Action Employment Programs**

14.1 Licensee assures that it will undertake an Affirmative Action Program as required by 14 CFR 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 activities covered in 14 CFR Part 152, Subpart E. Licensee assures that no person will be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by this subpart. Licensee assures that it will require that its covered sub-organizations provide assurances to Licensee that they similarly will undertake Affirmative Action Programs and that they will require assurances from their sub-organizations, as required by 14 CFR Part 152, Subpart E to the same effect.

14.2 Licensee agrees to comply with any affirmative action plan or steps for equal employment opportunity required by 14 CFR Part 152, Subpart E, as part of the affirmative action program, and by any Federal, State, or local agency or court, including those resulting from a conciliation agreement, a consent decree, court order or similar mechanism. Licensee agrees that State or local affirmative action plans will be used in lieu of any affirmative action plan or steps required by 14 CFR Part 152, Subpart E, only when they fully meet the standards set forth in 14 CFR, Subpart 152.409. Licensee agrees to obtain a similar assurance from its covered organizations, and to cause them to require a similar assurance of their covered sub-organizations, as required by 14 CFR Part 152, Subpart E.

14.3 In the event Licensee employs fifty (50) or more employees on the Airport, it agrees to prepare and keep on file for review by the FAA Office of Civil Rights, an affirmative action plan developed in accordance with standards in 14 CFR, Subpart 152.409. Such program will be updated on an annual basis. Should Licensee employ less than fifty (50) employees on the Airport, it will annually send written correspondence confirming the exemption.

15. Airport Maintenance, Repair, Development and Expansion Licensor reserves the right to further develop or improve the landing area or any other area, building or other improvement within the present or future boundaries of the Airport as it sees fit in its sole judgment regardless of the desires or view of Licensee and without interference or hindrance by the Licensee. Further, Licensor retains the absolute right to maintain, repair, develop and expand the terminal building, any other Airport facility, Airport improvement or Airport property free from any and all liability to the Licensee for loss of business or damage of any nature whatsoever as may be occasioned during or because of the performance of such maintenance, repair, development or expansion.

16. Maintenance, Repair, Direction and Control The Licensor reserves the right, but is not obligated to exercise the right, to maintain and keep in repair the landing area of the Airport and all publicly owned facilities of the Airport, together with the right to direct and control all activities of Licensee in this regard. These areas will include, but are not limited to, those areas which are necessary to serve the aeronautical users of the Airport, except that Licensor will not be obligated to maintain and keep in repair such areas of the Airport as may be leased to or under the control of Airport tenants whether such area serves aeronautical users or otherwise.

17. Part 77 of Federal Aviation Regulations Licensee agrees to comply with the notification and review requirements covered in Part 77 of the Federal Aviation Regulations in the event future construction of a building is planned for the Premises or Airport, or in the event of any planned modification or alteration of any present or future building or structure situated on the Premises.

18. **Airspace** There is hereby reserved to the Licensor, 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 herein leased. This public right of flight will include the right to cause or allow in said airspace, any noise inherent in the operation of any aircraft used for navigation or flight through the said airspace or landing at, taking off from or operation on the Airport. No liability on the part of the Licensor will result from the exercise of this right.

19. **Airport Obstructions** The Licensee by accepting this License expressly agrees for itself, its successors and assigns, that it will not erect nor permit the erection of any structure or object nor permit the growth of any tree on the land leased hereunder which will exceed such maximum height as may be stipulated by the Licensor. It is understood and agreed that applicable laws, codes, regulations or agreements concerning height restrictions will govern the maximum height to be stipulated by Licensor. In the event the aforesaid covenants are breached, Licensor reserves the right to enter upon the Premises and land hereunder and to remove the offending structure or object and cut down the offending tree all of which will be at the expense of Licensee and without liability to Licensor.

20. **Hazards** The Licensee by accepting this License agrees for itself, its successors and assigns, that it will not conduct operations in any manner which might interfere with the landing and taking off of aircraft from Airport or otherwise constitute a hazard or obstruction. In the event the aforesaid covenant is breached, Licensor reserves the right to terminate this License, or at the sole discretion of Licensor, enter upon the Premises and cause the abatement of such interference at the expense of the Licensee and without liability of any kind.

21. **Airport Rules and Regulations** The Licensor will have the right to adopt, amend and enforce reasonable rules and regulations with respect to use of and the conduct and operation of the Airport, its terminal buildings or any improvements within the present or future boundaries of the Airport which Licensee agrees to observe and obey.

22. **Compliance with Public Authorities**

22.1 Licensee will not use or permit the use of the demised Premises or any other portion of the Airport for any purpose or use other than authorized by this Agreement or as may be authorized by other, separate, written agreement with Licensor.

22.2 Licensee, its employees, representatives or agents will comply with all present or future laws, rules and regulations and amendments or supplements thereto governing or related to the use of the Airport or the Premises as may from

time to time be promulgated by Federal, State or local governments and their authorized agencies.

23. Environmental Policy

23.1 Violation Of Environmental Laws. Licensee will not cause or permit any hazardous material to be used, generated, manufactured, produced, stored, brought upon, or released on, under or about the Premises, or transported to and from the Premises, by Licensee, its Sublessees, their agents, employees, contractors, invitees or a third party in violation of the Environmental Laws as defined below. Licensee shall indemnify and hold harmless Licensor and Yavapai County from any and all Environmental Damages defined below:

23.2 "Environmental Laws" means The Airport Noise and Capacity Act of 1990, 49 U.S.C. 47521, et. seq., The Aviation Safety and Noise Abatement Act of 1979, 49 U.S.C. 47501, et. seq., The Clean Air Act and Amendments, 42 U.S.C. 7506, 404, 402, 7641, 7642, 7401, et. seq., 33 U.S.C. 1342, 1344; Clean Water Act of 1977, 33 U.S.C. 1251, et. seq., Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), 42 U.S.C. 9601, et. seq., 26 U.S.C. 4611, 4612, 4661, 4662, 4671, 4672; Emergency Planning and Community Right to Know Act of 1986, 42 U.S.C. 1101, et. seq., Endangered Species Act of 1973, 16 U.S.C. 460, et. seq., 668dd, 715i, 714s, 1362, 1371, 1372, 1402, 1531, et. seq.; Federal Water Pollution Control Act and Amendments, 33 U.S.C. 1251, et. seq., 1342, 1344; Fish and Wildlife Coordination Act, 16 U.S.C. 661, et. seq.; Hazardous Materials Transportation Act, 49 U.S.C. 5101, et. seq.; National Environmental Policy Act, 42 U.S.C. 4321, Noise Control Act, 42 U.S.C. 4901, et. seq.; Resource Conservation and Recovery Act of 1976 (RCRA), 42 U.S.C. 6901, et. seq.; Superfund Amendments and Reauthorization Act of 1986, 26 U.S.C. 4611, et. seq., 42 U.S.C. 6911, 9601, et. seq.; Toxic Substances Control Act, 15 U.S.C. 2601, et. seq., Water Quality Act of 1987, 33 U.S.C. 251, et. seq.

23.3 "Environmental Damages" include without limitation: (i) damages for personal injury or injury to property or natural resources occurring on the Premises, foreseeable or unforeseeable; (ii) fees incurred for attorneys, consultants, contractors, experts, laboratories and all other costs incurred in connection with the investigation or remediation of Hazardous Material, including but not limited to, the preparation of any feasibility studies or reports or any cleanup, remediation, removal, abatement, containment, closure, restoration, or monitoring required by any federal, state or local governmental entity.

23.4 The term "Hazardous Material," whenever used herein, means the definitions of hazardous substance, hazardous material, toxic substance, regulated substance or solid waste as defined within the following:

COMPREHENSIVE ENVIRONMENTAL RESPONSE,
COMPENSATION AND LIABILITY ACT (42 U.S.C. Section 9601
et seq.)

RESOURCE CONSERVATION AND RECOVERY ACT (42 U.S.C.
Section 6901 et seq.)

HAZARDOUS MATERIALS TRANSPORTATION ACT (49 U.S.C.
Section 1801 et seq.)

and all present or future regulations promulgated thereto.

DEPARTMENT OF TRANSPORTATION TABLE (49 C.F.R. Section
172.101) and amendments thereto.

ENVIRONMENTAL PROTECTION AGENCY (40 C.F.R. Part 302
and amendments thereto)

24. Licensor's Termination Rights For Violation of Environmental Laws

24.1 Licensee's failure, their agents, employees, contractors, invitees or the failure of a third party to comply with any of the requirements and obligations of this License or applicable Environmental Laws will constitute a material default of this License and will permit Licensor to pursue the following remedies, in addition to all other rights and remedies provided by law or otherwise provided in this Agreement, to which Licensor may resort cumulatively, or singularly, in the alternative.

24.2 Licensor may, at Licensor's election, keep this License in effect and enforce all of its rights and remedies under this Agreement, including (i) the right to recover rent and other sums as they become due by the appropriate legal action and/or (ii) the right, upon ten (10) days written notice to Licensee, to make payments required of Licensee or perform Licensee's obligations and be reimbursed by Licensee for the cost thereof, unless such payment is made or obligation performed by Licensee within such ten (10) day period.

24.3 Licensor may, at Licensor's election, terminate this License upon one day's written notice to Licensee. If this License is terminated under this provision, Licensee waives all rights against Licensor, including, but not limited to, breach of contract, costs of design, installation or construction of improvements and/or interruption of business.

24.4 Notwithstanding any other provision in this License to the contrary, Licensor will have the right of "self-help" or similar remedy in order to minimize any damages, expenses, penalties and related fees or costs, arising from or related to a violation of environmental law on, under or about the Premises.

24.5 The provisions of this License relating to all Environmental Laws and Hazards shall survive the expiration or earlier termination of this Agreement.

25. Insurance.

25.1 Without limiting Licensee's indemnification of Licensor, Licensee shall, as may be appropriate, provide and maintain, at its sole expense, during the term of this License, the following policy or policies of insurance covering its operations and activities hereunder. Such insurance shall be secured through a carrier satisfactory to Licensor, and a certificate of insurance shall be delivered to Licensor on or before the effective date of this License. Such evidence shall specifically identify this License and shall contain express conditions that Licensor is to be given written notice at least thirty (30) days in advance of any modification or termination of any policy of insurance. Such insurance shall be primary to any other insurance and shall name the Licensor and Yavapai County as additional insureds.

25.2 Licensee shall cover its employees with Workers' Compensation insurance in an amount and form to meet all applicable requirements of the State of Arizona.

25.3 Upon failure of Licensee to procure or maintain required insurance, Licensor may, upon ten (10) days notice to Licensee, terminate this License.

25.4 The amounts of required insurance shall be subject to annual review by the Licensor to assure adequate coverage limits apply. The Licensor shall have sole discretion with respect to any adjustment of insurance limits and coverages.

26. Indemnification

26.1 Licensee agrees to indemnify and hold harmless the Licensor and Licensor and their agents, officers, employees, representatives, successors and assigns from and against any and all liability, damages, business interruptions, delays, losses, claims, judgments of any kind whatsoever including all costs, attorneys' fees, and expenses incidental thereto, which may be suffered by, or caused to, Licensor or Licensor by reason of loss or damage to any property or injury to, or death of, any person arising from or by reason of Licensee's use of the Airport and Premises. Licensee shall further indemnify and hold harmless the Licensor and Licensor from and against any and all claims, costs and expenses arising out of any act or omission

including, but not limited to, any use, conduct, activity, work, things done, permitted or allowed, any breach of any provision of this License, the violation of any law, ordinance, field rule, or other regulation of the Licensor, the Federal Aviation Administration, or any other governmental agency, default or negligence of Licensee or of Licensee's agents, employees, contractors, partners or invitees and from and against all costs, attorney fees, expenses and liabilities incurred by the Licensor as the result of any such acts or omissions including, but not limited to, the defense or pursuit of any claim or any action or proceeding resulting there from. The Licensor need not have paid any such claim in order to be so indemnified. Licensee, as a material part of the consideration to the Licensor, hereby assumes all risks of damage to property of Licensee or injury to persons, in, upon or about the Airport and/or the Premises arising from any cause and Licensee hereby waives all claims in respect thereof against the Licensor.

26.2 Neither the Licensor nor the County will be responsible for theft, loss, injury, damage or destruction of the Licensee's property or injury to the Licensee, or the Licensee's agents, contractors, employees, invitees, clients, partners, successors or assigns, it being specifically understood that the fees and rents charged hereunder are for the privilege of operating on Sedona Airport only.

26.3 Neither the Licensor nor Yavapai County shall be liable for failure to perform this License or for any loss, injury, damage or delay of any nature whatsoever caused by or resulting from any act of God, fire, flood, accident, strike, labor dispute, riot, insurrection, civil disturbance, war or any other cause beyond its control.

27. Assignment, Transfer of Interest.

27.1 No Transfer Without Licensor's Consent. Licensee shall not sublet, assign, transfer, License or encumber any interest in this License, in whole or in part, without Licensor's prior written consent (which may be withheld in Licensor's sole and absolute discretion).

27.2 Transfer of Interest in Licensee. Licensor reserves the right to approve (which must be in writing), in its sole discretion, the sale or transfer of a majority interest in Licensee or any sales or transfer of an interest in Licensee which singly or cumulatively results in a majority interest being owned by any person or entity other than the current owner(s) of the majority interest. Should Licensee proceed to accomplish any of said transfers without Licensor's prior written approval, Licensor may treat the event as a material breach subject to the remedies set forth in this License and may pursue any other legal or equitable remedy for material breach. Licensee is obligated to inform Licensor promptly whenever any such sale or transfer of interest occurs, and failure to do so shall be deemed a material breach.

27.3 Transfer of Obligations. All of Licensee's obligations pursuant to this License become the obligations of Licensee's heirs, personal representatives, successors in interest, and assigns, if any attain an interest in this Revocable.

28. Subordination. Upon Licensor's request, Licensee will subordinate Licensee's rights and interest hereunder to the lien of any mortgage, deed of trust, or any other lien document in favor of any lending institution, and to all advances made upon the security thereof.

29. Default. The occurrence of any one or more of the following events shall constitute a material breach and default of this License by Licensee:

29.1 Failure to Pay Rent. Licensee's failure to pay the rent or any other payment required herein, as and when due, if such failure continues for a period of ten (10) days after becoming due.

29.2 Failure to Perform. Licensee's failure to observe or perform any of the covenants, conditions or provisions of this License, if such failure continues for fifteen (15) days after written notice of such breach and demand for compliance.

29.3 Bankruptcy. Licensee's making any general assignment or general arrangement for the benefit of creditors; or the filing by or against Licensee of a petition in bankruptcy or a petition for reorganization or arrangement under any law relating to bankruptcy (unless the petition filed against Licensee is involuntary and is dismissed within ninety (90 days)); or upon the appointment of a trustee or receiver to take possession of Licensee's assets located at the Premises or Licensee's interest in this License, or any other similar thing that substantially interferes with or jeopardizes Licensee's continued operation on the airport and payment of the required rents.

30. Waiver. Licensor's waiver of a breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition upon any subsequent breach of the same or of any other term, covenant or condition. The acceptance of rents hereunder shall not be construed to be a waiver of any existing breach by Licensee of any term, covenant or condition. Any such waiver by Licensor must be in writing.

31. License Subordinated to Federal Grant Requirements, Licensor Revocable. This License is subordinate and subject to the provisions of existing and/or future agreements between Licensor and the Licensor of Yavapai, the State of Arizona, and the United States of America, and all applicable city, Licensor, state and federal ordinances, laws, orders, rules or regulations now or hereafter in effect (including, but not limited to, airport grant assurances contained in agreements with

the FAA and airport compliance requirements issued by the FAA). Should any provisions of this License be or become contrary to any of said agreements, enactment's, ordinances, orders, rules and regulations, those agreements, enactment's, ordinances, orders, rules or regulations shall control, each and every clause required by law or agreement to be inserted in this License shall be deemed inserted herein, and this License shall be read and enforced as though each such clause were included herein, and if through mistake or otherwise any such provision is not inserted, or is not correctly inserted, then, upon the application of either party, this License shall forthwith be physically amended to make such insertion or correction, and the other party hereby agrees to such amendment.

32. Miscellaneous.

32.1 Applicable Law, Attorney's Fees. Except to the extent a federal law, rule or order may apply, this License shall be governed by the laws of the State of Arizona (without resort to the choice of law rules thereof). If any action or proceeding is brought by either party to enforce the provisions hereof, the prevailing party shall be entitled to recover all reasonable costs and attorneys fees incurred in such action or proceeding, including those on appeal, in such amounts as the court may determine without a jury.

32.2 Estoppel Certificates. Within ten (10) days of a party's receipt of written request therefore by the other party hereto, such party shall provide a written statement acknowledging the Commencement Date and Expiration Date of this Revocable, that this License is in full force and effect, has not been modified (or if it has, stating such modifications), and providing any other pertinent information as the requesting party or its agent might reasonably request. Failure to comply with this Section 21.2 within said ten (10) day period shall be deemed to be an acknowledgment by such party of the truth of the matters set forth in the other party's request.

32.3 Notices. Any notice, request, demand or other communication required or desired to be given in connection with this License shall be made in writing and personally delivered by hand or recognized overnight courier or mailed, postage prepaid, to the party's address specified in Section 1.11, or as may hereafter be designated by such party in writing to the other. Notices or other communications mailed by registered or certified mail shall be deemed effective as of the third day after being accepted by the U.S. Postal Service.

32.4 Authorization. Each individual executing this License on behalf of a corporation, trust, partnership or other legal entity represents, guarantees and warrants that he or she is duly authorized to execute and deliver this License on behalf of such entity and that this License shall be binding upon such entity.

32.5 No Partnership, Time Is of Essence, Successors and Assigns. The relationship between the parties hereto shall at all times hereto be solely that of Licensor and Licensee and not as any partnership, joint venture or other association. Time is of the essence, and this License shall be binding upon and inure to the benefit of the parties hereto and their successors and assignees, if such successors and assignees are permitted by this License.

32.6 Section Headings. The headings in this License are inserted for reference only, and shall not define or limit the provisions hereof.

32.7 Severability. Any provisions of this License that is legally invalid, void or unenforceable shall in no way affect, impair or invalidate any other provision hereof, and the other provisions shall remain in full force and effect. No remedy or election hereunder shall be deemed exclusive, but shall, whenever possible, be cumulative with all available remedies at law or in equity.

Entire Agreement. This License contains all of the agreements of the parties hereto with respect to the subject matter hereof, and no prior or contemporaneous agreements or understandings shall be effective for any purpose. This License may be amended or modified only by a written document signed by Licensor and Licensee.

IN WITNESS WHEREOF, the parties hereto hereby execute this License this _____ day of _____, _____.

Licensor:

SEDONA-OAK CREEK AIRPORT AUTHORITY,
an Arizona non-profit corporation.

By: _____
Dave Webster, President

Licensee:

By: _____

Title: _____

Memo

To: Whom it may Concern
From: Michael P. Muetzel
Subject: Sedona Noise Abatement Committee
Date: May 1, 2001

I am a member of the Sedona Noise Abatement Committee. In February 2001 I arrived late to a SNAC meeting. While walking down the corridor toward the meeting room, I heard a voice I did not recognize asking what could be done about Skydance Helicopters flying over her house all day. I stopped to listen before entering the room. The airport manager, Mac McCall, said both the biplane operator (Red Rock Biplanes) and Skydance Helicopters caused a lot of problems. He said he intended to deny them lease renewals, instead issuing operating licenses which would give him more control over their operations. He was asked if he was going to do this to all commercial operators, and answered no, only Skydance and Red Rock. I then entered the room. No more was said about operating licenses.


Michael P. Muetzel

9 May 2001

To whom it may concern:

At today's Sedona Noise Abatement committee meeting, Mac McCall and Mike Raber discussed commercial activities at the Sedona Airport. The discussion resulted from a question by a Sedona resident (Don) who wanted to know how tour operators could be controlled. Mac said he was trying to control the number of tour flights by controlling the number of tour operators. He had already refused one helicopter operator request to start on the airport because of lack of space for an office. He had moved an existing tour operator into a space vacated by Westwind when they ceased local tour operations, so nobody else could use the space. He was soliciting proposals from non-aviation commercial users to fill up airport spaces. He had been approached by a planetarium promoter, but had to back off because of the community zoning. Mike Raber said the city council and city planning board were going to have to take action to change it. Estimated January or February of next year before

it would be changed, but might
be possible to accelerate it (the change
process) or to come up with alternative
solutions to permit non-accretion users
to be done on use permits or some other
way. Mac reported, his goal is to
generate more alternatives uses that will
not generate aircraft noise, will generate
airport revenue for the community, and
will limit access to commercial space
for air four operators.



Michael Paul Mueller

THE LAW OFFICE OF STEVEN R. OWENS, P.C.

Steven R. Owens, Attorney at Law
Admitted to practice before the courts of Arizona and Colorado

25 Bell Rock Plaza, Suite A
Sedona, Arizona 86351-8804
Telephone (520) 284-0899
Mobile Telephone (520) 300-1211
Telecopier (520) 284-9885
E-mail owens@sedona.net

July 6, 2001

Edward J. McCall, General Manager
SEDONA AIRPORT ADMINISTRATION
235 Air Terminal Drive, Suite 1
Sedona, Arizona 86336

Re: Skydance Helicopters

Dear Mr. McCall,

As you know, this officer represents Skydance Helicopters, Inc. In this capacity, I have earlier been provided with the proposed CORPORATE-SIZE HANGAR PAD LEASE (the "Proposed Lease") and the LICENSE AGREEMENT FOR COMMERCIAL BUSINESS ACTIVITIES AT THE SEDONA AIRPORT (the "Proposed License"). I have also received and reviewed the various documents you provided to me, and thank you for supplying them.

Upon review of the documentation, we find that the Proposed Lease you provided to me is balanced, fair and is acceptable to my client, and my client is prepared to immediately enter into the lease you provided, with the following minor additions:

-Attached you will find a copy of the drawing prepared by Holgate Consulting Engineers, Inc., which indicates that the required pad will be 80 feet by 60 feet, for a total of 4,800 square feet. Please insert these numbers into the appropriate blanks on the lease. We understand that this drawing will be Exhibit "A" to the Lease.

-Please insert a Commencement Date of September 1, 2001.

-Please insert my client's proper name as Lessee:
Skydance Helicopters, Inc.

-Please delete the second sentence of section 2.2.1., or prepare an Exhibit "C" which reflects my client's commercial operations.

-Please incorporate a reference to the renewal option set forth in section 1.13 into the text of section 3.1 so that there is no ambiguity.

-There was no Exhibit "B" attached to the Lease, but we assume that it will contain fair and appropriate CPI increase language, reflecting the intent of the lease. Please forward to us the proposed Exhibit "B."

-The Proposed Lease you supplied me stopped with Section 20.8. We assume that this is the final provision and that the next page will contain signatures.

As to the Proposed License: my client is in full agreement that an Operations Agreement, which lays out in clear language the expectations, rights and responsibilities of commercial operators at the airport, which is fair, equitable and which provides adequate provisions for due process and dispute resolution would be desirable for use at the airport, provided that such an Operations Agreement conformed with federal law and applied equally to all commercial operators without discrimination. My client stands ready to meet with you and all of the other commercial operators at the airport to agree upon and finalize such an appropriate Operations Agreement. However, the Proposed License you submitted to me for review is not such an agreement—it is unfair, inequitable and clearly contrary to federal law. Indeed, it was so improper and so clearly illegal that we had a difficult time determining if it was meant as a serious proposal or was simply submitted as a form of poor joke. "Surely you jest" was the common reaction to the document when my client shared it with other aviation professionals. The act of creating such a document calls into question the good faith of the Authority—we frankly believe that the best approach to creating an appropriate Operations Agreement would be to tear this proposed document up and start over with a blank piece of paper. Moreover, my client will not even begin to discuss an Operations Agreement with the airport until every other commercial operator is involved in that discussion, is allowed to provide input, and is bound by the final agreement, which must be fair to all involved and must conform with federal law. Any other approach is blatantly discriminatory and unacceptable. The attempt to tie the Proposed License to my client's Proposed Lease is similarly blatantly

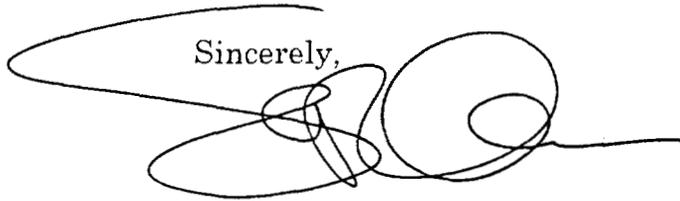
Edward J. McCall, General Manager
SEDONA AIRPORT ADMINISTRATION
July 6, 2001
Page 3

discriminatory, unacceptable and we believe that such discriminatory action is prohibited by not only federal law but the governing documents of the airport which you provided to me. Accordingly, we reject any tie of the Proposed License to the Proposed Lease or the application of the Proposed License as a precondition to finalizing the Lease.

Therefore, my client and I are looking forward to meeting with you in the very near future to finalize the Lease so that my client can begin preparation of construction drawings for review.

As we have noted in the past, my client has dealt with the Authority in good faith in order to locate and build its hangar for the mutual benefit of all, and looks forward to good faith on the part of the Authority in return. As always, please don't hesitate to contact me should you have any questions or comments.

Sincerely,

A handwritten signature in black ink, appearing to be "SRO", with a large, sweeping flourish extending to the left and another to the right.

