

GROUND LEASE

Between

THE TOWN OF COTTONWOOD
an Arizona municipality

and

COTTONWOOD AIRPARK, INC.

May 5, 1983

alt

INDEX

<u>Section</u>	<u>Page</u>
BACKGROUND	
1. PARTIES	3
2. PREMISES AND SURVEY	3
3. TERM	3
4. RENT AND OTHER PAYMENTS	5
5. USE	6
6. CONSTRUCTION	8
7. MAINTENANCE, REPAIRS, ALTERATIONS, RECONSTRUCTION	9
8. OWNERSHIP OF IMPROVEMENTS	11
9. SUBORDINATION OF LANDLORD'S INTEREST	11
10. INDEMNIFICATION FOR SUBORDINATION LOSSES	12
11. NO ENCUMBRANCES ON LANDLORD'S TITLE	13
12. ASSIGNMENT	13
13. RIGHT TO SUBLET	13
14. INDEMNITY, EXCULPATION AND INSURANCE	13
15. CONDEMNATION	14
16. TENANT'S EVENTS OF DEFAULT	15
17. NOTICE OF DEFAULT BY TENANT	16
18. LANDLORD'S REMEDIES	17
19. AIRPORT OPERATOR AGREEMENT	17
20. NOTICES	18
21. RECORDATION OF MEMORANDUM OF LEASE	18
22. EXPIRATION, TERMINATION AND HOLDING OVER	19
23. ARBITRATION	19
24. NO PARTNERSHIP	19
25. MISCELLANEOUS PROVISIONS	19
	20
SIGNATURE PAGE	23
EXHIBITS	24
1. LEGAL DESCRIPTION	
2. TERM COMMENCEMENT AND RENT COMMENCEMENT DATES	
3. AIRPORT SERVICE CONTRACT	
4. MEMORANDUM OF LEASE	
5. DEVELOPMENT PLAN AND TIMETABLE	

act B

LEASE

Background

A. The Town of Cottonwood ("Landlord") is an Arizona municipality which seeks to serve the public interest by providing opportunities for industrial development, and by promoting economic development and the creation of new employment opportunities.

B. Landlord owns the "Property" described on Exhibit 1 and wishes to use the Property in the service of the public interest.

C. Cottonwood Airpark, Inc. ("Tenant") is an Arizona Corporation which wishes to plan, develop and construct facilities on the Property, and to sublease lots to others to encourage new businesses to build new facilities on the Property.

D. Landlord and Tenant jointly will serve the public interest by providing the residents of Cottonwood with access to improved job opportunities on the Property.

E. Landlord will execute this long term ground lease (the "Lease") with Tenant, who will arrange to finance, construct and operate the Improvements (defined below).

Section 1. PARTIES

This Lease is by and between THE TOWN OF COTTONWOOD, an Arizona municipality ("Landlord") and COTTONWOOD AIRPARK, INC. ("Tenant"). It is effective from the date listed on the signature page. Tenant covenants as a material part of the consideration for this Lease to keep and perform each and all of these terms, covenants and conditions. Conditioned on this performance, Landlord leases to Tenant, and Tenant leases from Landlord the Property for the Lease Term.

Section 2. PREMISES AND SURVEY

A) The "Premises" or the "Property" is the land described on the attached Exhibit "1" marked as Tracts One through Eight plus any described appurtenances, but not including Improvements now or later located on the Premises. Landlord will supply an exact legal description to Tenant along with the Survey described below. The Onsite Improvements to be constructed are not part of the Premises, and title to the Onsite Improvements will remain in the Tenant for the Term of the Lease. Title to all Offsite Improvements will pass to the Landlord upon completion of the required dedication process. (See Section 4, below, for definitions of Improvements.)

B) Landlord grants to Tenant the right of entry to the

runway areas shown as Exception A on Exhibit 1 for maintenance purposes, as may be required under Section 19, below.

C) Tenant shall have no responsibility or obligation for maintenance, repair of Exception A, except as may be separately provided by Section 19 below.

D) This Lease does not include the following Exceptions shown on Exhibit 1 (which Landlord shall not lease to any entity or person, except with Tenant's written consent):

- Exception A - The taxiway, runways and clear zones
- Exception B - Mingus Avenue - Airport Road
- Exception C - The Yavapai County Compactor Site
- Exception D - The Town of Cottonwood "Town Yards"
- Exception E - Tract Four

E) Landlord grants to Tenant the exclusive right to control and limit access to Exception A and will execute such further documents as may be necessary in the opinion of Tenant's legal counsel to perfect, clarify, document or give public notice of this grant. The Landlord and other governmental agencies may, however, enter Exception A through presently existing or future dedicated roadways and easements.

F) Landlord warrants that this Lease conveys to Tenant full, unencumbered use of the Premises, free of the rights of any person to possess, use or enjoy it. Landlord, at its expense, will provide to Tenant an ALTA form policy of Title insurance to further insure these rights.

G) Within thirty days after execution of this Agreement, Landlord, at its expense, shall cause an on-the-ground Survey of the Property and a Preliminary Title Report to be delivered to Tenant as completed by a licensed engineer or Surveyor reasonably satisfactory to Tenant. The Survey shall include permanently monumenting the corners of the Property and shall be in form and substance acceptable to the First American Title Company of Arizona as a basis for deleting, at Landlord's expense, from the Leasehold extended coverage title policy to be provided by Landlord under this Agreement, the printed exception pertaining to discrepancies in the area and boundaries and matters which a correct Survey would show. The Survey shall show the location of all fences, easements, rights-of-way, improvements and encroachments and the areas marked as Exceptions A-E on Exhibit 1. Tenant shall have twenty days after receipt of the Survey and Preliminary Title Report to object to any of the conditions or matters shown which materially affect the value or development potential of the Property. If Tenant fails to so object, then it shall be conclusively presumed that the Tenant has approved the Survey and Preliminary Title Report. If Tenant disapproves of the Preliminary Title Report or the Survey, Landlord shall be

given thirty days to cure the matters objected to by Tenant. If Landlord is unable to cure these matters and conditions, then this Lease may be terminated by Tenant by delivering notice to the Landlord. The Survey shall conform to standards necessary for issuance of the ALTA Extended Coverage Title policy.

H) Tenant may redefine, eliminate, combine or otherwise alter the configuration and designation of Tracts One through Eight.

Section 3. TERM

A) The "Term" of this Lease for Airport-Related Areas is twenty-five years, and for all of the remainder of the Property is fifty years. The Term begins on the "Term Commencement Date", which is evidenced by Exhibit 2 to the Lease.

(1) An "Airport-Related Area" is the area as designated on Exhibit 1 which is used in connection with the operation of the Cottonwood Airport's flight or flight support activities.

(2) Tenant reserves the right to change the location of those areas designated as Airport-Related upon obtaining necessary approval required by the Federal Aviation Administration, the Arizona Department of Transportation, and the Town of Cottonwood.

(3) In no event shall Landlord attempt to change the designated use of all or any part of the Property except with Tenants prior written consent which may be withheld or granted in Tenant's sole discretion.

B) References to the "Term" of this Lease include any extensions or options exercised by Tenant.

C) The Term of this Lease may be extended for Airport-Related Areas for three successive periods of twenty-five years each and the Term for all other areas for two successive periods of twenty five years each. If Tenant elects to extend the Term, he must deliver written notice to the "Town Treasurer" of the Town of Cottonwood at any time prior to the expiration of Term. Tenant must not be in default under the provisions of Exhibit 5 at the time of extension. To the extent permitted by state law these extensions shall not be subject to the requirement of a second public bidding process.

