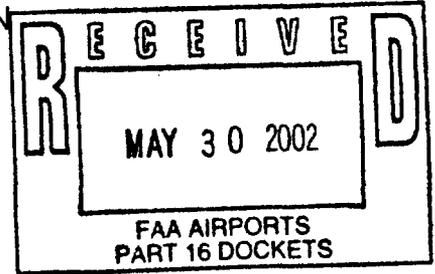


185040

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



SKYDANCE HELICOPTERS, INC. d/b/a
SKYDANCE OPERATIONS, INC.,

Complainant

vs

SEDONA OAK-CREEK AIRPORT AUTHORITY

and

YAVAPAI COUNTY, ARIZONA

Respondents

DOCKET NO. 16-02-02

FAA-02-13068-8

COMPLAINANT'S PART 16 REPLY AND OPPOSITION TO MOTION TO DISMISS

COMMUNICATIONS WITH RESPECT TO THIS DOCUMENT SHOULD BE SENT TO:

Marshall S. Filler
Marshall S. Filler, P.C.
117 North Henry Street
Alexandria, VA 22314
(703) 299- 0784 (phone)
(703) 299-0254 (fax)
msf@potomac-law.com

Dated: May 30, 2002

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

SKYDANCE HELICOPTERS, INC. d/b/a)	
SKYDANCE OPERATIONS, INC.,)	
)	
Complainant)	DOCKET NO. 16-02-02
)	
vs)	
)	
SEDONA OAK-CREEK AIRPORT AUTHORITY)	
)	
and)	
)	
YAVAPAI COUNTY, ARIZONA)	
)	
Respondents)	
<hr/>		

COMPLAINANT'S PART 16 REPLY AND OPPOSITION TO MOTION TO DISMISS

Introduction

Pursuant to section 16.23(e) and (j) of the FAA's Rules of Practice for Federally-Assisted Airport Enforcement Proceedings, 14 CFR section 16.23(e) and (j), Complainant Skydance Helicopters, Inc. d/b/a Skydance Operations, Inc. ("Complainant" or, alternatively, "Skydance") files this Reply and Opposition to the Motion to Dismiss filed by Respondents' Sedona Oak-Creek Airport Authority d/b/a the Sedona Airport Administration (SAA) and Yavapai County, Arizona (collectively, the "Respondents").

Skydance urges the FAA to deny Respondents' Motion to Dismiss because the Sedona Airport has failed to comply with the requirements imposed on federally funded airports to make their facilities available for public use on (1) fair and reasonable terms, and (2) without unjust discrimination, to all types, kinds and classes of aeronautical use. 49 U.S.C. 47107, grant assurance 22. Respondents' actions ultimately resulted in Complainant being locked out and then evicted from a public use airport that has accepted federal airport grant funds on at least 11 occasions.

Respondents claim that their arbitrary and unreasonable conduct was necessary to restore order and exert control over the airport's tenants. To accomplish its goals, SAA presented Skydance with an unconscionable license agreement, cajoled other operators into signing it and then justified its refusal to negotiate its terms by asserting that "everyone else went along so what's your problem?" Fortunately, this is not the controlling legal standard for determining whether federal airport grant assurances were violated. Moreover, as the record will reflect, not every operator at Sedona Airport signed the license agreement.

In their joint filing, Respondents allege that Skydance omitted and misrepresented key facts in its Complaint. Indeed, Respondents' Answer and Motion to Dismiss (hereinafter "Answer") is a textbook example of the time-honored strategy that "if the law is on your side, argue the law; if the facts are on your side, argue the facts; and if you have neither, impugn the integrity of the other side."

Credibility Issues

Skydance will address the important credibility issues raised by Respondents and cite some glaring examples of blatant misrepresentations in their own filing. However, it will resist the urge to turn this case into a mud-slinging contest. Instead, it will rely on the law and apply it to the facts of this case. Although the parties disagree on almost everything, fortunately the documents "speak for themselves."

Nevertheless, Complainant recognizes that the credibility of the parties is almost always an issue in these proceedings. In fact, Skydance's local counsel felt so strongly about the events leading up to this Part 16 proceeding (and particularly how Respondents characterized them in their Answer), that he has submitted a sworn affidavit and accompanying exhibits. (He is not counsel of record in this matter.) These documents are attached as Complainant's Reply Exhibit 1. They are submitted so the FAA can gain a better understanding of Skydance's continuing frustrations over Respondents' arbitrary behavior.

Complainant's Reply Exhibit 1 will not, however, be the centerpiece of this pleading. Indeed, the salient facts of the case will become clear by focusing on the documents that are not in dispute. This includes the unconscionable license agreement drafted by Respondents and the many unsuccessful attempts by Complainant to negotiate a fair and reasonable substitute. Although Skydance does not want to distract the FAA from the important legal issues in this case, it could not allow these statements to go unchallenged.

What Is at Issue?

There were two agreements that Skydance was required to sign to remain a tenant at the Sedona Airport. A new lease was necessary because Skydance planned to move its operations to another part of the field and construct a hangar and office. On October 31, 2000 and February 10, 2001, SAA offered Skydance a 30-year lease for this purpose. (Complainant's Original Exhibits 7 and 10) Skydance believed the lease was fair, reasonable and balanced. (Respondents' Exhibit G). The issues it identified were relatively minor and the record reflects that to be the case.

In contrast, the license agreement (also referred to as a "license" or "operating license") was draconian. Not only did it allow the airport to terminate the agreement "at will", but it would have stripped Skydance of any due process in the event of a dispute. There

were other significant issues (mostly in the same paragraph 3) and these were detailed in the Complaint. Therefore, they will not be repeated here.

However, even the September 6, 2001 “proposal” to modify paragraph 3 that Respondents’ made the focus of their Answer, still would have allowed SAA to terminate Complainant’s license to operate at the airport “at will”. (Respondents’ Exhibit N) Although the September 6th letter was clearly an improvement over the initial draconian version, it was still very unfair and unreasonable. Perhaps more importantly, the proposal submitted by SAA’s counsel was explicitly conditioned on the approval of his client’s board of directors. That approval never came.

The operating license was the subject of still further discussions between the parties’ counsel on September 19, 2001. In fact, counsel reached a tentative agreement to remove the “at will” language from paragraph 3 and make many other changes.¹ This tentative agreement was drafted by Skydance’s local counsel, documented and acknowledged by Respondents’ counsel to be “our revisions”. (See exhibit Owens -5 cited in footnote 1, below.) As with the September 6, 2001 letter, the tentative agreement was also subject to the approval of SAA’s board. Again, the board rejected its counsel’s recommendations even though they were acceptable to Skydance.

Skydance understands that lawyers must normally follow their client’s instructions. Therefore, what happened here is that the SAA board simply rejected its lawyer’s advice, presumably because it decided to wait for the decision of the FAA’s Tony Garcia² rather than settle the dispute. Skydance does not understand why Respondents’ counsel would not acknowledge this when Complainant’s Reply Exhibit 1 shows the facts to be otherwise.

¹ Complainant’s Reply Exhibit 1, paragraphs 6-11 and accompanying Exhibits Owens-1 through 5.

² Mr. Garcia is an airports compliance specialist with the FAA’s Western Pacific Region who was asked by Skydance on August 23, 2001 to mediate this dispute.

Indeed, the airport's negotiating style is further exemplified by the fact that when Skydance opposed the arbitrary termination provision contained in the license agreement, the proposed 30-year lease term was summarily changed to two years. (Complainant's Original Exhibit 18) Subsequently, it was raised to 10 years; however, SAA (as opposed to its counsel) never indicated any willingness to deviate from the original language.

MEMORANDUM OF POINTS AND AUTHORITIES

1. Respondents' Raise the Character Issue

Skydance conceded in its Complaint that it did not enjoy good relations with Red Rock Biplanes (Biplanes). It is not the only tour operator that encountered problems with Biplanes over the years. Nevertheless, it did not serve any legitimate purpose for Skydance to recite a litany of those troubles in its Complaint. It simply wanted to make the FAA aware of the history. In spite of Respondents' attempts to hold Skydance responsible for all of the airport's problems, the focus in this case must be on whether the license agreement was fair, reasonable and non-discriminatory.

Indeed, this is not the first time SAA has engaged in such tactics. It provided unsolicited documents (many of which Skydance had never seen) to Tony Garcia that depicted Skydance as a troublemaker. However, the airport's general manager (Mac McCall) previously advised Skydance that complaints were occasionally filed against all of the tour operators and he did not consider them to be significant. Nevertheless, when presented with an opportunity to damage Skydance's reputation, SAA could not resist.

If the FAA's airport compliance division believes that Skydance's behavior is directly relevant to this proceeding, it may contact FAA Inspector Larry Buchanan of the Scottsdale Flight Standards District Office (FSDO), who at Skydance's request attempted to assist in resolving the problems between Complainant and Biplanes at the Sedona Airport. Similarly, Skydance welcomes an inquiry into its safety and regulatory

compliance record. This can be discussed with its Principal Operations Inspector (POI), Clarence Bohartz, who is based at the Reno FSDO.

The Agreement Following the Taxi Incident

Following the well-documented incident where a Skydance helicopter taxied to the front of its own hangar and blew dust into an adjacent hangar, SAA and Skydance agreed to the following at a meeting on October 31, 2000. (Complainant's Original Exhibit 7).

- Skydance would conduct departures and arrivals from a taxiway intersection that would minimize the likelihood of a recurrence.
- Aircraft being taken to the hangar for maintenance would be tugged when possible.
- Skydance would relocate its facility to the unimproved south end of the airport and construct an office and hangar.
- Skydance would continue to use its leased area pending completion of the new facilities.
- Skydance would be given a 30-year lease with increases tied to the Consumer Price Index (CPI). (There was no mention of the need for a license agreement.)

The important question, therefore, is not whether Skydance and Biplanes had their differences or "who did what to whom"? Rather, once an understanding was reached about where and how Skydance would conduct its operations, why did the "negotiations" for a new lease and operating license result in Skydance's lockout and eviction from the Sedona Airport? Respondents' position is that Skydance had no lease and refused to enter into the same operations license accepted by several of the other tenants. The problem, of course, is that the license agreement offered by SAA was anything but fair or reasonable.

SAA Informs Skydance of the Requirement to Obtain a License Agreement

Skydance was first informed about the requirement to obtain an operating license on February 10, 2001. This notification came in the same letter in which SAA also enclosed a proposed 30-year ground lease for Skydance. (Complainant's Original Exhibit 10) At that time, the license agreement had not been drafted. When Skydance subsequently inquired why a license agreement was necessary, it received conflicting information from SAA.

On April 20, 2001, an airport consultant informed Skydance that the license was intended only for those operators that planned to construct their own hangars. (Complainant's Reply Exhibit 4) At this time, that included only Skydance and Biplanes. This was consistent with what Skydance learned a short time later when a member of the airport noise abatement committee indicated in a written statement that he overheard Mr. McCall state in a February 2001 meeting that the operations license was intended only for Skydance and Biplanes. (Complainant's Original Exhibit 16)

When Skydance complained that this would be discriminatory, the airport changed its mind and apparently decided that all of the tour operators would be required to sign the license agreement. Four entities controlled by the Brunner family (Red Rock Biplanes, Sky Safari Tours, Solid Edge Aviation and Red Rock Aero Services) apparently did so. As for the other two signatories (Arizona Helicopter Adventures and Aero Sedona), SAA only presented them with the license agreement after Skydance complained. Subsequently, Skydance learned that Sedona Sky Treks and Aero Vista were not presented with the agreement even though both companies' leases were up for renewal at approximately the same time as Skydance.³ Although Aero Vista no longer operates at Sedona, Sedona Sky Treks is currently a tenant and Skydance does not believe they have signed it either.

³ Tom Newman (928-284-2998) is the owner of Sedona Sky Treks and Jack Huffman (928-282-6063) is the former owner of Aero Vista.

Although the above information does not establish that the license agreement was contrary to law, it does show how the airport kept changing its position on the issue. Therefore, while it appears that this started out as an effort to “control” Skydance and Biplanes, SAA eventually realized this would be discriminatory and changed its position. Nevertheless, Respondents place a great deal of reliance on the fact that all the operators signed the license agreement yet two (one currently a tenant) apparently did not. At the very least, the airport’s conduct made Skydance suspicious about what was going on.

The Airport’s Minimum Standards

In Advisory Circular 150/5190-5, Exclusive Rights and Minimum Standards for Commercial Aeronautical Activities, paragraph 6, the FAA states as follows:

The sponsor of a Federally obligated airport agrees to make the opportunity to engage in commercial aeronautical activities available to any person ... that meets reasonable minimum standards developed by the airport sponsor. In exchange for this opportunity, a business operator agrees to comply with minimum standards developed by the airport sponsor. The minimum standards then by virtue of the business operator’s agreement, become mandatory. The FAA suggests that airport sponsors establish reasonable minimum standards that are relevant to the proposed aeronautical activity with the goal of protecting the level and quality of services offered to the public. **Once the airport operator has established minimum standards, it should apply them objectively and uniformly to all similarly situated on-airport aeronautical activities and services.** The failure to do so may result in a violation of the prohibition against exclusive rights agreements and/or a finding of unjust economic discrimination. (Emphasis added.)