Steven R. Owens

SRO:mja

SECTION _____

DESIGNED BY HOLGATE

DATE 1/20/01

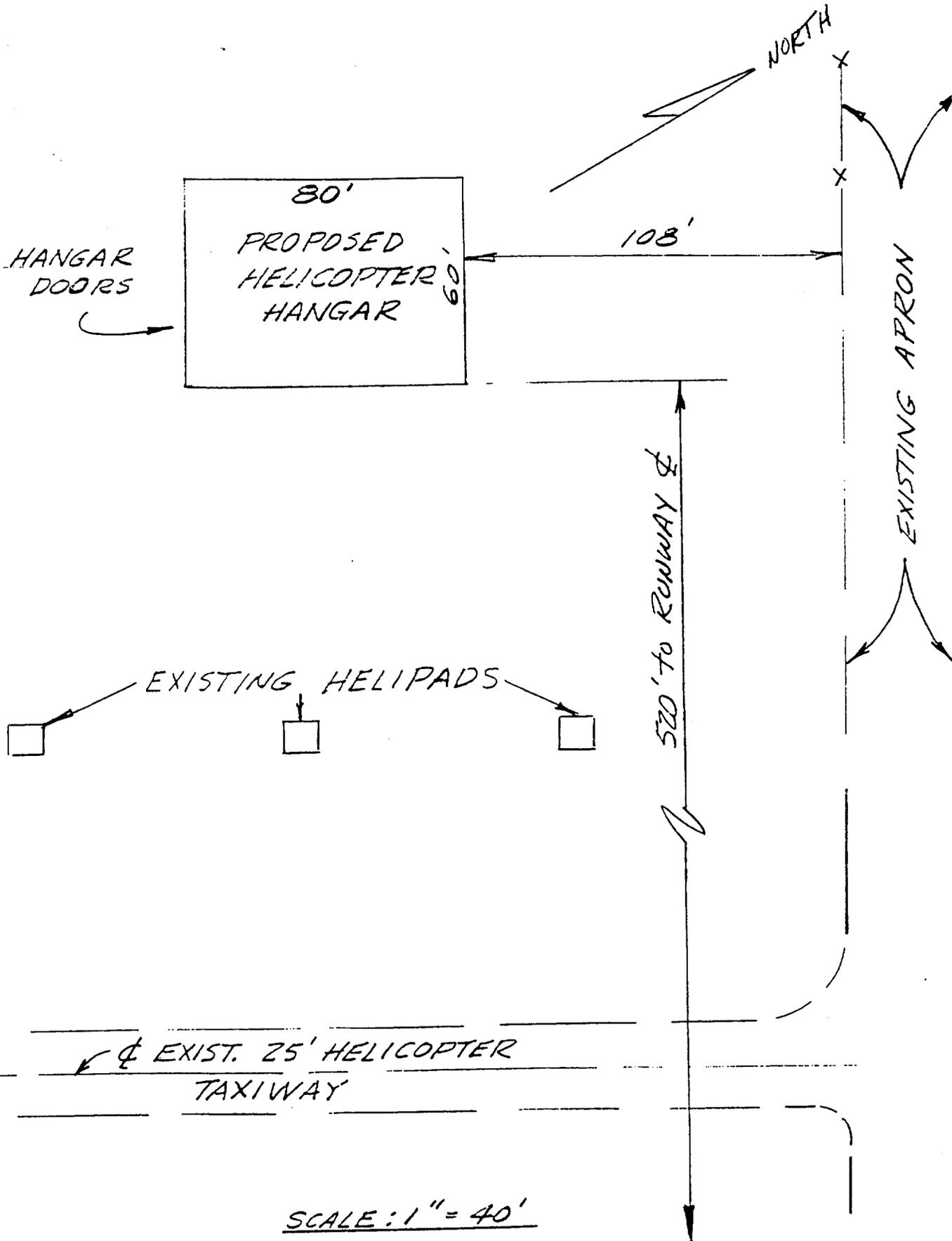
HOLGATE
CONSULTING ENGINEERS INC.
PHOENIX, ARIZONA

CHECKED BY _____

DATE _____

JOB TITLE SKYDANCE HELICOPTER SITE

JOB. NO. _____





Sedona Airport Administration

235 Air Terminal Drive, Suite 1 • Sedona, Arizona 86336
520-282-4487 • Fax: 520-204-1292

July 30, 2001

Mr. Michael Cain
SkyDance Helicopters
1225 Airport Road #5
Sedona, AZ. 86336

Dear Mr. Cain,

The Sedona Airport Administration lease with Yavapai County ends in May 2031. Subsequently, we are now unable to enter into a long-term lease for your proposed project.

The lease on the airport area your company held expired on March 31, 2001. If you wish to continue operations at Sedona Airport please make an appointment to sign a new lease and operating agreement for a two year period with another two year option to be in effect no later than September 1, 2001.

Very Truly,

A handwritten signature in black ink, appearing to read 'Mac McCall', is written over a horizontal line.

Mac McCall, A.A.E.
General Manager
Sedona Airport

THE LAW OFFICE OF STEVEN R. OWENS, P.C.

Steven R. Owens, Attorney at Law
Admitted to practice before the courts of Arizona and Colorado

25 Bell Rock Plaza, Suite A
Sedona, Arizona 86351-8804
Telephone (928) 284-0899
Mobile Telephone (928) 300-1211
Telecopier (928) 284-9885
E-mail owens@sedona.net

August 8, 2001

VIA CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Edward J. McCall, General Manager
SEDONA AIRPORT ADMINISTRATION BLDG.
235 Air Terminal Drive, Suite 1
Sedona, Arizona 86336

Re: Skydance Helicopters Ground Lease

Dear Mr. McCall,

As you know, this officer represents Skydance Helicopters, Inc. In this capacity, I have reviewed your July 30, 2001 response to my letter of July 6, 2001 regarding the ground lease for my client's hangar that the Authority has been obstructing for more than nine months.

It is now clear that the Authority is engaging in an unfair and discriminatory course of action with regard to my client and my client's good-faith effort to negotiate that ground lease with the Authority. Accordingly, the Authority is in violation of 49 U.S.C. §47107(a) (the "Statute") and the *Airport Compliance Requirements* issued on October 2, 1989 as Order 5190.6A of the Office of Airport Safety & Standards, U.S. Federal Aviation Administration, Department of Transportation (the "Requirements").

Because of this unfair discrimination and violation of both the Statute and the Requirements, my client has standing pursuant to 14 C.F.R. 16.23(a) to bring a Part 16 complaint against the Authority pursuant to the procedures established by 14 C.F.R. 16.1, *et. seq.*

Accordingly, although my client has been engaged in a good faith effort to resolve this matter for nearly a year now, we are hereby formally notifying the

Authority by this letter that this letter constitutes our final effort in our continuing attempts to initiate and engage in good faith efforts to resolve this disputed matter with the individual(s) responsible for the noncompliance with the Statute and Regulations as required by 14 C.F.R. 16.21(a) and Chapter 5, Section 5-1(b)(4) of the Requirements. If we are not able to bring this matter to a mutually satisfactory resolution within the next ten (10) days, we will submit a formal request to the FAA Airports Division Regional Office that it assist with the mediation and resolution of this matter, again as a precondition to bringing a formal Part 16 complaint pursuant to 14 C.F.R. 16.21(a) and Chapter 5 of the Requirements. In this regard, please understand that the only satisfactory resolution to this matter for my client will be the Authority immediately entering into a ground lease with my client for construction of its hangar facilities, on the same or substantially similar terms and conditions afforded to other ground lessees, without any other preconditions or requirements, particularly the requirement that my client first enter into a blatantly improper, discriminatory and illegal "license."

So that you and any future hearing officer will better understand this dispute, I will present the following factual background and legal analysis:

LEGAL OBLIGATIONS OF THE AUTHORITY

As you know, the Authority accepts federal funding for various airport construction and operations projects. Accordingly, it is fully subject to all of the requirements of the Statute and Requirements. Although I requested copies of the various grant application documents by which the Authority gave the assurances required by the Statute, it does not appear that final copies of these documents were provided. However, this failure to provide the requested documents does not change the fact that the Authority is well aware that it gave those assurances as a condition of FAA grant funding, and we can obtain copies of the actual assurances by the tools of discovery during the actual complaint process, if necessary.

Pursuant to subsection (a) of the Statute the Authority is required to make the Sedona Airport available to the public and its commercial users upon reasonable conditions and without discrimination. Pursuant to the Requirements, this general obligation includes an affirmative obligation to make ground leases available to the public and commercial users for the construction of hangars. See, e.g., Requirements at Chapter 4, Section 4 and Chapter 6.

The Authority has violated all of these assurances.

FACTUAL BACKGROUND

Well before your arrival in Sedona, at the request of the Authority, my client abandoned its helipads located south of the restaurant, was assigned its current parking location on Ramp B by the Authority, and leased available hangar space for storage of its helicopters. Operating in full compliance with all FAA regulations and in full compliance with all safety guidelines issued by the Authority, my client has achieved an unblemished safety record at the Sedona airport and its operations are conducted with the utmost regard for safety and with great regard for the operations of the other users of the airport.

Due to what we believe were unfounded complaints by the Authority last year regarding my client's operations from its parking location on Ramp B, and because you have continually indicated that it would better comport with the Authority's long-term plans for the office building which my client currently leases, you and my client agreed on October 31, 2000 that my client would enter into a 30-year ground lease for a hangar to be constructed at my client's expense several hundred feet further south, and that upon completion of this hangar, my client would move its parking location for its aircraft several hundred feet further south.

This agreement was memorialized in an Agreement drafted by yourself dated November 1, 2000 in which you stated "You [my client] will be given a 30-year lease.... You would continue to use your current leased area until completion of the new facilities." A true and accurate copy of this letter is attached hereto as Exhibit A and will be referred to in this letter as the "Agreement." This document sets forth the terms and conditions of an agreement freely reached between the parties, signed by yourself on behalf of the Authority, signed by my client, and which therefore constitutes a binding contractual obligation on the part of the Authority.

In reliance upon this Agreement, my client immediately engaged Holgate Consulting Engineers to prepare a site plan and other engineering regarding the construction of the hangar. This work was completed on January 20, 2001 and a copy of the site plan was forwarded to your office for your review and inclusion in the forthcoming final lease document. A true and accurate copy of my client's cover letter and this site plan is attached hereto as Exhibit B. In reliance upon the Agreement reached with the Authority, my client also undertook various other preconstruction activities (contacts with contractors, application for financing, etc.), at its time and expense.

My client verbally requested the final lease documentation on numerous occasions, and was told that it was "being drafted," which is an odd statement since the lease documentation finally furnished is clearly a form document and could have been prepared in one hour, rather than three months (if the Authority had been dealing with my client in good faith). On February 10, 2001 my client was finally provided with a copy of the proposed lease document (herein, the "Lease"), but was informed for the first time that the Authority would require my client to execute a not-yet-prepared "Commercial Business Operations License" (herein, the "Proposed License") before the Authority would honor its November 1, 2000 Agreement and formalize a 30-year lease. By my client's letters of February 12, 2001, March 5, 2001, and March 29, 2001, mailed more than four months after you agreed on behalf of the Authority to enter into a ground lease without preconditions, my client again requested that the Authority complete its documentation and set forth in those letters its understanding and reliance upon the fact that the Agreement would remain in full force and effect until the new hangar was completed. Your silence indicated that my client's understanding and reliance was correct. True and accurate copies of these letters are attached hereto as Exhibits "C," "D," and "E."

When the Proposed License was finally provided to my client, I reviewed both it and the Lease and informed my client that the Lease was obviously an airport form document and was basically acceptable, but that the Proposed License was so unfair, discriminatory and contained so many provisions which are contrary to federal law that I could not believe that it was seriously tendered by an authority with responsibilities to the public. We then requested from your office copies of the various documents incorporated by reference into the Lease, some of which were eventually provided and some of which were not.

During this time span, from February through May of 2001, you, speaking in your official capacity as manager of the Sedona Airport, addressed several public meetings of persons (most of whom objected to all airport operations on the basis of noise) and indicated that you intended to deny my client the promised long-term lease and instead had devised the Proposed License as a way of exercising control over my client and Red Rock Biplanes. These statements are well documented and will be admissible as a party admission against interest in any hearing on this matter. They indicate that as early as February of 2001 you were engaged in a pattern of deception, and were not dealing in good faith with my client, which is a violation of both the Statute and the Requirements.

This creation of the Proposed License as an intentionally discriminatory method of dealing with my client differently from other operations is further supported by the fact that various other commercial operators, including tour operators, were allowed to renew their leases on March 31, 2001 without any reference whatsoever to the Proposed License.

After analysis of the Lease, the Proposed License, the November 1, 2000 Agreement, the various other documents provided to us and the controlling federal laws, I wrote to you on July 6, 2001, indicating that the Lease was largely acceptable, with only a few minor revisions to correct errors and omissions, and that my client was ready and willing to execute the Lease so that it could move forward with its construction plans. In that letter I also indicated that, although the Proposed License was an illegal and improper "poor joke," my client was willing to work with the Authority and the other commercial users to arrive at a fair and reasonable Operations License. Indeed, I indicated that my client strongly supported the idea of a fair and reasonable Operations License in order to provide a fair and equitable framework for all commercial operators at the airport. A copy of my July 6, 2001 letter is attached hereto as Exhibit F.

At the same time that my client was being delayed, stonewalled and discriminated against with regard to the finalization of its ground lease, it is our understanding that the request by a member of the Authority board for a ground lease was fast-tracked through the approval process and his construction of hangars is already underway. We understand that this Authority board member is already engaged in the profitable business of selling these hangars on the open market while my client cannot even obtain the Authority's signature on a ground lease which was promised more than nine months ago. If this matter proceeds to formal complaint, we intend to use the tools of discovery to obtain full disclosure of the entire process by which this fast track accommodation was granted to an Authority board member (which we also believe to be a conflict of interest and a violation of the Authority's governing documents), as well as the process by which the last row of hangars was constructed and sold, so that we can compare this to the treatment afforded to my client in order to support our allegations of improper procedures and discrimination by the Authority.

On July 30, 2001 you wrote to my client that because the Authority's lease with Yavapai County ends in May 2031, it is no longer able to enter into a 30

Edward J. McCall, General Manager
SEDONA AIRPORT ADMINISTRATION
August 8, 2001
Page 6

year lease.¹ In this letter you completely ignore the fact that my client has already accepted a ground lease termination date of May 31, 2031, understanding that the Master Lease with Yavapai County terminates on that date (see my letter of July 6, 2001). Therefore, your groundless pretext for unilaterally terminating the November 1, 2000 Agreement is rejected and that Agreement stands as entered. Because your unilateral statement set forth in the second paragraph of your July 30, 2001 letter also is in conflict with the earlier November 1, 2000 Agreement, it is also rejected, and my client will continue operations from its current location, under its current terms, until its new hangar is completed, at which time it will move its operations to the agreed-upon location for the hangar set forth in the Agreement and Lease.

In addition, please understand that my client will *never* enter into the Proposed License, not as a condition of obtaining its ground lease, and not as a condition of its continuing operations from the current location. As I noted in my July 6, 2001 letter, the Proposed License is improper, illegal, discriminatory, and in conflict with controlling federal law. My client will not participate in such an agreement. As you yourself noted, the board members would not sign it, and even the attorney who drafted it would not sign it—you can add my client to that list. If the Authority persists in making the execution of this Proposed License a precondition to obtaining a ground lease, we will take this issue directly to the FAA for determination, and we will allow you to defend this document, its illegal provisions, and the Authority's course of action before the administrative law judge.

You indicated to my client that a couple of other commercial operators had executed the Proposed License. This means nothing. The fact that a couple of beleaguered operators were coerced into signing an illegal and improper document does not make the document any less illegal or improper. Perhaps those operators lacked the funds or resolve to stand firm to the Authority and insist on their rights under federal law—we do not know their situation. However my client is neither without funds nor without resolve, and it has every intention of bringing a full Part 16 complaint before the FAA rather than allow its years of work building a safe and successful air tour business to be destroyed simply on the whim of the current Authority board, which apparently believes that neither fundamental fairness nor

¹ In your letter of July 30, 2001, you indicate that the "Sedona Airport Administration" lease with Yavapai County ends in 2031. It is our understanding that the name of the entity which you represent is the Sedona-Oak Creek Airport Authority, an Arizona non-profit corporation. Accordingly, I refer to the "Authority" in this letter, as I understand that this is the proper name.

controlling federal law apply to its actions. If the Authority does not believe that federal law controls its actions, we will be more than happy to provide a forum in which an administrative law judge will so inform the Authority.

In closing and to be perfectly clear:

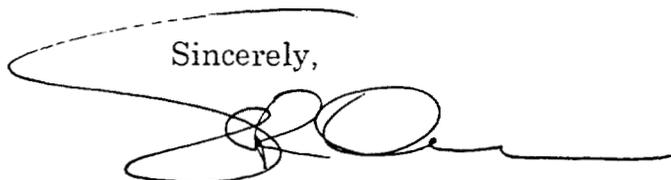
1. My client accepts the terms of the Lease as proposed with only the minor changes noted in the attached Exhibit G (which are the same changes noted in my letter of July 6, 2001, including our clear acceptance of the termination date of May 31, 2031, which fully addresses the issue raised in your letter of July 30, 2001 regarding the Master Lease termination date).
2. My client hereby demands that the Authority honor its obligations under the Agreement, the Statute and the Requirements, and execute the Lease, with the changes specified in Exhibit G, within 10 days of the receipt of this letter.
3. We reject, and dispute the right of the Authority to require, the Proposed License, both outright in its current form and as a precondition to finalization of the Lease.
4. We support the concept of a fair and equitable Operations License, to be applicable to all commercial operations at the airport and stand ready to cooperate with the Authority and the other commercial operators (and the FAA, if necessary) to arrive at such a fair and equitable Operations License. However, we reject, and dispute the right of the Authority to require, the execution of any license as a precondition to finalization of the Lease.
5. This letter constitutes the last in a long line of efforts by my client and myself to initiate and engage in good-faith efforts to resolve this disputed matter with the Authority, which is the individual(s) responsible for the noncompliance with the Agreement, the Statute and the Regulations as required by 14 C.F.R. 16.21(a) and Chapter 5, Section 5-1(b)(4) of the Requirements. If we are not able to bring this matter to a mutually satisfactory resolution by the deadline set forth above,

we will submit a formal request to the FAA Airports Division Regional Office that it assist with the mediation and resolution of this matter. I have calendared Monday, August 20, 2001 as the day upon which I will prepare this request to the FAA Airports Regional Division Office in Hawthorne, California, unless I am informed prior to that time by my client that it has entered into the Lease with the Authority. In my recent telephone conversation with the Division by which I confirmed that I held the most recent version of the Requirements, I determined that the staff was available and eager to assist in resolving any lease disputes pursuant to the Requirements.

6. My client will continue to operate from its current hangar, office and parking location, as provided in the Agreement, until the new hangar is completed. If the need to take this matter to the FAA Airports Division delays the date that my client's hangar is completed, then my client will continue to conduct operations under the Agreement until the dispute is resolved and the hangar is completed.

As we have continually noted in the past, my client has dealt with the Authority in good faith in order to locate and build its hangar for the mutual benefit of all, and it continues to look forward to good faith on the part of the Authority in return, as required by federal law and the Authority's duties to the public. Please understand that my client is absolutely firm in its resolve to move forward as set forth above, however, please don't hesitate to contact me should you have any questions or comments.

Sincerely,



Steven R. Owens

SRO:mja
Enclosures: Exhibits A-G, as specified

EXHIBIT A



Sedona Airport Administration

235 Air Terminal Drive, Suite 1 • Sedona, Arizona 86336
520-202-4467 • Fax: 520-204-1292

November 1, 2000

Mr. Michael Cain
SkyDance Helicopters
1225 Airport Road #5
Sedona, AZ. 86336

Dear Mr. Cain:

This letter serves to document our discussions on October 31, 2000. It was agreed:

All arrivals and departures of your aircraft would be to and from the A and A4 taxiway intersection. Transition from your parking area to that location would be via hover taxi.

Your aircraft would arrive and depart for hangar purposes from the end of the hangar row and be tugged to and from that location and the hangar. In circumstances when that is not possible all personnel in the hangar row area would be informed of a direct safe approach to the hangar by your aircraft. Aircraft maintenance work to be performed in the same manner with notification and consent of the airport and cooperation of other hangar row tenants.

You will proceed with plans to construct an office / hangar building on the proposed site near the helipads. We will determine how road improvements to the site will be made and implement them. You will be given a 30-year lease with any increases in payments tied to the CPI produced by the Federal government. The current rate of the land lease will be 4.4 cents per square foot per month. Sign consideration will be determined to identify a helicopter area for all airport visitors. You would continue to use your current leased area until completion of the new facilities.

We will prepare to provide a larger clear area around your aircraft parking position by removal of one aircraft tie down position and vehicle parking restrictions.

We will reissue letter concerning solicitation on the Airport. You agree to instruct your employees not to divert passengers booked for other tours. We agree to instruct other businesses likewise.

No further actions are required by either parties' attorney.

Very Truly,

Mac McCall, A.A.E.
General Manager
Sedona Airport

Review / Sign / Return Copy

Michael Cain
SkyDance Helicopters

EXHIBIT B

i Airport Rd., Suite 5
on AZ 86336

SKYDANCE



Phone: (602) 282-1651
Fax: (602) 282-3004

HELICOPTERS

Mr. Mac McCall
Sedona Airport Administration
235 Air Terminal Drive, Suite 1
Sedona, AZ. 86336

1-23- 01

Dear Sir,

As we have discussed, enclosed is a diagram of our proposed hangar.

We have received a number of construction bids and are ready to proceed.

Copeland Geotechnical Consultants are prepared to conduct a geotechnical engineering report of the site.

At this stage, we need a copy of the lease from S.A.A. so we can start this project.

If you have any questions, please don't hesitate to contact me.

Sincerely,

Michael Cain

SECTION _____

DESIGNED BY HOLGATE

DATE 1/20/01

HOLGATE
CONSULTING ENGINEERS INC.
PHOENIX, ARIZONA

CHECKED BY _____

DATE _____

JOB TITLE SKYDANCE HELICOPTER SITE

JOB. NO. _____

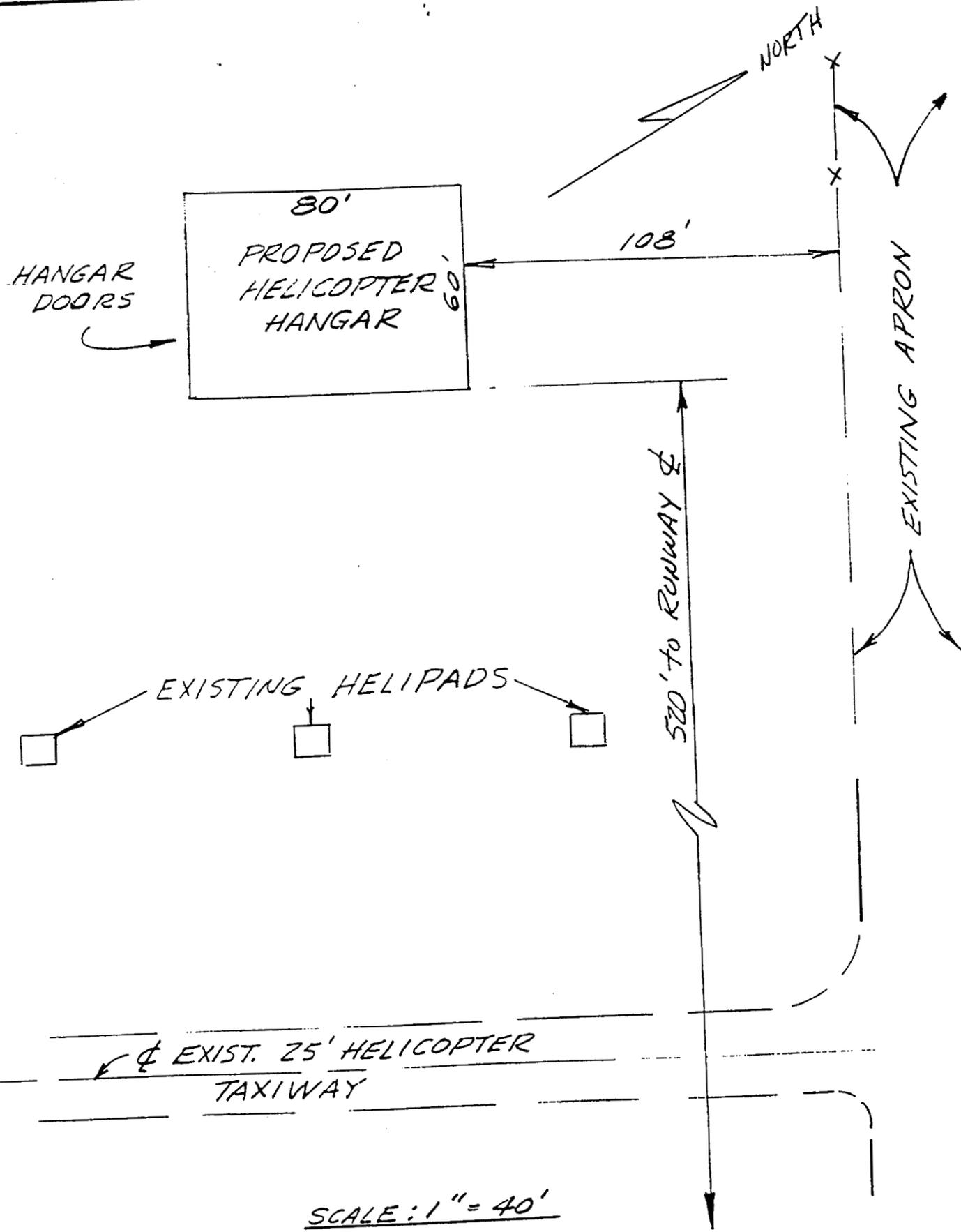


EXHIBIT C

SKYDANCE

5 Airport Rd., Suite 5
AZ 86336

Phone: (800) 882-1651

(520) 282-1651

Fax: (520) 282-3004

HELICOPTERS

Mr. Max McCall
Sedona Airport Administration
235 Air Terminal Drive, Suite 1
Sedona, AZ 86336

2-12-01

Dear Mr. McCall,

Thank you for sending me a copy of the proposed 30 year lease that we are currently reviewing. I am unfamiliar with the commercial business operations license mentioned in your letter. Please send me a copy of this license as soon as possible so that we can proceed. We are anxious to begin this project.