Section 4. RENT AND OTHER PAYMENTS

A) Rent. The word "Rent" refers collectively to "Improved Ground Rent", "Unimproved Ground Rent", "Additional Rent", "Taxes", "Late Charges", and all other amounts which Tenant owes to Landlord under this Lease. The Rent Commencement Date is that day upon which Tenant deposits the Rent or documentation for Rent Credits for the first year with the Town Treasurer and executes and delivers Exhibit 2 to the Town Treasurer. If the Rent Commencement Date has not commenced by 5:00 P.M., October 15, 1983, then this Lease shall Terminate upon written notice from either Tenant or Landlord to the other.

B) Unimproved Ground Rent. Tenant agrees to pay as Rent the following sums in United States legal currency commencing on the Rent Commencement Date:

1. The first Unimproved Ground Rent is due in advance on the Rent Commencement Date. The amount of the first payment and all other Rent is to be prorated on the basis of a thirty day month if the Rent Commencement Date or subsequent cancellation of the Lease occurs other than on the first day of a calendar month. The "Unimproved Ground Rent" for the years 1983, and 1984 is Fifty Dollars per acre per year. Unimproved Ground Rent for the years 1984 and after shall be due and payable annually on the first day of January.

2. For the following periods Tenant shall pay to Landlord as Unimproved Ground Rent in advance, annually, the following amounts:

1985-1990	\$ 75/unimproved acre/year
1991-1996	\$ 100/unimproved acre/year
1997-2008	\$ 125/unimproved acre/year

The Rent for all Unimproved Ground Rent shall remain One Hundred Twenty Five Dollars per acre thereafter and for all renewals and extensions.

3. Prior to the commencement of construction of an Onsite Improvement of the Property, the Tenant will record a "Plat Map" in the offices of the Yavapai County Recorder and will submit a written designation of the area to be included in the construction (the "Improvement Lot"). The date on which Tenant receives "Sub-Rent" from a Sub-Tenant is the "Improved Ground Rent Commencement Date". On the first day of the calendar month following the Improved Ground Rent Commencement Date, the Improved Ground Rent for the Improvement Lot shall be \$.01 per square foot of the area within the Improvement Lot which is subleased to a Subtenant; this shall be payable to Landlord on or before the fifteenth day of the month which follows the month in which Tenant actually receives full cash payment of Sub-Rent from a Sub-Tenant. When Tenant begins paying Improved Ground Rent for an Improvement Lot, then no further Unimproved Ground Rent

pursuant to Section 4 (B) (1) or (2) is due for that Improvement Lot. If the Improved Ground Rent Commencement Date occurs other than on the first day of the year, then the amount shall be prorated on the basis of a three hundred sixty five day year for the number of days remaining in that calendar year and paid in advance. If the Sub-Rent per square foot received by Tenant from a Sub-Tenant increases after January 1, 1986, then the Improved Ground Rent due to Landlord shall also be increased by the same percentage calculated on a per square foot basis.

4. Upon presentation to the Town Treasurer of a paid invoice and appropriate lien waiver, the Tenant shall receive a "Rent Credit" against all amounts due as Unimproved Ground Rent under this Lease for all amounts which it spends or causes to be spent for "To the Site Improvements". Interest charges and carrying costs are not allowable as a Rent Credit.

5. The total Rent due to Landlord under this Section 4(B) is the sum of the Unimproved Ground Rent plus the Improved Ground Rent minus any Rent Credits. No Rent is due for any portion of the Property which is dedicated or otherwise transferred to the Landlord, such as areas designated as streets or public right-of-ways.

C) Taxes and Assessments.

1. As Additional Rent Tenant shall pay to Landlord at the same time as Tenant pays its installment of Rent any and all excise, sales, privilege and other applicable taxes ("Taxes").

2. Tenant must pay all real and personal property taxes, general and special assessments and other charges of every description levied on or assessed against the Premises, located on or in the Premises and Improvements ("Taxes") to the full extent of installments due during the Term of this Lease, whether chargeable against Landlord or Tenant. Tenant shall pay these payments directly to the charging authority at least fifteen days prior to delinquency. If, however, the law expressly permits the payment of the Taxes in installments (whether or not interest accrues on the unpaid balance), Tenant may, at Tenant's election, utilize the permitted installment method.

3. Payment of Taxes shall commence with the Term Commencement Date of the Lease and shall be prorated for the initial Lease year and for the year in which the Lease terminates. Tenant may "Contest" the legal validity or amount of any Taxes for which Tenant is responsible under this Lease. If Tenant seeks to Contest a Tax, the Tenant shall nonetheless pay the Tax prior to delinquency. Landlord shall not be required to join in a Contest brought by Tenant unless it is statutorily required that the Contest be brought by or in the name of the Landlord. In that case, Landlord will join the Contest or permit

it to be brought in Landlord's name, so long as Landlord is not required to bear any cost. Tenant, upon final determination of the Contest, shall immediately pay any decision or judgment rendered, together with all costs, charges, interest, penalties and attorney's fees incurred by Landlord or imposed in connection with the Contest.

4. If the law is changed during the Term of this Lease to allow a Contest of Taxes without the necessity of paying the Tax before delinquency, then Tenant may Contest the Tax. Tenant, however, shall furnish to Landlord a cash deposit or irrevocable letter of credit in form and substance approved by Landlord, which approval will not unreasonably be withheld, in an amount equal to One Hundred Twenty Five percent of the disputed Tax plus Landlord's reasonable estimate of accruing penalties, interest and legal fees. Tenant shall, upon final determination of the Contest, immediately pay or discharge the decision or judgment rendered, together with all costs, charges, interest, penalties and attorney's fees incurred by Landlord, if any, or imposed or assessed in connection with the Contest. Landlord shall return the cash deposit or letter of the credit to Tenant upon receipt of evidence in all respects satisfactory to Landlord of the payment or discharge of the Taxes and all associated expenses. If Tenant fails or refuses to pay or discharge these amounts, then Landlord, at its option, may pay the Tax and associated expenses. To the extent that the cash deposit and/or proceeds of the letter of credit are not adequate to cover this payment, then Tenant shall pay the deficiency or any amounts advanced by Landlord on Tenant's behalf as Rent plus interest as specified in Section Ten, below, to Landlord upon demand.

5. If at any time during the Term of this Lease the law concerning the methods of property taxation prevailing at the Term Commencement Date is changed so that a Tax or excise on Rent (or any other Tax, however described), is levied, imposed or assessed against Landlord as a direct substitution in whole or in part for any Taxes, and the purpose of the new tax is more closely akin to that of an ad valorem or use tax than to an income or franchise tax on Landlord's income, then Tenant shall pay the substitute tax or excise on Rents before delinquency. Tenant shall not be required to pay Landlord's state or federal income taxes or any of Landlord's state or federal estate, succession, inheritance or transfer taxes.

6. Landlord shall not impose any new or additional tax on the Property or its Improvements during the Term, unless this tax is also assessed and collected on all private property within the limits of the town.

Section 5. USE

A) Tenant may use the Property for any lawful purpose subject to all requirements of the Town of Cottonwood Zoning Ordinance.

B) Tenant may enter into agreements restricting use or granting easements over the Premises provided that they are necessary or useful for the development of the Property. Landlord will not alter the present zoning classification of the Property during the Term unless requested to do so by Tenant.