Sedona Airport’s Minimum Standards for Aeronautical Activities (“Minimum Standards”, Complainant’s Reply Exhibit 2) do not require two separate agreements to conduct an aeronautical activity at the airport. On the contrary, paragraph 3.3 indicates that only a single authorization (i.e., “lease, sublease, license agreement, permit **or** other

authorization ...”) is necessary. Both a license and lease are defined in the document, but only the requirements for obtaining a lease are discussed in the Minimum Standards (see paragraph 6). **In spite of this, Skydance did not object in principal to signing a license agreement provided it was fair, reasonable and non-discriminatory.** Nevertheless, the Minimum Standards are silent about the circumstances under which licenses are necessary and which entities were required to sign them.⁴

Respondents view the concept of minimum standards differently. (Answer, pages 29-30):

In this situation, and without a operating license to govern safety and business practices, SAA would be forced to accept a subtenant whose only legal responsibility to SAA would be to abide by the Minimum Standards ..., which is precisely the only standard that Skydance represented it would be willing to accept. (Respondents' Exhibit M). **Clearly, SAA is entitled to promulgate a uniform safety and operational standard that is greater that (sic) Minimum Standard.** The idea to bind tenants to a contractual obligation to obey more than the ordinary standard of care is something commercial landlords are doing all over the United States. (Citations omitted.)

* * *

It is SAA's prerogative to impose safety and operating standards that exceed the Minimum Standards ..., provided those standards are uniformly applied.

Respondents' assert that they may require tenants to comply with requirements that exceed the minimum standards. **Therefore, they concede that the license agreement was not actually part of the Minimum Standards but reflects the airport's power to impose additional requirements.** This is analogous to asserting that the FAA is free to impose requirements that exceed the Federal Aviation Regulations as long as the agency applies them uniformly. Of course, the purpose of minimum standards is to ensure that all similarly situated entities are treated fairly and

⁴ See paragraph 4.10 of the Minimum Standards for the requirements applicable to Skydance and other on demand air taxi operators.

reasonably, understand what will be expected of them and are not subject to arbitrary actions.

Skydance recognizes that an airport may revise its Minimum Standards from time to time provided the changes reasonably relate to the activity that the airport desires to regulate. In fact, Mr. Garcia determined that SAA's board had duly adopted the licensing agreement on October 23, 2000, thus increasing the minimum standards. Nevertheless, Respondents acknowledge in their Answer that the requirement to obtain an operating license went beyond the minimum standards. Perhaps more importantly, at least one of the operators at the Sedona Airport has still not signed the license agreement. **Therefore, Respondents have clearly violated the non-discrimination portion of the statute and grant assurance 22. The equally important issue of whether the license was also fair and reasonable will be discussed below.**

2. Skydance Planned to Make a Substantial Investment in New Airport Facilities

Exhibit 8 of the Complaint shows that Skydance planned to invest approximately \$300,000 to build a hangar and an office at the proposed new location. The airport had agreed that it would improve the access roads necessary for Complainant to conduct its business. Therefore, on January 23, 2001, Skydance submitted a proposed plan to SAA and requested a lease so it could start the project. (Complainant's Original Exhibit 9). Naturally, the substantial investment Skydance was prepared to make at the Sedona Airport made the language of the final agreement even more critical. ⁵

⁵ FAA Order 5190.6A, Airports Compliance Handbook, paragraph 6-3(c) recognizes that while there is normally no compliance requirement restricting the duration of an agreement, a tenant will usually seek an agreement for a sufficient number of years to amortize a substantial investment it intends to make in the property.

3. The Lease and Commercial License “Negotiations”

a. The Lease

Skydance’s prior lease with SAA was to expire on March 31, 2001 and the parties were planning to move forward with Skydance’s relocation plans in conjunction with negotiating a new lease agreement. Therefore, on February 10, 2001, the General Manager of the airport (Mr. McCall) sent Skydance a proposed **30-year** lease for Complainant’s “review and comment”. For the first time, he also raised the issue of requiring a separate commercial license to do business at the airport (Complainant’s Original Exhibit 10). The proposed license period would be for “2 years and renewable subject to business conditions”.

b. Skydance’s Willingness to Sign a License Agreement

Contrary to Respondents’ assertion, Skydance did not oppose the concept of a license agreement in addition to the lease. Compare Respondents’ characterization of what Skydance said with Skydance’s actual written statement:

- Respondents’ statement (last sentence, page 10): “ Skydance also stated that it would “never” enter into **any license agreement** with SAA (Compl. Ex. 19)” (Emphasis added.)
- What Skydance Actually Said in Exhibit 19, page 6: “In addition, please understand that my client will *never (emphasis in original)* enter into **the Proposed License** (emphasis added), not as a condition of obtaining its ground lease, and not as a condition of its continuing operations from the current location.”

Notwithstanding this blatant mischaracterization, the record demonstrates that Skydance did **not** object to a fair and reasonable license agreement and stated so repeatedly in writing. (Complainant’s Original Exhibits 17 and 19).

c. The License Agreement

On March 28, 2001, SAA indicated that it would allow Skydance to continue operating on a month-to-month basis pending resolution of the new agreements. (Complainant's Original Exhibit 14). On April 11, 2001, SAA provided the proposed license agreement to Skydance.

Respondents' allege in their Answer that "three (3) months went by without a word from Skydance." Therefore, they "did not hear from Skydance until July 6, 2001 (Complainant's Original Exhibit 15)." In fact, Skydance wrote to SAA on April 25, 2001 requesting additional information about the numerous documents incorporated by reference in the proposed agreements. After another written exchange between the parties ensued about the necessity to review those documents, they were ultimately provided. Accordingly, on May 10, 2001 Skydance's local counsel wrote to Mr. McCall, thanking him for responding to Skydance's request for the documents. (Complainant's Reply Exhibit 3)

As drafted by SAA, the license agreement would be effective for only two years. (Complainant's Original Exhibit 15). Standing alone, that did not make it unreasonable since it could be extended by a signed mutual agreement provided Skydance was "in substantial compliance" with both the ground lease and the license agreement. However, Skydance was reasonably concerned about the possibility that a two-year, renewable license agreement could potentially undermine the benefits of a 30-year lease and put its \$300,000 investment at risk.

Unfortunately, the duration of the proposed license agreement was the least of Skydance's problems in light of the draconian language in paragraph 3. It provided that:

- **The license was terminable at the will of the licensor (i.e. SAA)**
- **The license could be revoked with or without cause at the sole discretion of SAA**

- **Upon licensee's breach of the agreement, it had 7 days to quit the premises, notwithstanding its 30 year lease and the \$300,000 it would have invested in new facilities**
- **Licensee gave up all rights to appeal**

Not only did this paragraph 3 violate grant assurance 22 and 49 U.S.C. 44701(a)(1), it was unconscionable as well. In fact, had Skydance's local counsel not advised his client that SAA could terminate the license agreement unilaterally and without any due process, he would have committed legal malpractice! Should his client have been required to sign the very same document? As unreasonable as it sounds, this is the position Respondents have taken.

Skydance is aware that the license agreement was apparently signed by several of the Sedona Airport tenants. Respondents repeatedly cited this as justification for not negotiating a different agreement with Skydance even though it was unfair and unreasonable on the basis of paragraph 3 alone. On page 14 of the Answer, Respondents' surprisingly quote from a letter from Skydance's local counsel, Mr. Owens. He stated that: "SAA's desire to obtain uniformity is [not] a sufficient reason to continue with inappropriate and unfair provisions." As the record amply reflects, Skydance simply sought to engage in good faith negotiations in light of the requirements of federal law. It is equally clear that Respondents' engaged in a concerted effort to punish the company for asserting its legal rights.

Skydance will address the so-called "major concessions" that SAA's counsel proposed to paragraph 3 on September 6, 2001 (Respondents' Exhibit N) below.

d. Skydance's Reaction to the Proposed Lease and License Agreement

Skydance believed the proposed lease agreement was "balanced, fair and [is] acceptable" and with a few minor additions it would be signed immediately. (Complainant's Original Exhibit 17). Nevertheless, SAA's position was that a license

agreement was also required. Therefore, both documents had to be fair and reasonable. In fact, in the very same letter in which he praised the lease as a fair and reasonable agreement, Skydance's local counsel characterized the proposed license as being "unfair, inequitable and clearly contrary to federal law." (Complainant's Original Exhibit 17). He also used other, less flattering terms because he simply could not believe that a public body could be so arbitrary and heavy-handed.

e. The Disagreement over the License Agreement Affected the Term of the Proposed Lease

Respondents' conduct should be evaluated in the context of how it used the dispute over the proposed license to penalize Skydance by dramatically reducing the term of the proposed lease. Skydance's predicament is best illustrated by Respondents' transparent explanation of why it could no longer offer a 30-year lease in spite of its willingness to do so on November 1, 2000 and February 10, 2001. (Answer, page 10)

On July 30, 2001, SAA informed Skydance that it would not be able to enter into a proposed thirty-year lease beginning September 1, 2001, **because SAA's own lease with the County expired on May 31, 2031** (Compl. Ex. 18). SAA did offer Skydance the opportunity to enter into SAA's standard form two-year lease and License Agreement (offered to all tenants) to take effect on or before September 1, 2001 (Compl. Ex. 18). Skydance refused SAA's offer.

Skydance understood that SAA could not enter into a 30-year lease because SAA's lease with the County expired on May 31, 2031. For this reason, Skydance agreed to have the two leases run concurrently. (Complainant's Original Exhibit 19, page 6). The effect of that would be to make the term of the proposed Skydance lease approximately 29 and one-half years, depending on when the agreement was actually signed.

However, because Skydance had the temerity to challenge the legal basis for certain portions of the license agreement, a proposed 30-year lease was now reduced to a two-

years with a two-year option. The fact that Respondents' subsequently offered a 10-year lease and a two-year operating license merely underscores their arbitrary behavior and disguises their unwillingness to negotiate a fair and reasonable license agreement.⁶

Less than one month later, SAA's counsel stated that Skydance had "lawyered itself out of a possible long-term ... relationship with SAA." (Complainant's Original Exhibit 22). In its letter, the airport rejected the reasonable changes to the license agreement offered by Skydance. **Instead of being terminable at will by SAA, Skydance proposed a more balanced approach that would be terminable upon a breach by either party, and only if the breach was not cured in accordance with proposed paragraph 29.** (Complainant's Original Exhibit 21, especially proposed paragraph 3). On August 22, 2001, SAA stated that it would execute a 10-year ground lease, a rather empty gesture in light of SAA's unwillingness to accept any modification to the license agreement.

f. The Respondents' "Major Concessions"

In Skydance's view, SAA waited until September 6, 2001 to propose a change to the original license agreement because on August 23, 2001, Skydance asked the FAA's Tony Garcia to mediate these issues. Apparently, SAA was concerned enough about that prospect and it wanted to appear more reasonable. More importantly, Respondents' "major concessions" to paragraph 3 should be disregarded because they were conditioned upon the board of directors' approval that never occurred.⁷ Unfortunately, SAA was not as willing to negotiate as its own counsel. As a result, not even the alternative language proposed on September 6th was acceptable to SAA even though the "terminate at will" provision remained.

⁶ Contrast SAA's punitive treatment of Skydance with the largesse provided to members of SAA's board of directors, many of whom received 30-year leases for constructing their own hangars. It is Skydance's understanding that, without any open competitive bidding, one of the board members (Mike Bryant) was allowed to build five hangars at the airport, retain one or two and sell the remainder. The airport manager indicated that this was proper because Mr. Bryant recused himself from voting on the issue.

⁷ Respondent's Exhibit N

In their Answer, Respondents' discuss the "major concessions" made to the originally proposed paragraph 3, and characterize the similarity of the parties' language.

Respondents' Claim: "Other than including the right of either party to object to an alleged breach or default, and the reciprocal right of each party to cure the alleged breach or default, Paragraph 3 is **exactly the same** as Skydance had proposed two weeks earlier." (Answer and Motion to Dismiss, page 20) (Emphasis added.)

The following is a comparison of the Skydance and SAA provisions, each containing the most important sentence from the parties' proposed revision to paragraph 3. Skydance points out that this is only one sentence of paragraph 3, but the two provisions reflect a fundamental disagreement over what constitutes "fair and reasonable". (These paragraphs can be found in their entirety in Respondents' Exhibit N and Complainant's Original Exhibit 21.)

Skydance's Proposed Language Relating to Termination: " ... 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." (Complainant's Original Exhibit 21, emphasis added.)

Respondents' Proposed Language Relating to Termination: " ... the License granted herein is terminable **at the will of either party** pursuant to the terms and conditions of this license." (Respondent's Exhibit N, emphasis added.)