Thank you for your consideration.

Sincerely,

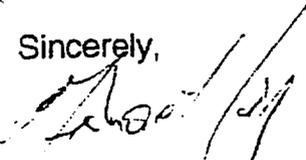

Michael Cain

EXHIBIT D

Airport Rd., Suite 5
ia, 86336

SKYDANCE



Phone: (800) 882-1651
(520) 282-1651
Fax: (520) 282-3004

HELICOPTERS

Mr. Mac McCall
Sedona Airport Administration
235 Air Terminal Dr. Ste. 1
Sedona, AZ 86336

March 5, 2001

Dear Mr. McCall,

As per our meeting on 2-27-01, have enclosed the following letter from Dwight Jones regarding our operations.

Although I am still acting upon the belief that our agreement of 10-31-00 is in effect, I am becoming uneasy about the time that it has taken to bring our agreement to commencement. I have spent considerable time and effort, plus monies, pursuing this endeavor.

To reiterate, we had agreed that Skydance would construct a facility at the south end of the field as per the Master Plan and we would remain at our present location until it was built, and that the new construction would be subject to a 30 year lease.

We received a copy of the 30 year lease 2-10-01. Prior to that, we were told that it was delayed because the lease had not yet been drafted. Upon receipt of the lease on 2-10-01, we were informed that we would need an operations license to proceed. The operations license had not yet been drafted and we have not received a copy as of the date of this letter.

We wish to proceed with construction as per our agreement and await our receipt of this operations license.

Sincerely,

Michael Cain

EXHIBIT E

SKYDANCE



25 Airport Rd., Suite 5
Sedona, AZ 86336

Phone: (602) 282-1651
Fax: (602) 282-3004

HELICOPTERS

Mr. Mac McCall, A.A.E.
Sedona Airport Administration
235 Air Terminal Drive, Suite 31
Sedona, AZ 86336

March 29, 2001

Dear Mr. Mac McCall,

As you know, the stated term of Skydance's existing leases expires in two days, and I am therefore writing to document and confirm the agreement which you and I have reached. It is our understanding that our current leases are to simply remain in effect until the thirty-year lease is formalized and executed and we have been able to construct the new hangar pursuant to that lease. Until the new lease is finalized and construction is complete, Skydance is to continue operations under the current arrangements and to pay all applicable rents and fees which fall due under the existing lease.

As you know, the only reason that Skydance has not been able to finalize the thirty year lease and commence construction is that the airport's attorneys have delayed the finalization of the proposed lease and ancillary documents. Please ask them to expedite their drafting so that we can finalize our thirty-year lease and commence construction.

Skydance will rely upon your representations in this regard and the airport's good faith in negotiating the thirty-year lease. We appreciate your working with us to avoid disruption of Skydance operations during the period that the airport's attorneys require to prepare the documentation of our long term lease.

Sincerely,

Michael Cain
Skydance Helicopters: Vice-President

EXHIBIT F

THE LAW OFFICE OF STEVEN R. OWENS, P.C.

Steven R. Owens, Attorney at Law
Admitted to practice before the courts of Arizona and Colorado

25 Bell Rock Plaza, Suite A
Sedona, Arizona 86351-8804
Telephone (520) 284-0899
Mobile Telephone (520) 300-1211
Telecopier (520) 284-9885
E-mail owens@sedona.net

July 6, 2001

Edward J. McCall, General Manager
SEDONA AIRPORT ADMINISTRATION
235 Air Terminal Drive, Suite 1
Sedona, Arizona 86336

Re: Skydance Helicopters

Dear Mr. McCall,

As you know, this officer represents Skydance Helicopters, Inc. In this capacity, I have earlier been provided with the proposed CORPORATE-SIZE HANGAR PAD LEASE (the "Proposed Lease") and the LICENSE AGREEMENT FOR COMMERCIAL BUSINESS ACTIVITIES AT THE SEDONA AIRPORT (the "Proposed License"). I have also received and reviewed the various documents you provided to me, and thank you for supplying them.

Upon review of the documentation, we find that the Proposed Lease you provided to me is balanced, fair and is acceptable to my client, and my client is prepared to immediately enter into the lease you provided, with the following minor additions:

-Attached you will find a copy of the drawing prepared by Holgate Consulting Engineers, Inc., which indicates that the required pad will be 80 feet by 60 feet, for a total of 4,800 square feet. Please insert these numbers into the appropriate blanks on the lease. We understand that this drawing will be Exhibit "A" to the Lease.

-Please insert a Commencement Date of September 1, 2001.

-Please insert my client's proper name as Lessee:
Skydance Helicopters, Inc.

-Please delete the second sentence of section 2.2.1., or prepare an Exhibit "C" which reflects my client's commercial operations.

-Please incorporate a reference to the renewal option set forth in section 1.13 into the text of section 3.1 so that there is no ambiguity.

-There was no Exhibit "B" attached to the Lease, but we assume that it will contain fair and appropriate CPI increase language, reflecting the intent of the lease. Please forward to us the proposed Exhibit "B."

-The Proposed Lease you supplied me stopped with Section 20.8. We assume that this is the final provision and that the next page will contain signatures.

As to the Proposed License: my client is in full agreement that an Operations Agreement, which lays out in clear language the expectations, rights and responsibilities of commercial operators at the airport, which is fair, equitable and which provides adequate provisions for due process and dispute resolution would be desirable for use at the airport, provided that such an Operations Agreement conformed with federal law and applied equally to all commercial operators without discrimination. My client stands ready to meet with you and all of the other commercial operators at the airport to agree upon and finalize such an appropriate Operations Agreement. However, the Proposed License you submitted to me for review is not such an agreement—it is unfair, inequitable and clearly contrary to federal law. Indeed, it was so improper and so clearly illegal that we had a difficult time determining if it was meant as a serious proposal or was simply submitted as a form of poor joke. "Surely you jest" was the common reaction to the document when my client shared it with other aviation professionals. The act of creating such a document calls into question the good faith of the Authority—we frankly believe that the best approach to creating an appropriate Operations Agreement would be to tear this proposed document up and start over with a blank piece of paper. Moreover, my client will not even begin to discuss an Operations Agreement with the airport until every other commercial operator is involved in that discussion, is allowed to provide input, and is bound by the final agreement, which must be fair to all involved and must conform with federal law. Any other approach is blatantly discriminatory and unacceptable. The attempt to tie the Proposed License to my client's Proposed Lease is similarly blatantly

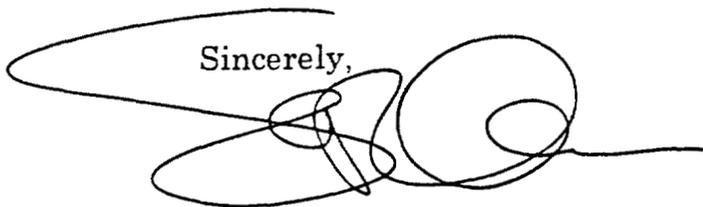
Edward J. McCall, General Manager
SEDONA AIRPORT ADMINISTRATION
July 6, 2001
Page 3

discriminatory, unacceptable and we believe that such discriminatory action is prohibited by not only federal law but the governing documents of the airport which you provided to me. Accordingly, we reject any tie of the Proposed License to the Proposed Lease or the application of the Proposed License as a precondition to finalizing the Lease.

Therefore, my client and I are looking forward to meeting with you in the very near future to finalize the Lease so that my client can begin preparation of construction drawings for review.

As we have noted in the past, my client has dealt with the Authority in good faith in order to locate and build its hangar for the mutual benefit of all, and looks forward to good faith on the part of the Authority in return. As always, please don't hesitate to contact me should you have any questions or comments.

Sincerely,

A handwritten signature in black ink, appearing to be "SRO", with a large, stylized flourish extending to the right.

Steven R. Owens

SRO:mja

SECTION _____

DESIGNED BY HOLGATE DATE 1/20/01

CHECKED BY _____ DATE _____

JOB TITLE SKYDANCE HELICOPTER SITE

HOLGATE
CONSULTING ENGINEERS INC.
PHOENIX, ARIZONA

JOB: NO. _____

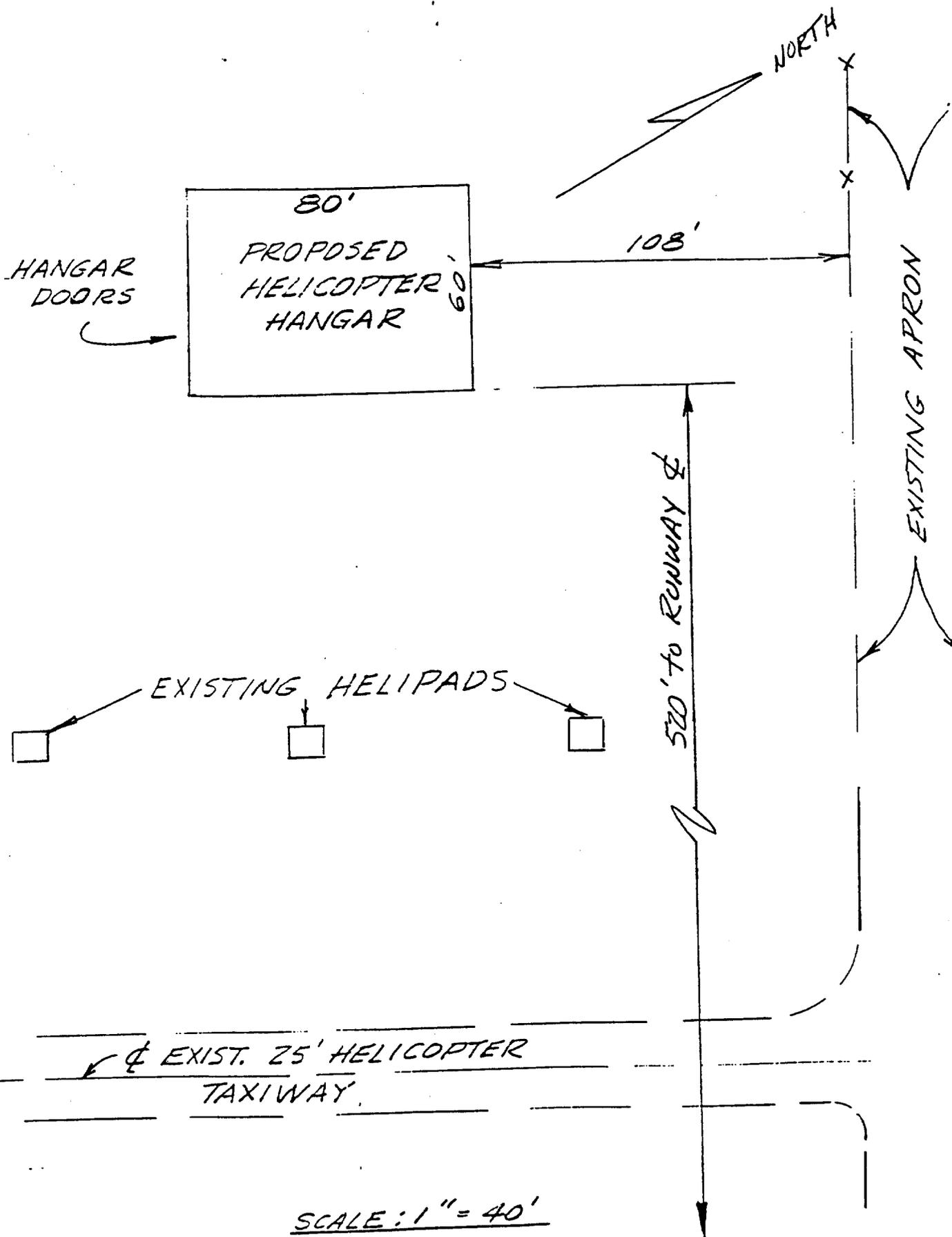


EXHIBIT G

CHANGES TO PROPOSED LEASE:

1. Attached you will find a copy of the drawing prepared by Holgate Consulting Engineers, Inc., which indicates that the required pad will be 80 feet by 60 feet, for a total of 4,800 square feet. Please insert these numbers into the appropriate blanks on the Lease. We understand that this drawing will be Exhibit "A" to the Lease.
2. Please insert a Commencement Date of September 1, 2001.
3. Please insert my client's proper name as Lessee:
Skydance Helicopters, Inc.
4. Please delete the second sentence of section 2.2.1., or prepare an Exhibit "C" which accurately reflects my client's commercial operations (we can prepare this description, if you wish).
5. Please incorporate a reference to the renewal option set forth in section 1.13 into the text of section 3.1 so that there is no ambiguity.
6. There was no Exhibit "B" attached to the Lease, but we assume that it will contain fair and appropriate CPI increase language, reflecting the intent of the lease. Please forward to us the proposed Exhibit "B."
7. The Proposed Lease you supplied me stopped with Section 20.8. We assume that this is the final provision and that the next page will contain signatures.

SECTION _____

DESIGNED BY HOLGATE

DATE 1/20/01

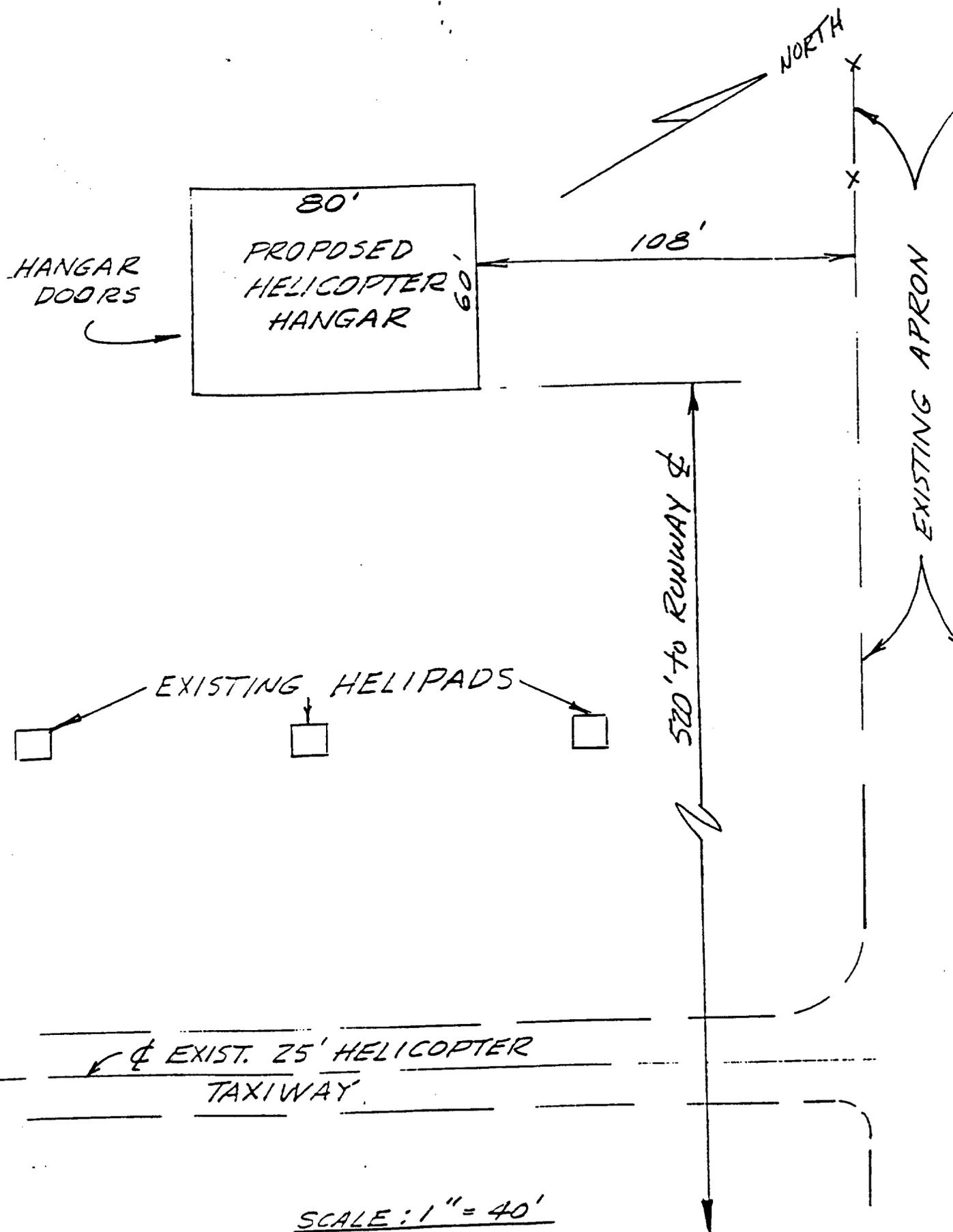
HOLGATE
CONSULTING ENGINEERS INC.
PHOENIX, ARIZONA

CHECKED BY _____

DATE _____

JOB TITLE SKYDANCE HELICOPTER SITE

JOB NO. _____



SCALE: 1" = 40'

THE LAW OFFICE OF STEVEN R. OWENS

Steven R. Owens, Attorney at Law
Admitted to practice before the courts of Arizona and Colorado

25 Bell Rock Plaza, Suite A
Sedona, Arizona 86351-8804
Telephone (928) 284-0899
Mobile Telephone (928) 853-0653
Telecopier (928) 284-9885
E-mail owens@sedona.net

August 13, 2001

Michael B. Cain
1225 Airport Road, Suite 5
Sedona, Arizona 86336

Re: Sedona Airport Lease

Dear Mike:

Enclosed, for your information, is a copy of the return receipt for the certified letter I sent to Mr. McCall indicating it was signed for and accepted August 9, 2001. As always, please don't hesitate to contact me with any questions or comments.

Sincerely,

Steven R. Owens by
Steven R. Owens *Marlene J. Auburn*

SRO:dah
Enclosure

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Edward J. McCall, General Manager
 SEDONA AIRPORT ADMINISTRATION BLDG.
 235 Air Terminal Drive, Suite 1
 Sedona, Arizona 86336

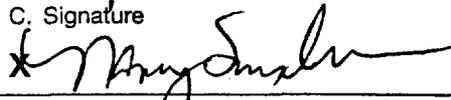
COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

PMW

8-9-01

C. Signature



-
- Agent
-
-
- Addressee

D. Is delivery address different from item 1? YesIf YES, enter delivery address below: No

Type

-
- Certified Mail
-
- Express Mail
-
-
- Registered
-
- Return Receipt for Merchandise
-
-
- Insured Mail
-
- C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Copy from service label)

7099 3220 0005 0579 1195

2.2 Licensing Fee. ~~Twelve Hundred Dollars (\$1200) per annum, payable in twelve equal monthly increments, subject to escalation as described on Exhibit A attached hereto~~None.

2.3 Airport Use Fee/Charge or Permit/Revocable Fee. An additionalA fee equal to two and one-half percent (2 ½%) of monthly sales gross is assessed for conducting a commercial activity at, to, from the Sedona Airport. See Exhibit B, attached hereto, for further explanation.

This amount may be increased from time to time by the Licensor, but in no event shall the fee charged to Licensee exceed the fee charged to other commercial operators at the Airport.

2.4 Exclusive Use, Reserved Aircraft Parking. An additional fee of \$50.00 per aircraft per month is assessed for parking up to a maximum of _____two aircraft on exclusive use, reserved aircraft parking spaces (helipads).

2.5 Lease. A certain thirty (30) year Lease between Licensor and _____
dated _____, _____, Skydance Helicopters, Inc., a Nevada Corporation doing business in Arizona as Skydance Operations, Inc., of even date hereof such lease terms being incorporated herein by this reference.

2.6 Commencement Date. _____September 1, 2001

2.7 Expiration Date. May 31, 2031

2.8 Premises. See _____Section 7.1.

3. Grant of License. Licensor grants to Licensee a License to operate its business in upon the Premises defined above subject to all the terms and conditions herein and all terms and conditions of the Lease ~~applicable to Tenant therein;~~ provided however, the Licence granted herein ~~is terminable at~~ may be terminated by either party upon a breach by the will other party of the Licensor pursuant to the terms and conditions of this License. ~~Nothing herein to the contrary, this shall immediately terminate upon the Licensee's breach of any provision of the Lease, including but not limited to Section 5 of the Lease. If Licensor determines in its sole discretion and authority that Licensee has (i) taken any action that would be a breach of the License or Lease, or (ii) engaged in any behavior prescribed by the Licensor herein, the Licensor shall revoke this License, with or without cause. Licensor's determination as to Licensee's actions shall be binding upon Licensee and Licensee hereby waives any and all rights as to take legal action regarding Licensor's decision and Licensee shall have no further right or interest whatsoever to contest Licensor's decision or actions. Upon notice to Licensor of Licensee's breach and revocation of the License, Licensee shall quit the Premises and terminate all business activities within seven (7) days of such notice, which breach is not cured pursuant to th provisions set forth herein, below. Licensee acknowledges and agrees that the License to operate its business in upon the Premises does not grant Licensee any possessory real property rights to or in the Premises, all such right real property rights and obligations being subject to set forth in the Parties' Lease.~~

4. Operating Covenants. Licensee agrees that during the term of theis License that it shall not operate its business or use the Premises in a manner that is objectionable to Licensor or Airport patrons in violation of the specific terms of this License, applicable state or federal laws, FAA Rules and Regulations, or Licensor's

duly adopted and published rules and regulations. Furthermore, Licensee acknowledges receipt of a copy of the Lease and agrees to abide by and be bound by all Tenant's obligations relating thereto, including, but not limited to, insurance, operations, use of premises, condition of premises, nondiscrimination and environmental policies. Licensee shall not allow its employees to engage in verbal altercations, fights, threats, questionable business activities, or actions of any kind that would be a breach of the License.

under the Lease. Licensor agrees that during the term of this License that it shall operate the Airport in compliance with the specific terms of this License, applicable state or federal laws, FAA Rules and Regulations, and Licensor's duly adopted and published rules and regulations. Furthermore, Licensor agrees to abide by and be bound by all Landlord's obligations under the Lease.

5. Terms of License. The terms and conditions of the Lease between the parties, if any, are incorporated as though set forth herein, with the exceptions of that (i) the terms and conditions arising out of all business operations shall be subject to this License, and not the Lease; and (ii) the provisions relating to the term or period of the Lease are not incorporated in the License; and (iii) Licensee agrees its rights to use operate its business at the Premises arises solely out of the License and not out of a Landlord/Tenant relationship.

6. License Extension. ~~If Licensee is in substantial compliance with all terms and conditions stated herein, as well as those applicable to the Lease, this License may be extended only by a signed mutual agreement, between the Parties, such extension for a two year term and subject to an increase in applicable fees and costs existing at such time in an amount tTo be determined by Licensor, at its sole discretion and determination~~the parties upon expiration of this License upon May 31, 2031.-

7. License Premises.

7.1 Licensor hereby licenses to Licensee the right to operate on the Sedona Airport for the period and upon all of the terms, conditions, covenants and agreements hereinafterherein provided.

7.2 Use of Premises.

7.2.1 Vehicles shall be parked only in parking areas designated by Licensor, or as otherwise allowed on a temporary basis.

7.2.2 Licensee's and Licensor's rights, duties and obligations hereunder are subject to the express limitations contained herein and the lawful rights and powers of all governmental authorities having jurisdiction.

7.3 Inspection. Licensee acknowledges that Licensor has the right to inspect the License Premises. Accordingly, upon reasonable prior notice to Licensee, Licensor or Licensor's authorized agents shall have the right to enter the Premises during regular business hours for the purpose of inspecting the same or for such other purposes as Licensor may in good faith determine. Licensor shall make a reasonable effort not to interfere with the normal conduct of Licensee or

unnecessarily disturb Licensee's property and belongings on the Premises. Licensee shall establish procedures so that in an emergency threatening Licensor's property or any property of another, or threatening substantial damages to Licensor's interest as Licensor, Licensor may gain admittance to the Premises at all hours. Licensee agrees to have available to Licensor, at reasonable times and upon reasonable notice, a representative who may, at Licensee's election, accompany Licensor's representative during Licensor's exercise of its right of entry and access. Licensee will provide to Licensor lock keys or combination number for Licensor's use for inspection or emergency access.

7.4 Airport Functions.

7.4.1 Licensor shall have the right, and shall use its best efforts to, but shall not be obligated to Licensee, to maintain and keep in repair the landing area (which shall include, without limitation, the runway, taxiway, and apron areas) of the Airport and all publicly-owned facilities of the Airport, together with the right to direct and control all activities of Licensee in this regard. Licensor shall have the right to further develop or improve the landing area of the Airport or any other facility or function of the Airport as it sees fit, and Licensee shall be prohibited from interfering with or hindering such development or improvement. Licensor retains the right and power to perform all conditions and obligations required of (i) the Department of Transportation ("DOT") and the United States Federal Aviation Administration ("FAA"), (ii) any authorized agency of the State of Arizona, (iii) the airport grant assurances contained in agreements with the FAA or the State of Arizona, or (iv) any Federal, State, or local law, ordinance, or regulation. Licensee shall not interfere with the exercise of such rights by Licensor or Licensor's performance of such conditions and obligations. During any such maintenance, repair and construction, Licensor shall make all reasonable accommodations to Licensee's operations possible.

7.4.2 There is hereby reserved to Licensor, its designees, 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. This public right of flight shall include the right to cause in said airspace any noise inherent in the operation of any aircraft used for navigation or flight through the said airspace or for landing at, taking off from, or operation on, the Airport.

7.4.3 It is understood and agreed that nothing herein contained shall be construed to grant to Licensee or authorize the granting of an exclusive right in violation of 49 U.S.C. 40103(e) of the Federal Aviation Act.