C) Tenant may, upon proper application and approval of a conditional use permit, place a mobile home on the Property for use as a temporary office but it shall be removed within twenty four months after the Rent Commencement Date.

Section 6. CONSTRUCTION

A) Tenant will attempt to complete the "Master Plan" to be submitted to Landlord prior to the first day of January, 1984. From time to time during the Term Tenant may, but is not obligated, to construct or otherwise make additional changes on all or any part of the Property not shown on the Master Plan ("Additions"), to demolish, remove, replace, alter, relocate, reconstruct or add to any existing Onsite or Offsite Improvements in whole or in part, and to modify or change the contour or grade, or both, of the Premises. All salvage belongs to Tenant.

(1) An "Onsite Improvement" is a building, T-hanger, storage facility, hanger, and all other construction above or below ground occurring within the boundaries of a Designated Improvement Lot.

(2) "Offsite Improvement" is any construction which occurs in a public right of way or in an area shown as an Exception to the Lease as allowed by Town ordinances and/or variances.

(3) "To the Site Improvement" is a utility such as electric, gas, water, public sewer and telephone which are located outside of the boundaries of the Airport Property shown on Exhibit 1. The phrase also refers to the process of bringing utilities from outside the boundaries of the Airport shown on Exhibit 1 to the location designated on Exhibit 1 as the "To the Site Utility Entrance Point".

(4) Where required by the context, the term "Improvement" includes Onsite, Offsite and To the Site Improvements.

B) Upon receipt of a written request Tenant will deliver to Landlord,

1. Certificates of insurance evidencing coverage for comprehensive, broad form "Builder's Risk" insurance policy;

2. Evidence that Tenant has paid all

premiums for the coverage described in this Section. Tenant shall maintain this insurance in force at all times while any work is in progress on the Premises.

C) Tenant may grant to public entities or public service corporations, for the purpose of serving the Premises, rights-of-way or easements on, over or under the Premises for poles or conduits or both, and for other utilities and municipal or special district services on terms or for periods as may be required in writing by those entities.

D) All Improvements shall be performed in a good and workmanlike manner, and shall comply with all applicable governmental permits, laws, ordinances and regulations and building codes.

E) Tenant shall pay the total cost and expense of all Improvements and Permanent Improvements as that phrase is defined in the Mechanics' Lien Law in effect when the work begins. Tenant shall not permit to be enforced against the Premises any mechanic's, materialman's, contractor's or subcontractor's lien arising from any work however it may arise. Tenant may, in good faith and at Tenant's own expense, Contest the validity of any asserted lien, claim or demand, provided Tenant has furnished the Bond required under the applicable statute which provides for a Bond to free the Premises from the effect of a lien claim.

1. Tenant shall defend and indemnify Landlord against all liability and loss of any type arising out of Work performed on the Premises by Tenant, together with reasonable attorney's fees and all costs and expenses incurred by Landlord in negotiating, settling, defending or otherwise protecting against claims.

2. If Tenant does not record the Bond or otherwise protect the Premises and a judgment is rendered against the Premises for the foreclosure of a mechanic's, materialman's, contractor's or subcontractor's lien claim, and if Tenant fails to stay the execution of the judgment by lawful means or to pay the judgment immediately, then Landlord shall have the right, but not the duty, to pay or otherwise discharge, stay or prevent the execution of the judgment or lien. Tenant shall reimburse Landlord on demand for all sums paid by Landlord under this Section together with all Landlord's actual attorney's fees and costs, plus interest on those sums, fees and costs at the rate of two percent above Valley National Bank's announced prime rate of interest as it exists on the date of the payment by Landlord (not exceeding, however, the maximum allowable legal rate if any then be in effect) from the date of payment until the date of reimbursement. Any amounts due from Tenant under this Section are Rent.

F) Tenant may enter into the Premises before

commencement of the Term of this Lease to make soil tests, bore holes, structural engineering tests, surveys, and other engineering and architectural tests that Tenant considers necessary. All such tests made by or on behalf of Tenant shall be at Tenant's sole expense. Landlord is entitled to receive a copy of these reports upon request. Landlord will provide to Tenant copies of all such information in its possession.

Section 7. MAINTENANCE, REPAIRS, ALTERATIONS, RECONSTRUCTION

A) Except as provided below, Tenant shall, throughout the Term, at Tenant's sole cost and expense, maintain the Premises and all Onsite Improvements in clean and safe condition of maintenance and repair, ordinary wear and tear excepted. This maintenance shall be in accordance with all applicable laws, rules, ordinances, orders, regulations of any regulatory body having jurisdiction, of any insurance underwriting board or inspection bureau claiming jurisdiction, and of any insurance company insuring all or any part of the Premises or Improvements or both. The Tenant shall have no responsibility for the cleaning, maintenance and repair of any portion of the Property which has been dedicated back to the Town.

B) Nothing in this provision defining the duty of maintenance shall be construed as limiting any right given elsewhere in this Lease to alter, modify, demolish, remove or replace any Improvement.

C) Tenant has the right to "Contest" by appropriate judicial or administrative proceedings, without cost or expense to Landlord, the validity or application of any law, ordinance, order, rule, regulation or requirement ("Law") which requires Tenant to repair, maintain, alter or replace the Improvements in whole or in part. Tenant shall not be in Default for failing to do this work until a reasonable time following final determination of Tenant's Contest.

Section 8. OWNERSHIP OF IMPROVEMENTS

A) All Improvements constructed on the Premises by Tenant as permitted by this Lease shall be owned by Tenant until expiration of the Term or sooner termination of this Lease, unless earlier dedicated to Landlord. At any time Tenant may remove or relocate any temporary or relocatable structure, (a temporary or relocatable structure is a structure which requires a special use permit in order to be placed on the premises or is not affixed to a permanent foundation), any Improvement, trade fixture, equipment or other items of personalty, ("Personalty") whether installed by Tenant or by a Sub-Tenant, except that free and unencumbered Title to any Onsite Improvement for which Tenant receives Sub-Rent from a Sub-Tenant during the last twenty-four months prior to the expiration of the Term shall be passed to the Landlord upon expiration of the Term.

B) All Onsite Improvements and Offsite Improvements on the Premises at the final expiration of the Term shall, without compensation to Tenant, become Landlord's property free and clear of all claims to or against them by Tenant or any third person.

Section 9. SUBORDINATION OF LANDLORD'S INTEREST

A) Landlord shall, within twenty days after receipt of written request from Tenant, execute and deliver:

1. A mortgage, deed of trust or other security instrument ("Mortgage") and all other documents reasonably requested by Lender sufficient to subordinate, to the lien of a first encumbrance represented by the Mortgage, Landlord's fee title (which shall be considered to include fee title in the Premises including all rights and appurtenances). The leasehold hereby created, together with all Rents and other benefits due to Landlord under this Lease shall be subordinate to the Mortgage, but Tenant shall hold Landlord harmless from any such loss pursuant to the provisions of this Section 9.

2. Landlord shall execute and deliver construction loan agreements and other instruments reasonably required by Lender to enable Tenant to obtain "Construction Financing" and "Take-out Financing", but in no event shall Landlord be required to sign the promissory note or otherwise have direct or indirect liability for repayment of any sums.

3. "Construction Financing" means a short-term or interim loan. "Take-out Financing" means one or more permanent or long-term loan, the proceeds of which are to repay and discharge the Construction Financing or other loan. Nothing in this provision shall be construed to require Tenant to divide the financing into Construction Financing and Take-out Financing instead of a single loan.