Skydance encourages the FAA to review Complainant's Reply Exhibit 1 because it describes in great detail the discussions of September 19, 2001 between the lawyers for both parties and the "tentative agreement" (subject, of course, to the approval of SAA's board) that resulted. **The key sentence in the tentative agreement between counsel reads as follows:** "... the License granted [is] terminable pursuant to the terms

and conditions of this License.” (Complainant’s Reply Exhibit 1, Owens-2 and 3) Note that the term “at will” was removed from paragraph 3. Unfortunately, SAA’s board did not go along with “our revisions” (in the words of SAA’s counsel⁸) although they were acceptable to Skydance.

It is clear to Skydance that shortly after receiving the September 6, 2001 proposal from SAA’s counsel (Respondents’ Exhibit N), the airport decided to await the outcome of Mr. Garcia’s review. In the meantime, its lawyer continued to “negotiate” with Skydance. (Complainant’s Reply Exhibit 1) On October 26, 2001, Mr. Garcia concluded (to Skydance’s shock and dismay) that the original license agreement as originally presented to Skydance was fair, reasonable and non-discriminatory. **Although Mr. Garcia was unaware that some operators had not signed the agreement, he did not appear to focus on whether the agreement was also fair and reasonable.** Indeed, compliance with the latter requirement has nothing to do with whether other parties waive their rights, either out of ignorance, fear or because they make a business decision not to assert them.

As a result of Mr. Garcia’s decision, the negotiations between SAA and Skydance were effectively terminated. SAA directed Skydance to either sign the agreements (including the original license agreement) or vacate the premises on November 12, 2001. (Complainant’s Original Exhibit 29) Because it was still unwilling to sign an agreement that violated the AIP statute and grant assurances, the lockout and eviction occurred shortly thereafter. Since Skydance was without a lease and the Arizona courts did not have jurisdiction over the federal airport compliance issues presented in this Part 16 proceeding, Skydance’s appeal of the eviction was rejected.

Standing

Respondents’ assert that since Skydance does not have a lease, it has no standing to initiate this Part 16 proceeding. Apparently, Respondents believe that Skydance should

⁸ Complainant’s Reply Exhibit 1, (specifically Owens-5)

have signed the unfair and unreasonable license agreement before it could bring this action. On the contrary, Skydance was willing to lose its tenancy at Sedona because it refused to be bullied. It is now paying the price for upholding its principals and seeking legal redress.

To suggest, as Respondents have, that Skydance is not a “**person directly and substantially affected by any alleged non-compliance**” (emphasis added) within the meaning of 14 CFR section 16.23(a), reflects their general lack of appreciation for the differences between federal airport law and commercial landlord-tenant matters. Moreover, to suggest that only current tenants have standing to challenge unfair, unreasonable and discriminatory behavior is a classic “chicken and egg” argument. It would mean, for example, that any party challenging the grant of exclusive rights would lack standing under Part 16 if it were not a tenant. Under the Respondent’s reasoning, it would not matter that their status as a non-tenant was due to the airport’s refusal to let them on to the airport! Accordingly, Skydance submits that it has standing to bring this Part 16 action.

Summary

When stripped to its bare essentials, this case is actually quite simple. An existing tenant refused to sign an unfair and unreasonable license agreement, primarily because it would have allowed the airport operator to terminate the license “at will”. Therefore, Complainant chose not to make a \$300,000 investment in new facilities and subject itself to the risk that the very operations that would service the debt on its investment could be summarily and unilaterally halted. Although the license agreement was (by Respondents’ own admission) in excess of the Minimum Standards, Complainant did not object to it in principle and would have signed it had it been fair, reasonable and non-discriminatory. **Because some operators did not sign it, and have apparently not signed it to this day, the license agreement was discriminatory.**

However, the willingness of every operator to sign the license agreement does not establish that it was either fair or reasonable. Indeed, Skydance fully recognizes that standing up for one's principles is not for the faint hearted. When it complained about the license agreement, the airport sought to reduce the proposed lease from 30 to two years and now claims that this was necessary because SAA's lease with the county expired on May 31, 2031!

Skydance urges the FAA to examine the original license agreement presented to the company on February 10, 2001. It took Skydance's letter to Tony Garcia on August 23, 2001 before Respondents' counsel finally proposed alternative language. Skydance wanted the issue resolved so it could move forward with its construction project but it would not waive its rights to negotiate a fair, reasonable and non-discriminatory agreement.

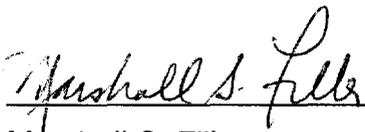
For some unknown reason, Respondents now attach great importance to the fact that on September 6, 2001 its counsel proposed new, improved language to paragraph 3. In its Answer, it issued a stinging criticism of Skydance for intentionally omitting this fact from its Complaint and allegedly misleading the FAA. **However, the September 6th proposal still allowed the airport to terminate the license agreement "at will" and was conditioned on the approval of SAA's board, an approval that was never forthcoming.**

Thereafter, counsel for the parties continued their discussions. Complainant's Reply Exhibit 1 shows that the discussions resulted in a tentative agreement between the lawyers on September 19, 2001. All that remained was ratification by the principals. Skydance did so; the Respondents did not. To add insult to injury, Respondents now claim that Skydance did not send them anything following the attorneys' discussions on September 19th. However, Complainant's Reply Exhibit 1, Owens-2 and 3 shows that counsel for Skydance sent a "black line" confirmation of their tentative agreement on the very same day that they talked. Respondents' counsel subsequently acknowledged them as "our revisions" and indicated that he would send them to his client for its review

and approval. Once again, the board did not approve them, an all too familiar pattern in this case.

For the forgoing reasons, Skydance urges the FAA to (1) deny Respondents' Motion to Dismiss and, at the appropriate time, (2) issue a decision finding that Respondents violated 49 U.S.C. 47107 and the corresponding grant assurances.

Respectfully submitted,



Marshall S. Filler
Counsel to Complainant Skydance Helicopters, Inc.
Marshall S. Filler, P.C.
117 North Henry Street
Alexandria, VA 22314
703-299-0784 (phone)
703-299-0254 (fax)
msf@potomac-law.com (e-mail)

Dated: May 30, 2002

CERTIFICATE OF SERVICE

I, Debbie Sanville, certify that on May 30, 2002 I caused the executed original and three (3) copies of the foregoing Complainant's Part 16 Reply and Response to Motion to Dismiss to be hand-delivered to:

Office of the Chief Counsel (Room 922B)
ATTN: FAA Part 16 Airport Proceedings Docket (AGC-610)
Federal Aviation Administration
800 Independence Avenue, SW
Washington, DC 20591

I further certify that on May 30, 2002 I have caused true copies of the document referenced above to be personally delivered, via Federal Express, to the following:

Richard Spector, Esq.
Spector Law Offices, P.C.
4020 N. Scottsdale Rd.
Suite 300
Scottsdale, AZ 85251

Ken Ross, Esq.
The Law Offices of Ken Ross
1011 S. Wolf Rd.
Wheeling, IL 60090

Mr. Edward McCall
General Manager
Sedona Airport Administration
235 Air Terminal Drive
Suite 1
Sedona, AZ 85251

David S. Hunt, Esq.
Board Counsel
Yavapai County Board of Supervisors
1015 Fair Street
Prescott, AZ 86305



Debbie Sanville

Affidavit of Steven R. Owens

State of Colorado)
)ss
County of Arapaho)

I, STEVEN R. OWENS, being first duly sworn, affirm under penalty of perjury that the following is true as to both substance and fact:

1. I am over the age of 21 years, and am otherwise competent to make this affidavit and to testify in this matter.

2. I am an attorney at law, admitted to practice before the courts of Colorado and Arizona.

3. During all times relevant to this affidavit, I was employed as counsel to Skydance Helicopters, Inc. ("Skydance") and represented Skydance in its efforts to resolve its disputes with the Sedona Airport Authority. During all times relevant to this affidavit, I maintained my office at 25 Bell Rock Plaza, Suite A, Sedona, Arizona. In April of 2002, I relocated my practice to Greenwood Village, Colorado.

4. I have been provided by my client with a copy of the PART 16 ANSWER AND MOTION TO DISMISS (the "*Answer*") which was filed by the Sedona Airport Authority ("SAA"), and have been asked by my client to respond to various misrepresentations and misstatements which were presented by counsel to SAA as "Pertinent Facts" in that *Answer*.

5. Nearly all of the narrative which is presented as "Pertinent Facts" is either false, or is severely misrepresented, but I will confine this Affidavit to correction of the most material falsehoods.

6. The most outrageous and bald-faced lie in the *Answer* is the statement by Richard Spector, counsel to SAA, which is set forth at Page 15:

"On September 19, 2001, legal counsel for SAA and Skydance did discuss the License Agreement and Skydance offered to amend its positions and forward them to SAA (Exhibit R). But Skydance did not provide SAA with any proposed changes. SAA did not hear from Skydance until after Mr. Garcia's October decision."

(*Answer* at p. 15, ls. 6-10, emphasis added)

7. As the record indicates, the Exhibit R referred to in this blatant misrepresentation is a letter sent from Mr. Spector to myself at 2:37 p.m. on September 19, 2001. (*Answer*, Exhibit R, p.2)

8. In the *Answer*, Mr. Spector downplays in a very misleading fashion our telephone conversation of September 19, 2001. In fact, on that date he and I spent over an hour going over each and every one of the points of contention in the Operating License, and discussing and revising every single point in the Operating License which was in dispute until we came up with mutually acceptable language addressing every single point of contention. In this process I gave ground more often than Mr. Spector because I was under specific instructions from Mr. Cain, my client contact, to reach an agreement at all costs, so long as we were able to remove the "termination at will" language and to obtain fair due process rights in the resulting final Operating License. The record shows that Mr. Spector acknowledges that we agreed upon revisions to the Operating License on that date: the final sentence of his first paragraph reads as follows: "However, once I receive the changes that *we made* to the License Agreement, I will forward it on to my client for review." (*Answer*, Exhibit R. p.1, emphasis supplied)

9. Because this matter was of such importance to my client and Mr. Cain had instructed me to reach an agreement with SAA if at all possible, I stayed after hours on September 19, 2001 for two hours revising the Operating License, being careful to preserve all of the agreements I had made with Mr. Spector, created a new blackline, and e-mailed and mailed all of the changes to Mr. Spector at 7:11 p.m. on September 19, 2001. The copy sent by U.S. Mail was sent to Mr. Spector's usual office address, and it was not returned to me, which indicates that it was received. The copy sent by e-mail was acknowledged by Mr. Spector at 10:01 on September 20, 2001 as follows:

"Thanks, I will forward your letter and *our revisions* to Mac. I'd suggest that your client call Mac directly to follow up."¹

Mr. Spector's characterization of the revisions on September 20, 2001, as "*our*

¹ A copy of the letter I sent to Mr. Spector on September 19, 2001 is attached to this Affidavit as "Exhibit Owens-1," a copy of the revised Operating License which Mr. Spector and I finalized on September 19, 2001 was attached to that letter and is attached to this Affidavit as "Exhibit Owens-2," a copy of the blackline (which compares our September 19, 2001 revisions to the SAA original agreement) which I created and sent to Mr. Spector is attached to this Affidavit as "Exhibit Owens-3," a copy of the e-mail transmission of these documents, which I printed out on September 19, 2001 and which I filed in my correspondence file is attached to this Affidavit as "Exhibit Owens-4," and a copy of the e-mail I received from Mr. Spector on September 20, 2001, acknowledging receipt of the documents and characterizing the final document as "*our revisions*" is attached to this Affidavit as "Exhibit Owens-5."

revisions,” just as he characterized the changes in his letter of September 19, 2001 as “the changes that *we made*” demonstrates that the revisions were indeed mutually agreeable revisions.

10. After receiving the e-mail confirmation, I called Mr. Spector later in the morning of September 20, 2001, and asked him if the revisions I made to the Operating License fairly reflected our discussion and our agreements. He again indicated that the revisions fairly and accurately set forth our agreed-upon language. I told him that Mr. Cain was out of town, but that I was sure that he would approve of all of our revisions. Mr. Spector indicated that he would recommend the final revised Operating License to his client contact, Dave Webster (President of SAA), and Mr. Spector indicated that Mac McCall had already reviewed the document and had approved of all revisions.

11. On Sunday, September 23, 2001, I spoke with Mr. Cain and detailed all of the revisions Mr. Spector and I had agreed upon and, as I expected, he approved all of them and indicated that he was eager to sign and finalize the lease and license. On Monday, September 24, 2001, I called Mr. Spector to confirm that my client had approved of all of the revisions and was ready to proceed, but Mr. Spector indicated that he had not yet met with Mr. Webster, but would convey to him that my client had approved all of the agreed-upon revisions to the Operating License. Hearing nothing from him, I called him again later that week, and he informed me that Mr. Webster had flatly rejected not only all of our stipulated revisions to the Operating License, but Mr. Webster had rejected any revisions whatsoever to the Operating License. Mr. Spector informed me that Mr. Webster now demanded that Skydance execute the original Operating License, as it had been provided in April, without any revisions whatsoever. Mr. Spector informed me that Mr. Webster had instructed him not to negotiate any further regarding the Operating License or any revisions whatsoever to the Operating License. Mr. Spector informed me that Mr. Webster had stated that it was his decision that SAA would not revise the Operating License in any way unless the FAA “forced” SAA to do so.