7.4.4 This License 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 a time of war or national emergency.

7.4.5 Licensor shall in no event be liable in damages or otherwise, nor shall Licensee be relieved from any obligations hereunder, because of the interruption of any service, or a termination, interruption or disturbance, attributable to strike, lockout, accident, war or other emergency, law, order, rule or regulation of or by any governmental authority (including but not limited to grant assurances and airport compliance requirements issued by the FAA), failure of supply, inability to obtain supplies, parts or employees, or any cause beyond Licensor's reasonable control, or any cause due to any act or neglect of Licensee or its agents, officers, representatives, employees, guests, invitees, or any person claiming by, through or under Licensee.

7.5 Alternations and Repairs.

7.5.1 Licensee agrees to comply with the notification and review requirements of Part 77 of the Federal Aviation Regulations.

7.5.2 Licensee shall cause to be repaired, at its sole expense, any and all damage or injury to the property of Licensor caused by Licensee, its agents or employees, or others who may be on the Premises.

8. Waivers and Acceptance of Fees

8.1 No waiver of default by either party hereto of any of the terms, covenants or conditions hereof to be performed, kept or observed will be construed to be or act as a waiver of any subsequent default of any of the terms, covenants, conditions herein contained to be performed, kept and observed.

8.2 No acceptance of fees or other money payments in whole or in part for any period or periods during or after default of any of the terms, conditions or covenants to be performed, kept or observed by the Licensee will be deemed a waiver on the part of the Licensor of its right to terminate this License on account of such default.

9. Suspension and Abatement In the event that Licensee's operation from the Premises should be restricted substantially by action of the federal government or agency thereof or by any judicial or legislative body, then Licensee will have the right, upon written notice to Licensor, to a suspension of this License and an abatement of an equitable proportion of the payments to become due hereunder, from the time of such notice until such restrictions will have been

remedied and normal operations restored.

10. Nondiscrimination in Furnishing Accommodations And/or Services

Licensee will furnish its accommodations and/or services on a fair, equal and not unjustly discriminatory basis to all users thereof and it will charge fair, reasonable and not unjustly discriminatory prices for each unit or service; provided that Licensee may be allowed to make reasonable and nondiscriminatory discounts, rebates or other similar type of price reductions to volume purchasers.

11. Rights for Noncompliance with Section 10 Noncompliance with Section 10 above will constitute a material breach of this License, ~~any applicable Lease between the Parties, and in the event of such noncompliance and such default is not cured within seven (7) days, Licensor will have the right to terminate this License hereby created without liability therefor or~~ subject to the terms of Section 29, below, or, at the election of Yavapai Licensor or the United States of America either or both said Governments will have the right to judicially enforce the provision.

12. Licensee Obligation Company hereby assures that no person shall be excluded from participation in, denied the benefits of or otherwise be discriminated against in connection with the award and performance of any contract, including leases, covered by 49 CFR Part 23 on the grounds of race, color, national origin or sex.

13. General Civil Rights Provision Licensee assures that it will comply with pertinent statutes, Executive Orders and such rules as are promulgated to assure that no person shall, on the grounds of race, creed, color, national origin, sex, age or handicap be excluded from participating in any activity conducted with or benefitting from Federal assistance. This Provision obligates the Licensee and or its transferee for the period during which Federal assistance is extended to the Airport program, except where Federal assistance is to provide, or is in the form of personal property or real property or interest therein or structures or improvements thereon. In these cases, the Provision obligates the party or any transferee for the longer of the following periods: (a) the period during which the property is used by the sponsor or any transferee for a purpose for which Federal assistance is extended, or for another purpose involving the provision of similar services or benefits; or (b) the period during which the Airport sponsor or any transferee retains ownership or possession of the property. In the case of contractors, this Provision binds the contractors from the bid solicitation period through the completion of the contract.

14. Affirmative Action Employment Programs

14.1 Licensee assures that it will undertake an Affirmative Action Program as required by 14 CFR 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 activities covered in 14 CFR Part 152, Subpart E. Licensee assures that no person will be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by this subpart. Licensee assures that it will require that its covered sub-organizations provide assurances to Licensee that they similarly will undertake Affirmative Action Programs and that they will require assurances from their sub-organizations, as required by 14 CFR Part 152, Subpart E to the same effect.

14.2 Licensee agrees to comply with any affirmative action plan or steps for equal employment opportunity required by 14 CFR Part 152, Subpart E, as part of the affirmative action program, and by any Federal, State, or local agency or court, including those resulting from a conciliation agreement, a consent decree, court order or similar mechanism. Licensee agrees that State or local affirmative action plans will be used in lieu of any affirmative action plan or steps required by 14 CFR Part 152, Subpart E, only when they fully meet the standards set forth in 14 CFR, Subpart 152.409. Licensee agrees to obtain a similar assurance from its covered organizations, and to cause them to require a similar assurance of their covered sub-organizations, as required by 14 CFR Part 152, Subpart E.

14.3 In the event Licensee employs fifty (50) or more employees on the Airport, it agrees to prepare and keep on file for review by the FAA Office of Civil Rights, an affirmative action plan developed in accordance with standards in 14 CFR, Subpart 152.409. Such program will be updated on an annual basis. Should Licensee employ less than fifty (50) employees on the Airport, it will annually send written correspondence confirming the exemption.

15. Airport Maintenance, Repair, Development and Expansion Licensor reserves the right to further develop or improve the landing area or any other area, building or other improvement within the present or future boundaries of the Airport as it sees fit in its sole judgment regardless of the desires or view of Licensee and without interference or hindrance by the Licensee. Further, Licensor retains the absolute right to maintain, repair, develop and expand the terminal building, any other Airport facility, Airport improvement or Airport property free from any and all liability to the Licensee for loss of business or damage of any nature whatsoever as may be occasioned during or because of the performance of such maintenance, repair, development or expansion. During any such maintenance, repair and construction, Licensor shall make all reasonable accommodations to Licensee's operations possible.

16. Maintenance, Repair, Direction and Control The Licensor reserves the right, but is not obligated to exercise the right, to maintain and keep in repair the landing area of the Airport and all publicly owned facilities of the Airport, together with the right to direct and control all activities of Licensee in this regard. These areas will include, but are not limited to, those areas which are necessary to serve the aeronautical users of the Airport, except that Licensor will not be obligated to maintain and keep in repair such areas of the Airport as may be leased to or under the control of Airport tenants whether such area serves aeronautical users or otherwise. During any such maintenance, repair and construction, Licensor shall make all reasonable accommodations to Licensee's operations possible.

17. Part 77 of Federal Aviation Regulations Licensee agrees to comply

with the notification and review requirements covered in Part 77 of the Federal Aviation Regulations in the event future construction of a building is planned for the Premises or Airport, or in the event of any planned modification or alteration of any present or future building or structure situated on the Premises.

18. Airspace There is hereby reserved to the Licensor, 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 herein leased. This public right of flight will include the right to cause or allow in said airspace, any noise inherent in the operation of any aircraft used for navigation or flight through the said airspace or landing at, taking off from or operation on the Airport. No liability on the part of the Licensor will result from the exercise of this right.

19. Airport Obstructions The Licensee by accepting this License expressly agrees for itself, its successors and assigns, that it will not erect nor permit the erection of any structure or object nor permit the growth of any tree on the land leased hereunder which will exceed such maximum height as may be stipulated by the Licensor. It is understood and agreed that applicable laws, codes, regulations or agreements concerning height restrictions will govern the maximum height to be stipulated by Licensor. In the event the aforesaid covenants are breached, Licensor reserves the right to enter upon the Premises and land hereunder and to remove the offending structure or object and cut down the offending tree all of which will be at the expense of Licensee and without liability to Licensor.

20. Hazards The Licensee by accepting this License agrees for itself, its successors and assigns, that it will not conduct operations in any manner which might interfere with the landing and taking off of aircraft from Airport or otherwise constitute a hazard or obstruction. ~~In the event the aforesaid covenant is breached, Licensor reserves the right to terminate this License~~ Breach of the foregoing covenant shall be governed by Section 29, or at the sole discretion of Licensor, Licensor may enter upon the Premises and cause the abatement of such interference at the expense of the Licensee and without liability of any kind.

21. Airport Rules and Regulations The Licensor will have the right to adopt, amend and enforce reasonable rules and regulations with respect to use of and the conduct and operation of the Airport, its terminal buildings or any improvements within the present or future boundaries of the Airport which Licensee agrees to observe and obey.

22. Compliance with Public Authorities

22.1 Licensee will not use or permit the use of the demised Premises or any other portion of the Airport for any purpose or use other than authorized by

this Agreement or as may be authorized by other, separate, written agreement with Licensor.

22.2 Licensee, its employees, representatives or agents will comply with all present or future laws, rules and regulations and amendments or supplements thereto governing or related to the use of the Airport or the Premises as may from time to time be promulgated by Federal, State or local governments and their authorized agencies.

23. Environmental Policy

23.1 Violation Of Environmental Laws. Licensee will not cause or permit any hazardous material to be used, generated, manufactured, produced, stored, brought upon, or released on, under or about the Premises, or transported to and from the Premises, by Licensee, its Ssublessees, their agents, employees, contractors, invitees or a third party in violation of the Environmental Laws as defined below. Licensee shall indemnify and hold harmless Licensor and Yavapai County from any and all Environmental Damages defined below:

23.2 "Environmental Laws" means The Airport Noise and Capacity Act of 1990, 49 U.S.C. 47521, et. seq., The Aviation Safety and Noise Abatement Act of 1979, 49 U.S.C. 47501, et. seq., The Clean Air Act and Amendments, 42 U.S.C. 7506, 404, 402, 7641, 7642, 7401, et. seq., 33 U.S.C. 1342, 1344; Clean Water Act of 1977, 33 U.S.C. 1251, et. seq., Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), 42 U.S.C. 9601, et. seq., 26 U.S.C. 4611, 4612, 4661, 4662, 4671, 4672; Emergency Planning and Community Right to Know Act of 1986, 42 U.S.C. 1101, et. seq., Endangered Species Act of 1973, 16 U.S.C. 460, et. seq., 668dd, 715i, 714s, 1362, 1371, 1372, 1402, 1531, et. seq.; Federal Water Pollution Control Act and Amendments, 33 U.S.C. 1251, et. seq., 1342, 1344; Fish and Wildlife Coordination Act, 16 U.S.C. 661, et. seq.; Hazardous Materials Transportation Act, 49 U.S.C. 5101, et. seq.; National Environmental Policy Act, 42 U.S.C. 4321, Noise Control Act, 42 U.S.C. 4901, et. seq.; Resource Conservation and Recovery Act of 1976 (RCRA), 42 U.S.C. 6901, et. seq.; Superfund Amendments and Reauthorization Act of 1986, 26 U.S.C. 4611, et. seq., 42 U.S.C. 6911, 9601, et. seq.; Toxic Substances Control Act, 15 U.S.C. 2601, et. seq., Water Quality Act of 1987, 33 U.S.C. 251, et. seq.

23.3 -"Environmental Damages" include without limitation: (i) damages for personal injury or injury to property or natural resources occurring on the Premises, foreseeable or unforeseeable; (ii) fees incurred for attorneys, consultants, contractors, experts, laboratories and all other costs incurred in connection with the investigation or remediation of Hazardous Material, including but not limited to, the preparation of any feasibility studies or reports or any

cleanup, remediation, removal, abatement, containment, closure, restoration, or monitoring required by any federal, state or local governmental entity.

23.4 –The term "Hazardous Material," whenever used herein, means the definitions of hazardous substance, hazardous material, toxic substance, regulated substance or solid waste as defined within the following:

COMPREHENSIVE ENVIRONMENTAL RESPONSE,
COMPENSATION AND LIABILITY ACT (42 U.S.C. Section 9601
et seq.)

RESOURCE CONSERVATION AND RECOVERY ACT (42 U.S.C.
Section 6901 et seq.)

HAZARDOUS MATERIALS TRANSPORTATION ACT (49 U.S.C.
Section 1801 et seq.)

and all present or future regulations promulgated thereto.

DEPARTMENT OF TRANSPORTATION TABLE (49 C.F.R.
Section 172.101) and amendments thereto.

ENVIRONMENTAL PROTECTION AGENCY (40 C.F.R. Part 302
and amendments thereto)

24. Licensor's Termination Rights For Violation of Environmental Laws

24.1 Licensee's failure, their agents, employees, contractors, invitees or the failure of a third party to comply with any of the requirements and obligations of this License or applicable Environmental Laws will constitute a material default of this License and will permit Licensor to pursue the following remedies, in addition to all other rights and remedies provided by law or otherwise provided in this Agreement, to which Licensor may resort cumulatively, or singularly, in the alternative.

24.2 Licensor may, at Licensor's election, keep this License in effect and enforce all of its rights and remedies under this Agreement, including (i) the right to recover rentfee and other sums as they become due by the appropriate legal action and/or (ii) the right, upon ten (10) days written notice to Licensee, to make payments required of Licensee or perform Licensee's obligations and be reimbursed by Licensee for the cost thereof, unless such payment is made or obligation performed by Licensee within such ten (10) day period.

24.3 Licensor may, at Licensor's election, ~~terminate this License upon one day's written notice to Licensee. If this License is terminated under this provision, Licensee waives all rights against Licensor, including, but not limited to, breach of contract, costs of design, installation or construction of improvements and/or interruption of business proceed subject to Section 29, below.~~

24.4 Notwithstanding any other provision in this License to the contrary, Licensor will have the right of "self-help" ~~or similar remedy~~ mitigation of any violation of the Environmental Laws in order to minimize any damages, expenses, penalties and related fees or costs, arising from or related to a violation of environmental law on, under or about the Premises.

24.5 The provisions of this License relating to all Environmental Laws and Hazards shall survive the expiration or earlier termination of this Agreement.

25. Insurance.

25.1 Without limiting Licensee's indemnification of Licensor, Licensee shall, as may be appropriate, provide and maintain, at its sole expense, during the term of this License, the following policy or policies of insurance covering its operations and activities hereunder. Such insurance shall be secured through a carrier satisfactory to Licensor, and a certificate of insurance shall be delivered to Licensor on or before the effective date of this License. Such evidence shall specifically identify this License and shall contain express conditions that Licensor is to be given written notice at least thirty (30) days in advance of any modification or termination of any policy of insurance. Such insurance shall be primary to any other insurance and shall name the Licensor and Yavapai County as additional insureds.

25.2 Licensee shall cover its employees with Workers' Compensation insurance in an amount and form to meet all applicable requirements of the State of Arizona.

25.3 Upon failure of Licensee to procure or maintain required insurance, Licensor may, upon ten (10) days notice to Licensee, terminate this License.

25.4 The amounts of required insurance shall be subject to annual review by the Licensor to assure adequate coverage limits apply. The Licensor shall have sole discretion with respect to any adjustment of insurance limits and coverages.

26. Indemnification

26.1 Licensee agrees to indemnify and hold harmless the Licensor and Licensor and their agents, officers, employees, representatives, successors and assigns from and against any and all liability, damages, business interruptions, delays, losses, claims, judgments of any kind whatsoever including all costs, attorneys' fees, and expenses incidental thereto, which may be suffered by, or caused to, Licensor or ~~Licensor~~ by reason of loss or damage to any property or injury to, or death of, any person arising from or by reason of Licensee's use of the Airport and Premises. Licensee shall further indemnify and hold harmless ~~the Licensor and Licensor~~ from and against any and all claims, costs and expenses arising out of any act or omission including, but not limited to, any use, conduct, activity, work, things done, permitted or allowed, any breach of any provision of this License, the violation of any law, ordinance, field rule, or other regulation of the Licensor, the Federal Aviation Administration, or any other governmental agency, resulting from the default or negligence of Licensee or of Licensee's agents, employees, contractors, partners or invitees and from and against all costs, attorney fees, expenses and liabilities incurred by the Licensor as the result of any such acts or omissions including, but not limited to, the defense or pursuit of any claim or any action or proceeding resulting there from. The Licensor need not have paid any such claim in order to be so indemnified. Licensee, as a material part of the consideration to the Licensor, hereby assumes all risks of damage to property of Licensee or injury to persons, in, upon or about the Airport and/or the Premises arising from any cause ~~and~~ except for any damages caused by the negligence of Licensor, its agents, employees, contractors, partners or invitees. Licensee hereby waives all claims in respect thereof against the Licensor, except for any claims arising from the default by or negligence of Licensor, its agents, employees, contractors, partners or invitees. Licensor shall indemnify and hold harmless Licensee from and against any and all claims, costs and expenses arising out of any act or omission including, but not limited to, any use, conduct, activity, work, things done, permitted or allowed, any breach of any provision of this License, the violation of any law, ordinance, field rule, or other regulation of the Licensor, the Federal Aviation Administration, or any other governmental agency, resulting from the default or negligence of Licensor or of Licensor's agents, employees, contractors, partners or invitees and from and against all costs, attorney fees, expenses and liabilities incurred by the Licensee as the result of any such acts or omissions including, but not limited to, the defense or pursuit of any claim or any action or proceeding resulting there from. The Licensee need not have paid any such claim in order to be so indemnified.

26.2 Neither the Licensor nor the County will be responsible for theft, loss, injury, damage or destruction of the Licensee's property or injury to the Licensee, or the Licensee's agents, contractors, employees, invitees, clients, partners, successors or assigns, except for any damages caused by the negligence of Licensor, its agents, employees, contractors, partners or invitees, it being

specifically understood that the fees ~~and rents~~ charged hereunder are for the privilege of operating on Sedona Airport ~~only~~ and do not constitute a bailment.

26.3 Neither the Licensor nor Yavapai County shall be liable for ~~failure to perform this License or for~~ any loss, injury, damage or delay of any nature whatsoever caused by or resulting from any act of God, fire, flood, accident, strike, labor dispute, riot, insurrection, civil disturbance, war or any other cause beyond its control.

27. Assignment, Transfer of Interest.

27.1 No Transfer Without Licensor's Consent. Licensee shall not sublet, assign, transfer, License or encumber any interest in this License, in whole or in part, without Licensor's prior written consent (~~which may be withheld in Licensor's sole and absolute discretion~~), shall not be unreasonably withheld. It is agreed that the Licensor shall base its approval only upon the good standing of the proposed assignee with the FAA, the safety record of the proposed assignee, and the credit history of the proposed assignee.

27.2 Transfer of Interest in Licensee. Licensor reserves the right to approve (which approval must be in writing), ~~in its sole discretion~~, the sale or transfer of a majority interest in Licensee or any sales or transfer of an interest in Licensee which singly or cumulatively results in a majority interest being owned by any person or entity other than the current owner(s) of the majority interest, which approval shall not be unreasonably withheld as set forth above. Should Licensee proceed to accomplish any of said transfers without Licensor's prior written approval, Licensor may treat the event as a material breach subject to the remedies set forth in this License and may pursue any other legal or equitable remedy for material breach. Licensee is obligated to inform Licensor promptly whenever any such sale or transfer of interest occurs, and failure to do so shall be deemed a material breach.

27.3 Transfer of Obligations. All of Licensee's obligations pursuant to this License become the obligations of Licensee's heirs, personal representatives, successors in interest, and assigns, if any attain an interest in this Revocable.

28. Subordination. Upon Licensor's request, Licensee will subordinate Licensee's rights and interest hereunder to the lien of any mortgage, deed of trust, or any other lien document in favor of any lending institution, and to all advances made upon the security thereof.

29. Default, Cure and Dispute Resolution.

~~29.1~~ **Default:**— The occurrence of any one or more of the following events shall constitute a material breach and default of this License by Licensee:

~~29.1.1~~ **Failure to Pay Rentes.** Licensee's failure to pay the rentfees or any other payment required herein, as and when due, ~~if such failure continues for a period of ten (10) days after becoming due.~~

~~29.1.2~~ **Failure to Perform.** Licensee's or Licensor's failure to observe or perform any of the covenants, conditions or provisions of this License, ~~if such failure continues for fifteen (15) days after written notice of such breach and demand for compliance.~~

~~29.1.3~~ **Bankruptcy.** Licensee's making any general assignment or general arrangement for the benefit of creditors; or the filing by or against Licensee of a petition in bankruptcy or a petition for reorganization or arrangement under any law relating to bankruptcy (unless the petition filed against Licensee is involuntary and is dismissed within ninety (90) days); or upon the appointment of a trustee or receiver to take possession of Licensee's assets located at the Premises or Licensee's interest in this License, ~~or any other similar thing that substantially interferes with or jeopardizes Licensee's continued operation on the airport and payment of the required rents.~~

29.2 Notice and Cure:

29.2.1 Notice. Upon the occurrence of any breach of and/or default under this License, the party asserting the breach or default shall give written notice to the party who is claimed to be ~~breach or in default~~, specifying in reasonable detail the breach or default. The notice shall set forth whether the claimed breach or default creates a hazard to the public.

29.2.2 Cure. After receipt of the Notice specified in Section 29.1.1, the party claimed to be in default shall have a period of ten (10) days in the event of a monetary default, and thirty (30) days in the event of a non-monetary default to cure the claimed breach or default. In the event that the claimed breach or default is not reasonably susceptible to cure within 30 days, then party in breach or default shall have commenced a cure with all reasonable diligence within the 30 days and shall complete the cure with all reasonable diligence, but in all events within 90 days. In the event that the asserted breach or default creates a hazard to the public, it shall be cured as soon as reasonably possible.

29.2.3. Termination. If the party claimed to be in breach or default does not cure the asserted breach or default within the time period set forth above, the other party may terminate this License upon ten (10) days written notice.

29.3 Dispute Resolution.

29.3.1 In the event that a party disputes whether a breach or default actually occurred, or disputes whether that breach or default was cured, or in the event that the parties enter into a bona-fide dispute over the terms, conditions or application of this License, the parties agree to submit the dispute to mediation within ten (10) days by a mediator mutually agreed upon by the parties. In the event that the parties cannot agree upon a mediator, the parties agree to submit the dispute to the Federal Aviation Administration Airports Division Regional Office for meditation. In the event that one party claims that the dispute involves a hazard to the public, the parties agree to immediately submit the dispute to the Federal Aviation Administration Airports Division Regional Office with a request for immediate mediation of the matter.

29.3.2 No termination of this License may take place until the mediation set forth above has been conducted with the good-faith participation of both parties.

29.3.3 The parties agree that they will not pursue any rights or remedies under any applicable laws until the above detailed mediation has been concluded. This provision may be introduced into any proceeding as a basis of stay of that proceeding until the good-faith mediation set forth above is concluded. It is expressly agreed that this Section 29.3.3 shall not apply to any asserted violation of FAA rules or regulations.

30. Waiver. Licensor'sA party's waiver of a breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition upon any subsequent breach of the same or of any other term, covenant or condition. The acceptance of rentsfees hereunder shall not be construed to be a waiver by Licensor of any existing breach by Licensee of any term, covenant or condition. Any such——waiver by Licensorany party must be in writing.

31. License Subordinated to Federal Grant Requirements, Licensor Revocable. This License is subordinate and subject to the provisions of existing and/or future agreements between Licensor and the Licensor of Yavapai, the State of Arizona, and the United States of America, and all applicable city, Licensor, state and federal ordinances, laws, orders, rules or regulations now or hereafter in effect (including, but not limited to, airport grant assurances contained in agreements with

the FAA and airport compliance requirements issued by the FAA). Should any provisions of this License be or become contrary to any of said agreements, enactment's, ordinances, orders, rules and regulations, those agreements, enactment's, ordinances, orders, rules or regulations shall control, each and every clause required by law or agreement to be inserted in this License shall be deemed inserted herein, and this License shall be read and enforced as though each such clause were included herein, and if through mistake or otherwise any such provision is not inserted, or is not correctly inserted, then, upon the application of either party, this License shall forthwith be physically amended to make such insertion or correction, and the other party hereby agrees to such amendment.

32. Miscellaneous.

32.1 Applicable Law, Attorney's Fees. Except to the extent an FAA or other federal law, rule or order may apply, this License shall be governed by the laws of the State of Arizona (without resort to the choice of law rules thereof). If any action or proceeding is brought by either party to enforce the provisions hereof, the prevailing party shall be entitled to recover all reasonable costs and attorneys fees incurred in such action or proceeding, including those on appeal, in such amounts as the court may determine without a jury.

32.2 Estoppel Certificates. Within ten (10) days of a party's receipt of written request therefore by the other party hereto, such party shall provide a written statement acknowledging the Commencement Date and Expiration Date of this Revocable, that this License is in full force and effect, has not been modified (or if it has, stating such modifications), and providing any other pertinent information as the requesting party or its agent might reasonably request. Failure to comply with this Section 21.2 within said ten (10) day period shall be deemed to be an acknowledgment by such party of the truth of the matters set forth in the other party's request.

32.3 Notices. Any notice, request, demand or other communication required or desired to be given in connection with this License shall be made in writing and personally delivered by hand or recognized overnight courier or mailed, postage prepaid, to the party's address specified in ~~Section 1.11~~ below, or as may hereafter be designated by such party in writing to the other. Notices or other communications mailed by registered or certified mail shall be deemed effective as of the third day after being accepted by the U.S. Postal Service.

If to Licensor:

Edward J. McCall, General Manager
SEDONA AIRPORT ADMINISTRATION

235 Air Terminal Drive, Suite 1
Sedona, Arizona 86336

with a copy to:

Richard B. Spector, Esq.
SPECTOR LAW OFFICES, PC
6900 East Camelback Road, Suite 640
Scottsdale, Arizona 85251-2443

If to Licensee:

Michael B. Cain
SKYDANCE HELICOPTERS, INC.
1225 Airport Rd., Suite 5
Sedona, Arizona 86336

with a copy to:

Steven R. Owens, Esq.
25 Bell Rock Plaza, Suite A
Sedona, Arizona 86351-8804

32.4 Authorization. Each individual executing this License on behalf of a corporation, trust, partnership or other legal entity represents, guarantees and warrants that he or she is duly authorized to execute and deliver this License on behalf of such entity and that this License shall be binding upon such entity.