B) This section shall be subject to the following conditions:

1. The "Lender" shall be a bank, life insurance company, building and loan association or savings and loan association, trust fund, pension or profit-sharing trust or other responsible person or entity.

2. Landlord shall execute all documents reasonably and customarily required by the Lender or by the title company insuring the Mortgage provided that Tenant shall pay all attorney's fees incurred by Landlord in complying with this Section. Landlord shall not be required to sign or execute the note to be secured by the Mortgage on the fee title but shall execute the Mortgage. The Mortgage shall contain language to the effect that the Landlord executes it solely to encumber Landlord's fee title and without assuming any direct liability for the payment of the note it secures or any other provision of the note or Mortgage.

3. Tenant's failure to make timely payments of interest and principal under the note and Mortgage is an event of Default under this Lease. A notice of Default under the note and Mortgage must be sent to Landlord and Tenant. Landlord shall have the right to cure any Default if Tenant fails to do so. Neither Landlord's right to cure any Default nor any exercise of such a right shall constitute an assumption of liability under the note or Mortgage.

4. Tenant shall furnish Landlord with copies of any Commitment Letter, Loan Application, Mortgage, Promissory Note and all other instruments required by the fee mortgage lender. Performance by Landlord of Tenant's obligation shall be accepted by the Holder. Landlord shall have the right to assume the position of the Tenant under the Mortgage, and to perform Tenant's obligations on Landlord's behalf, or on behalf of Tenant. Landlord may terminate this Lease as provided in this Lease if Tenant defaults on the Mortgage.

Section 10. INDEMNIFICATION FOR SUBORDINATION LOSSES.

Tenant agrees to defend, indemnify and hold Landlord completely free and harmless from any claim, liability or obligation arising from subordination of Landlord's fee interest, and to indemnify Landlord for any payments made to cure Tenant's Default under the mortgage and for any loss or damage, including reasonable attorney's fees, suffered by Landlord by reason of subordination. Indemnification shall include interest at the rate of two percent above the Valley National Bank's announced prime interest rate from the date of Landlord's payment, loss or damage.

Section 11. NO ENCUMBRANCES ON LANDLORD'S TITLE

At the final expiration of the Term and renewals or extensions, the Premises shall be free and clear of all Mortgages and liens.

Section 12. ASSIGNMENT

Tenant may assign this Lease in its entirety upon approval by the Landlord, which approval shall not be unreasonably withheld. Any permitted assignment shall be subject to and governed by the Terms of this Lease, including Exhibit 5.

Section 13. RIGHT TO SUBLET

Tenant may sublet all or any part of the Premises, Improvements or both and may assign, encumber, extend or renew any Sublease.

Section 14. INDEMNITY, EXCULPATION AND INSURANCE

A) Landlord shall not be liable to Tenant or any Sub-Tenant for any damage to them or their property from any cause, except for the negligence of Landlord or its agents. Tenant will indemnify and hold harmless Landlord against and from all claims arising from Tenant's use of the Premises for the conduct of its business or from any activity, work or other thing done, permitted or suffered by Tenant on or about the Premises. Tenant shall further indemnify and hold harmless Landlord against all claims arising from any breach or default in the performance of any of Tenant's obligations under this Lease or arising from any act of negligence of Tenant or any officer, agent, employee, or guest of Tenant. This indemnity includes all costs and attorney's fees incurred from any related claim, action or proceeding.

B) At Tenant's sole cost and expense and for the mutual benefit of the Parties, Tenant shall maintain comprehensive broad form general public liability insurance against claims and liability for personal injury, death or property damage arising from the use, occupancy, disuse and any other insurable condition of the Premises, Improvements or adjoining areas or ways ("Liability Insurance") throughout the Term of the Lease. The Liability Insurance must provide coverage of at least Three Million Dollars for personal injury or death to any one person, Five Million Dollars for any one accident or occurrence, and Five Hundred Thousand Dollars for property damage. Landlord and Tenant shall be named as co-insureds, and the policy shall contain cross-liability endorsements. No provisions of this Lease shall be interpreted to require Tenant to insure or indemnify the Landlord for incidents involving the airport operation unless that obligation is separately assumed under the provisions of Section 19, below.

C) All insurance expressly required by this Lease shall be carried only with responsible insurance companies licensed to do business in Arizona.

D) Upon request, Tenant shall furnish Landlord with:

1. Copies of all insurance policies.
2. Certificates evidencing the insurance.
3. Binders representing all insurance required by this Lease.

E) If Tenant is not in default under this Lease at the expiration of the Term, Landlord shall reimburse Tenant prorata for all prepaid premiums on insurance required to be maintained by Tenant. If possible Tenant will assign all of its right, title and interest in this insurance to Landlord.

F) Landlord will list Tenant as a named insured on all policies of liability, fire, casualty, and other insurance which are applicable to the Property or to the Airport operation.

G) The parties agree to review the limits of coverage on all insurance policies upon the written request of either party. Any dispute involving the provision of insurance shall be settled by arbitration if the parties cannot mutually agree.

Section 15. CONDEMNATION

A) Definitions. For purposes of this Section the following definitions shall apply:

1. "Condemnation" or "Taking" means (a) the exercise of any governmental power, whether by legal proceedings or otherwise by a condemnor, and (b) a voluntary sale or transfer by Landlord to any condemnor, either under threat of condemnation or while legal proceedings for condemnation are pending.

2. "Date of Taking" means the date the condemnor has the right to possession of the property being condemned.

3. "Award" means all compensation, sums or anything of value awarded, paid or received on a total or partial condemnation, less attorney's fees and legal costs incurred in obtaining the award.

4. "Condemnor" means any public or quasi-public authority or private corporation or individual, having the power of eminent domain.

B) General Provisions. If during the Term there is any Taking of all or part of the Premises or any interest in this Lease by condemnation by any entity other than the Town of Cottonwood, then the rights and obligations of the parties shall be determined pursuant to this Section. If the provisions of this Lease conflict with any Mortgage, the terms of the Mortgage shall prevail. Landlord covenants and agrees not to exercise its powers of condemnation on all or any part of the Property.

C) Partial Taking. If the Premises are totally taken by condemnation, this Lease shall end as of the date of the Taking. If any portion of the Premises is taken by condemnation, this Lease shall remain in effect, except Tenant may elect to cancel this Lease if the Taking is substantial, that is, if the remaining portion of the Premises would not be economically usable. Landlord shall notify Tenant that there is going to be a Taking within a reasonable time after receipt of service of summons and complaint. If Tenant elects to cancel this Lease, Tenant must exercise its right to cancel pursuant to this paragraph by giving written "Notice" to Landlord within forty-five days after receipt of Notice of the Taking. If Tenant elects to cancel this Lease, Tenant shall also notify Landlord of

the date of cancellation, which date shall not be earlier than ninety days following receipt of written Notice, except with Landlord's consent. This Lease shall end, however, on the date of Taking, even if the date of Taking falls on a date before the cancellation as designated by Tenant. If Tenant does not file a timely notice of cancellation then this Lease continues in full force and effect.

If any portion of the Premises is taken by Condemnation, and this Lease remains in full force and effect, then the Rent shall be reduced on the date of Taking by an amount that is in the same ratio to rent as the value measured in replacement cost per square foot of the area of the portion of the Premises taken bears to the total value of the Premises immediately before the date of the Taking.