12. I was astounded by this position, since Mr. Spector, myself and Mr. McCall had worked so hard to resolve the differences between our clients. Mr. Spector seemed equally disappointed, but indicated that Mr. Webster appeared angered that Skydance had taken our dispute to the FAA and that since Skydance had done so, there would be no further negotiations whatsoever until after Mr. Garcia made a determination.

13. Accordingly, not only are Mr. Spector’s statements that “Skydance did not provide SAA with any proposed changes” and that “SAA did not hear from Skydance until after Mr. Garcia’s October decision” shown by the record to be complete lies, but the entire premise of Section 3 of his *Answer*, that SAA offered a revised Operating License to Skydance which protected Skydance’s due process

rights, therefore rests on a complete fabrication. The falseness of this position is also demonstrated by other parts of the record: on October 29, 2001, Mac McCall wrote to Skydance informing Skydance that it must sign the Operating License, *in the original format*, by November 12, 2001, or be forcibly ejected from the airport. A copy of this letter is attached to this Affidavit as "Exhibit Owens-6."

14. SAA's statements that Skydance rejected the revised Operating License are completely false—as show above, Skydance continually pressed for any form of a fair Operating License and it was SAA which terminated discussions and insisted upon the April form of License, which contained the "termination at will language" and which severely limited Skydance's due process rights, and it was SAA which refused to modify that language in any way. Skydance's attempts to obtain a fair Operating License are well documented, but its final attempt is documented in the record by my letter of November 9, 2001, which SAA attached to the *Answer* as Exhibit U. In that letter, I wrote:

"My client stands ready to perform under the November 1, 2000 agreement, *and will execute the lease in the form upon which we have agreed*. Although I am sure that my client's position has been made clear, I will clarify that, while it will perform all of its agreements set forth in the November 1, 2000 agreement, and will enter into and abide by the terms of the lease we have agreed upon, *it will not execute the unreasonable form of Operations License which has been provided, which includes provisions that the license can be terminated at will and without any cause and which would deprive my client of numerous due process rights which it holds*.

(*Answer*, Exhibit U, emphasis supplied) This letter makes it clear that the only Operating License being tendered by SAA was the original Operating License which was tendered in April, and which contained the "termination at will" language. This letter also makes it clear that Skydance remained willing to execute the Operating License that Mr. Spector and I agreed upon on September 19, 2001, but which Mr. Webster arbitrarily took off of the table within a week.

15. Similarly, Mr. Spector's unfounded assertion that Skydance made a business decision to relocate its business prior to being evicted is completely false. I was directed by my client to make every possible effort to finalize an Operating License that offered minimal fair due process to my client, and I negotiated such an agreement with Mr. Spector, as the record shows. An examination of the Operating License that he and I agreed upon (attached hereto as Exhibit Owens-2) shows that it met all of SAA's requirements—which is why Mr. Spector and Mr. McCall recommended that SAA accept it.

16. The falsehoods and misrepresentations continue throughout the balance of the *Answer*. For example, at Page 19, Paragraph 2, SAA states that a modified Operating License was offered to Skydance. As noted above, this is a lie. From approximately September 26, 2001, after Mr. Webster determined that only the original Operating License would be offered, there was never an offer of any Operating License that afforded any form of due process rights. The falsehoods continue on Page 20, where SAA continues to pretend that it had offered a modified Operating License, and that Skydance refused to communicate or accept the modified Operating License. The falsehoods continue on Page 22, where SAA contends that it negotiated on reasonable terms. If it did so, where is its response to my letter of 7:11 p.m. on September 19, 2001? Where is the follow-up to Mr. Spector's acknowledgment of September 20, 2001 that he would present "*our revisions*" to the SAA Board? There is no follow-up because the board refused to accept the revisions that Mr. Spector and I agreed upon, and Mr. Webster instructed Mr. Spector not to negotiate further with Skydance.

17. The misrepresentations continue. At Page 18 of the *Answer* SAA states that the Verde Valley Justice Court "granted SAA's Motion to Dismiss and found that it did not have jurisdiction (Exhibit Z)." The *Answer* further states that "A Judge opined in open court that Skydance did not have a lease upon with to argue it was entitled to possession." *Answer* at Page 18, Paragraph 2. Both of these statements are falsehoods. A brief examination of the Court's Order demonstrates that the Court did not grant SAA's Motion to Dismiss, did not dismiss the case, and did not rule on any substantive issues. *Answer*, Exhibit Z. Judge Wyles *did not* opine that Skydance lacked a lease, indeed his Order makes clear that Judge Wyles (a layman with no legal education) was simply confused by the arguments presented by SAA and believed that "title or ownership of real property is an issue in this case," which was incorrect: Skydance never disputed SAA's title to the real property. *Answer*, Exhibit Z.

18. The misrepresentations of the record continue. At Page 18 of the *Answer*, SAA asserts that Skydance would "rest on the state court's decision." SAA implies that there was a decision on the merits in the state court action in favor of SAA, which is false. As my letter of December 13, 2001 makes clear, Judge Wyles's confusion, and the resulting procedural error

"... and the resulting delay caused by the transfer to the Superior Court caused too great a passage of time to occur. This case clearly illustrates the truth of the old adage; 'justice delayed is justice denied.'

Because my client needed to either obtain possession on Wednesday, November 21, 2001 or let all of his employees go, it was forced to terminate its employees and liquidate its business in Sedona.

Therefore, because success upon appeal of Judge Wyles's erroneous ruling [that title to the property was in dispute] would be an empty

victory, and would accomplish nothing of any use to my client, my client has instructed me to simply let the time set forth in the enclosed notice of appeal pass without action and to let the FED action be dismissed.”

Accordingly, your client’s long campaign to destroy my client’s business and force it off of the Sedona airport, while wrongful, has been successful.”

Answer, Exhibit Z.

19. There are numerous other falsehoods in the Answer, but at the request of my client, I have confined this Affidavit to correcting the most material misrepresentations and falsehoods. Ordinarily I would find it amazing that a member of the Arizona Bar would file a pleading packed with so many outright lies and misrepresentations, all of which are clearly demonstrated to be false by the written record and his own correspondence. However, I am not surprised in this case, since SAA and its counsel have made a regular pattern and practice of lying not only to my client, but to the FAA in this matter. The statements made to Mr. Garcia by SAA were similarly full of falsehoods, which were also proven to be false by the written record of this case.

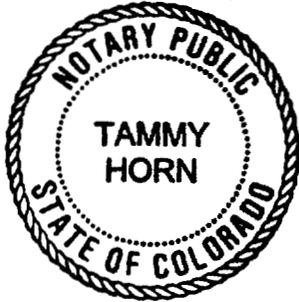
If I were to testify before a court of law, I would testify as set forth above.



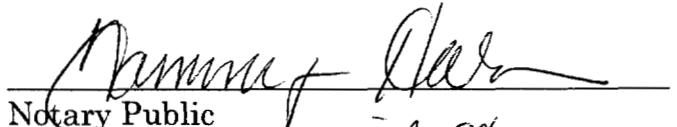
Steven R. Owens, Esq.
Post Office Box 3779
Englewood, Colorado 80155-3779

On May 28, 2002, before me, a notary public in and for the State of Colorado, personally appeared Steven R. Owens, who executed this instrument in my presence and swore the foregoing to be the truth under penalty of perjury.

WITNESS my hand and official seal.



My Commission Expires Feb. 22, 2006



Notary Public
4968 S. Yosemite St.
Greenwood Village CO 80123.

EXHIBIT "OWENS-1"

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

September 19, 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,

I am writing to follow up on our conversation of earlier today, in which we discussed our clients' areas of possible agreement and areas of potential remaining dispute, and to acknowledge receipt of your letter of September 19, 2001, received earlier this afternoon. In that regard, I want to clarify that the final sentence of your third paragraph is not in conflict with the first sentence of that paragraph—it is our understanding that while your client does not waive any of its rights under state or federal law, it will forebear from exercising those rights or commencing any form of eviction action until after the FAA makes its decision. If my understanding of our agreement in this regard is correct, no response is necessary.

Following up on our discussion, I thank you for making what I understand to be a good faith effort to narrow our client's areas of disagreement and to find areas of mutual agreement. I hope you found my efforts to be the same. As a result of our conversation, I have drafted a revised Commercial Operations Agreement, which I believe addresses all, or nearly all, of your client's concerns.

I have significantly modified the indemnity provisions of Section 26.1, with the effect that my client is extending to your client a much greater release and

Richard Spector, Esq.
SPECTOR LAW OFFICES, P.C.
September 19, 2001
Page 2

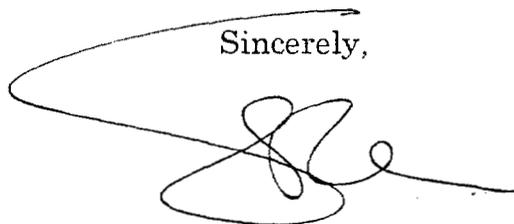
indemnity that it is requesting in return. My client cannot give your client a blanket release from damages which might be caused by your client's or its employee's actual negligence, as your client initially proposed. However, I have removed all of the language regarding invitees from your client's release and indemnity provisions, which I believe addresses your primary concern. I believe that the resulting provision is very fair and reasonable, and, in fact, is weighted in favor of your client.

As you requested, I changed Section 3 to set forth your suggested language, with the few modifications we agreed upon today, and drastically cut Section 29, so that it simply conforms to Section 3 and deletes all of the dispute resolution language which you indicated was troublesome to your client.

I have deleted Section 34 from the License based upon our agreement that it would be better to address these terms in the associated Lease, and that you would insert them in the Lease. It is my understanding that there is no dispute as to these terms.

I sincerely believe that the attached License will be acceptable to my client, based upon my telephone discussions with Mr. Cain. However, Mr. Cain is out of town dealing with a family medical emergency, and will not see these documents until Sunday or Monday. Accordingly, I must reserve the right to make additional changes based upon his review. In the meantime, please share the attached proposal with your client, I have prepared an additional blackline for your use and reference. I look forward to speaking with you early next week to resolve any remaining differences.

Sincerely,

A handwritten signature in black ink, appearing to be "SRO", with a large, sweeping flourish extending to the left and a smaller loop to the right.

Steven R. Owens

SRO:mja
enclosures as specified

EXHIBIT "OWENS-2"

**LICENSE AGREEMENT FOR COMMERCIAL BUSINESS ACTIVITIES AT THE
SEDONA AIRPORT**

This License Agreement ("License") is entered into this ___ day of September, 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.** 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. 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. October 1, 2001

2.7 Expiration Date. May 31, 2031

2.8 Premises. See Section 7.1.

3. Grant of License, Default, Notice and Cure Provisions. 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 any Lease applicable to Licensee as Tenant or sub-tenant therein; provided however, the License granted herein is terminable pursuant to the terms and conditions of this License. Nothing herein to the contrary, if either party determines that the other party has (i) taken any action that would be a breach of the License or any Lease between the parties, or has (ii) engaged in any behavior proscribed by this License, the Minimum Standards for Aeronautical Activity (as it is amended from time to time) or any Lease between the parties, the aggrieved party shall give written notice (the "Notice") of the claimed breach or default specifying in reasonable detail the nature of the claimed breach or default and a demand for cure. After receipt of the Notice, the party asserted to be in default shall have ten (10) days to cure the claimed breach or default. In the event that the claimed breach or default is not reasonably susceptible to cure within 10 days, then party asserted to be in breach or default shall so inform the other party in writing and shall commence a cure in good faith and with all reasonable diligence within 10 days of receiving the Notice and shall complete the cure with all reasonable diligence, but in all events within 30 days. 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 rights 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, the Minimum Standards for Aeronautical Activity (as it is amended from time to time), 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, offensive business activities, or actions of any kind that would be a breach of this License. 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 this License; and (iii) Licensee agrees its rights to operate its business at the Premises arises solely out of this 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.

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 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, any applicable Lease between the Parties, and in the event of such noncompliance and such default is not cured under the terms set forth in Sections 3 and 29, hereof, Licensor will have the right to terminate this License or, at the election of Yavapai County 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 Licensors 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, Licensors 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, Licensors shall make all reasonable accommodations to Licensee's operations possible.

16. Maintenance, Repair, Direction and Control The Licensors 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 Licensors 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 pursuant to the provisions of Sections 3 and 29, hereof, 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 Sections 3 and 29, hereof.

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 or employees. Licensee hereby waives all claims in respect thereof against the Licensor, except for any claims arising from the default of Licensor, its agents or employees under this License or the Lease or arising through the negligence of Licensor, its agents or employees. Licensor shall indemnify and hold harmless Licensee from and against any and all claims, costs and expenses arising out of any breach by Licensor of any provision of this License or the Lease, the violation of any law, ordinance, field rule, or other regulation of the Federal Aviation Administration, or any other governmental agency, 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 and employees, 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 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 shall not be unreasonably withheld.

27.2 Transfer of Interest in Licensee. Licensor 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 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, Notice and Cure.

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, 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.