32.5 No Partnership, Time Is of Essence, Successors and Assigns. The relationship between the parties hereto shall at all times hereto be solely that of Licensor and Licensee and not as any partnership, joint venture or other association. Time is of the essence, and this License shall be binding upon and inure to the benefit of the parties hereto and their successors and assignees, if such successors and assignees are permitted by this License.

32.6 Section Headings. The headings in this License are inserted for reference only, and shall not define or limit the provisions hereof.

32.7 Severability. Any provisions of this License that is legally invalid, void or unenforceable shall in no way affect, impair or invalidate any other provision hereof, and the other provisions shall remain in full force and effect. No remedy or election hereunder shall be deemed exclusive, but shall, whenever possible, be cumulative with all available remedies at law or in equity.

33. **Entire Agreement.** This License contains all of the agreements of the parties hereto with respect to the subject matter hereof, and no prior or contemporaneous agreements or understandings shall be effective for any purpose. This License may be amended or modified only by a written document signed by Licensor and Licensee.

34. **Additional Covenants.** Licensee shall be allowed to continue to rent its sales office located in the building next door to the Sedona Airport Restaurant, upon reasonable terms and conditions, until that building is removed or Licensee notifies Licensor that it desires to vacate that building. Licensor shall improve and maintain in good condition the road to the Licensee's hangar location set forth in the Lease, including grading, providing good drainage and paving. Licensor shall allow Licensee to post reasonable and appropriate signage.

IN WITNESS WHEREOF, the parties hereto hereby execute this License this _____ day of _____ August, _____ 2001.

Licensor:

SEDONA-OAK CREEK AIRPORT AUTHORITY,
an Arizona non-profit corporation.

By: _____
Dave Webster, its President

Licensee:

SKYDANCE HELICOPTERS, INC.
doing business in Arizona as
SKYDANCE OPERATIONS, INC.

By: _____

_____ Title:its _____

EXHIBIT A

LICENSING FEE

EXHIBIT B

COMMERCIAL ACTIVITY FEE

A. Licensee shall pay to Licensor a commercial activity fee of two and one half percent (2.5%) of its gross receipts from any and all commercial activities conducted by Licensee from, to, or on the Sedona Airport. Contract support activities with Federal or State agencies are exempt from this fee.

B. As used in this License the term "gross receipts" includes all revenue received from any source which relate to Licensee's operations, activities and presence on the airport, including, but not limited to actual prices, fees and rents charged for merchandise, services or subleases or any combination of the, including without limitation, deposits not refunded; sales by subtenants, concessionaires and Licensees; revenue from coin operated vending or similar devices, consideration related to placement or use of public telephone or facsimile equipment on the premises, but shall not include any state or local transaction privilege tax collected from Licensee's customers.

C. The commercial activity fee shall be payable in the manner set forth in this paragraph. Not later than thirty (30) days following the end of each calendar month during the term of this Revocable, Licensee shall provide to Licensor a written statement, which shall be prepared in accordance with generally accepted accounting principles, consistently applied and certified as true and correct by Licensee's principal financial officer, showing in detail the amount of Licensee's "gross receipts" for the preceding calendar month. Simultaneously with the submission of the certified statement of gross receipts, Licensee shall pay to Licensor, in cash or by check, the specified percentage rentfee based on the reported "gross receipts".

D. In order to enable Licensor to verify the amount of the commercial activity fee payable under this Revocable, Licensee shall maintain at its Premises, copies of all bank records and any other relevant materials.

E. Licensor shall have the right, at any reasonable time, and from time to time after giving reasonable notice to Licensee, to cause an audit or examination of the records to be made by its agents or accountants, to make abstracts for the records, to examine and make copies of any records, subleases, licenses and concession agreements. Such examination or audit shall be conducted during normal business hours and without undue interference with normal activities of Licensee. Licensee shall make all relevant records available at the time of any audit at the place where the records are kept, however, Licensor may remove any or all records for examination and review. Information obtained by Licensor as a result of an audit shall be confidential except for its use in enforcement of the terms of this License and any litigation or arbitration or communication related thereto.

F. If any audit discloses an underpayment by Licensee, the sum of such underpayment as well as the entire cost of the examination or audit shall be immediately due and payable by Licensee as additional rentfee. If no underpayment is found, Licensor shall bear the cost of the audit or examination.

G. Licensee shall use its best efforts to maximize revenues received from its business by maintaining appropriate business hours for its activities and by undertaking advertising and other marketing efforts calculated to enhance its business. Licensee shall not divert trade to other locations.

H. Nothing in this License shall be construed to render the Licensor in any way, or for any purpose, a partner, joint venture, or associate in any relationship with Licensee other than that of Licensor and Licensee, nor shall this License be construed to authorize either agent for the other.

I. A late charge of five percent (5%) of the rentfee due shall be paid by Licensee where any payment required by this section is not made within the required time. Licensee shall pay a fee of \$20 as additional rentfee for any dishonored check submitted for rentfee due. If Licensee shall fail to deliver any monthly statement within the time required in paragraph C above, Licensor shall have the right, in addition to any and all other rights and remedies available to Licensor, to employ an accountant to examine Licensee's relevant records and to establish the amount of Licensee's "gross receipts" for purpose of computing the Commercial Activity Fee. Such examination shall be conducted pursuant to Paragraph E above. The report of the accountant shall be binding upon both parties and the cost of the examination shall be paid by Licensee as additional rentfee in the following month.

Law Office of Steven R. Owens

m: Law Office of Steven R. Owens [owens@sedona.net]
Sent: Monday, August 20, 2001 10:41 AM
To: spectorlaw@msn.com
Subject: Sedona Airport Authority Documents



08-17-01 Business Ops
License ...



08-17-01 Redline of
Spector Op...

Richard,

Attached you will find two documents, a revised Commercial Operations License which I have drafted and which my client has reviewed, approved and is ready to sign, and which we think constitutes a fair and balanced approach to your client's needs, and a redline of that document (comparing the changes to the document you sent to me).

As to the Lease:

I only received a few pages, so perhaps we should have your clients fax the entire revised lease to me for review. Before they do that, however, I have a few additional comments:

1. There is a typo we have all previously missed. Section 1.14 should be renumbered as Section 2.1.

2. Please include my client's actual name: Skydance Helicopters, Inc., a California corporation doing business in Arizona as Skydance Operations, Inc."

As to the comments in your letter regarding the lease. Perhaps you have not been provided with Exhibit A to the lease, which precisely depicts the location of the hangar pad with reference to the various airport landmarks. We believe that this should be sufficient and that a precise legal description generated by a surveyor is unnecessary. As to the apron, taxiway and parking, it is our understanding that these areas remain part of the general airport property not subject to the lease (defined as the "Premises" under the License). (It is our understanding that this is the way all previous leases have been handled.) If we are incorrect and previous leases have included the aprons, parking and ingress/egress as part of the leasehold interest, please let us know and we will meet and determine the areas to be demarked and included.

I look forward to speaking with you today regarding your client's comments to the above and the attached.

Steve

THE LAW OFFICE OF STEVEN R. OWENS, P.C.
25 Bell Rock Plaza, Suite A
Sedona, Arizona 86351-8804
Telephone (520) 284-0899
Telefax (520) 2849885
email: owens@sedona.net
Visit us at www.sedonalawyer.com

AS PROPOSED BY SKYDANCE, 8-20-2001

**LICENSE AGREEMENT FOR COMMERCIAL BUSINESS ACTIVITIES AT THE
SEDONA AIRPORT**

This License Agreement ("License") is entered into this ___ day of August, 2001, by and between the Sedona-Oak Creek Airport Authority, an Arizona non-profit corporation, also known as Sedona Airport Administration (collectively "Licensor"), and Skydance Helicopters, Inc., a California corporation doing business in Arizona as Skydance Operations, Inc. ("Licensee")(Licensor and Licensee collectively referred to as "the Parties").

RECITALS

This Agreement is made with reference to the following facts and objectives.

A. Licensee is a Part 135 Air Carrier which desires to conduct commercial business activities on Sedona Airport from Sedona Airport from separately leased property.

B. Licensor operates a publically funded airport under lease agreement with Yavapai County, Arizona.

C. Licensor and Licensee agree to enter into this License pursuant to the following terms and conditions.

AGREEMENT

The Parties therefore agree as follows.

1. **Incorporation of Recitals.** The Parties agree that the Recitals stated above are substantive provisions of this License as if restated in this paragraph one, such Recitals being incorporated herein by this reference.

2. **Definitions.**

2.1 **Airport.** Sedona Airport, Yavapai County, Arizona.

2.2 **Licensing Fee.** None.

2.3 **Airport Use Fee/Charge or Permit/Revocable Fee.** A fee equal to two and one-half percent (2 ½%) of monthly sales gross is assessed for conducting a commercial activity at, to, from the Sedona Airport. See Exhibit B,

attached hereto, for further explanation. This amount may be increased from time to time by the Licensor, but in no event shall the fee charged to Licensee exceed the fee charged to other commercial operators at the Airport.

2.4 Exclusive Use, Reserved Aircraft Parking. An additional fee of \$50.00 per aircraft per month is assessed for parking for a minimum of two aircraft on exclusive use, reserved aircraft parking spaces (helipads).

2.5 Lease. A certain thirty (30) year Lease between Licensor and Skydance Helicopters, Inc., a California Corporation doing business in Arizona as Skydance Operations, Inc., of even date hereof such lease terms being incorporated herein by this reference.

2.6 Commencement Date. September 1, 2001

2.7 Expiration Date. May 31, 2031

2.8 Premises. See Section 7.1.

3. Grant of License. Licensor grants to Licensee a License to operate its business upon the Premises defined above subject to all the terms and conditions herein and all terms and conditions of the Lease; provided however, the License granted herein may be terminated by either party upon a breach by the other party of the terms and conditions of this License, which breach is not cured pursuant to the provisions set forth herein, below. Licensee acknowledges and agrees that the License to operate its business upon the Premises does not grant Licensee any possessory real property rights to or in the Premises, all such real property rights and obligations being set forth in the Parties' Lease.

4. Operating Covenants. Licensee agrees that during the term of this License that it shall not operate its business or use the Premises in a manner that is in violation of the specific terms of this License, applicable state or federal laws, FAA Rules and Regulations, or Licensor's duly adopted and published rules and regulations. Furthermore, Licensee agrees to abide by and be bound by all Tenant's obligations under the Lease. Licensor agrees that during the term of this License that it shall operate the Airport in compliance with the specific terms of this License, applicable state or federal laws, FAA Rules and Regulations, and Licensor's duly adopted and published rules and regulations. Furthermore, Licensor agrees to abide by and be bound by all Landlord's obligations under the Lease.

5. Terms of License. The terms and conditions of the Lease between the parties, if any, are incorporated as though set forth herein, with the exceptions that (i) the terms and conditions arising out of all business operations shall be subject to this License, and not the Lease, and (ii) the provisions relating to the term or period

of the Lease are not incorporated in the License.

6. **License Extension.** To be determined by the parties upon expiration of this License upon May 31, 2031.

7. **License Premises.**

7.1 Licensors hereby licenses to Licensee the right to operate on the Sedona Airport for the period and upon all of the terms, conditions, covenants and agreements herein provided.

7.2 **Use of Premises.**

7.2.1 Vehicles shall be parked only in parking areas designated by Licensor, or as otherwise allowed on a temporary basis.

7.2.2 Licensee's and Licensor's rights, duties and obligations hereunder are subject to the express limitations contained herein and the lawful rights and powers of all governmental authorities having jurisdiction.

7.3 **Inspection.** Licensee acknowledges that Licensor has the right to inspect the License Premises. Accordingly, upon reasonable prior notice to Licensee, Licensor or Licensor's authorized agents shall have the right to enter the Premises during regular business hours for the purpose of inspecting the same or for such other purposes as Licensor may in good faith determine. Licensor shall make a reasonable effort not to interfere with the normal conduct of Licensee or unnecessarily disturb Licensee's property and belongings on the Premises. Licensee shall establish procedures so that in an emergency threatening Licensor's property or any property of another, or threatening substantial damages to Licensor's interest as Licensor, Licensor may gain admittance to the Premises at all hours. Licensee agrees to have available to Licensor, at reasonable times and upon reasonable notice, a representative who may, at Licensee's election, accompany Licensor's representative during Licensor's exercise of its right of entry and access. Licensee will provide to Licensor lock keys or combination number for Licensor's use for inspection or emergency access.

7.4 **Airport Functions.**

7.4.1 Licensor shall have the right, and shall use its best efforts to, but shall not be obligated to Licensee, to maintain and keep in repair the landing area (which shall include, without limitation, the runway, taxiway, and apron areas) of the Airport and all publicly-owned facilities of the Airport, together with the right to direct and control all activities of Licensee in this regard. Licensor shall have the

right to further develop or improve the landing area of the Airport or any other facility or function of the Airport as it sees fit, and Licensee shall be prohibited from interfering with or hindering such development or improvement. Licensor retains the right and power to perform all conditions and obligations required of (i) the Department of Transportation ("DOT") and the United States Federal Aviation Administration ("FAA"), (ii) any authorized agency of the State of Arizona, (iii) the airport grant assurances contained in agreements with the FAA or the State of Arizona, or (iv) any Federal, State, or local law, ordinance, or regulation. Licensee shall not interfere with the exercise of such rights by Licensor or Licensor's performance of such conditions and obligations. During any such maintenance, repair and construction, Licensor shall make all reasonable accommodations to Licensee's operations possible.

7.4.2 There is hereby reserved to Licensor, its designees, 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. This public right of flight shall include the right to cause in said airspace any noise inherent in the operation of any aircraft used for navigation or flight through the said airspace or for landing at, taking off from, or operation on, the Airport.

7.4.3 It is understood and agreed that nothing herein contained shall be construed to grant to Licensee or authorize the granting of an exclusive right in violation of 49 U.S.C. 40103(e) of the Federal Aviation Act.

7.4.4 This License 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 a time of war or national emergency.

7.4.5 Licensor shall in no event be liable in damages or otherwise, nor shall Licensee be relieved from any obligations hereunder, because of the interruption of any service, or a termination, interruption or disturbance, attributable to strike, lockout, accident, war or other emergency, law, order, rule or regulation of or by any governmental authority (including but not limited to grant assurances and airport compliance requirements issued by the FAA), failure of supply, inability to obtain supplies, parts or employees, or any cause beyond Licensor's reasonable control, or any cause due to any act or neglect of Licensee or its agents, officers, representatives, employees, guests, invitees, or any person claiming by, through or under Licensee.

7.5 Alternations and Repairs.

7.5.1 Licensee agrees to comply with the notification and review requirements of Part 77 of the Federal Aviation Regulations.

7.5.2 Licensee shall cause to be repaired, at its sole expense, any and all damage or injury to the property of Licensor caused by Licensee, its agents or employees, or others who may be on the Premises.

8. Waivers and Acceptance of Fees

8.1 No waiver of default by either party hereto of any of the terms, covenants or conditions hereof to be performed, kept or observed will be construed to be or act as a waiver of any subsequent default of any of the terms, covenants, conditions herein contained to be performed, kept and observed.

8.2 No acceptance of fees or other money payments in whole or in part for any period or periods during or after default of any of the terms, conditions or covenants to be performed, kept or observed by the Licensee will be deemed a waiver on the part of the Licensor of its right to terminate this License on account of such default.

9. **Suspension and Abatement** In the event that Licensee's operation from the Premises should be restricted substantially by action of the federal government or agency thereof or by any judicial or legislative body, then Licensee will have the right, upon written notice to Licensor, to a suspension of this License and an abatement of an equitable proportion of the payments to become due hereunder, from the time of such notice until such restrictions will have been remedied and normal operations restored.

10. **Nondiscrimination in Furnishing Accommodations And/or Services** Licensee will furnish its accommodations and/or services on a fair, equal and not unjustly discriminatory basis to all users thereof and it will charge fair, reasonable and not unjustly discriminatory prices for each unit or service; provided that Licensee may be allowed to make reasonable and nondiscriminatory discounts, rebates or other similar type of price reductions to volume purchasers.

11. **Rights for Noncompliance with Section 10** Noncompliance with Section 10 above will constitute a material breach of this License, subject to the terms of Section 29, below, or, at the election of Yavapai Licensor or the United States of America either or both said Governments will have the right to judicially enforce the provision.

12. **Licensee Obligation** Company hereby assures that no person shall be excluded from participation in, denied the benefits of or otherwise be discriminated

against in connection with the award and performance of any contract, including leases, covered by 49 CFR Part 23 on the grounds of race, color, national origin or sex.

13. General Civil Rights Provision Licensee assures that it will comply with pertinent statutes, Executive Orders and such rules as are promulgated to assure that no person shall, on the grounds of race, creed, color, national origin, sex, age or handicap be excluded from participating in any activity conducted with or benefitting from Federal assistance. This Provision obligates the Licensee and or its transferee for the period during which Federal assistance is extended to the Airport program, except where Federal assistance is to provide, or is in the form of personal property or real property or interest therein or structures or improvements thereon. In these cases, the Provision obligates the party or any transferee for the longer of the following periods: (a) the period during which the property is used by the sponsor or any transferee for a purpose for which Federal assistance is extended, or for another purpose involving the provision of similar services or benefits; or (b) the period during which the Airport sponsor or any transferee retains ownership or possession of the property. In the case of contractors, this Provision binds the contractors from the bid solicitation period through the completion of the contract.

14. Affirmative Action Employment Programs

14.1 Licensee assures that it will undertake an Affirmative Action Program as required by 14 CFR 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 activities covered in 14 CFR Part 152, Subpart E. Licensee assures that no person will be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by this subpart. Licensee assures that it will require that its covered sub-organizations provide assurances to Licensee that they similarly will undertake Affirmative Action Programs and that they will require assurances from their sub-organizations, as required by 14 CFR Part 152, Subpart E to the same effect.

14.2 Licensee agrees to comply with any affirmative action plan or steps for equal employment opportunity required by 14 CFR Part 152, Subpart E, as part of the affirmative action program, and by any Federal, State, or local agency or court, including those resulting from a conciliation agreement, a consent decree, court order or similar mechanism. Licensee agrees that State or local affirmative action plans will be used in lieu of any affirmative action plan or steps required by 14 CFR Part 152, Subpart E, only when they fully meet the standards set forth in 14 CFR, Subpart 152.409. Licensee agrees to obtain a similar assurance from its covered organizations, and to cause them to require a similar assurance of their covered sub-organizations, as required by 14 CFR Part 152, Subpart E.

14.3 In the event Licensee employs fifty (50) or more employees on the Airport, it agrees to prepare and keep on file for review by the FAA Office of Civil Rights, an affirmative action plan developed in accordance with standards in 14 CFR, Subpart 152.409. Such program will be updated on an annual basis. Should Licensee employ less than fifty (50) employees on the Airport, it will annually send written correspondence confirming the exemption.

15. **Airport Maintenance, Repair, Development and Expansion** Licensor reserves the right to further develop or improve the landing area or any other area, building or other improvement within the present or future boundaries of the Airport as it sees fit in its sole judgment regardless of the desires or view of Licensee and without interference or hindrance by the Licensee. Further, Licensor retains the absolute right to maintain, repair, develop and expand the terminal building, any other Airport facility, Airport improvement or Airport property free from any and all liability to the Licensee for loss of business or damage of any nature whatsoever as may be occasioned during or because of the performance of such maintenance, repair, development or expansion. During any such maintenance, repair and construction, Licensor shall make all reasonable accommodations to Licensee's operations possible.

16. **Maintenance, Repair, Direction and Control** The Licensor reserves the right, but is not obligated to exercise the right, to maintain and keep in repair the landing area of the Airport and all publicly owned facilities of the Airport, together with the right to direct and control all activities of Licensee in this regard. These areas will include, but are not limited to, those areas which are necessary to serve the aeronautical users of the Airport, except that Licensor will not be obligated to maintain and keep in repair such areas of the Airport as may be leased to or under the control of Airport tenants whether such area serves aeronautical users or otherwise. During any such maintenance, repair and construction, Licensor shall make all reasonable accommodations to Licensee's operations possible.

17. **Part 77 of Federal Aviation Regulations** Licensee agrees to comply with the notification and review requirements covered in Part 77 of the Federal Aviation Regulations in the event future construction of a building is planned for the Premises or Airport, or in the event of any planned modification or alteration of any present or future building or structure situated on the Premises.

18. **Airspace** There is hereby reserved to the Licensor, 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 herein leased. This public right of flight will include the right to cause or allow in said airspace, any noise inherent in the operation of any aircraft used for navigation or flight through the said airspace or landing at, taking off from or operation on the Airport. No liability on the

part of the Licensor will result from the exercise of this right.

19. **Airport Obstructions** The Licensee by accepting this License expressly agrees for itself, its successors and assigns, that it will not erect nor permit the erection of any structure or object nor permit the growth of any tree on the land leased hereunder which will exceed such maximum height as may be stipulated by the Licensor. It is understood and agreed that applicable laws, codes, regulations or agreements concerning height restrictions will govern the maximum height to be stipulated by Licensor. In the event the aforesaid covenants are breached, Licensor reserves the right to enter upon the Premises and land hereunder and to remove the offending structure or object and cut down the offending tree all of which will be at the expense of Licensee and without liability to Licensor.

20. **Hazards** The Licensee by accepting this License agrees for itself, its successors and assigns, that it will not conduct operations in any manner which might interfere with the landing and taking off of aircraft from Airport or otherwise constitute a hazard or obstruction. Breach of the foregoing covenant shall be governed by Section 29, or at the sole discretion of Licensor, Licensor may enter upon the Premises and cause the abatement of such interference at the expense of the Licensee and without liability of any kind.

21. **Airport Rules and Regulations** The Licensor will have the right to adopt, amend and enforce reasonable rules and regulations with respect to use of and the conduct and operation of the Airport, its terminal buildings or any improvements within the present or future boundaries of the Airport which Licensee agrees to observe and obey.

22. **Compliance with Public Authorities**

22.1 Licensee will not use or permit the use of the demised Premises or any other portion of the Airport for any purpose or use other than authorized by this Agreement or as may be authorized by other, separate, written agreement with Licensor.

22.2 Licensee, its employees, representatives or agents will comply with all present or future laws, rules and regulations and amendments or supplements thereto governing or related to the use of the Airport or the Premises as may from time to time be promulgated by Federal, State or local governments and their authorized agencies.

23. **Environmental Policy**

23.1 Violation Of Environmental Laws. Licensee will not cause or

permit any hazardous material to be used, generated, manufactured, produced, stored, brought upon, or released on, under or about the Premises, or transported to and from the Premises, by Licensee, its sublessees, their agents, employees, contractors, invitees or a third party in violation of the Environmental Laws as defined below. Licensee shall indemnify and hold harmless Licensor and Yavapai County from any and all Environmental Damages defined below:

23.2 "Environmental Laws" means The Airport Noise and Capacity Act of 1990, 49 U.S.C. 47521, et. seq., The Aviation Safety and Noise Abatement Act of 1979, 49 U.S.C. 47501, et. seq., The Clean Air Act and Amendments, 42 U.S.C. 7506, 404, 402, 7641, 7642, 7401, et. seq., 33 U.S.C. 1342, 1344; Clean Water Act of 1977, 33 U.S.C. 1251, et. seq., Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), 42 U.S.C. 9601, et. seq., 26 U.S.C. 4611, 4612, 4661, 4662, 4671, 4672; Emergency Planning and Community Right to Know Act of 1986, 42 U.S.C. 1101, et. seq., Endangered Species Act of 1973, 16 U.S.C. 460, et. seq., 668dd, 715i, 714s, 1362, 1371, 1372, 1402, 1531, et. seq.; Federal Water Pollution Control Act and Amendments, 33 U.S.C. 1251, et. seq., 1342, 1344; Fish and Wildlife Coordination Act, 16 U.S.C. 661, et. seq.; Hazardous Materials Transportation Act, 49 U.S.C. 5101, et. seq.; National Environmental Policy Act, 42 U.S.C. 4321, Noise Control Act, 42 U.S.C. 4901, et. seq.; Resource Conservation and Recovery Act of 1976 (RCRA), 42 U.S.C. 6901, et. seq.; Superfund Amendments and Reauthorization Act of 1986, 26 U.S.C. 4611, et. seq., 42 U.S.C. 6911, 9601, et. seq.; Toxic Substances Control Act, 15 U.S.C. 2601, et. seq., Water Quality Act of 1987, 33 U.S.C. 251, et. seq.

23.3 "Environmental Damages" include without limitation: (i) damages for personal injury or injury to property or natural resources occurring on the Premises, foreseeable or unforeseeable; (ii) fees incurred for attorneys, consultants, contractors, experts, laboratories and all other costs incurred in connection with the investigation or remediation of Hazardous Material, including but not limited to, the preparation of any feasibility studies or reports or any cleanup, remediation, removal, abatement, containment, closure, restoration, or monitoring required by any federal, state or local governmental entity.

23.4 The term "Hazardous Material," whenever used herein, means the definitions of hazardous substance, hazardous material, toxic substance, regulated substance or solid waste as defined within the following:

COMPREHENSIVE ENVIRONMENTAL RESPONSE,
COMPENSATION AND LIABILITY ACT (42 U.S.C. Section 9601
et seq.)

RESOURCE CONSERVATION AND RECOVERY ACT (42 U.S.C.

Section 6901 et seq.)

HAZARDOUS MATERIALS TRANSPORTATION ACT (49 U.S.C. Section 1801 et seq.)

and all present or future regulations promulgated thereto.

DEPARTMENT OF TRANSPORTATION TABLE (49 C.F.R. Section 172.101) and amendments thereto.

ENVIRONMENTAL PROTECTION AGENCY (40 C.F.R. Part 302 and amendments thereto)

24. Licensor's Termination Rights For Violation of Environmental Laws

24.1 Licensee's failure, their agents, employees, contractors, invitees or the failure of a third party to comply with any of the requirements and obligations of this License or applicable Environmental Laws will constitute a material default of this License and will permit Licensor to pursue the following remedies, in addition to all other rights and remedies provided by law or otherwise provided in this Agreement, to which Licensor may resort cumulatively, or singularly, in the alternative.