D) Award. If there is a total, substantial or partial Taking, the rights of the parties to the award shall be as the interest of the parties then appear, taking into consideration the rights of any Mortgagee, the economics of operating any remaining portion of the Premises and Improvements, the cost of Restoration and the balance of the Term remaining, among other relevant considerations. If Landlord and Tenant do not agree within thirty days after the amount of the award is finally determined, then the undecided questions shall be decided by arbitration as provided in this Lease.

E) Taking in the Final Year. Any condemnation of all or part of the Premises during the final year of the Term shall, in the case of a complete Taking, cancel the Lease, notwithstanding any other provisions of this Section. A partial Taking during the final year of the Term shall merely abate the amount of Rent paid pursuant to the provisions above of this Section with no obligation on the part of either Party to restore the Premises.

F) Limited Takings. On the Taking, other than temporary Taking, of less than a fee title interest in the Premises or Improvements or both, the question of whether the Taking is total, substantial or partial, and the effects on Term, Rent and apportionment of award shall be determined by arbitration if not defined in this Lease or agreed upon by the Parties.

G) Condemnation. Landlord will not use its powers of condemnation on these Premises, except with Tenant's written consent.

Section 16 TENANT'S EVENTS OF DEFAULT

Each of the following events may be declared by Landlord to be a Default by Tenant and a breach of this Lease:

A) Abandonment or surrender of the Premises or of the Leasehold estate, or failure or refusal to pay when due any installment of Rent or any other sum required by this Lease to be

paid by Tenant, or to perform as required or conditioned by any other covenant or condition of this Lease;

B) An assignment by Tenant for the benefit of creditors, or the filing of a voluntary petition by Tenant under any law for the purpose of adjudicating Tenant a bankrupt, or for extending the time for payment, adjustment or satisfaction of Tenant's liabilities, or for reorganization, dissolution or arrangement on account of or to prevent bankruptcy or insolvency or any involuntary petition filed against Tenant which is not quashed or vacated within sixty days;

C) Default or delinquency in the payment of any sums secured by a Mortgage permitted by this Lease to be placed by Tenant against Landlord's title or against the Leasehold, which remains uncured for thirty-two days.

Section 17. NOTICE OF DEFAULT BY TENANT

As a precondition to pursuing any remedy for an alleged Default by Tenant and prior to the time Tenant shall be deemed in Default or in breach of this Lease, Landlord shall, before pursuing any remedy, give written Notice of Default to Tenant and to all Mortgagees whose names and addresses were previously given in writing to Landlord. Each notice of Default shall specify in detail the alleged event of Default, shall allow Tenant fifteen working days to cure monetary Defaults, and forty-five working days to cure non-monetary Defaults provided that this forty-five working day period shall be extended by a reasonable period of time as may be necessary or required provided Tenant is proceeding diligently and in good faith to cure any Default which cannot reasonably be cured within forty-five working days.

Section 18. LANDLORD'S REMEDIES

If any Default by Tenant continues uncured, following notice of Default and expiration of the grace period as required under the applicable provision of this Lease, then Landlord has the following remedies in addition to all other rights and remedies provided by law or equity to which Landlord may resort cumulatively or in the alternative:

A) On the expiration of any grace period provided to Tenant during which the underlying default has remained uncured, all Tenant's rights in the Premises and in all Improvements shall terminate if Landlord delivers to Tenant a written Notice of Termination. Promptly after Notice of Termination, Tenant shall surrender and vacate the Premises and all Improvements. By delivering a Notice of Termination, Landlord shall have the continuing right to collect Ground Rent, Rent and all other sums due under this Lease.

B) Landlord may, at its election, continue this Lease in full force and effect, and the Lease will continue in effect.

During the period Tenant is in Default, Landlord may re-enter the Premises and, without Terminating this Lease, at any time and from time to time, relet the Premises and Improvements or any part or parts of them for the account and in the name of Tenant or otherwise.

C) No waiver of any Default shall constitute a waiver of any other breach or Default, whether of the same or any other covenant or condition. No waiver, benefit, privilege or service voluntarily given or performed by either party shall give the other any contractual right by custom, estoppel or otherwise to receive the same at any other time.

Section 19. AIRPORT OPERATOR AGREEMENT

On the date of execution of this Lease the Landlord has in effect the "Old Agreement" attached as Exhibit 3 with Blue Sky Aviation, Incorporated for the provision of certain "Airport Services" designated in the old agreement. Consistent with the terms of the Old Agreement and upon receipt of a written demand from Tenant, the Landlord will cancel the Old Agreement. Landlord and Tenant will then execute a "New Agreement" obligating Tenant to provide the Airport Services within ninety days after receipt of Tenant's written demand. The New Agreement shall be generally consistent with the Old Agreement except that its term shall be the same as the Term of this Lease for Airport-Related Areas and its provisions, definitions, and conditions shall be in a form approved by Tenant.

Section 20. NOTICES

Any notice, demand or request, consent, approval or communication ("Notice") to be given to the other party shall be in writing and either served personally or sent prepaid, return receipt requested, first-class mail. A mailing shall be addressed to the other party at the address listed below. Either party may change its address by notifying the other of a change of address in writing pursuant to this Section. Notice shall be deemed complete upon delivery of such writing or, in the case of mailing, three days after the date of depositing the writing in the United States mail. The addresses of Landlord and Tenant are:

LANDLORD:	The Town Manager THE TOWN OF COTTONWOOD 807 North Main Street Cottonwood, Arizona 86301
TENANT:	COTTONWOOD AIRPARK, INC. c/o Mr. Jack Seitz P.O.Box 18 Cornville, Arizona 86325

With copies to:

COTTONWOOD AIRPARK, INC.
c/o Mr. William Fulkerson
2803 North Seventh Avenue
Phoenix, Arizona 85007

1-
5
PHX AZ 85015

and to: ⁿ
11

Mr. Robert Erven Brown, Esq.
Suite 150
727 East Bethany Home Road
Phoenix, Arizona 85014

SUITE 150
6900 E WINDYSS
SCOTTSDALE AZ
8 251

Section 21. RECORDATION OF MEMORANDUM OF LEASE

This Lease shall not be recorded. The parties have executed a memorandum of Lease attached as Exhibit 4, which may be recorded in the office of the Yavapai County Recorder by either party.

Section 22. EXPIRATION, TERMINATION AND HOLDING OVER

At the expiration or earlier Termination of the Term of this Lease, Tenant shall surrender to Landlord the possession of the Premises. Surrender or removal of Improvements, fixtures, and trade fixtures shall be as directed in the provisions of this Lease on the ownership of Improvements at Termination. Tenant shall leave the surrendered Premises and any other property in good and broom clean condition, except as provided to the contrary in provisions of this Lease on Maintenance and repair of the Improvements.

Section 23. ARBITRATION

Any controversy arising out of this Lease or its breach shall be settled by arbitration if, prior to the commencement of any legal proceedings dealing with a controversy arising out of this Lease or its breach, any party to this Lease sends a written "Demand" for Arbitration to the other Party in compliance with the Notice Section of this Lease. Within fifteen days after the Demand, the Parties shall attempt to designate a mutually acceptable individual ("Arbitrator") to arbitrate the controversy. If the Parties fail to designate an Arbitrator, then the controversy shall be arbitrated under the commercial rules of the American Arbitration Association. Any judgment on the award rendered, whether by the arbitrator chosen by the parties or the Arbitrator used pursuant to the rules of the American Arbitration Association, may be entered in any court having jurisdiction and shall bind the Parties. The arbitration shall take place in a location approved by the Arbitrator and shall include an award of attorney's fees and all costs of arbitration to the prevailing party.