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: Upon the occurrence of any breach of and/or default under this License, the party asserting the breach or default shall follow the notice and cure provisions of Section 3, hereof.

29.3. Reservation of Rights. In the event of a dispute in the interpretation or application of this License, both parties reserve any and all rights they may hold under applicable state and federal law.

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.

IN WITNESS WHEREOF, the parties hereto hereby execute this License this _____ day of September, 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

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.

EXHIBIT "OWENS-3"

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. 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 tofor 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 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. _____October 1, 2001

2.7 Expiration Date. May 31, 2031

2.8 Premises. See _____Section 7.1.

3. Grant of License, Default, Notice and Cure Provisions. Licensor grants to Licensee a License to operate its business inupon the Premises defined above subject to all the terms and conditions herein and all terms and conditions of theany Lease applicable to Licensee as Tenant or sub-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~~if either party determines that the other party has (i) taken any action that would be a breach of the License or any Lease between the parties, or has (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. proscribed by this License, the Minimum Standards for Aeronautical Activity (as it is amended from time to time) or any Lease between the parties, the aggrieved party shall give written notice (the "Notice") of the

claimed breach or default specifying in reasonable detail the nature of the claimed breach or default and a demand for cure. After receipt of the Notice, the party asserted to be in default shall have ten (10) days to cure the claimed breach or default. In the event that the claimed breach or default is not reasonably susceptible to cure within 10 days, then party asserted to be in breach or default shall so inform the other party in writing and shall commence a cure in good faith and with all reasonable diligence within 10 days of receiving the Notice and shall complete the cure with all reasonable diligence, but in all events within 30 days. 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 rights being ~~subject to~~ 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 ~~objectionable to Licensor or Airport patrons~~ in violation of the specific terms of this License, the Minimum Standards for Aeronautical Activity (as it is amended from time to time), 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~~ offensive business activities, or actions of any kind that would be a breach of ~~the License~~ this License. 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 this License; and (iii) Licensee agrees its rights to ~~use~~ operate its business at the Premises arises solely out of this 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~~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, any applicable Lease between the Parties, and in the event of such noncompliance and such default is not cured ~~within seven (7) days~~ **under the terms set forth in Sections 3 and 29**, hereof, Licensor will have the right to terminate this License ~~hereby created without liability therefor~~ or, at the election of Yavapai Licensor County 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 pursuant to the provisions of Sections 3 and 29, hereof, 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 Sections 3 and 29, hereof.

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 or employees. Licensee hereby waives all claims in respect thereof against the Licensor, except for any claims arising from the default of Licensor, its agents or employees under this License or the Lease or arising through the negligence of Licensor, its agents or employees. Licensor shall indemnify and hold harmless Licensee from and against any and all claims, costs and expenses arising out of any breach by Licensor of any provision of this License or the Lease, the violation of any law, ordinance, field rule, or other regulation of the Federal Aviation Administration, or any other governmental agency, 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 and employees, 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 shall not be unreasonably withheld in Licensor's sole and absolute discretion).~~

27.2 Transfer of Interest in Licensee. Licensors 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. Should Licensee proceed to accomplish any of said transfers without Licensors's prior written approval, Licensors 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 Licensors 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 Licensors'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, Notice and Cure.

~~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 RentFees.** 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 Licensors'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: Upon the occurrence of any breach of and/or default under this License, the party asserting the breach or default shall follow the notice and cure provisions of Section 3, hereof.

29.3. Reservation of Rights. In the event of a dispute in the interpretation or application of this License, both parties reserve any and all rights they may hold under applicable state and federal law.

30. Waiver. Licensor's 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 rents/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 such waiver by Licensor or 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 a 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.

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

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.

EXHIBIT "OWENS-4"

Law Office of Steven R. Owens

To: Richard Spector Esq.
Subject: SAA - SKYDANCE



09-19-01 Second
Revised Operat...



09-19-01 Redline of
Second Rev...

Richard, following is a copy of a letter and attachments I sent to you today.

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

September 19, 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,

I am writing to follow up on our conversation of earlier today, in which we discussed our clients' areas of possible agreement and areas of potential remaining dispute, and to acknowledge receipt of your letter of September 19, 2001, received earlier this afternoon. In that regard, I want to clarify that the final sentence of your third paragraph is not in conflict with the first sentence of that paragraph-it is our understanding that while your client does not waive any of its rights under state or federal law, it will forebear from exercising those rights or commencing any form of eviction action until after the FAA makes its decision. If my understanding of our agreement in this regard is correct, no response is necessary.

Following up on our discussion, I thank you for making what I understand to be a good faith effort to narrow our client's areas of disagreement and to find areas of mutual agreement. I hope you found my efforts to be the same. As a result of our conversation, I have drafted a revised Commercial Operations Agreement, which I believe addresses all, or nearly all, of your client's concerns.

I have significantly modified the indemnity provisions of Section 26.1, with the effect that my client is extending to your client a much greater release and indemnity that it is requesting in return. My client cannot give your client a blanket release from damages which might be caused by your client's or its employee's actual negligence, as your client initially proposed. However, I have removed all of the language regarding invitees from your client's release and indemnity provisions, which I believe addresses your primary concern. I believe that the resulting provision is very fair and reasonable, and, in fact, is weighted in favor of your client.

As you requested, I changed Section 3 to set forth our suggested language, with the few modifications we agreed upon today, and drastically cut Section 29, so that it simply conforms to Section 3 and deletes all of the dispute resolution language which you indicated was troublesome to your client.

I have deleted Section 34 from the License based upon our agreement that it would be better to address these terms in the associated Lease, and that you would insert them in the Lease. It is my understanding that there is no dispute as to these terms.

I sincerely believe that the attached License will be acceptable to my client, based upon my telephone discussions with Mr. Cain. However, Mr. Cain is out of town dealing with a family medical emergency, and will not see these documents until Sunday or Monday. Accordingly, I must reserve the right to make additional changes based upon his review. In the meantime, please share the attached proposal with your client, I have prepared an additional blackline for your use and reference. I look forward to speaking with you early next week to resolve any remaining differences.

Sincerely,

/s/

Steven R. Owens

SRO:mja
enclosures as specified

EXHIBIT "OWENS-5"

Law Office of Steven R. Owens

From: Richard Spector [spectorlaw@msn.com]
Sent: Thursday, September 20, 2001 10:01 AM
To: Law Office of Steven R. Owens
Subject: Re: SAA - SKYDANCE

Thanks. I will forward your letter and our revisions to Mac. I'd suggest that your client call Mac directly to follow up.

----- Original Message -----

From: Law Office of Steven R. Owens
Sent: Wednesday, September 19, 2001 7:11 PM
To: Richard Spector Esq.
Subject: SAA - SKYDANCE

Richard, following is a copy of a letter and attachments I sent to you today.

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

September 19, 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,

I am writing to follow up on our conversation of earlier today, in which we discussed our clients' areas of possible agreement and areas of potential remaining dispute, and to acknowledge receipt of your letter of September 19, 2001, received earlier this afternoon. In that regard, I want to clarify that the final sentence of your third paragraph is not in conflict with the first sentence of that paragraph—it is our understanding that while your client does not waive any of its rights under state or federal law, it will forebear from exercising those rights or commencing any form of eviction action until after the FAA makes its decision. If my understanding of our agreement in this regard is correct, no response is necessary.

Following up on our discussion, I thank you for making what I understand to be a good faith effort to narrow our client's areas of disagreement and to find areas of mutual agreement. I hope you found my efforts to be the same. As a result of our conversation, I have drafted a revised Commercial Operations Agreement, which I believe addresses all, or nearly all, of your client's concerns.

I have significantly modified the indemnity provisions of Section 26.1, with the effect that my client is extending to your client a much greater release and indemnity that it is requesting in return. My client cannot give your client a blanket release from damages which might be caused by your client's or its employee's actual negligence, as your client initially proposed. However, I have removed all of the language regarding invitees from your client's release and indemnity provisions, which I believe addresses your primary concern. I believe that the resulting provision is very fair and reasonable, and, in fact, is weighted in favor of your client.

As you requested, I changed Section 3 to set forth your suggested language, with the few modifications we agreed upon today, and drastically cut Section 29, so that it simply conforms to Section 3 and deletes all of the dispute resolution language which you indicated was troublesome to your client.

I have deleted Section 34 from the License based upon our agreement that it would be better to address these terms in the associated Lease, and that you would insert them in the Lease. It is my understanding that there is no dispute as to these terms.

I sincerely believe that the attached License will be acceptable to my client, based upon my telephone discussions with Mr. Cain. However, Mr. Cain is out of town dealing with a family medical emergency, and will not see these documents until Sunday or Monday. Accordingly, I must reserve the right to make additional changes based upon his review. In the meantime, please share the attached proposal with your client, I have prepared an additional blackline for your use and reference. I look forward to speaking with you early next week to resolve any remaining differences.

Sincerely,

/s/

Steven R. Owens

SRO:mja
enclosures as specified

EXHIBIT "OWENS-6"



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. J. McCall", is written over a horizontal line.

Edward J. McCall, A.A.E.
General Manager
Sedona Airport

Oct. 20, 1997

SEDONA AIRPORT

MINIMUM STANDARDS
FOR
AERONAUTICAL ACTIVITY

TABLE OF CONTENTS

1.0 BACKGROUND. 1

2.0 DEFINITIONS. 1

3.0 GENERAL REQUIREMENTS. 3

4.0 MINIMUM STANDARDS FOR AERONAUTICAL ACTIVITIES. 5

5.0 GENERAL RULES AND REGULATIONS FOR AIRPORT USE. 10

6.0 LEASE OR USE APPLICATION. 13

MINIMUM STANDARDS FOR AERONAUTICAL ACTIVITIES

SEDONA AIRPORT

1.0 BACKGROUND.

The purpose of these Minimum Standards for aeronautical activities at Sedona Airport is to promote fair competition at public airports and not expose those who have undertaken to provide commodities and services to irresponsible competition. Prudent airport owners adopt and enforce minimum standards to be met by those who propose to conduct commercial activities on the airports. Such standards, by expressing minimum levels of service which must be offered, relate primarily to the public interest. Appropriate requirements, uniformly applied, also discourage substandard enterprises, thereby protecting both the established aeronautical activity and the airport patrons.

The following minimum standards and requirements for commercial aeronautical activities have been established in the public interest for the safe and efficient operation of the Sedona Airport: to enhance its orderly growth; to preclude the granting of an exclusive right to conduct an aeronautical activity in violation of Section 308(a) of the Federal Aviation Act of 1958; to conform to Title VI of the Civil Rights Act of 1964 and Part 21 of the U.S. Department of Transportation Regulations and to assure all lessees and potential lessees the availability of airport property on fair and reasonable terms and without unjust discrimination.

FAA Advisory Circulars 150/5190-1A (Minimum Standards for Commercial Aeronautical Activities on Public Airports) and 150/5190-2A (Exclusive Rights at Airports) have been used to provide guidance in the general preparation of these standards.

2.0 DEFINITIONS.

Aeronautical Activity: Any activity which involves, makes possible or is required for the operation of aircraft or which contributes to or is required for the safety of such operation.

Air Carrier: An operator transporting persons or property by air for compensation under Federal Aviation Regulations (FAR) Parts 121 or 125.

Air Operations Area (AOA): That area of the airport separated from public traffic by buildings, fences and gates comprising the general air side operational area, aprons, maneuvering areas, and roadways designated for use of aircraft and aircraft servicing and ground support vehicles.

Air Taxi: An air operator transporting persons or property by air for compensation under FAR Part 135.

Air Traffic Control: A service provided by the Federal Aviation Administration (FAA) to promote the safe, orderly and expeditious flow of aircraft air and ground traffic.

Aircraft: Any and all contrivances now known or hereinafter designed and amended or used for navigation of or flight in the air.

Aircraft Operator: The owner of an aircraft or any person who has rented such aircraft for the purpose of operations by himself or his agents.

Airport: Sedona Airport.

Airport Management: As used in these Minimum Standards the Airport Management is Sedona Airport Administration or its General Manager and its designated employees charged with the operation and management of the airport.

Apron/Ramp: Any defined area on the airport intended to accommodate aircraft for the purpose of loading or unloading passengers or cargo, refueling, parking or maintenance.

Commuter Operation: A commuter operation is any scheduled air taxi operation conducted by any person operating a non-turbo jet powered aircraft of nine seats or less and a maximum payload capacity of 7,500 pounds or less, or a rotorcraft, with a frequency of operations of at least five round trips per week on at least one route between two or more points according to published flight schedules.

Fixed Base Operator: A commercial enterprise performing aeronautical services as defined in these Minimum Standards for the aviation public. Minimum services provided by a Fixed Base Operator include aircraft refueling, maintenance and ground handling.

Flying Club: Any combination in which two or more persons are associated directly or indirectly as individuals or as an association or legal entity to provide such persons the privilege of piloting club owned aircraft normally based on the airport. A flying club shall be operated on a non-profit basis so that it does not receive greater revenue than the amount necessary for the operation, maintenance, acquisition and replacement of its aircraft. The non-profit status shall be substantiated by documentation from the Director of Internal Revenue.