24.2 Licensor may, at Licensor's election, keep this License in effect and enforce all of its rights and remedies under this Agreement, including (i) the right to recover fee and other sums as they become due by the appropriate legal action and/or (ii) the right, upon ten (10) days written notice to Licensee, to make payments required of Licensee or perform Licensee's obligations and be reimbursed by Licensee for the cost thereof, unless such payment is made or obligation performed by Licensee within such ten (10) day period.

24.3 Licensor may, at Licensor's election, proceed subject to Section 29, below.

24.4 Notwithstanding any other provision in this License to the contrary, Licensor will have the right of "self-help" mitigation of any violation of the Environmental Laws in order to minimize any damages, expenses, penalties and related fees or costs, arising from or related to a violation of environmental law on, under or about the Premises.

24.5 The provisions of this License relating to all Environmental Laws and Hazards shall survive the expiration or earlier termination of this Agreement.

25. Insurance.

25.1 Without limiting Licensee's indemnification of Licensor, Licensee shall, as may be appropriate, provide and maintain, at its sole expense, during the term of this License, the following policy or policies of insurance covering its operations and activities hereunder. Such insurance shall be secured through a carrier satisfactory to Licensor, and a certificate of insurance shall be delivered to Licensor on or before the effective date of this License. Such evidence shall specifically identify this License and shall contain express conditions that Licensor is to be given written notice at least thirty (30) days in advance of any modification or termination of any policy of insurance. Such insurance shall be primary to any other insurance and shall name the Licensor and Yavapai County as additional insureds.

25.2 Licensee shall cover its employees with Workers' Compensation insurance in an amount and form to meet all applicable requirements of the State of Arizona.

25.3 Upon failure of Licensee to procure or maintain required insurance, Licensor may, upon ten (10) days notice to Licensee, terminate this License.

25.4 The amounts of required insurance shall be subject to annual review by the Licensor to assure adequate coverage limits apply. The Licensor shall have sole discretion with respect to any adjustment of insurance limits and coverages.

26. Indemnification

26.1 Licensee agrees to indemnify and hold harmless the Licensor and Licensor and their agents, officers, employees, representatives, successors and assigns from and against any and all liability, damages, business interruptions, delays, losses, claims, judgments of any kind whatsoever including all costs, attorneys' fees, and expenses incidental thereto, which may be suffered by, or caused to, Licensor by reason of loss or damage to any property or injury to, or death of, any person arising from or by reason of Licensee's use of the Airport and Premises. Licensee shall further indemnify and hold harmless Licensor from and against any and all claims, costs and expenses arising out of any act or omission including, but not limited to, any use, conduct, activity, work, things done, permitted or allowed, any breach of any provision of this License, the violation of any law, ordinance, field rule, or other regulation of the Licensor, the Federal Aviation Administration, or any other governmental agency, resulting from the default or negligence of Licensee or of Licensee's agents, employees, contractors, partners or invitees and from and against all costs, attorney fees, expenses and liabilities

incurred by the Licensor as the result of any such acts or omissions including, but not limited to, the defense or pursuit of any claim or any action or proceeding resulting there from. The Licensor need not have paid any such claim in order to be so indemnified. Licensee, as a material part of the consideration to the Licensor, hereby assumes all risks of damage to property of Licensee or injury to persons, in, upon or about the Airport and/or the Premises arising from any cause except for any damages caused by the negligence of Licensor, its agents, employees, contractors, partners or invitees. Licensee hereby waives all claims in respect thereof against the Licensor, except for any claims arising from the default by or negligence of Licensor, its agents, employees, contractors, partners or invitees. Licensor shall indemnify and hold harmless Licensee from and against any and all claims, costs and expenses arising out of any act or omission including, but not limited to, any use, conduct, activity, work, things done, permitted or allowed, any breach of any provision of this License, the violation of any law, ordinance, field rule, or other regulation of the Licensor, the Federal Aviation Administration, or any other governmental agency, resulting from the default or negligence of Licensor or of Licensor's agents, employees, contractors, partners or invitees and from and against all costs, attorney fees, expenses and liabilities incurred by the Licensee as the result of any such acts or omissions including, but not limited to, the defense or pursuit of any claim or any action or proceeding resulting there from. The Licensee need not have paid any such claim in order to be so indemnified.

26.2 Neither the Licensor nor the County will be responsible for theft, loss, injury, damage or destruction of the Licensee's property or injury to the Licensee, or the Licensee's agents, contractors, employees, invitees, clients, partners, successors or assigns, except for any damages caused by the negligence of Licensor, its agents, employees, contractors, partners or invitees, it being specifically understood that the fees charged hereunder are for the privilege of operating on Sedona Airport and do not constitute a bailment.

26.3 Neither the Licensor nor Yavapai County shall be liable for any loss, injury, damage or delay of any nature whatsoever caused by or resulting from any act of God, fire, flood, accident, strike, labor dispute, riot, insurrection, civil disturbance, war or any other cause beyond its control.

27. Assignment, Transfer of Interest.

27.1 No Transfer Without Licensor's Consent. Licensee shall not sublet, assign, transfer, License or encumber any interest in this License, in whole or in part, without Licensor's prior written consent, which shall not be unreasonably withheld.

27.2 Transfer of Interest in Licensee. Licenser reserves the right to approve (which approval must be in writing), the sale or transfer of a majority interest in Licensee or any sales or transfer of an interest in Licensee which singly or cumulatively results in a majority interest being owned by any person or entity other than the current owner(s) of the majority interest, which approval shall not be unreasonably withheld. Should Licensee proceed to accomplish any of said transfers without Licenser's prior written approval, Licenser may treat the event as a material breach subject to the remedies set forth in this License and may pursue any other legal or equitable remedy for material breach. Licensee is obligated to inform Licenser promptly whenever any such sale or transfer of interest occurs, and failure to do so shall be deemed a material breach.

27.3 Transfer of Obligations. All of Licensee's obligations pursuant to this License become the obligations of Licensee's heirs, personal representatives, successors in interest, and assigns, if any attain an interest in this Revocable.

28. Subordination. Upon Licenser's request, Licensee will subordinate Licensee's rights and interest hereunder to the lien of any mortgage, deed of trust, or any other lien document in favor of any lending institution, and to all advances made upon the security thereof.

29. Default, Cure and Dispute Resolution.

29.1 Default: The occurrence of any one or more of the following events shall constitute a material breach and default of this License:

29.1.1 Failure to Pay Fees. Licensee's failure to pay the fees or any other payment required herein, as and when due.

29.1.2 Failure to Perform. Licensee's or Licenser's failure to observe or perform any of the covenants, conditions or provisions of this License.

29.1.3 Bankruptcy. Licensee's making any general assignment or general arrangement for the benefit of creditors; or the filing by or against Licensee of a petition in bankruptcy or a petition for reorganization or arrangement under any law relating to bankruptcy (unless the petition filed against Licensee is involuntary and is dismissed within ninety (90) days), or upon the appointment of a trustee or receiver to take possession of Licensee's assets located at the Premises or Licensee's interest in this License.

29.2 Notice and Cure:

29.2.1 Notice. Upon the occurrence of any breach of and/or default under this License, the party asserting the breach or default shall give written notice to the party who is claimed to be breach or in default, specifying in reasonable detail the breach or default. The notice shall set forth whether the claimed breach or default creates a hazard to the public.

29.2.2 Cure. After receipt of the Notice specified in Section 29.1.1, the party claimed to be in default shall have a period of ten (10) days in the event of a monetary default, and thirty (30) days in the event of a non-monetary default to cure the claimed breach or default. In the event that the claimed breach or default is not reasonably susceptible to cure within 30 days, then party in breach or default shall have commenced a cure with all reasonable diligence within the 30 days and shall complete the cure with all reasonable diligence, but in all events within 90 days. In the event that the asserted breach or default creates a hazard to the public, it shall be cured as soon as reasonably possible.

29.2.3 Termination. If the party claimed to be in breach or default does not cure the asserted breach or default within the time period set forth above, the other party may terminate this License upon ten (10) days written notice.

29.3 Dispute Resolution.

29.3.1 In the event that a party disputes whether a breach or default actually occurred, or disputes whether that breach or default was cured, or in the event that the parties enter into a bona-fide dispute over the terms, conditions or application of this License, the parties agree to submit the dispute to mediation within ten (10) days by a mediator mutually agreed upon by the parties. In the event that the parties cannot agree upon a mediator, the parties agree to submit the dispute to the Federal Aviation Administration Airports Division Regional Office for meditation. In the event that one party claims that the dispute involves a hazard to the public, the parties agree to immediately submit the dispute to the Federal Aviation Administration Airports Division Regional Office with a request for immediate mediation of the matter.

29.3.2 No termination of this License may take place until the mediation set forth above has been conducted with the good-faith participation of both parties.

29.3.3 The parties agree that they will not pursue any rights or remedies under any applicable laws until the above detailed mediation has been concluded. This provision may be introduced into any proceeding as a basis of stay of that proceeding until the good-faith mediation set forth above is concluded. It is

expressly agreed that this Section 29.3.3 shall not apply to any asserted violation of FAA rules or regulations.

30. **Waiver.** A party's waiver of a breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition upon any subsequent breach of the same or of any other term, covenant or condition. The acceptance of fees hereunder shall not be construed to be a waiver by Licensor of any existing breach by Licensee of any term, covenant or condition. Any waiver by any party must be in writing.

31. **License Subordinated to Federal Grant Requirements, Licensor Revocable.** This License is subordinate and subject to the provisions of existing and/or future agreements between Licensor and the Licensor of Yavapai, the State of Arizona, and the United States of America, and all applicable city, Licensor, state and federal ordinances, laws, orders, rules or regulations now or hereafter in effect (including, but not limited to, airport grant assurances contained in agreements with the FAA and airport compliance requirements issued by the FAA). Should any provisions of this License be or become contrary to any of said agreements, enactment's, ordinances, orders, rules and regulations, those agreements, enactment's, ordinances, orders, rules or regulations shall control, each and every clause required by law or agreement to be inserted in this License shall be deemed inserted herein, and this License shall be read and enforced as though each such clause were included herein, and if through mistake or otherwise any such provision is not inserted, or is not correctly inserted, then, upon the application of either party, this License shall forthwith be physically amended to make such insertion or correction, and the other party hereby agrees to such amendment.

32. **Miscellaneous.**

32.1 **Applicable Law, Attorney's Fees.** Except to the extent an FAA or other federal law, rule or order may apply, this License shall be governed by the laws of the State of Arizona (without resort to the choice of law rules thereof). If any action or proceeding is brought by either party to enforce the provisions hereof, the prevailing party shall be entitled to recover all reasonable costs and attorneys fees incurred in such action or proceeding, including those on appeal, in such amounts as the court may determine without a jury.

32.2 **Estoppel Certificates.** Within ten (10) days of a party's receipt of written request therefore by the other party hereto, such party shall provide a written statement acknowledging the Commencement Date and Expiration Date of this Revocable, that this License is in full force and effect, has not been modified (or if it has, stating such modifications), and providing any other pertinent information as the requesting party or its agent might reasonably request. Failure to comply

with this Section 21.2 within said ten (10) day period shall be deemed to be an acknowledgment by such party of the truth of the matters set forth in the other party's request.

32.3 Notices. Any notice, request, demand or other communication required or desired to be given in connection with this License shall be made in writing and personally delivered by hand or recognized overnight courier or mailed, postage prepaid, to the party's address specified below, or as may hereafter be designated by such party in writing to the other. Notices or other communications mailed by registered or certified mail shall be deemed effective as of the third day after being accepted by the U.S. Postal Service.

If to Licensor:

Edward J. McCall, General Manager
SEDONA AIRPORT ADMINISTRATION
235 Air Terminal Drive, Suite 1
Sedona, Arizona 86336

with a copy to:

Richard B. Spector, Esq.
SPECTOR LAW OFFICES, PC
6900 East Camelback Road, Suite 640
Scottsdale, Arizona 85251-2443

If to Licensee:

Michael B. Cain
SKYDANCE HELICOPTERS, INC.
1225 Airport Rd., Suite 5
Sedona, Arizona 86336

with a copy to:

Steven R. Owens, Esq.
25 Bell Rock Plaza, Suite A
Sedona, Arizona 86351-8804

32.4 Authorization. Each individual executing this License on behalf of a corporation, trust, partnership or other legal entity represents, guarantees and warrants that he or she is duly authorized to execute and deliver this License on behalf of such entity and that this License shall be binding upon such entity.

32.5 No Partnership, Time Is of Essence, Successors and Assigns.

The relationship between the parties hereto shall at all times hereto be solely that of Licensor and Licensee and not as any partnership, joint venture or other association. Time is of the essence, and this License shall be binding upon and inure to the benefit of the parties hereto and their successors and assignees, if such successors and assignees are permitted by this License.

32.6 Section Headings. The headings in this License are inserted for reference only, and shall not define or limit the provisions hereof.

32.7 Severability. Any provisions of this License that is legally invalid, void or unenforceable shall in no way affect, impair or invalidate any other provision hereof, and the other provisions shall remain in full force and effect. No remedy or election hereunder shall be deemed exclusive, but shall, whenever possible, be cumulative with all available remedies at law or in equity.

33. Entire Agreement. This License contains all of the agreements of the parties hereto with respect to the subject matter hereof, and no prior or contemporaneous agreements or understandings shall be effective for any purpose. This License may be amended or modified only by a written document signed by Licensor and Licensee.

34. Additional Covenants. Licensee shall be allowed to continue to rent its sales office located in the building next door to the Sedona Airport Restaurant, upon reasonable terms and conditions, until that building is removed or Licensee notifies Licensor that it desires to vacate that building. Licensor shall improve and maintain in good condition the road to the Licensee's hangar location set forth in the Lease, including grading, providing good drainage and paving. Licensor shall allow Licensee to post reasonable and appropriate signage.

IN WITNESS WHEREOF, the parties hereto hereby execute this License this _____ day of August, 2001.

Licensor:

SEDONA-OAK CREEK AIRPORT AUTHORITY,
an Arizona non-profit corporation.

By: _____
Dave Webster, its President

Licensee:

SKYDANCE HELICOPTERS, INC.

doing business in Arizona as
SKYDANCE OPERATIONS, INC.

By: _____
its _____

EXHIBIT A

LICENSING FEE

(None)

EXHIBIT B

COMMERCIAL ACTIVITY FEE

A. Licensee shall pay to Licensor a commercial activity fee of two and one half percent (2.5%) of its gross receipts from any and all commercial activities conducted by Licensee from, to, or on the Sedona Airport. Contract support activities with Federal or State agencies are exempt from this fee.

B. As used in this License the term "gross receipts" includes all revenue received from any source which relate to Licensee's operations, activities and presence on the airport, including, but not limited to actual prices, fees and rents charged for merchandise, services or subleases or any combination of the, including without limitation, deposits not refunded; sales by subtenants, concessionaires and Licensees; revenue from coin operated vending or similar devices, consideration related to placement or use of public telephone or facsimile equipment on the premises.

C. The commercial activity fee shall be payable in the manner set forth in this paragraph. Not later than thirty (30) days following the end of each calendar month during the term of this Revocable, Licensee shall provide to Licensor a written statement, which shall be prepared in accordance with generally accepted accounting principles, consistently applied and certified as true and correct by Licensee's principal financial officer, showing in detail the amount of Licensee's "gross receipts" for the preceding calendar month. Simultaneously with the submission of the certified statement of gross receipts, Licensee shall pay to Licensor, in cash or by check, the specified percentage rent based on the reported "gross receipts".

D. In order to enable Licensor to verify the amount of the commercial activity fee payable under this Revocable, Licensee shall maintain at its Premises, copies of all bank records and any other relevant materials.

E. Licensor shall have the right, at any reasonable time, and from time to time after giving reasonable notice to Licensee, to cause an audit or examination of the records to be made by its agents or accountants, to make abstracts for the records, to examine and make copies of any records, subleases, licenses and concession agreements. Such examination or audit shall be conducted during normal business hours and without undue interference with normal activities of Licensee. Licensee shall make all relevant records available at the time of any audit at the place where the records are kept, however, Licensor may remove any or all records for examination and review. Information obtained by Licensor as a result of an audit shall be confidential except for its use in enforcement of the terms of this License and any litigation or arbitration or communication related thereto.

F. If any audit discloses an underpayment by Licensee, the sum of such underpayment as well as the entire cost of the examination or audit shall be immediately due and payable by Licensee as additional rent. If no underpayment is found, Licensor shall bear the cost of the audit or examination.

G. Licensee shall use its best efforts to maximize revenues received from its business by maintaining appropriate business hours for its activities and by undertaking advertising and other marketing efforts calculated to enhance its business. Licensee shall not divert trade to other locations.

H. Nothing in this License shall be construed to render the Licensor in any way, or for any purpose, a partner, joint venture, or associate in any relationship with Licensee other than that of Licensor and Licensee, nor shall this License be construed to authorize either agent for the other.

I. A late charge of five percent (5%) of the rent due shall be paid by Licensee where any payment required by this section is not made within the required time. Licensee shall pay a fee of \$20 as additional rent for any dishonored check submitted for rent due. If Licensee shall fail to deliver any monthly statement within the time required in paragraph C above, Licensor shall have the right, in addition to any and all other rights and remedies available to Licensor, to employ an accountant to examine Licensee's relevant records and to establish the amount of Licensee's "gross receipts" for purpose of computing the Commercial Activity Fee. Such examination shall be conducted pursuant to Paragraph E above. The report of the accountant shall be binding upon both parties and the cost of the examination shall be paid by Licensee as additional rent in the following month.

EXHIBIT C

DESCRIPTION

Commercial aviation operations.

SPECTOR LAW OFFICES, P.C.

ATTORNEYS

5900 EAST CAMELBACK ROAD
SUITE 640
SCOTTSDALE, AZ 85251
TELEPHONE: (480) 941-0221
FACSIMILE: (480) 990-9093

1785 WEST HIGHWAY 89A
SUITE 3D
SEDONA, AZ 86336
TELEPHONE: (520) 282-3770
FACSIMILE: (520) 282-0708

August 22, 2001

(Via Facsimile (520) 284-9885)
Steven R. Owens, Esq.
The Law Offices of Steven R. Owens, P.C.
25 Bell Rock Plaza, Suite A
Sedona, AZ 86351-1211

Re: Sedona Airport

Dear Steve:

My client received a copy of your e-mail correspondence and requested changes to the Licence Agreement For Commercial Business Activities at the Sedona Airport ("License"). After due contemplation, the Sedona Airport Administration ("SAA") rightfully is of the position that your requested changes are unacceptable. If I were a Superior Court judge, I would not know what type of document I was looking at or what rights were created therein. The changes are certainly not what we had discussed in our conversation, but is rather an attempt by you to eviscerate FAA mandated requirements for airport operations and SAA's authority over such operations.

SAA views your client's approach to negotiations and your advocacy, as contained in the letters, demands and threats and requested changes to SAA standard form License and Lease, as unfounded and possibly litigious. Other operators at the Sedona Airport have signed the License. All Leases and Licenses must be uniform pursuant to FAA regulations. SAA does not desire to make exceptions solely for the benefit of your client.

Given the foregoing, SAA will not contract with Skydance Operations, Inc. ("Skydance"). SAA rejects Skydance's requested changes to the License. SAA further rejects your contention that the Statute of Frauds does not apply to the parties' contemplated and to-be-negotiated 30 year lease arrangement. Frankly, Skydance simply lawyered itself out of a possible long-term commercial landlord/tenant relationship with SAA.

SAA further directs that for safety concerns articulated in our conversation that Skydance cease operations near the Restaurant and use only those designated helipads located South of the current operations. Failure to do so by September 1, 2001, will result in a termination of the current tenancy.

Steven R. Owens, Esq.
August 22, 2001
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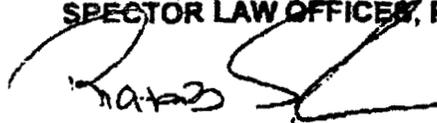
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- Execution of an SAA Standard Form Triple Net Lease Agreement For A Ten (10) Term with one (1) Five (5) year renewal period;
- Execution of an SAA Licence Agreement For Commercial Business Activities satisfactory to SAA;
- SAA to own and build the hanger facility;
- Annual Rent shall be thirteen percent (13%) of all capital costs for development, plus 4.4 cents per square foot per month for the underlying real property and parking lot;
- Shareholders of Skydance to execute a Personal Guaranty of Lease;
- Other standard form Lease provisions to required by SAA counsel.

If this offer meets with your client's approval, please let me know on or before September 1, 2001 so that we can properly document the transaction. This offer will expire on September 1, 2001. If you have any questions or comments, please feel free to call me at my Scottsdale office.

Very truly yours,

SPECTOR LAW OFFICES, P.C.



Richard Spector

RS/an
cc: Edward "Mac" McCall

SPECTOR LAW OFFICES, P.C.

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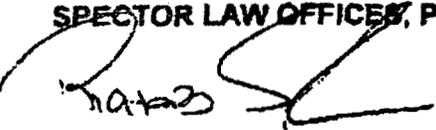
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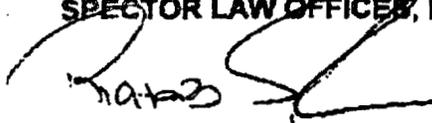
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SPECTOR LAW OFFICES, P.C.

ATTORNEYS

300 EAST CAMELBACK ROAD
SUITE 640
SCOTTSDALE, AZ 85251
TELEPHONE: (480) 941-0221
FACSIMILE: (480) 990-9093

1785 WEST HIGHWAY 89A
SUITE 3D
SEDONA, AZ 86336
TELEPHONE: (520) 282-3770
FACSIMILE: (520) 282-0708

August 22, 2001

(Via Facsimile (520) 284-9885)
Steven R. Owens, Esq.
The Law Offices of Steven R. Owens, P.C.
25 Bell Rock Plaza, Suite A
Sedona, AZ 86351-1211

Re: Sedona Airport

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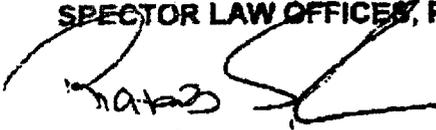
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Richard Spector

RS/an
cc: Edward "Mac" McCall

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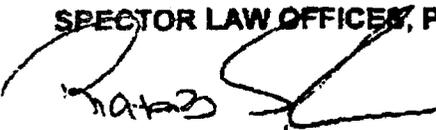
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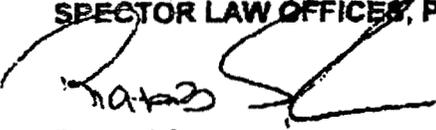
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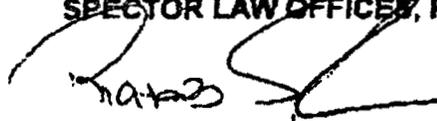
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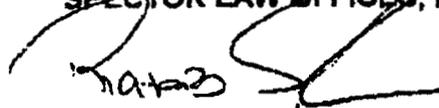
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Steven R. Owens, Attorney at Law
Admitted to practice before the courts of Arizona and Colorado

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Telecopier (928) 284-9885
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August 23, 2001

Richard Spector, Esq.
SPECTOR LAW OFFICES, P.C.
6900 East Camelback Road, Suite 640
Scottsdale, Arizona 85251

Re: Sedona Airport
My client, Skydance Helicopters, Inc.

Dear Richard,

My client and I have received your letter of August 22, 2001 and are writing today in response. Before we turn to the substantive issues between our clients, I want to clear up a matter between we two professionals. Comments such as those contained in your second paragraph and comments such as "...Skydance simply *lawyered* itself out of a possible long-term commercial landlord/tenant relationship..." are neither constructive, professionally appropriate nor appreciated. Every single word I have written has been carefully reviewed, considered and approved by my client's representative. My client's representative is an extremely sophisticated and experienced F.A.R. Part 135 Air Taxi Operator who is very familiar with FAA rules, regulations and operations. He is certainly not "litigious" as you claim, but does understand his company's rights, and will stand up for them. The words you have received from me set forth precisely the position of my client, which I believe is a fair and reasoned position. You owe us the courtesy of responding and behaving as a professional, and not attempting to make me the villain in these negotiations, for whatever advantage you believe that will gain for you or your client. If the intention is to drive a wedge between my client and myself, those comments are not only extremely ineffective, but a clear ethical violation on your part. Accordingly, please confine your comments to the substantive differences between our clients, so that we can perform our function as professionals in assisting our clients in these negotiations.

As to the substance of your letter. My client and I spent a great amount of time making our proposed changes to the proposed Commercial Operations License, all of which were solely aimed at removing only those provisions which were in violation of F.A.A. rules and regulations. which granted to the Authority arbitrary and capricious powers, and some proposed changes which put into place what we believe are fair and reasonable dispute resolution procedures. Yes, the changes were extensive, but that is only because the Authority had written so many arbitrary and capricious powers into the original Proposed License.

In making our revisions we very carefully avoided changing any provisions which had to do with FAA mandates, and indeed we included a provision providing that it would be a default if a party violated any FAA rules or regulations, a provision that was missing in your Proposed License. Therefore, our proposed changes were not any form of "...attempt to eviscerate FAA mandated requirements for airport operations..." as you assert.

If you or your client had bothered to read the changes as carefully as we wrote them, you will note that we did not change a single item related to the Authority's right to make and enforce reasonable rules and regulations, or to enforce any controlling federal or state rules and regulations. All of those rights were completely unaffected by our changes. What we did do was eliminate the right of the Authority to terminate the License based solely on the whim of whoever happened to be the current airport administrator, with no rights of review or procedure for dispute resolution. If there were to be a default by the Licensee under our revisions, the Authority would still have the right to terminate the License, but only if the Licensee failed to cure the default within a reasonable time period. This is reasonable, common, and certainly comports with public policy.