Section 24. NO PARTNERSHIP

Nothing in this Lease shall be construed to render the Landlord or Tenant a partner, joint venturer or associate or in

any way, or for any purpose, in any relationship with the other party, except that of Landlord and Tenant. This Lease does not authorize either to act as agent for the other.

Section 25. MISCELLANEOUS PROVISIONS

A) Counterparts. This Lease may be executed in two or more counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

B) Time is of the Essence. In the performance of all of the covenants and conditions of this Lease, time is of the essence.

C) Brokers. The Parties warrant that they have had no dealings with any real estate broker or agents in connection with the negotiation of this Lease. They know of no real estate broker or agent or finder who is entitled to a commission and/or fee in connection with this Lease. A Party whose actions result in a claim will indemnify and hold the other harmless from the payment of any claims for commissions or fees.

D) Estoppel Certificates. At any time and from time-to-time, upon not less than ten days written "Request" from the other party, each party shall execute, acknowledge and deliver to the requesting party a written statement certifying that:

1. This Lease is unmodified and in full force and effect, (or if modified, then stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect), and the date to which the rental or other charges have been paid in advance, if any;

2. That there are not, to the knowledge of the party, any uncured Defaults on the part of the requesting party or specifying which Defaults, if any, are claimed;

3. That the party is, to the best of its knowledge, in full compliance with all applicable statutes, ordinances, rules, regulations, zoning variances and conditional use permits applicable to the Premises; and

4. Providing any other information reasonably requested. Any statement delivered pursuant to this paragraph may be relied upon by a prospective purchaser or encumbrancer of the Premises.

E) Applicable Law. In interpreting the covenants and conditions of this Agreement, the laws of the State of Arizona shall apply.

F) Prior Agreements and Modifications. No provision of this Lease may be amended or supplemented except by a subsequent

contract in writing signed by the Parties or their respective successors in interest. This Agreement replaces all other oral and written agreements between Landlord and Tenant made prior to the date of this Agreement. It contains the entire agreement of the Parties.

G) Captions, Table of Contents, Heading and Marginal Headings. The captions, table of contents and marginal headings used throughout this Lease are for the convenience of the Parties and for reference only. They are neither a part of this Lease nor to be considered in its construction or interpretation.

H) Attorney's Fees. The prevailing party is entitled to recover from the losing party all costs, expenses, and actual attorney's fees in any legal action or arbitration arising from this Lease, including attorneys fees and costs on appeal. If a Party to this Lease ("Party A") is joined in a legal proceeding with one not a party to this Lease, on account of the action or inaction of a party to the lease ("Party B"), then Party B shall pay all legal expenses, costs, and other expenses incurred by Party A as a result of the action, including attorney's fees and costs on appeal.

I) Invalidity of Provision. The unenforceability, invalidity or illegality of any provision of this Lease shall not render any other provision unenforceable, invalid or illegal.

J) Nonmerger of Fee and Leasehold Estates. If both Landlord's and Tenant's estates in the Premises or the improvements or both become vested in the same owner, this Lease shall, nevertheless, not be destroyed by application of the doctrine of merger, except at the express election of the owner and the consent of the Mortgagee or Mortgagees under all Mortgages then existing under authority of the provisions of this Lease relating to the purchase or construction of Improvements.

K) Force Majeure. Either party shall be excused from performing any obligations or undertakings provided in this Lease if, and for as long as the performance of the act or obligation is prevented, delayed, retarded or hindered by an act of God, fire, earthquake, flood, explosion, act of the elements, war, invasion, insurrection, riot, mob violence, strike, lockout, condemnation or any other cause, whether similar or dissimilar to the foregoing, which is not within the reasonable control of the party seeking the protection of this provision.

L) Quiet Enjoyment. Upon payment by Tenant of any Subtenant of Rents and upon observance and performance of all covenants, terms and conditions, Tenant shall peaceably and quietly hold and enjoy the Premises for the Term of this Lease without hindrance or interruption by Landlord or by any other person or persons lawfully or equitably claiming by, through, or under Landlord.

M) Terms. Any reference in this document to a "Mortgage" or "Leasehold Mortgage" shall include a reference to any deed of trust, assignment of rents and income, security agreement, or other security document used in properties of this type, where the context so requires.

N) Successors. Subject to the provisions of this Lease on assignment and subletting, the covenants and conditions of this Lease shall bind and inure to the benefit of the heirs, successors, executors, administrators, assigns and personal representatives of the parties.

O) Exhibits. All Exhibits are incorporated by reference as an integral part of this Lease.

P) No Waste. Tenant shall not permit any waste, damage, disfigurement, damage or injury to the premises or the Improvements, its fixtures, and appurtenances.

Q) Entry. Landlord or its authorized representatives may enter the Premises or Improvements at all reasonable times for inspection.

R) Airport. Landlord shall not diminish the airport facilities or services except with Tenant's written consent, which shall not be unreasonably withheld. Landlord will cooperate with Tenant, and provide advance written notice to Tenant, of any enlargement of airport facilities or services. Landlord's plans for enlargement of Airport facilities and services shall not require Tenant to diminish the size of the Property, except with Tenant's prior written consent and upon payment of fair compensation to Tenant.

S) Cooperation of Landlord. Landlord will cooperate with and assist Tenant to obtain all utilities necessary to develop and use the Property, to attract Subtenants to the Property, and, at the written request of Tenant, may establish an Industrial Development Authority or other bonding agency as allowed by Arizona law to assist in the construction and development of the Improvements.

T) Airport Improvement. Landlord will use its best efforts to assist in obtaining funding to Tenants, Sub-Tenants and others as allowed by law for airport improvement. The Landlord agrees to cooperate to the extent of its reasonable financial capacity, as approved by the City Council. Landlord will apply for and pursue all improvements, and provide of equipment, money, technical assistance, etc. to improve the airport facilities, including, but not limited to, those types of programs described in Chapter Eleven of the Cottonwood Airport Master Plan for the Town of Cottonwood, Arizona, prepared by TRICO INTERNATIONAL, INC. in 1974 so long as these activities do not cause a financial hardship on the Landlord. Airport-Related Areas may be included in the master planning of the Airport by

the Landlord to coordinate funding grants, etc. but only to the extent that these activities do not frustrate Tenant's development plans.

U) A "Sub-Tenant" is any person or entity which leases, subleases, rents or otherwise hires for value the use of the Property from Tenant by paying "Subrent".

V) Landlord and Tenant will execute such other and further documents as are requested to provide a Leasehold Mortgage or other security interest in this Lease by any entity lending money for the construction or refinancing of Improvements on the Property.

W) The term "Landlord" shall refer to the Town of Cottonwood and any successor or assign. This Lease shall not be assigned by Landlord unless Tenant first consents to assignment in writing.

The Parties executed this Lease on the 23rd day of May, 1983.

LANDLORD:

THE TOWN OF COTTONWOOD,
an Arizona municipality

BY Donald E. Hehn

Its Mayor

TENANT:

COTTONWOOD AIRPARK, INC.

BY [Signature]

Its [Signature]

EXHIBIT 1

(Attach Legal Description
and Plot Plan)

if not

STATE OF ARIZONA, County of Yavapai—ss

I do hereby certify that the within instrument was filed and recorded at the request of 149000 **FIRST AMERICAN TITLE**
at 11:30 o'clock PM on 84-3 Official Records Page 66
book 1627
records of Yavapai County, Arizona. WITNESS my hand and official seal the day and year first above written.