Fuel Handling: The transportation, delivery, fueling and draining of fuel or fuel waste products.

General Aviation: All aviation activities, including commercial, private, business, recreational and agricultural aircraft operations other than air carrier and government or military operations.

Lease: A conveyance of real property rights for occupancy or use of land, improvements or combination thereof for a specified period of time.

License: For the purpose of these Minimum Standards, a license is a conveyance of personal rights rather than interest in real property derived from the proprietary interest of the airport operator for occupancy or use of an area of property.

Line Services: The sale and into plane delivery of recognized brands of fuels, lubricants and other related aviation products. Line services also includes servicing of aircraft, ramp assistance, parking, storage and tie down of aircraft within the leased area.

Minimum Standards: Qualifications which may be established as the minimum requirements to be met as conditions to conduct an activity at the airport. It is the responsibility of all lessees and sublessees and any operator on the airport to be aware of the contents of and to adhere to the Minimum Standards.

Noncommercial Aviation Operator: Any business entity engaged in general aviation activities for its own business purposes or individuals owning and operating aircraft for private purposes but not providing those services to other aeronautical users, patrons or persons or aircraft operators for compensation.

On Demand Air Taxi: An on demand air taxi is an operator transporting persons or property by air for compensation under a charter or individual contract as opposed to a scheduled operation.

Permit: As used in these Minimum Standards the term permit refers to a conveyance of personal rights rather than real property interests under the police powers of the airport operator to insure health and safety of the occupant or user of airport property and all surrounding tenants and other users.

Scheduled Operation: A scheduled operation is any common carriage passenger carrying air operation for compensation for which the operator offers in advance the departure location, departure time and arrival time.

3.0 GENERAL REQUIREMENTS.

The following general minimum standards shall apply to all aeronautical activities conducted at the airport:

3.1 Any aeronautical activity on the airport shall comply with all applicable federal, state and local laws including business codes and business licensing requirements of the City, County and State.

3.2 Insurance for any particular activity shall be provided as required in a specific contract or pursuant to standards established by the Airport Manager.

3.3 Any provider of or party conducting any aeronautical activity shall have first obtained a lease, sublease, license agreement, permit or other authorization issued by Sedona Airport Administration authorizing use of facilities in a designated area on the airport.

3.4 All persons conducting aeronautical activity on the airport for commercial purposes shall provide adequate employee and customer vehicle parking as specified in these standards or pursuant to applicable local laws and regulations.

3.5 All charges for services on the airport shall be reasonable and shall be equally and fairly applied to all users of the services.

3.6 All operators or providers of aeronautical activities shall pay all taxes and assessments against any buildings or other structures which they have placed on any premises as well as all taxes and assessments against the personal property used by them in their operations.

3.7 All contracts, leases or other agreements at the airport shall be subordinate to the provisions of any existing or future agreement between Yavapai County, Sedona Airport Administration and the United States regarding the operation and maintenance of the airport, the execution of which has been or may be required as a condition precedent to the expenditure of federal funds for the development of the airport.

3.8 Any sublease of any agreement, license, permit or other authorization shall be subject to all of the minimum standards set forth in this document. Any subtenant will assume the full obligations of the authorization under which they are subtenant and shall immediately comply with any reasonable request or direction of the Airport Manager as it relates to the enforcement of these standards.

3.9 Sedona Airport Administration reserves the right to take any action it considers necessary to protect the aerial approaches to the airport against obstructions together with the right to prevent any tenant from erecting or permitting to be erected any building, sign or other structure on the airport which, in the opinion of the Airport Manager would limit the usefulness of the airport or constitute a hazard to aircraft.

3.10 All airport property shall be available to any aeronautical user consistent with these Minimum Standards, the adopted Airport Layout Plan, any adopted Airport Land Use Plan or Airport Master Plan for use of the airport. However, Sedona Airport Administration reserves the right to lease any available building or area as one parcel rather than to several tenants with smaller parcel sizes in order to comply with the requirements of these Minimum Standards provided that such activity shall not be done for the purpose of excluding any individual, but to

smaller parcel sizes in order to comply with the requirements of these Minimum Standards provided that such activity shall not be done for the purpose of excluding any individual, but to reduce lease administrative costs and other problems relative to multiple small tenancy buildings.

3.11 These standards may be revised from time to time by simple majority vote of those members of the Board of Directors present and voting, based on changing circumstances.

4.0 MINIMUM STANDARDS FOR AERONAUTICAL ACTIVITIES.

4.1 Flight Instruction.

All providers of flight instruction must hold required FAA and State certifications for the type or level of instruction provided. The provider must have on airport office space and a telephone. Restroom facilities must be available within reasonable walking distance of the office space. The provider must have parking available for both customer and employee vehicles as set forth either in these Minimum Standards or in applicable local jurisdiction laws and regulations affecting the airport.

4.2 Aircraft Sales.

Aircraft sales businesses must maintain an on airport office and must hold licenses as required by any government agencies having jurisdiction over such activities. Aircraft owners selling their own airplanes and exempt from State sales licensing requirements are considered exempt from these requirements as well.

4.3 Aircraft Storage.

Aircraft tiedown spaces shall be designed to provide for no aircraft overlap. Adequate tiedown hardware shall be provided for wing and tail tiedowns. Taxi lanes for use by aircraft under power shall be designed with minimum taxi lane widths consistent with FAA Advisory Circular 150\5300-13, "Airport Design", and shall be maintained as designed. Such taxi lane shall also be marked in accordance with the standards set forth in FAA Advisory Circular 150\5340-1G, "Standards for Airport Markings".

4.4 Airport Owned Aircraft Storage Hangars.

Aircraft storage hangars shall be used exclusively for the storage of aircraft and no commercial operations shall be conducted out of such hangar unless authorized pursuant to a written agreement between the operator of such commercial activity and the Airport Management. Storage of marine craft or any other vehicles not required for the support of aviation activities is subject to prior written approval of Airport Management.

4.5 Aircraft Maintenance and Repair.

Any provider of aircraft maintenance and repair services shall have the FAA approvals and certifications necessary for performance of 100 hour and annual inspections. To the extent repair services are provided, such service provider must also have the appropriate FAA certifications for the specified types and levels of repairs. Any provider of aircraft maintenance and repair services must maintain an on airport office, a telephone, and hangar area sufficient for the parking of customer aircraft. These requirements, except for the certification and authorization requirements from FAA do not apply to aircraft owners providing service to their own aircraft and not receiving any compensation therefore.

4.6 Fuel/Line Services.

Fuel and fuel service shall be available 24 hours per day for facilities with a self-service island. Fuel services shall be available during normal business hours and shall also be available through a posted call up number during the remainder of airport operating hours. Fuel suppliers and service providers may require payment of a reasonable call up fee and shall have a response time which shall not exceed 30 minutes from call up. All fuel providers will maintain an on airport office and telephone and shall use only approved trucks and other equipment which shall be maintained in a safe, non-leaking condition. Fire extinguishers and spill containment materials shall be maintained within ready reach of all persons performing fueling. All fuel services shall comply with NFPA "Standards for Aircraft Fueling No. 407", as well as all applicable federal, state and local safety, fire and environmental laws and regulations. Fuel service providers shall maintain insurance in an amount designated by the Airport Management naming Yavapai County and Sedona Airport Administration as additional insured. Fuel providers shall pay such fuel flowage fees as may be set from time to time by airport management. Fuel providers shall maintain a minimum of one 10,000 gallon above ground storage tank which complies with all applicable laws and shall have available at all times both Jet A and 100LL AVGAS fuel grades. Aircraft owners, commercial use or private use, may obtain fuel from non-airport sources and bring it onto the Sedona Airport to service their own aircraft ("Self Fueling"). Aircraft owners may self fuel only so long as they comply with reasonable personnel, safety, fire prevention and environmental protection requirements and other airport fuel storage, handling and dispensing requirements as set forth in these Minimum Standards and in the Self-Fueling Policy which is attached to these Minimum Standards as Appendix "1", incorporated by reference and made a part of these Minimum Standards as if set forth in full.

4.7 Aircraft Rental

Any provider of aircraft rentals shall maintain an on airport office and adequate assigned tiedown or inside storage area for all rental aircraft. Restroom facilities shall be available within reasonable walking distance of the office.

4.8 Radio and Electronic Sales and Services

Any provider of radio and electronic sales and services shall hold all required FAA and FCC licenses. In addition, the provider of such services shall maintain an on airport shop or office. The provider of electronic sales and service shall also maintain sufficient aircraft parking spaces for storage of customer aircraft.

4.9 Flying Clubs (non-profit)

A flying club shall be a non-profit corporation or partnership. Club aircraft must be owned or leased by the club. The club may not offer or conduct charter, air taxi, rental or flight instruction, and only members of the flying club may operate club aircraft. The club shall not permit its aircraft to be used for the giving of flight instruction to any person, including club members, where such person pays or becomes obligated to reimburse for such instruction except when instruction is given by a lessee or permittee authorized to give such instruction. Exceptions are permitted to the above restrictions when flight instructors or mechanics are club members. Such club members may perform instruction, maintenance or repair services where compensation is limited to credit against payment of dues or flight time provided that such instructors or mechanics have the required FAA certifications and licenses.

4.10 On Demand Air Taxi Operations.

On demand air taxi operators shall provide adequate sheltered waiting areas within 500 feet of the loading ramp. The waiting area shall be of sufficient size to hold the passenger load for the type of aircraft used and meet the applicable fire codes for occupancy of such waiting area space. Restrooms shall be available at the waiting area. Adequate vehicle parking spaces shall be provided within reasonable walking distance of the waiting area. The number of parking spaces shall equal one vehicle per passenger as related to the passenger capacity of the aircraft. The on demand air taxi operator shall hold all applicable FAA and DOT licenses and/or certificates. The operator shall provide adequate ground handling equipment for the type of aircraft used. The operator shall also provide public telephones within reasonable walking distance of the waiting area.

4.11 Commuter Operations.

Commuter operations may be conducted only from the airport's main terminal building and associated ramp area. Any commuter aircraft operator shall provide either customer service, counter personnel or a direct line customer service counter telephone from 6:00 a.m. to 11:00 p.m. and for such additional hours as are required to coincide with any delayed flight. The operator will provide adequate guidance and escort for passengers between the boarding lounge gate and the aircraft door. The operator will escort all unscreened passengers from the aircraft through security identification display when disembarking. Unscreened passengers shall only use exit gates authorized by the Airport Management. The commuter operator shall provide

queuing stanchions of approved type for crowd control as necessary and shall abide by all signage requirements of the airport. All commuter operators will comply with the requirements of any FAA approved airport security program applicable to the airport.

4.12 Specialized Aviation Services.

Specialized aviation services include aircraft modifications, aircraft paint, aircraft upholstery, aircraft propeller service, aircraft engine component overhaul, aircraft major rehabilitation or reconstruction and helicopter repair (exclusive of fixed-wing). Any provider of such specialized services shall hold the required FAA certification for the type of work done and shall have an office or other fixed place of business on the airport.

4.13 Banner Tow Operations.

Any banner tow operator must obtain a permit from the Airport Management to perform such operations. A ground crew consisting of at least one individual is required for all banner tow operations. Any vehicles operated on the airport must display airport required identification and markings. Banner tow pickup and drop operations will be conducted only in areas designated by the Airport Management for such activities.

4.14 Mobile Aircraft Washing and Detailing.

Aircraft washing may be conducted only in designated areas for such activities. Operators of such mobile aircraft washing and detailing services must contain all water and associated discharge from their activities. All such effluent must be recycled or removed from the airport. Operators of mobile aircraft washing and detailing services shall obtain appropriate permits from the Airport Management and must obtain the permission of the lessee or permittee of any airport premises before entering.

4.15 Mobile Catering.

Mobile catering permits may be issued on a nonexclusive basis. Permittees shall not operate their catering units within 300 feet of the terminal building. Mobile caterers must obtain the approval of any lessee or permittee at the airport before entering their premises.

4.16 Full Service Fixed Base Operator.

A full service fixed base operator conducts at least the following aeronautical activities: aircraft fueling and servicing, aircraft maintenance, flight instruction and aircraft storage. Such full service fixed base operator shall comply with all of the minimum standards applicable to all aeronautical activities and services provided.

4.17 Aircraft Rental and Leasing.

The operator of an aircraft rental and leasing business must maintain and operate an office on the airport. The office shall be sufficient in size for the required number of employees and anticipated customers. The operator of a fixed business shall provide adequate customer parking within reasonable walking distance of the office space. A restroom shall be available within reasonable and safe walking distance of the office space. The operator of such aircraft rental and leasing business shall maintain sufficient aircraft tiedown spaces or hangar spaces for all aircraft utilized in its rental and leasing business. Each such aircraft available for rental or leasing must hold FAA registration and a current airworthiness certificate. The operator of such aircraft rental and leasing business shall procure and maintain aircraft liability and insurance in an amount specified by the Airport Management which shall name Yavapai County and Sedona Airport Administration as additional insureds.