You indicated in your letter that a judge "would not know what type of document" he was holding, or what rights were created by that document if we executed my version. I believe that the judge would conclude that it was a fair, balanced and appropriate document which gave the Authority power to enforce FAA regulations, reasonable airport rules, and all state and local laws. He would determine that if an offending Licensee did not cure its defaults under the terms of the License, it darned well deserved to suffer the sanctions set forth in that document, including termination of the License.

What you must understand is that the Sedona Airport is not a private airfield, it is a publically owned, publically funded, public airport. Accordingly, the public, including my F.A.R. Part 135 client, have certain rights that must be respected by the Authority, including the FAA-mandated right to a ground lease on reasonable terms. We attempted to modify a document that might have been appropriate for operation of a private airfield into one that is appropriate for a public airport. That is all that we attempted to do, and we believe that the Authority's rejection of those careful efforts without even bothering to identify which modifications were unacceptable demonstrates yet again that the Authority has no intention (and probably never had any intention) of dealing with my client in good faith.

Apparently we continue to have a dispute. I would suggest that as an alternative to the Authority's continual "we're drawing a line in the sand" approach, that you and your clients please let us know which proposed changes to the Proposed License improperly cut into the Authority's responsibilities to the public. If your client begins to deal in good faith, I believe that we can find common agreement.

The entire second page of your letter demonstrates that the Authority is not dealing with my client in good faith at this point in time. As you well know, there have been no substantive disagreements regarding the Lease terms, indeed I understand that we now have complete agreement on the Lease terms—we differ only on the terms of the Proposed License. However, your client has used that disagreement over the terms of the Proposed License, and my client's consultation with legal counsel, as a pretext to terminate the long-term lease negotiations, and instead offer a 10-year lease. Please ask your clients to show some good faith and focus on the actual issues in dispute—if the Proposed License is unacceptable in connection with a 30-year lease we have already agreed upon, it is equally unacceptable in connection with a 10-year lease we haven't even discussed. Once we resolve our differences with regard to the Proposed License, we will then enter into the agreed-upon 30-year lease, not some hypothetical 10-year lease.

As to moving operations to the helipads, my client is more than willing to do so as soon as its new hangar is complete. However, you may not be familiar with the actual layout of the Sedona Airport, may not realize the great distance involved in this move and may not understand the impact such a move would have on my client's operations. In order to evaluate the feasibility of a move to these

helipads sooner than the date of completion of my client's office/waiting area/hangar, we need to have the answers to the following questions:

- How does the Authority propose that my client move its passengers from its office/waiting area to the helipads?
- What route does the Authority propose/require for this movement of passengers?
- What mode of transportation will the Authority provide or require?

These, of course, are issues which will be resolved when the new office/waiting area/ hangar is constructed. By discussing this issue with you now, please understand that we do not waive our position that moving my client's operations from the ramp to the helipads is nothing more than a discriminatory pretext and is nothing more than a calculated move to destroy my client's business and punish it for insisting upon its rights. It is our position that the Authority has no legitimate safety concerns in this regard, but simply is using supposed safety concerns as an excuse and pretext to provide a fig leaf for its continuing bad faith in these discussions. In this regard, bear in mind that my client abandoned its previous helipads and moved its operations to its current ramp locations at the request of the Authority, and only after the Authority assured my client that this position was entirely safe and entirely within all F.A.A. requirements and guidelines, and only after receiving express assurance that this move to the current ramp location was not simply the first in a chain of moves to harass my client off of the Airport (which it apparently was).

However, this history of bad faith on the part of the Authority aside, my client is willing to move its locations once again to accommodate the wishes of the Authority, which your client will recall is the reason that we commenced these lease negotiations in the first place. Notwithstanding the failure of the Authority to respond in kind, we will continue to negotiate in good faith with the Authority to finalize the Lease and License, and if the Authority will reconsider its "line in the sand" attitude and respond in good faith and with some substance we can address, we may be able to resolve our dispute without assistance. However, so as to preserve our rights under 14 C.F.R. 16.1, *et. seq.*, and in compliance with the requirements of 14 C.F.R. 16.21(a) and Chapter 5 of the ***Airport Compliance Requirements*** (Order 5190.6A of the Office of Airport Safety & Standards, U.S. Federal Aviation Administration, Department of Transportation) my client this day

requested mediation of our dispute by Tony Garcia, who is the appropriate officer with the Airport Compliance Section of the FAA Airports Regional Division Office. Mr. Garcia indicated that he was familiar with the Sedona Airport Authority from past meditations in 1997, and requested that I provide him with background information regarding our Lease/License dispute (a copy of my transmission letter to him is enclosed). Again, if the Authority begins to show some good faith, I believe that we can resolve our disputes and arrive at an acceptable Lease and License on our own, but we need to get the wheels moving if it turns out that F.A.A. assistance is needed.

In connection with our preparation, please make arrangements for your client to provide to me copies of the following public documents (I will pay all appropriate copying charges in advance, if you wish):

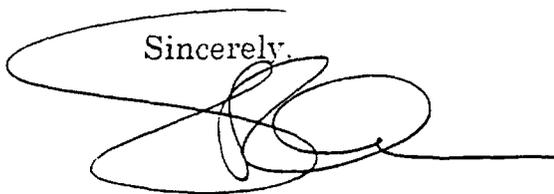
1. Copies of all ground leases entered into by the Authority in the past five years; and
2. Copies of all Commercial Operations Licenses entered into by commercial users at the Sedona Airport in the past two years.

As to your "deadline" of September 1, 2001, and the threatened actions which would interfere with my client's operations under its current lease and which would constitute a breach of the promises your client made in the November 1, 2000 agreement with my client, I would suggest that your client forbear from any rash actions which would damage my client's business. Instead I would suggest that your client await the assistance of the F.A.A. in resolving all pending matters. If the Authority does not follow this reasonable suggestion and chooses to breach its promises and attempts in any way to interfere with my client's F.A.R. Part 135 Air Taxi Operations, we will be forced to move immediately to a Part 16 Complaint before the F.A.A. and a parallel preliminary injunction action in Federal District Court. In any such action we will seek all damages, fees and costs in addition to injunctive relief. Obviously, we have a long string of correspondence which firmly establishes that this is not our chosen path, but it is a path we will follow if forced.

Richard Spector, Esq.
SPECTOR LAW OFFICES, P.C.
August 23, 2001
Page 6

As always, please don't hesitate to contact me should you have any questions or comments. We look forward to a good-faith, substantive, reasoned response to our proposed modifications to the Proposed License.

Sincerely,

A handwritten signature in black ink, consisting of several overlapping loops and a horizontal line extending to the right.

Steven R. Owens

SRO:mja

enclosure: Copy of cover letter to Tony Garcia,
F.A.A. Airport Compliance (w/o enclosures)

THE LAW OFFICE OF STEVEN R. OWENS, P.C.

Steven R. Owens, Attorney at Law
Admitted to practice before the courts of Arizona and Colorado

25 Bell Rock Plaza, Suite A
Sedona, Arizona 86351-8804
Telephone (928) 284-0899
Mobile Telephone (928) 300-1211
Telecopier (928) 284-9885
E-mail owens@sedona.net

August 23, 2001

Mr. Tony Garcia
F.A.A. Airport Compliance
Department AWP 620.1
Post Office Box 92007
Los Angeles, California 90009

Re: Sedona Airport Authority, Sedona, Arizona
My client: Skydance Helicopters, Inc.

Dear Mr. Garcia.

This office represents Skydance Helicopters, Inc., an F.A.R. Part 135 operator conducting commercial operations from the Sedona, Arizona Airport. My client's representative, Mike Cain, asked that I thank you again for taking the time to discuss with him this morning the problems his company has been having obtaining fair and reasonable treatment from the Sedona-Oak Creek Airport Authority, Inc., which is the leasehold operator of the Sedona Airport, operating under a lease from Yavapai County, Arizona.

As you will recall, the substance of our request of you is that you mediate a dispute with the Authority regarding my client's attempts to obtain fair and non-discriminatory treatment in negotiating a ground lease for the office/waiting area/hangar it wishes to build at the Sedona Airport.

As you requested, I am enclosing a chain of correspondence between myself and the Authority and its counsel, which I believe sets forth the issues in clear detail.

I understand that, while you consider this matter to be of importance, your schedule will not allow you to address this mediation prior to the arbitrary "deadline" of September 1, 2001 the Authority has set. As you can see from my last

letter. I have requested that the Authority show good faith in this matter and forbear from taking any rash acts until you have had an opportunity to investigate and mediate this matter. We hope that they will cooperate and will keep you posted.

Enclosed you will find (in this order):

1. A letter from Edward J. McCall dated July 30, 2001, purporting to cut off ongoing lease discussions between the Authority and my client.
2. My letter to Edward J. McCall of August 8, 2001, written in response to his letter of July 30, 2001, and which frames the issue, and covers various relevant exhibits;
3. Richard Spector, counsel to the Authority, and I subsequently spoke and agreed to attempt to resolve the issues. Attached is my e-mail to Mr. Spector dated August 14, 2001, volunteering to take the laboring oar in revising the Proposed Operations License and his response.
4. A copy of the letter from Mr. Spector dated August 17, 2001 in which he states that we have reached agreement on all issues regarding the long-term Lease.
5. A copy of the August 20, 2001 e-mail I sent to Mr. Spector covering the revisions my client and I made to the Proposed Operations License.
6.
 - A. A blackline copy of the revisions my client and I made to the Proposed Operations License (comparing the two following documents).
 - B. The Proposed Operations License proposed by the Authority.
 - C. The Operations License with the proposed revisions from my client.

7. The letter from Mr. Spector to myself dated August 22, 2001, which speaks for itself as to the Authority's good faith (or lack of good faith) in these discussions.
8. The letter from myself to Mr. Spector of today's date, responding to the previous letter and requesting substantive good-faith negotiations.
9. The Minimum Standards For Aeronautical Activity for the Sedona Airport, which you specifically requested.

I thank you for your willingness to investigate this matter and to assist us in our attempt to persuade the Authority to mediate this dispute. We look forward to speaking with you. If I can provide any additional information or if you have any questions or comments, please do not hesitate to contact either myself at the address and phone number set forth above, or my client directly at (928) 284-2867.

Sincerely,

A handwritten signature in black ink, appearing to read "SRO", with a long horizontal line extending to the right.

Steven R. Owens

SRO:mja
Enclosures as specified

cc: Richard Spector, Esq.,
counsel to the Sedona Airport Administration

THE LAW OFFICE OF STEVEN R. OWENS, P.C.

Steven R. Owens, Attorney at Law

Admitted to practice before the courts of Arizona and Colorado

25 Bell Rock Plaza, Suite A
Sedona, Arizona 86351-8804
Telephone (928) 284-0899
Mobile Telephone (928) 300-1211
Telecopier (928) 284-9885
E-mail owens@sedona.net

August 23, 2001

Mr. Tony Garcia
F.A.A. Airport Compliance
Department AWP 620.1
Post Office Box 92007
Los Angeles, California 90009

Re: Sedona Airport Authority, Sedona, Arizona
My client: Skydance Helicopters, Inc.

Dear Mr. Garcia,

This office represents Skydance Helicopters, Inc., an F.A.R. Part 135 operator conducting commercial operations from the Sedona, Arizona Airport. My client's representative, Mike Cain, asked that I thank you again for taking the time to discuss with him this morning the problems his company has been having obtaining fair and reasonable treatment from the Sedona-Oak Creek Airport Authority, Inc., which is the leasehold operator of the Sedona Airport, operating under a lease from Yavapai County, Arizona.

As you will recall, the substance of our request of you is that you mediate a dispute with the Authority regarding my client's attempts to obtain fair and non-discriminatory treatment in negotiating a ground lease for the office/waiting area/hangar it wishes to build at the Sedona Airport.

As you requested, I am enclosing a chain of correspondence between myself and the Authority and its counsel, which I believe sets forth the issues in clear detail.

I understand that, while you consider this matter to be of importance, your schedule will not allow you to address this mediation prior to the arbitrary "deadline" of September 1, 2001 the Authority has set. As you can see from my last

letter, I have requested that the Authority show good faith in this matter and forbear from taking any rash acts until you have had an opportunity to investigate and mediate this matter. We hope that they will cooperate and will keep you posted.

Enclosed you will find (in this order):

1. A letter from Edward J. McCall dated July 30, 2001, purporting to cut off ongoing lease discussions between the Authority and my client.
2. My letter to Edward J. McCall of August 8, 2001, written in response to his letter of July 30, 2001, and which frames the issue, and covers various relevant exhibits;
3. Richard Spector, counsel to the Authority, and I subsequently spoke and agreed to attempt to resolve the issues. Attached is my e-mail to Mr. Spector dated August 14, 2001, volunteering to take the laboring oar in revising the Proposed Operations License and his response.
4. A copy of the letter from Mr. Spector dated August 17, 2001 in which he states that we have reached agreement on all issues regarding the long-term Lease.
5. A copy of the August 20, 2001 e-mail I sent to Mr. Spector covering the revisions my client and I made to the Proposed Operations License.
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 - A. A blackline copy of the revisions my client and I made to the Proposed Operations License (comparing the two following documents).
 - B. The Proposed Operations License proposed by the Authority.
 - C. The Operations License with the proposed revisions from my client.

Mr. Tony Garcia
F.A.A. Airport Compliance
August 23, 2001
Page 3

7. The letter from Mr. Spector to myself dated August 22, 2001, which speaks for itself as to the Authority's good faith in these discussions.
8. The letter from myself to Mr. Spector of today's date, responding to the previous letter and requesting substantive good-faith negotiations.
9. The Minimum Standards For Aeronautical Activity for the Sedona Airport, which you specifically requested.

I thank you for your willingness to investigate this matter and to assist us in our attempt to have the Authority mediate this dispute. We look forward to speaking with you. If I can provide any additional information or if you have any questions or comments, please do not hesitate to contact either myself or my client directly. ✉ 520-284-2867.

Sincerely,

Steven R. Owens

SRO:mja
Enclosures as specified

cc: Richard Spector, Esq.,
counsel to the Sedona Airport Administration



U.S Department
of Transportation

**Federal Aviation
Administration**

Western-Pacific Region
Airports Division

Federal Aviation Administration
P.O. Box 92007
Los Angeles, CA 90009-2007

September 7, 2001

Edward McCall
General Manager
Sedona Airport Administration
235 Air Terminal Drive, Unit 1
Sedona, AZ 86336

Dear Mr. McCall:

**Sedona Airport
Leasing Standards**

This letter is in regard to a request by Michael Cain, Sundance Helicopters, that the Federal Aviation Administration (FAA) assist in the resolution of an impasse with the Sedona Airport Administration (SAA) regarding new leasing standards at Sedona Airport. Mr. Cain expressed his concern over certain conditions contained in the new Operations License which, in addition to a lease, has been established as a leasing requirement for operators at the Sedona Airport. Mr. Cain opines that the conditions are unreasonable, serve to deny him due process, and are unjustly discriminatory.

As you are aware, Assurance 22, *Economic Nondiscrimination*, implements the provisions of 49 USC 47107(a) and requires in pertinent part that the sponsor of a federally obligated airport "...will make its airport available as an airport for public use on reasonable terms, and without unjust discrimination, to all types, kinds, and classes of aeronautical uses; and may establish such equal and not unjustly discriminatory conditions to be met by all users of the airport as may be necessary for the safe and efficient operation of the airport."

The disagreement between the SAA and Sundance Helicopters appears to center on the reasonableness of the new leasing requirements and whether or not they are being applied uniformly and consistently to all aeronautical commercial operators. In view of your desire to establish new leasing standards that would enhance your management control of the airport, we wish to provide guidance to ensure that the new leasing policy is compatible with your federal obligations. Additionally, we hope to facilitate a satisfactory resolution. To aid with our inquiry, we need additional information to permit us to examine the facts, assess your perspectives, and provide appropriate guidance.

a) On what date did SAA first announce that it was planning to introduce an Operations License?

(i) If it was announced, how and to whom was the information disseminated concerning the proposed change in leasing policy?

b) On what date was the SAA decision and requirement for an Operations License officially established?

(i) How and when was the SAA decision and requirement made know to all airport tenants?

- c) Are all airport tenants required to obtain an Operations License?
(i) If not all, which categories of tenants must obtain an Operations License and which are exempt?
- d) Identify by name which airport tenants had leases that expired on or about the same time that the Sundance Helicopter lease expired this year.
- e) Have all of those airport tenants whose leases expired on or about the same time as Sundance Helicopters executed an Operation License when they renewed or entered into a new airport lease?
(i) If not, identify which tenants did not execute Operations Licenses.
- f) During the period between the formulation of the proposed Operations License and its official implementation, were any airport tenants allowed to renew or execute new leases without being required to execute an Operations License?
(i) If so, who obtained leases without Operations Licenses?
(ii) Explain why leases were granted without tenants being made to wait to execute an Operations License that had already been planned but not yet drafted.
- g) If tenants were identified in questions e and f above who received leases without Operations Licenses, explain why Sundance Helicopter could not enter into a lease agreement without an Operations License while others were permitted to do so.
- h) If the Operations License does not apply to all aeronautical commercials operators, explain why an Operations License was created to apply to some but not all tenants.
(i) How will the policy be clearly relevant to the category of user to which it is applied?
(ii) How will the policy be applied consistently and uniformly to ensure it is reasonable and not unjustly discriminatory?

We shall look forward to your reply within 14 days after your receipt of this letter. Please mail your response to:

Federal Aviation Administration
Airports Division, AWP-620.1
P.O. Box 92007
Los Angeles, CA 90009

We hope to contribute to a resolution in an informal setting which would avoid the difficulties presented by an escalation of your disaccord into a more formal adversarial proceeding. If you have any questions, please call me at (310) 725-3634.

Sincerely,

ORIGINAL SIGNED BY
Anthony Garcia

Tony Garcia
Airports Compliance Specialist

Ellsworth L. Chan, Manager
Safety and Standards Branch



U.S Department
of Transportation

**Federal Aviation
Administration**

Western-Pacific Region
Airports Division

Federal Aviation Administration
P.O. Box 92007
Los Angeles, CA 90009-2007

October 17, 2001

For Your Information

Edward McCall
General Manager
Sedona Airport Administration
235 Air Terminal Drive, Unit 1
Sedona, AZ 86336

Dear Mr. McCall:

**Sedona Airport
Operating License**

This letter is in regard to your letter dated September 14, 2001, and our telephone conversation on September 28, 2001, addressing concerns expressed by Michael Cain of Sundance Helicopters.

You indicated that the Operating License was adopted as a new policy in October 2000 on the advise of your attorney. In addition, you reported that, with the exception of Michael Cain, Sundance Helicopters, most of your airport tenants have signed the Operating License. We are requesting documentary evidence to support the information we have received. Please provide the following:

a. A document showing that the Airport Board of Directors adopted the Operating License as an official qualifying condition for prospective tenants to obtain an airport lease.

b. A list identifying all airport tenants that have signed and executed an Operating License and those that have not done so. For tenants that have not yet signed an Operating License, explain why a License has not yet been signed.

c. Describe any circumstances under which an airport tenant may be given a waiver from signing the Operating License.

d. Since adopting the Operating License, if any lease was executed without an Operating License, disclose the identify of the tenant(s) benefiting from the exception and the reason(s) for the exception.

Before we can fully evaluate the reasonableness of the Operating License, we must know if it is officially part of the airport's minimum standards and is used to determine if applicants for aeronautical commercial leases meet specific airport-related qualifications to operate at Sedona Airport. Therefore, we look forward to the requested information within 14 days following your receipt of this letter.

If you have any questions, please call me at (310) 725-3634.

Sincerely,

ORIGINAL SIGNED BY
Anthony Garcia

Tony Garcia
Airports Compliance Specialist

Ellsworth L. Chan, Manager
Safety and Standards Branch

cc: Michael Cain



U.S Department
of Transportation

**Federal Aviation
Administration**

Western-Pacific Region
Airports Division

Federal Aviation Administration
P.O. Box 92007
Los Angeles, CA 90009-2007

October 26, 2001

Mr. Michael Cain
Skydance Helicopters, Inc.
Sedona Airport
1225 Airport Road, No. 5
Sedona, AZ 86336

Dear Mr. Cain:

**Sedona Airport
Operating License**

This letter is in regard to the new leasing standard introduced at Sedona Airport whereby prospective tenants must execute an Operating License, in addition to the lease agreement, to operate at Sedona Airport. You expressed concern that the Operating License represented an unreasonable airport standard within the context of the grant assurance obligations. In addition to and apart from the grant assurance obligations, you fear that the Operating License may provide a means to deny you due process in the event of a tenant-landlord conflict. Lastly, you have alleged that the airport reneged on a promise to grant Skydance Helicopters, Inc. a new lease. Our focus is on the first allegation, the unreasonableness of the Operating License, for which the Federal Aviation Administration (FAA) is empowered to offer a resolution. The other two issues are legal matters lying outside FAA authority.

Assurance 22, *Economic Nondiscrimination*, implements the provisions of 49 USC 47107(a), and requires in pertinent part that the sponsor of a federally obligated airport "...will make its airport available as an airport for public use on reasonable terms, and without unjust discrimination, to all types, kinds, and classes of aeronautical uses," and "...may establish such equal and not unjustly discriminatory conditions to be met by all users of the airport as may be necessary for the safe and efficient operation of the airport."

The owner of an airport developed with FAA-administered assistance is responsible for operating its aeronautical facilities for the benefit of the public. This means, for example, that the owner should adopt and enforce adequate rules, regulations, or ordinances as necessary to ensure the safe and efficient operation of the airport for aeronautical use by the public.

The FAA encourages airport management, as a matter of prudence, to establish minimum standards to be met by all who would engage in a commercial aeronautical activity at the airport. It is the prerogative of the airport owner to impose conditions on users of the airport to ensure its safe and efficient operation. Such conditions must, however, be reasonable and not unjustly discriminatory. They must be

relevant to the proposed activity, reasonably attainable, and uniformly applied. In addition, the airport owner may quite properly increase the minimum standards from time to time in order to ensure a higher quality of service to airport users.

We have evaluated the information you and your attorney provided and obtained additional information from the management of Sedona Airport. The record indicates that the Sedona Airport Administration introduced a new and more stringent minimum leasing standard. Revising the standards to meet airport-specific circumstances is permissible so long as the new terms remain reasonable, are not unjustly discriminatory, and are applied uniformly and consistently. The airport administration believes that it must exert more effective control over tenants to ensure safe and efficient use of the airport and provide better service to the public

The Sedona Airport Administration approved the Operating License at its regular meeting on October 23, 2000. Seven aviation tenants have signed Operating Licenses¹ and two have not. Canyon Mesa Aviation II has not executed an Operating License because its lease has not yet expired. Skydance Helicopters, Inc. has refused to sign an Operating License based on the reasons stated above. In accordance with the new standard, prospective tenants refusing to execute an Operating License will not be eligible for a new lease or lease renewal.

Based on the information we evaluated, the new standard applies to all aeronautical tenants, is reasonably attainable, and is being uniformly applied. Therefore, we conclude that the Operating License is not unreasonable or unjustly discriminatory. We recognize that you may have reservations concerning the new standard, but we cannot conclude that the Operating License does not comply with grant assurance obligations because it sets the standard above a level at which you would prefer to operate your business at Sedona Airport.

We trust the minimum standards will continue to be applied in a uniform and consistent manner. This concludes our review and we consider this matter closed.

Sincerely,



Tony Garcia

Airports Compliance Specialist

Ellsworth L. Chan, Manager
Safety and Standards Branch

¹ Red Rock BiPlane Tours, Sky Safari Tours, Solid Edge Aviation, Red Rock Aero Services, Sedona Sky Treks, AeroSedona, Arizona Helicopter Adventures

THE LAW OFFICE OF STEVEN R. OWENS, P.C.

Steven R. Owens, Attorney at Law
Admitted to practice before the courts of Arizona and Colorado

25 Bell Rock Plaza, Suite A
Sedona, Arizona 86351-8804
Telephone (928) 284-0899
Mobile Telephone (928) 300-1211
Telecopier (928) 284-9885
E-mail owens@sedona.net

October 31, 2001

Mr. Tony Garcia
F.A.A. Airport Compliance
Department AWP 620.1
Post Office Box 92007
Los Angeles, California 90009

Re: Sedona Airport Authority, Sedona, Arizona
My client: Skydance Helicopters, Inc.

Dear Mr. Garcia.

My client and I have received your letter of October 26, 2001 and, after discussion, I have been asked to respond and point out that your determination was based upon the Sedona Airport Authority's misrepresentations of important facts. We can only assume that the Authority provided you with these misrepresentations, since the information we provided to you was accurate. In this regard, I want to point out that we provided the Authority with copies of every single paper we sent to you, and requested that the Authority do the same in return. It did not do so, therefore we were not able to correct the Authority's misrepresentations sooner.

Since we have not seen the information the Authority sent to you, we have no way of knowing all the misrepresentations the Authority made to you, but we can glean the following from your letter:

1. You indicated in your letter that you were informed that "the Sedona Airport Administration approved the Operating License at its regular meeting on October 23, 2000."

This is completely false. In the enclosed letter of November 1, 2000, from Mr. McCall to my client, there was no mention

whatsoever of an Operations License. The Operations License was still not even drafted on February 10, 2001 when the enclosed letter was sent by Mr. McCall to my client, which was the first mention of the Operating License, and which came as a complete surprise to my client. When my client noted this surprise reference in his enclosed letter of February 12, 2001, he was informed by Mr. McCall that the Operations License was still being drafted. Indeed, the Operations License was not completed until the middle of April 2001. We have copies of faxes from Richard Spector, drafter of the Operations License, conveying this license to the Authority on April 20, 2001.

Accordingly, the board could not have possibly approved the Operations License at its regular meeting on October 23, 2000, since it was not even drafted until six months later.

An additional factual matter you should be aware of is that at a February 2001 public meeting, attended by a witness who will testify at our Part 16 proceedings, Mr. McCall told the public that at that time (approximately four months after October of 2000) he was "working on" an Operations License that was specifically to be drafted to "control" Skydance Helicopters and Red Rock BiPlanes, which indicates a clear intention to discriminate against my client.