PATSY C. JENNEY, County Recorder
By Karen W. [Signature] Deputy



INDEXED

MICROFILMED

WHEN RECORDED MAIL TO:
Town of Cottonwood
827 North Main Street
Cottonwood, AZ 86326
ATTN: Steve Thompson

Courtesy Recording
FIRST AMERICAN TITLE
NO TITLE LIABILITY

EXHIBIT 2
MEMORANDUM OF LEASE

The Term Commencement Date, defined in Section 3 of the Ground Lease between The Town of Cottonwood, an Arizona municipality, Landlord, and Cottonwood Airpark, Inc., Tenant, is agreed to by the parties to be December 31, 1983.

LANDLORD:

TENANT:

THE TOWN OF COTTONWOOD

COTTONWOOD AIRPARK, INC.

BY Donald E. Hahn
Its Mayor

BY [Signature]
Its [Signature]

The Rent Commencement Date as defined in Section 4 of the Lease is agreed by the Parties to be December 31, 1983.

LANDLORD:

TENANT:

THE TOWN OF COTTONWOOD

COTTONWOOD AIRPARK, INC.

BY Donald E. Hahn

BY [Signature]

EXHIBIT 3

(Attach Airport Service Contract Per Section 19)

if set

A G R E E M E N T

THIS AGREEMENT, effective this 9th day of March 1982, by and between the TOWN OF COTTONWOOD, a Municipal Corporation in the State of Arizona, hereinafter called "TOWN"; and BLUE SKY AVIATION, INCORPORATED, and Arizona Corporation, hereinafter called "OPERATOR".

W I T N E S S E T H

THAT the TOWN is the owner of a Public Airport, located within its boundaries and designated as the COTTONWOOD MUNICIPAL AIRPORT, and it is the desire of the TOWN to appoint an operator for said Airport, to protect, control, operate, and maintain the same;

THAT the OPERATOR is qualified and desires to operate said Airport.

NOW, THEREFORE, in consideration of the Agreement contained herein, and the consideration expressed herein, the TOWN does hereby hire the OPERATOR as the operator said COTTONWOOD MUNICIPAL AIRPORT, and that the duties of the said OPERATOR are as follows:

- (a) To inspect airport facilities daily, and to take immediate steps to correct any condition that would affect the safety of aircraft or persons using said airport;
- (b) To operate and daily inspect the airport lighting system;
- (c) To provide all minor maintenance for said airport facilities, and to replace and repair, at its expense, any minor defective portion of the lighting system;
- (d) To pay all utility costs consistent with the present use of said airport;
- (e) To assist pilots in the parking of aircraft during reasonable hours;
- (f) To obtain and pay for, within ten (10) days from the date hereof, and through the term of this Agreement, liability, including hangar keepers' and product liability insurance protecting the TOWN with such companies and in such amounts as the TOWN may require. A certificate of such insurance and a copy of the policies of such insurance shall at all times be maintained with the TOWN;
- (g) To enforce in cooperation with the TOWN all city, county, state and federal or other governmental regulations now, or that shall hereinafter apply to said airport;

- (h) To maintain airport records and establish adequate accounting systems, which shall be available for inspection by the TOWN at reasonable times;
- (i) To assist the TOWN in keeping the airport clean and free of weeds and debris. The TOWN shall maintain the paved portions of the airstrip and parking areas. The OPERATOR shall maintain the tie-down equipment. No improvements to the airport shall be constructed without written approval of the TOWN;
- (j) The OPERATOR shall maintain, at its expense, gasoline equipment now located at the airport;
- (k) The OPERATOR may maintain living quarters on the airport property on space furnished by the TOWN. The OPERATOR shall pay all utility costs furnished to said quarters;
- (l) The OPERATOR shall require all renters of tie-downs to sign a tie-down agreement and forward a copy of all such agreements to the TOWN.

IN RETURN for the above services, OPERATOR shall be entitled to all revenues received from gasoline and petroleum products sales and revenues from tie-downs.

ALL prices charged for gasoline, oil, petroleum products and tie-downs shall at all times be approved by the Council of the TOWN, however, consent to prices charged shall not be unreasonably withheld and if prices charged are the same as comparable airports, they shall be approved. OPERATOR shall keep accurate accounts of all tie-down fees and gasoline sales charged and collected, and shall be responsible for the collection thereof, and shall on a quarterly basis, submit a financial report on all collections to the TOWN.

This OPERATIONS AGREEMENT shall be in effect for a period of three (3) years from the date hereof; however, either party may cancel this agreement by giving the other party sixty (60) days written notice. Notice of cancellation shall be deemed sufficient if it is addressed to the parties, as hereinafter setforth, and is forwarded by certified mail:

ALL notices shall be mailed to the TOWN as follows:

Town Manager
Town of Cottonwood
827 N. Main Street
Cottonwood, Arizona 86325

ALL notices shall be mailed to the OPERATOR as follows:

AGREEMENT

Page 3

Blue Sky Aviation, Incorporated
Route 1 Box 74
Cottonwood, Arizona 86326

UNLESS either party is notified in writing by the other party of a change of address.

THIS AGREEMENT may not be assigned by the OPERATOR without the written consent of the TOWN.

DATED THIS 9th DAY OF MARCH , 1982.

TOWN OF COTTONWOOD, A Municipal Corporation

BY: Donald E. Hahn
MAYOR

ATTEST:

Steven L. Thompson
Town Manager/Clerk

APPROVED AS TO FORM:

J. Chetler N. P. L.
Town Attorney

BLUE SKY AVIATION, INCORPORATED

BY: Jay A. Keizer Secretary/Treasurer

Attachment A to EXHIBIT 4
THE MEMORANDUM OF LEASE

(Attach Legal Description)

EXHIBIT 5

DEVELOPMENT PLAN AND TIMETABLE

A. Within sixty days following the approval of this document by the Landlord's Town Council subject to any required State or other governmental approvals the Tenant will initiate:

1. a market feasibility study for the proposed development of the Property;
2. a topographical survey of the Property;
3. preliminary engineering and design with the utility companies for major utility extensions as To the Site Improvements;
4. a test marketing program to attract Subtenants and users for the Property; and
5. soil testing on selected areas of the Property.

B. On or before October 1, 1984 Tenant will advise Landlord in writing of its proposed development timetable to begin installation of the To the Site Improvements.

C. Within a reasonable time after completion of the foregoing and upon a determination that an adequate market for industrial sites exists as evidenced by the fulfillment of preleasing requirements reasonably required to offset the risks of the major capital expenditures contemplated for Improvements, the Tenant will cause to be initiated:

1. Construction of all streets, curbs and other Offsite Improvements needed to complete the development of the cumulative total of gross acres of that five-year time period as designated in Provision D.
2. construction of the major To the Site Improvements.

D. Tenant's failure to

1. materially improve the Property by installing all Offsite improvements or
2. begin payments to Landlord at the Improved Ground Rent rate may, at Landlord's option, result in a "Forfeiture" by Tenant of its rights hereunder to all remaining unimproved acres according to the following schedule up to December 31, 1993:

12/31/88 15 acres

12/31/93 25 acres

*Required
Development*

*How much has
been developed
between?*

a. On or before midnight on December 31, 1988, Tenant shall fulfill the requirements of this Section for any fifteen gross acres of the Property;

b. On or before midnight on December 31, 1993 Tenant shall fulfill the requirements of this Section for a cumulative total of twenty-five gross acres of the Property.