4.18 Agricultural Application.

Any agricultural application operator must procure and maintain an FAR Part 137, Commercial Agricultural Operator Certificate. Such operator must also obtain appropriate hazardous materials management permits from any government entity requiring such permits pursuant to federal, state or local law. All permits and certificates must be submitted to the Airport Management for review prior to commencement of any operations and renewals must be furnished to the Airport Management as received. Such operator must procure and maintain insurance, including fire and chemical and hazardous materials coverage to conform to the requirements of the Yavapai County and Sedona Airport Administration as set forth in applicable permitting documents or as provided by the Airport Management. The operator of such agricultural application services must be knowledgeable about the safe handling of economic poisons and agricultural chemicals and the proper disposal of substances intended to be used in its operations. Such operator shall also comply with all federal, state and local regulations applicable to the storage and containment of hazardous materials and shall provide facilities of sufficient size and security to conform to such requirements. Such operator shall submit a waste management plan addressing handling, treatment or storage of hazardous materials and the safe and proper cleanup of any hazardous waste spills. Tanks and/or containers shall be designed, constructed, maintained and operated in a manner which conforms to applicable federal, state and local laws, rules and regulations covering the construction and maintenance of such tanks as such may be applicable from and after January 1, 1998. At minimum the storage of hazardous waste containers on site shall be in a structure which will prevent the contamination of the environment with hazardous waste. Any underground storage tanks shall be of required design and construction and shall have approved monitoring systems and records concerning the operations, inspections and monitoring shall be maintained by the operator. The operator must submit a letter of credit, performance bond or insurance covering any cleanup or fines imposed or caused by or as a result of the presence or use of hazardous materials on the premises.

4.19 Special Events.

Air shows and other special events shall be conducted on the airport only pursuant to specific written agreements between the proponent of such activity and Sedona Airport Administration which shall set forth the specific activities to be conducted, the terms and conditions and insurance requirements applicable to such activities. The proponent shall obtain all required FAA approval for the special event.

4.20 Other Aeronautical Activities.

All aeronautical activities not listed separately in the categories set forth in these Minimum Standards shall be subject to the requirements set forth in FAA Advisory Circulars and other applicable documents, rules, regulations which may apply to such activity. Such activities must comply with all FAA, state and local certification and licensing requirements to conduct the type of operations in question and shall provide appropriate liability, hangar keepers and/or other insurance as deemed appropriate by the Airport Management. Proof of such insurance shall be submitted to the Airport Management prior to commencement of operations. Such proof of insurance shall also indicate that Yavapai County and Sedona Airport Administration are named as additional insureds.

5.0 GENERAL RULES AND REGULATIONS FOR AIRPORT USE.

5.1 Airport Roadways and Walkways.

No person shall travel upon any portion of the airport except upon the roadways, walkways or places provided and marked for the particular class of traffic nor occupy the roadways or walkways in an unsafe manner or in such manner as to hinder or obstruct their proper use. All persons shall abide by all posted speed and other limitations.

5.2 Personal Conduct.

No person shall enter or remain on airport property or do or omit to do any act if the doing or omission thereof endangers unreasonably or is likely to endanger persons or property.

5.3 Commercial Activity.

No person shall enter or remain on airport property exclusive of the leaseholds to buy, sell, peddle or offer for sale or purchase any goods, merchandise, property or perform services including surveys of any kind whatsoever on or from the airport property without the express written consent of the Airport Management.

5.4 Advertisement.

No person shall post, distribute or display signs, circulars, printed or written material of an advertising nature at the airport without express written consent of the Airport Management and in such manner as the Airport Management or applicable rules relating to signage may prescribe.

5.5 Litter and Refuse.

No person shall place, discharge or deposit in any manner paper, trash, rubbish or other refuse anywhere on the airport except in trash receptacles designed for such purpose. All litter and refuse must be covered when transported in vehicles and all receptacles must have covers to preclude leaking, dripping, shifting or otherwise escaping of such materials. All airport tenants shall provide sufficient trash receptacles for their operations.

5.6 Construction.

No on or off site construction on any leasehold or other interest on the airport may commence without the prior written consent of the Airport Management.

5.7 Damage or Destruction of Property.

No person shall destroy or cause to be destroyed, injured, damaged, defaced or disturb any airport property.

5.8 Abandoned Personal Property.

No person shall abandon any personal property in public areas of the airport. The registered owner of any abandoned aircraft or vehicle shall be liable for any damages resulting from the abandonment of such property or for the removal of such abandoned property. Liability for removal shall include any incurred storage fees.

5.9 Aircraft Operations.

All operation, service, maintenance and repair of aircraft shall comply with rules and regulations set forth by the FAA, the National Transportation Safety Board and other federal and state entities having jurisdiction thereover. No person shall work on or park an aircraft on or adjacent to any active taxiway or runway. All parked aircraft must be within the boundary lines of a designated tenant leasehold.

5.10 Aircraft Incident Reports.

The operator of any aircraft involved in an incident or accident resulting in personal injury or property damage shall comply with all requirements of the National Transportation Safety Board. In addition to all other reports required to be made, the operator shall make a prompt and complete report concerning said incident or accident to the Airport Management.

5.11 Disabled Aircraft.

The owner, lessee, operator or other person having control or the right of control over any disabled aircraft shall be responsible for the prompt removal thereof from the airport and disposal of such disabled aircraft and any or all parts thereof subject to the requirements or direction of the National Transportation Safety Board, the FAA or other entity having jurisdiction over such investigation relating to investigation of an accident or incident. Any aircraft which is an eyesore, wrecked or in derelict condition shall be placed inside a hangar or screened fence or removed from the airport. The owner, lessee, operator or other person having control or the right of control of any aircraft shall cause any and all necessary actions to be taken to effect the prompt removal and disposal of any disabled aircraft which obstructs any part of the airport and shall pay any costs incurred by or on behalf of the airport for any such removal or disposal of any aircraft. No disabled aircraft may be left unattended or abandoned on any active airport area except for a brief period while seeking assistance.

5.12 Aircraft Movement in Operational Areas.

No aircraft shall be taxied, towed or otherwise moved on the airport in a careless or negligent manner or at a speed or in a manner which would unreasonably endanger persons or property.

5.13 Motor Vehicle Operation.

No motor vehicle shall be operated on the airport premises except on roadways, parking areas or other areas specifically designated for such vehicles. Vehicles operated on the airport shall display required identification markings at all times. Vehicles may be parked in appropriate and designated locations on the airport premises. Vehicles belonging to a particular operator shall be parked only on the operator's premises. Aircraft shall have the right of way over all vehicles at all times under all conditions. All other vehicles shall also yield the right of way to emergency equipment. No vehicle shall operate on or across any runway, taxiway or aircraft movement area without obtaining permission from the tower. Persons driving vehicles on the airport shall have received appropriate training in the operation of such vehicle and in operations on or near aircraft movement areas. Except as otherwise specifically provided in this section, all laws and rules of the State of Arizona governing motor vehicle operation, parking and maintenance shall apply.

5.14 Fire Safety.

All activities conducted on the airport shall conform to fire and fire safety regulations adopted by applicable state or local entities or regulatory authorities. Explosives shall only be handled in accordance with applicable laws and regulations governing such activities. No person shall store, keep, handle, use, dispose, transport any hazardous materials at or upon the airport except in compliance with all applicable federal, state and local laws, rules and regulations. Fueling operations shall comply with National Fire Prevention Association standards regarding Aircraft Fuel Servicing, Section 407, and shall otherwise comply with all applicable laws, rules, codes, regulations or fire safety requirements adopted by any governmental authority having jurisdiction over such activities.

6.0 LEASE OR USE APPLICATION.

Any request to use any land or building space on the area or on the airport must be in writing and delivered to the Airport Management. Such application may be on a form provided by the Airport Management and contain the information set forth therein but shall in any event set forth the name, mailing address and telephone number of the applicant, the type and nature of the organization or business entity, its officers or partners as well as the individual or business name and the mailing address as they should appear on any lease. The application should also specify the amount of land, the number of buildings, amount of business space or other land or building area for which use is desired. The application should also indicate the services to be offered and include a list of all intended services upon completion of any installation. If construction is to be provided, the completion date of any proposed construction of site preparation should be set forth as well as the date of any beginning operations. If building space is to be constructed, the application should identify the square footage, types of buildings and intended use for each as well as the estimated total cost of such construction. In addition, at least a tentative site plan depicting the proposed construction should be included with the application. The application should also indicate the proposed hours of operation, the number of persons to be employed, the anticipated number and type of aircraft to be based at the airport and sufficient evidence of financial capability to perform and provide the services which may include, but may not be limited to, a current financial statement prepared or certified by a Certified Public Accountant, a written list of the assets owned or being purchased for use at the airport, a current credit report covering all areas in which the applicant has done business in the past 10 years, a list of references which may be contacted and an authorization for the Federal Aviation Administration or other aviation or aeronautic commissions, administrators or departments of any state or local jurisdiction in which the applicant has engaged in the aviation business to supply all information in their files relating to the applicant or applicant's operation. Applicant will execute such forms, releases and discharges as may be requested by any of these agencies.

An application for use of airport land or buildings shall be denied if any of the following are found to be true:

1. Not Qualified. The applicant does not meet the qualification standards and requirements as set forth in these minimum standards.
2. Safety Hazard. The proposed operations or construction will constitute a safety hazard at the airport.
3. Expenditures. The application will require an expenditure of funds, labor or materials in connection with the proposed operations which would result in financial loss to the Airport.
4. Availability. There is no appropriate, adequate or available space or building at the airport to accommodate the activity of the applicant.
5. Noncompliance with Master Plan. The proposed operation, airport development or construction does not comply with the adopted airport master plan or airport layout plan.
6. Congestion. Development or use of the area requested by the applicant which will result in depriving existing airport operators a portion of the area in which they have been conducting operations pursuant to existing agreements or would be unreasonably costly, burdensome or impracticable for the existing operators to provide the aviation services on the airport.
7. Misrepresentation. Any untrue statement of any material fact contained in the application or documents supporting the application or failure to make a full disclosure on the application or in supporting documents shall result in denial.
8. History of Violations. A record of violating the Minimum Standards or rules and regulations of any other airport, Federal Aviation Regulations or any rules and regulations applicable to the Sedona Airport shall be deemed grounds to deny an application.
9. Default. Failure or default in the performance of obligations of any lease or other agreement with Yavapai County or Sedona Airport Administration shall be grounds for denial of an application.
10. Credit Report. A credit report which contains derogatory information indicating that the applicant does not have satisfactory business responsibility and reputation shall be grounds for denial of an application.
11. Lack of Finances. Lack of financial capacity necessary to conduct the proposed operations shall be grounds for denial.
12. Undesirable Reputation. A party applying for or having an interest in the business who has been convicted of any crime or violation of any ordinance of such a nature which

indicates that the applicant would not be a desirable operator shall be grounds for denial of an application. Such crime or violation shall reflect on the honesty or moral turpitude of the applicant.

13. Environmental Considerations. Considerations relating to the protection of the health, safety and welfare of the public shall justify denial of an application.

SELF-FUELING POLICY

This Self-Fueling Policy has been adopted by the Sedona Airport Administration and is incorporated as an appendix into the Minimum Standards for Aeronautical Activities at the Sedona Airport. It is intended to be a guide for the conducting of self-fueling activities and is intended to be read in conjunction with the Minimum Standards.

Pursuant to this policy, aircraft owners, commercial or private use, may bring fuel from any lawful source onto the Sedona Airport to service their own aircraft ("self-fueling"). Such self-fueling shall be authorized only so long as aircraft operators remain in compliance with reasonable personnel, safety, fire protection and environmental protection requirements and other airport fuel storage handling and dispensing requirements. This policy also applies to aircraft owners who have obtained supplemental type certificates (STCs) authorizing use of automotive gasoline (MOGAS) in their aircraft and wish to self service their aircraft with MOGAS. All aircraft owners desiring to self-fuel their own aircraft must apply for the required permit for private use aircraft or license for commercial use aircraft. Copies of the application form are attached to this self-fueling policy.

1. Definitions. Self-fueling means fueling one's own aircraft from: an authorized mobile fueling vehicle or apparatus, or an authorized fixed tank. Self-fueling applies to: fuel originally purchased from an authorized fuel sales fixed base operator at the Sedona Airport and to fuel purchased off-airport and brought onto the airport for the sole use of only the purchaser. Licensee: licensed to fuel own commercial use aircraft. Permittee: means a person or business permitted to fuel own non-commercial use aircraft.

2. General Requirements. All mobile fueling vehicles and apparatus, and fixed tanks must meet applicable personnel safety, environmental protection, and fire prevention standards as set by Airport Management. In addition, relevant standards adopted by the Sedona Airport Administration (as airport operator), County of Yavapai (as airport owner), the Sedona Fire Department (as jurisdictional fire marshall), and as may be warranted, the Arizona Department of Transportation, licensees/permittees must comply with Federal Aviation Administration Advisory Circular 150/5230-4, Aircraft Fuel Storage, Handling, and Dispensing on Airports, and National Fire Protection Association Standard 407, Aircraft Fuel Servicing, and any and all other relevant standards that may in the future be adopted by the Sedona Airport Administration, the County of Yavapai, City of Sedona, and Arizona Department of Transportation as regard fuel servicing, handling, storage, or dispensing. Licensees/Permittees must carry liability insurance covering general liability, completed operations/product liability, environmental impairment liability, and motor vehicle injury and property damage liability, as each may be appropriate.