2. You indicated in your letter that you were informed to the effect that all commercial operators whose leases came due at approximately the same time my client was requested to sign the Operations License, and that a total of seven operators have signed the agreement.

This is completely false. I am enclosing a copy of a letter received from the Authority dated September 11, 2001 which indicates that only three commercial operators (Ned Buher, Larry Brunner and Michael Robins) have signed the Operations License, and none of them signed it before June 1, 2001, which was long after my client complained that it was being singled out for discriminatory treatment by being forced to sign the license as a precondition to its obtaining a hangar lease.

Additional facts you should be aware of in this regard include the following:

It is not true that Sedona Sky Treks signed the Operations License, as you were informed, and as your letter stated. The accurate facts are that even though Sedona Sky Trek's lease was up for renewal at approximately the same time as my client's, the Operations License was never even mentioned to Tom Newman, owner of Sedona Sky Treks, he was never shown the Operations License during the course of his lease renewal, and to this day he has never signed any such document. He indicated he will be happy to discuss this matter and the Authority's misrepresentations with you, if you wish to call him at (928) 284-2998.

In addition, another fixed-wing air tour operator, Aero Vista, renewed its lease at approximately the same time as my client and, while its owner was made aware of the Operations License, he was not requested or required to sign it. You may contact the operator of this company, Jack Huffman at (928) 282-6063 if you wish to obtain an accurate description of how the Authority conducted lease renewal discussions with air tour operators at the same time as with my client, and how the Authority did not request, much less require, the execution of an Operations License by these operators.

Finally, you should be aware that four of the six "operators," listed by the Authority which did eventually sign the license, Red Rock Biplane Tours, Sky Safari Tours, Solid Edge Aviation and Red Rock Aero Services, are all simply two companies and two trade names owned by the Brunner family, which have been identified in past correspondence by the Authority as a single operator, and which are for all intents and purposes a single operator. Apparently the Authority wanted to make it appear as if numerous operators executed the Operations License by listing these four trade names and companies separately.

The only other two operators other than Larry Brunner who did sign the Operations License, Aero Sedona and Arizona Helicopter, were only presented the document well after my

client complained that it was being subjected to discriminatory treatment.

Accordingly, contrary to the Authority's representations to you, there were a total of four other operators whose leases expired at the same time that Michael Cain of Skydance and Larry Brunner were made aware of, and were eventually presented with, the Operations License as a precondition to obtaining a lease. Tom Newman of Sedona Sky Treks and Jack Huffman of Aero Vista were never asked to sign the Operations License and the other two operators only were asked to do so long after my client complained of this blatantly discriminatory action.

These actions confirm that Mr. McCall's February 2000 statement that the Operations License was being created solely to single out and "control" my client and Mr. Brunner was correct, and that the Authority fully intended to, and actually did engage in discrimination, and then misrepresented the facts to you to cover up its actions.

3. You indicated in your letter that my client's objection to the Operations License is "because it sets the standard above a level at which you would prefer to operate your business at the Sedona Airport."

This is incorrect—the documentary record we supplied to you clearly shows that not one of my client's objections to the Operations License had anything whatsoever to do with standards of operations. That record clearly demonstrates that my client has continually supported efforts to raise the standards of operations at the Sedona Airport. The record equally clearly demonstrates that my client's only objections to the language of the Operations License address the unreasonable and arbitrary provisions of the Operations License which would allow the Authority to terminate the agreement and my client's right to operate at the Sedona Airport without cause, without recourse, and solely upon the whim of the current Authority board.

In this regard, please see the enclosed proposed Operations License we drafted and sent to the Authority's counsel on September 20, 2001. I have enclosed for your reference a blackline of our proposed license against the Authority's Operations License which clearly shows the provisions my client disputes. As you can see, my client has absolutely no objection to any provision which concerns standards of operations, and in fact our proposed changes include provisions which require licensees to adhere to standards not even mentioned in the Authority's License. (For example, see our proposed changes to Section 4, which not only incorporates FAA Rules and Regulations, but explicitly recognizes the right of the Authority to adopt and implement stricter standards in the future.)

The issue in dispute is not about standards, as the Authority has led you to believe. It is about whether the Authority will implement and enforce its standards fairly and in a non-discriminatory manner. For the Authority to cast this dispute, which is entirely about discrimination, as an objection to standards is a complete misrepresentation of the facts.

The fact that the Authority would make clear misrepresentations of important facts to you in your course of investigation of this matter makes it clear why my client cannot sign an Operations License which includes the following provision, which the Authority has insisted be included which is the main area of dispute and which has absolutely nothing to do with standards:

"...the License granted herein is ***terminable at the will of the Licensor*** pursuant to the terms and conditions of this License. Nothing herein to the contrary, this shall immediately terminate upon the Licensee's breach of any provision of the Lease, including but not limited to Section 5 of the Lease. ***If Licensor determines in its sole discretion and authority*** that Licensee has (i) taken any action that would be a breach of the License or Lease, or (ii) engaged in any behavior prescribed by the Licensor herein, the Licensor shall revoke this License, ***with or without cause***. Licensor's determination as to Licensee's actions shall be binding upon Licensee and ***Licensee hereby waives any and all rights as to take legal action regarding Licensor's decision and Licensee shall have no further right or interest whatsoever to contest Licensor's decision or actions***. Upon notice to Licensor of Licensee's breach and revocation of the License, Licensee shall quit the Premises and terminate all business activities within seven (7) days of such notice".

It is clear that no reasonable landlord would take the unusual step of seeking to insulate itself from due process unless it fully intended to discriminate against the tenant and terminate the agreement "at will" "in its sole discretion" and "without cause." This language is inherently and clearly unreasonable, and because it is unreasonable, it is a violation of the airport's assurances to make it's acceptance a precondition of doing business at the Sedona Airport. It's intent is clearly to prohibit any tenants from contacting the FAA or obtaining judicial relief in the event that the tenant is treated in a discriminatory manner.

Based upon the above, we respectfully disagree with both of your two conclusions; that the Authority's license is not unreasonable, since any document which provides that it can be terminated "without cause" and which includes a waiver of all rights is inherently unreasonable; and that the Authority was not unjustly discriminatory, since the truth set forth above shows that the license was applied in the most discriminatory manner and all representations to you to the contrary are not only false, but can easily be proved to be false.

Please understand that we do not blame you for reaching what we believe to be erroneous conclusions—we understand that it would simply not be possible for you to reach a fair conclusion when you were forced to rely upon false statements and gross misrepresentations provided by the Authority.

The final enclosure to this letter is the response to your conclusions which were sent yesterday to my client. As you can see, after obtaining the Authority's desired result by making false statements to you, the Authority plans to evict my client from the Sedona Airport on November 12, 2001 unless my client executes the Operations License which contains the above provisions which would prohibit my client from ever contacting the FAA at any time in the future for recourse.

Accordingly, time is of the essence. We request that you:

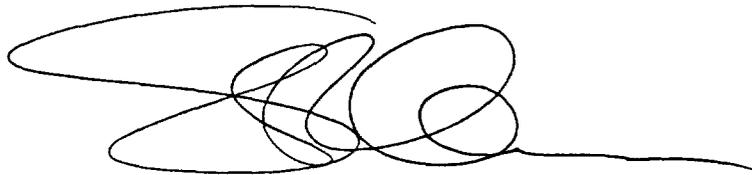
1. Withdraw your conclusion of October 26, 2001;
2. Provide us with copies of the information provided to you by the Authority, so that we can review it for additional false statements;

Mr. Tony Garcia
F.A.A. Airport Compliance
October 31, 2001
Page 7

3. Actively mediate the dispute between my client and the Authority regarding the discriminatory provisions of the unreasonable Operations License

If you determine that you cannot do the above, we request that you contact us with your refusal as soon as possible, so that my client can timely commence its Part 16 action and obtain injunctive relief prior to the November 12, 2001 deadline set forth in the Authority's most recent letter. If I can provide any additional information or if you have any questions or comments, please do not hesitate to contact either myself at the address and phone number set forth above, or my client directly at (928) 284-2867.

Sincerely,

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Steven R. Owens

SRO:mja
Enclosures as specified

cc: Richard Spector, Esq.,
counsel to the Sedona Airport Administration (w/o enclosures)



Sedona Airport Administration

235 Air Terminal Drive • Sedona, Arizona 86336

Tel: 928-282-4487 • Fax: 928-204-1292

October 29, 2001

Mr. Michael Cain
SkyDance Helicopters
1225 Airport Road #5
Sedona, AZ. 86336

Dear Mr. Cain:

We have been informed by the FAA that our Operating License is valid. Therefore, we request that you make an appointment to sign a new Lease and current Operating License in forms acceptable to the Sedona Airport Administration. We will approve your current leased office and hangar space subject to moving the helicopter landing area to the approved helipad southwest of the main terminal. We will also once again offer the "build to your specification proposal" already provided to you and your attorney.

In either case the Lease, Operating License and new helicopter landing location agreements must be completed and signed by Monday, November 12, 2001 as this letter serves as official notice that absent completion of these items you are expected to vacate all previously Leased areas by 5 p.m. local time on that date.

Very Truly,

A handwritten signature in black ink, appearing to read 'E. McCall', written over a horizontal line.

Edward J. McCall, A.A.E.
General Manager
Sedona Airport

back to the community.

SEDONA RED ROCK NEWS

The Voice of Sedona and Oak Creek Canyon for Over 35 Years



Helicopter tour company nixed

By James Goodwin
SEDONA RED ROCK NEWS

Sedona Airport has evicted a tour operator for refusing to sign a strict contract other operators have already agreed to.

Skydance Helicopters, one of nine commercial operators at the airport, was evicted Tuesday.

"We have taken their signs down and locked their doors," Airport Manager Mac McCall said.

The contract, called an operator's license, allows the airport to cancel a business's lease without cause, said Michael Cain, co-owner of Skydance Helicopters.

And by signing the contract, a business owner gives up his right to pursue an appeal with the courts or the Federal Aviation Administration, he said.

"It's actually a very simple issue: Whether you're required to sign something that takes away your rights," Cain said. "My argument is, you don't have to, and theirs is, you do."

McCall said the airport needs greater control over its tenets to build a better relationship with the community. Problems in the past, including the stealing of customers and shoving matches between tour operators, are much less frequent because of the operator's licenses, he said.

"We can't be a good neighbor until we get the business practices of our tenets in line," McCall said.

Neither he nor Cain wanted to share copies of the contract with the press. Cain appealed the airport's requirement that he sign the contract to the FAA. However, the agency has sided with air-

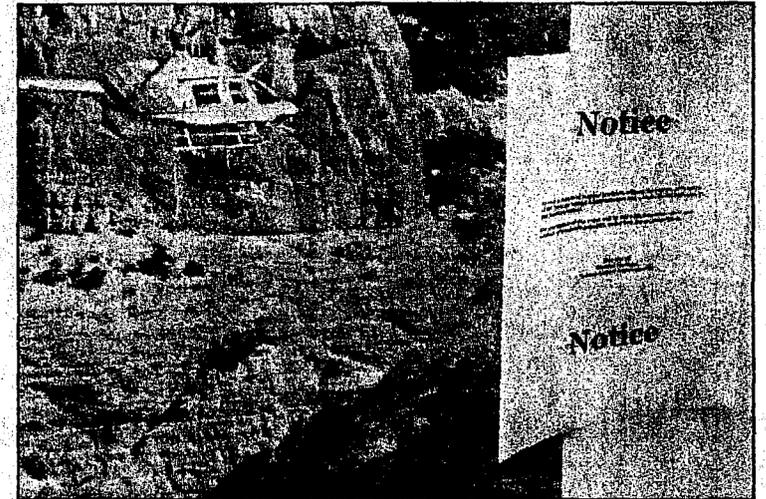
port administrators, McCall said.

"They're very tough standards, maybe tougher than at other airports, but the FAA said we can do it," he said. Cain said he is pursuing legal action.

"For me, this is very much a fight of good versus evil," he said. "Really, I don't have a choice. I really feel the stance I have taken is right."

About a year ago, airport administrators began requiring commercial aircraft operators to sign the operator's license contracts, as well as new leases, when their current leases expired, McCall said.

Six of eight have signed, and the leases of two others have yet to expire, he said. Skydance Helicopters, which also operates out of Minden, Nev., hasn't had to sign an operator's license contract there, Cain said.



Mark A. Dolce/Staff Photographer

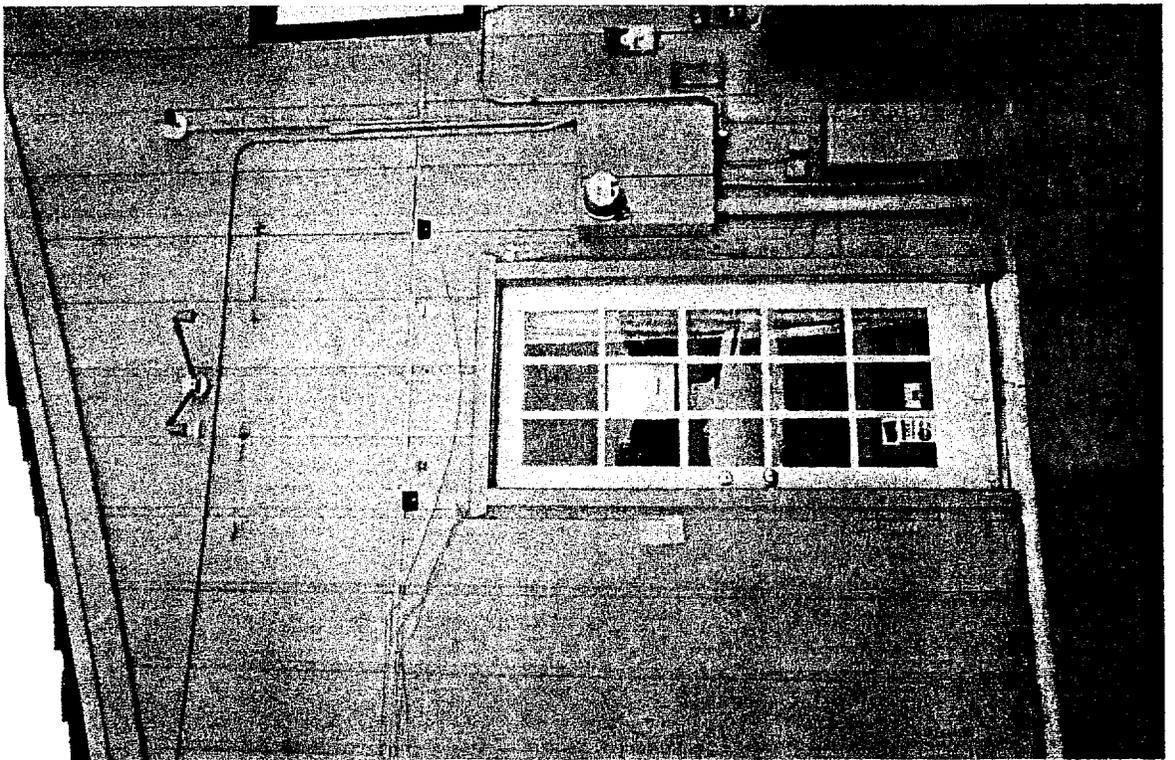
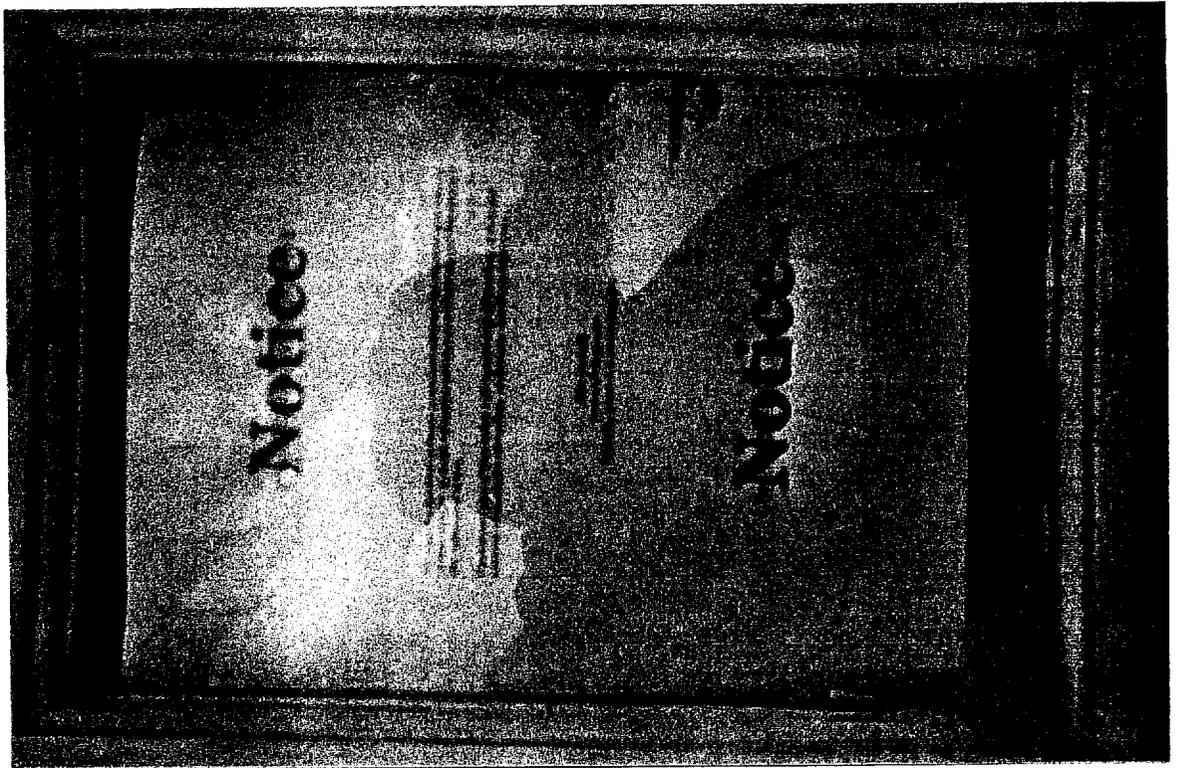
A NOTE HANGING at the office of Skydance Helicopters reads that anyone visiting the site without the airport's permission will be arrested. Airport Manager Mac McCall evicted the tour operator Tuesday.

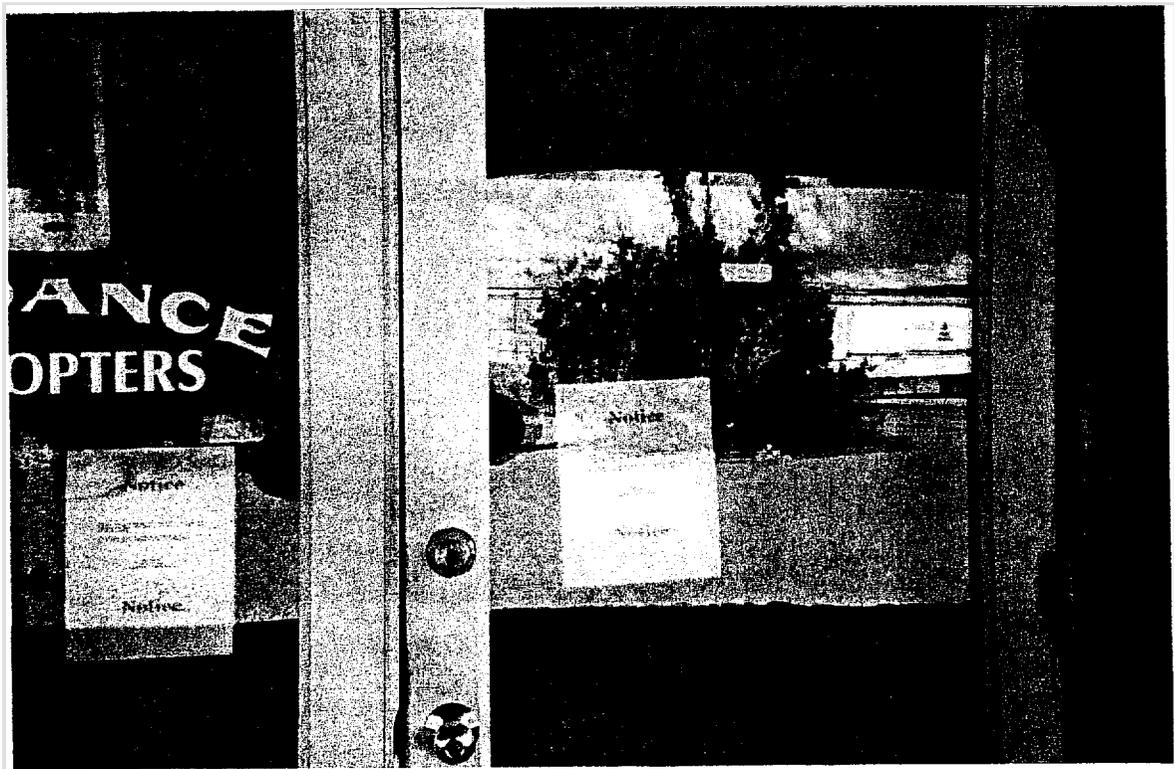
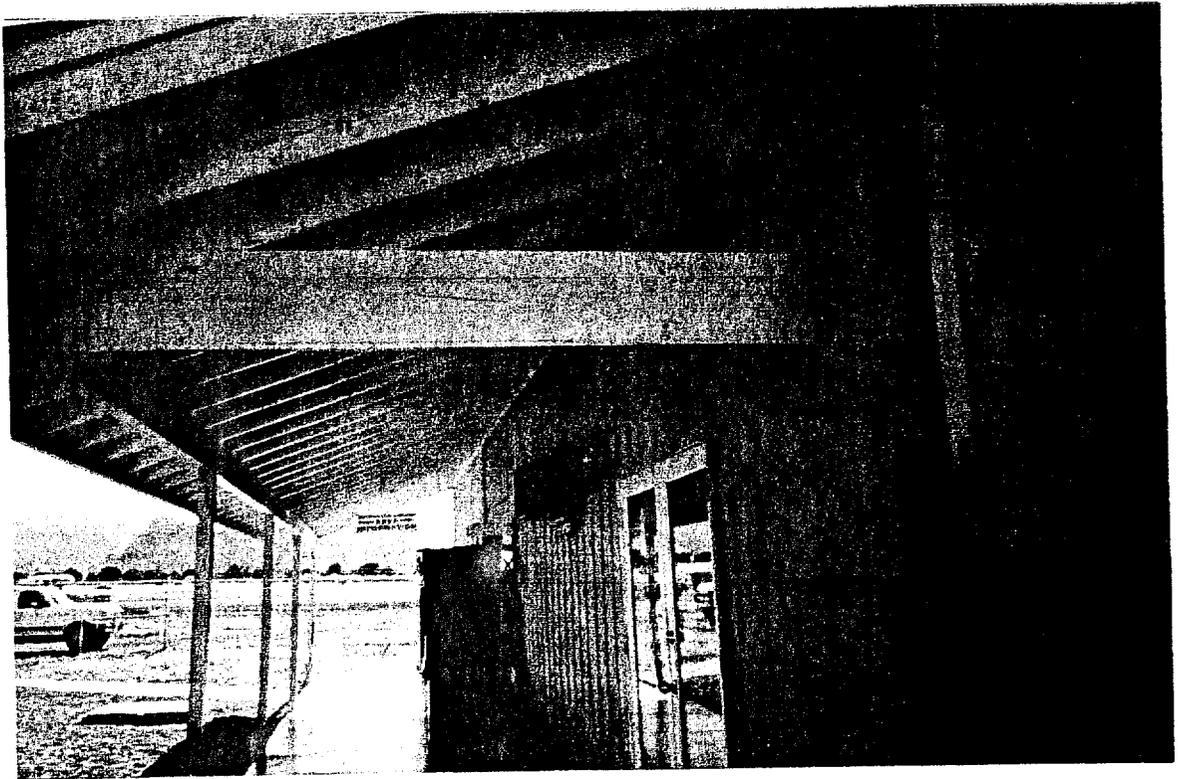
Bridge in Progress



Cultural Park president resigns

By Tom I... the short-term, at least, he plans...





RUN DATE: 02/28/02 RUN TIME: 10:50:04

PAGE: 1

STATE OF ARIZONA

PHASES GREATER THAN 2

CITY / GRANT NO	AIRPORT NAME	WORK DESCRIPTION	DISC. FUNDS	ENTIT. FUNDS	FEDERAL FUNDS (AIP)
SEDONA 01 82	SEDONA	CONSTRUCT TAXIWAYS AND APRON	32,960	329,600	362,560
02 84		INSTALL RUNWAY AND TAXIWAY LIGHTING AND VISUAL APPROACH AIDS	0	134,133	134,133
03 87		CONSTRUCT TAXIWAYS, APRON AND ACCESS ROAD; INSTALL VISUAL APPROACH AID	294,107	0	294,107
04 88		CONSTRUCT AND LIGHT APRON	200,268	0	200,268
05 91		IMPROVE ACCESS ROAD; INSTALL UTILITY (WATER LINE)	526,000	0	526,000
06 91		CONDUCT MASTER PLAN UPDATE	22,765	0	22,765
07 92		CONSTRUCT HELIPADS AND TAXIWAYS; INSTALL WEATHER REPORTING EQUIPMENT AND FENCING	393,676	0	393,676
08 96		CONSTRUCT HELIPAD, TAXIWAYS AND APRON	0	432,725	432,725
09 98		RECONSTRUCT TAXIWAY, PHASE I	0	750,000	750,000
10 99		REHABILITATE TAXIWAY (PHASE II)	480,000	0	480,000
11 01		RECONSTRUCT APRON, PHASE I	0	150,000	150,000
SITE TOTAL			1,939,776	1,796,458	3,736,234
STATE TOTAL			1,939,776	1,796,458	3,736,234