3. Specific Requirements. Before engaging in any form of self-fueling, licensee/permittee must enter a written license/permit agreement with the Sedona Airport Administration and provide documentation demonstrating full and complete compliance with insurance requirements and vehicle/apparatus/tank safety (fire, environmental and personnel).

4. Fees. A license (commercial use) or permit (non-commercial use) fee for self-fueling is \$25.00 for twelve calendar months. A fuel flowage fee of 10.5 cents per gallon is assessed for fuel purchased off-airport and brought onto the airport. Licensee/permittee is required to provide a monthly statement of gallons brought onto the airport for purposes of assessing the monthly fuel flowage fee.

5. Safety Inspections. An annual safety and compliance inspection will be conducted with prior notice provided. Failure to pass a safety and compliance inspection or failure to meet the scheduled inspection date will result in immediate license/permit suspension until a re-inspection is made and satisfactorily passed. Upon satisfactorily passing a re-inspection, license/permit can be reinstated for \$25.00 for the duration of the remainder of the original license/permit period.

6. Other Limitations and Restrictions.

- a. Fuel vehicles, apparatus and tanks will not be placed inside aircraft storage hangars (fuel inside aircraft fuel tank is exempt).
- b. Aircraft will not be fueled inside aircraft storage hangars.
- c. Commercial-use fuel servicing personnel will be trained according to accepted industry standards and training documentation will be provided to Airport Management.
- d. Licensee/permittee will not fuel aircraft not owned/operated by licensee/permittee.
- e. Licensee/permittee will not sell fuel, either retail or wholesale until first meeting airport minimum standards for a retail or wholesale fuel sales business.
- f. No attempt shall be made to self fuel or to fuel any aircraft not owned or solely operated by the self-fueler. Any violation of this provision will cause automatic license/permit revocation and may result in lease termination.
- g. When self-fueling any tank (into aircraft or external storage) capable of holding more than fifty (50) gallons, fuel spill containment materials will be immediately available for prompt use.

7. Amendment. This policy shall remain in effect until later changed, rescinded or amended by Airport Management.

Date

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

April 25, 2001

VIA CONFIRMED FACSIMILE (204-1292) AND U.S. MAIL

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., doing business in Arizona as Skydance Operations, Inc. In this capacity, I have earlier been provided with the proposed CORPORATE-SIZE HANGAR PAD LEASE (the "Proposed Lease") and finally received the LICENSE AGREEMENT FOR COMMERCIAL BUSINESS ACTIVITIES AT THE SEDONA AIRPORT (the "Proposed License").

In order to fully evaluate these documents I need to see the following documents referred to and included by reference into the Proposed Lease and the Proposed License in order to fully evaluate those two documents and to determine if those two documents comply with all state and federal regulations:

REGARDING THE PROPOSED LEASE:

1. Please provide Exhibit B, regarding the rental increase structure,
2. Please provide Exhibit C, not identified,

3. Please provide the Airport Grant Assurances documents referred to in Sections 2.5.1.iii., 2.5.5. and 19 of the Proposed Lease. It is our understanding that these may be extended with regard to each grant, if so, please provide all assurance documents provided to the FAA and the State of Arizona (and Yavapai County, if any),
4. Please provide the agreement between the Airport Authority and Yavapai County referred to in Section 19 of the Lease, which we understand is commonly referred to as the "Master Lease" for the Airport, and which we understand has been amended from time to time. Please provide all leases, including any leases which were superceded by amendment.
5. Please provide the agreement between Yavapai County and the United States referred to in Section 19 of the Lease which we understand grants to Yavapai County a long term use permit or lease for the airport property. In the event that this consists of two agreements, one running from the United States to the State of Arizona, and one running from the State of Arizona to Yavapai County, please provide both agreements.

AS TO THE PROPOSED LICENSE:

1. Please provide Exhibit "B" referring to the gross sales percentage;
2. Please provide the airport grant assurance documents referred to in Sections 7.4.1., 7.4.5. and 31 of the Proposed License. We understand that these are probably the same assurance documents requested above, but please let us know if this is incorrect and provide the additional assurance documents.
3. Please provide the airport compliance requirements issued by the FAA referred to in Section 31 of the Proposed License. If more than one set of requirements has been issued, please provide all sets.

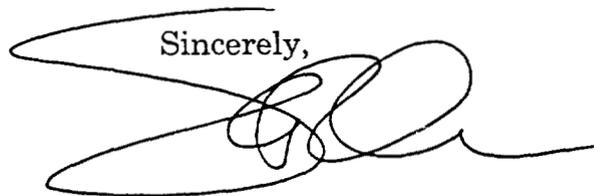
4. We presume that the other agreements referred to in Section 31 of the Proposed License will be provided pursuant to our request for the Master Lease and similar documents set forth above. If not, please provide any additional documents referred to in Section 31.

As you know, my client has been extremely delayed in his construction plans due to the extraordinary delay in preparing the Proposed Lease and the Proposed License. As you also know, my client has dealt in good faith with the Airport Authority in the location and outline of terms for the leasing of the space for its new hangar. We are eager to move forward and hope that the Authority will similarly demonstrate its good faith by expediting the copying of the above requested documents, all of which we assume are public documents.

My office will pay all reasonable copying charges, so please enclose your invoice for copying with the documents. If you need payment for copying in advance, please provide me with your estimated copying charges and I will expedite a check to you for that amount.

I look forward to your cooperation in bringing this matter to an immediate conclusion and finalizing an appropriate lease –again, my client has dealt with the Authority in good faith in order to locate and build his hangar for the mutual benefit of all, and looks forward to good faith efforts 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", written over a horizontal line.

Steven R. Owens

SRO:mja



Sedona Airport Administration

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

May 1, 2001

Mr. Steven R. Owens, Esq.
25 Bell Rock Plaza, Suite A
Sedona, AZ. 86351

Dear Mr. Owens:

In response to your document request concerning Skydance Helicopters, I would like to get a clarification and provide some information.

The sections of the lease agreement and operating license you requested for reproduction were in fact the same sections listed and provided in the prior lease Skydance has been operating under for the last several years.

In an effort to save time, money and manpower is it truly necessary to again reproduce the hundreds of pages of documents required per you request ?

Very Truly,

A handwritten signature in black ink, appearing to read 'E. McCall', with a long horizontal stroke extending to the right.

Edward J. 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 (520) 284-0899
Mobile Telephone (520) 300-1211
Telecopier (520) 284-9885
E-mail owens@sedona.net

May 7, 2001

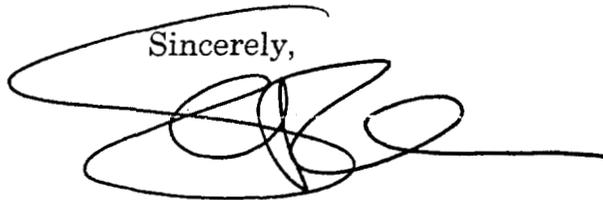
Edward J. McCall, General Manager
SEDONA AIRPORT ADMINISTRATION
235 Air Terminal Drive, Suite 1
Sedona, Arizona 86336

Re: Skydance Helicopters

Dear Mr. McCall,

This is in response to your May 1, 2001 letter. I will need to see all the documents which I requested in my letter dated April 25, 2001. As always, please don't hesitate to contact me should you have any questions or comments.

Sincerely,

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Steven R. Owens

SRO:mja

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

May 10, 2001

Edward J. McCall, General Manager
SEDONA AIRPORT ADMINISTRATION
235 Air Terminal Drive, Suite 1
Sedona, Arizona 86336

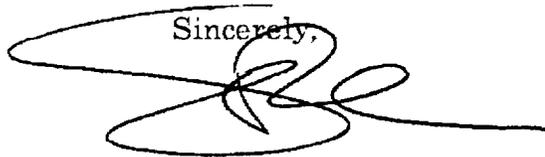
Re: Skydance Helicopters

Dear Mr. McCall,

I am writing in response to your May 10, 2001 letter. I thank you for responding so rapidly to our request, and I appreciate the arrangements you have proposed. Mike Cain or a member of his staff will be contacting you directly to make arrangements and do the copying. I anticipate that he will do so in the next day or so. He will pay you directly for the copying fee.

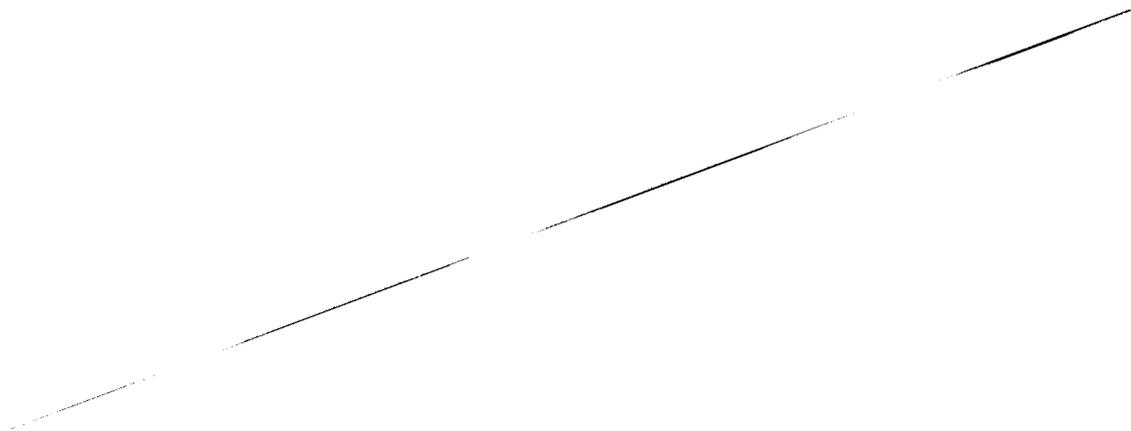
I thank you for your assistance and, as always, please don't hesitate to contact me should you have any questions or comments.

Sincerely,



Steven R. Owens

SRO:mja



PHONE MESSAGE MEMO	TO	<i>Caution</i>	DATE	<i>4/20</i>	TIME	AM PM
	FROM		PHONE ()			
	OF		CELL ()			
			FAX ()			
	MESSAGE					
	<i>Megan Sedona Deal</i>					
	<i>wants to go on 10:00 sat</i>					
	E-MAIL ADDRESS				SIGNED	
	PHONED <input type="checkbox"/>	CALL BACK <input type="checkbox"/>	RETURNED CALL <input type="checkbox"/>	WANTS TO SEE YOU <input type="checkbox"/>	WILL CALL AGAIN <input type="checkbox"/>	WAS IN <input type="checkbox"/> URGENT <input type="checkbox"/>

PHONE MESSAGE MEMO	TO	<i>Go</i>	DATE	<i>4/20</i>	TIME	AM PM
	FROM		PHONE ()	<i>480 481</i>		
	OF	<i>Dynne</i>	CELL ()	<i>9981</i>		
			FAX ()			
	MESSAGE					
	<i>Water Mag</i>					
	E-MAIL ADDRESS				SIGNED	
	PHONED <input type="checkbox"/>	CALL BACK <input type="checkbox"/>	RETURNED CALL <input type="checkbox"/>	WANTS TO SEE YOU <input type="checkbox"/>	WILL CALL AGAIN <input type="checkbox"/>	WAS IN <input type="checkbox"/> URGENT <input type="checkbox"/>

PHONE MESSAGE MEMO	TO	<i>Mike</i>	DATE	<i>4/20</i>	TIME	AM PM
	FROM	<i>George</i>	PHONE ()	<i>he's reser</i>		
	OF	<i>bumel</i>	CELL ()	<i>said sent a few weeks ago</i>		
			FAX ()			
	MESSAGE					
	<i>860 739 4617</i>					
	<i>Calling about job</i>					
	E-MAIL ADDRESS				SIGNED	
	PHONED <input type="checkbox"/>	CALL BACK <input type="checkbox"/>	RETURNED CALL <input type="checkbox"/>	WANTS TO SEE YOU <input type="checkbox"/>	WILL CALL AGAIN <input type="checkbox"/>	WAS IN <input type="checkbox"/> URGENT <input type="checkbox"/>

PHONE MESSAGE MEMO	TO	<i>Mike</i>	DATE	<i>4/20</i>	TIME	AM PM
	FROM	<i>Al Bieber</i>	PHONE ()			
	OF		CELL ()	<i>284-5007</i>		
			FAX ()			
	MESSAGE					
	<i>No the only pp required to have licenses are those to build their own hangar</i>					
	E-MAIL ADDRESS				SIGNED	
	PHONED <input type="checkbox"/>	CALL <input type="checkbox"/>	RETURNED <input type="checkbox"/>	WANTS TO <input type="checkbox"/>	WILL CALL <input type="checkbox"/>	WAS IN <input type="checkbox"/> URGENT <input type="checkbox"/>