3. materially improve the property by December 31, 1993 by installing all Offsite Improvements in accordance with the timetable listed above may, at the Landlord's option, result in the Forfeiture by Tenant of its right herein to all remaining unimproved acres contained in this Lease.

a. At least ninety days prior to a Forfeiture the Landlord shall provide the Tenant with written notice of its intent to declare a Forfeiture unless the Tenant completes the Improvements required by this Lease and specified in the written Notice on or before the completion date specified in the written Notice. The Landlord's decision to declare a Forfeiture shall be based on the amount of material improvements completed in accordance with the progress timetable.

b. If Landlord does not allow Tenant to proceed with the development of additional acres as set forth in the timetable, the Tenant must commence payment of improved Ground Rent for the acres, which are set forth as developed as per the timetable, which are materially improved or not. Such acres will continue to be leased in accordance with the Term of this Lease. If Landlord does not allow Tenant to proceed, the remaining undeveloped acres are removed from the leasehold and the Landlord is responsible to reimburse the Tenant for all cost incurred by Tenant (to extend all To the Site Utilities) to the original leasehold minus the prorated share of cost for the acres retained by the Tenant and minus any Rent credit received. Landlord's option to not allow additional acres to be developed and to advise Tenant of forfeiture of remaining acres and leasehold shall be available to Landlord for each five-year period after December 31, 1993.

c. On or before midnight on December 31st of each fifth year following December 31, 1993

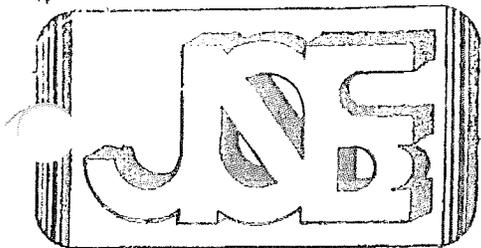
12/31/98 35 acres
12/31/03 45 acres
12/31/08 55 acres
12/31/13 65 acres
12/31/18 75 acres

As alt

Tenant shall fulfill the requirements of this Section for a cumulative total increased by ten acres for each five year period thereafter until the entire Property is developed.

d. This schedule may be amended or modified with the joint written consent of the parties.

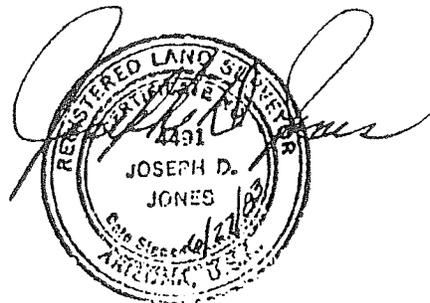
E. On a specified date to be established by the Town of Cottonwood and with thirty days written Notice of same, and additionally upon written requirement of either party, the Parties shall meet to review the development progress of the property.



JOE JONES & ASSOCIATES, INC.

Land Surveying * Civil Engineering

Job # 83-56
HHH:es
June 24, 1983



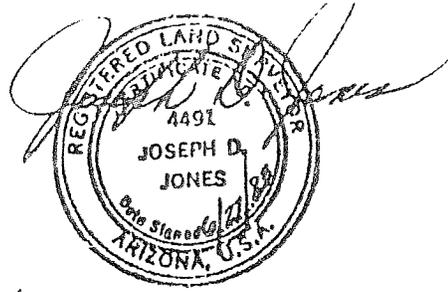
Town of Cottonwood
827 North Main
Cottonwood, AZ 86326

Re: LEGAL DESCRIPTION OF AIRPORT LEASE PARCEL

A portion of Section 4 and Lot 1 of Section 5, T15N, R3E, and a portion of the South one-half of Section 33, T16N, R3E, G&SRB&M, Yavapai County, Arizona, more particularly described as follows:

Commencing at the NW corner of said Section 4; thence $S01^{\circ}55'01''W$ (Meas.) ($S01^{\circ}56'W$, Rec.), a distance of 742.16 feet (Meas.) (742.0 feet, Rec.), to the TRUE POINT OF BEGINNING; thence $S47^{\circ}59'12''E$ (Meas.) ($S48^{\circ}00'E$, Rec.), a distance of 2100.70 feet (Meas.) (2100.0 feet, Rec.); thence $N41^{\circ}59'38''E$ (Meas.) ($N42^{\circ}00'E$, Rec.), a distance of 1570.68 feet (Meas.) (1570.50 feet, Rec.), to a point which lies $S69^{\circ}14'37''E$ (Meas.) ($S69^{\circ}15'E$, Rec.), a distance of 2766.39 feet (Meas.) (2765.81 feet, Rec.) from the NW corner of said Section 4; thence $S24^{\circ}22'32''E$ (Meas.) ($S24^{\circ}25'E$, Rec.), a distance of 2643.19 feet (Meas.) (2642.30 feet, Rec.); thence $N65^{\circ}35'44''E$ (Meas.) ($N65^{\circ}35'E$, Rec.), a distance of 800.11 feet (Meas.) (800.00 feet, Rec.); thence $N24^{\circ}23'42''W$ (Meas.) ($N24^{\circ}25'W$, Rec.), a distance of 2991.99 feet (Meas.) (2988.7 feet, Rec.); thence $N42^{\circ}01'47''E$, a distance of 556.42 feet; thence $N48^{\circ}09'01''W$ (Meas.) ($N48^{\circ}00'W$, Rec.), a distance of 1266.95 feet to a point which lies $N70^{\circ}23'27''E$ (Meas.)

Job # 83-56
AIRPORT LEASE PARCEL
LEGAL DESCRIPTION
PAGE 2



(N70°11'E, Rec.), a distance of 2759.40 feet (Meas.) (2758.98 feet, Rec.) from the NW corner of said Section 4; thence N24°22'21"W (Meas. (N24°25'W, Rec.), a distance of 825.03 feet (Meas.) (826.65 feet, Rec.); thence S65°37'20"W (Meas.) (S65°35'W, Rec.), a distance of 999.63 feet (Meas.) (1000.0 feet, Rec.); thence S24°23'19"E (Meas.) (S24°25'E, Rec.), a distance of 352.43 feet (Meas.) (352.12 feet, Rec.); thence S42°01'01"W (Meas.) (S42°00'W, Rec.), a distance of 2268.99 feet (Meas.) (2270.89 feet, Rec.) to the TRUE POINT OF BEGINNING.

EXCEPTING THEREFROM THE FOLLOWING PARCELS:

A. Landing Strip Area:

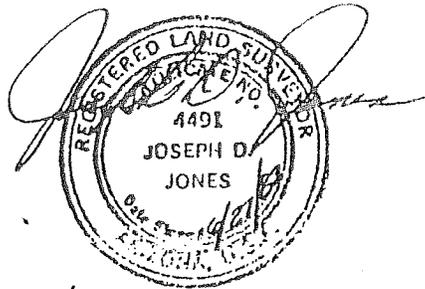
A strip of land 400.00 feet wide, lying in Section 4, T15N, R3E, and in the South one-half of Section 33, T16N, R3E, G&SRB&M, Yavapai County, Arizona, more particularly described as follows:

Commencing at the NW corner of said Section 4; thence S01°55'01"W, a distance of 742.16 feet; thence N42°01'01"E, a distance of 2268.99 feet; thence N24°23'19"W, a distance of 352.43 feet; thence N65°37'20"E, a distance of 275.45 feet to the TRUE POINT OF BEGINNING; thence N65°37'20"E, a distance of 400.00 feet; thence S24°23'07"E, a distance of 5199.23 feet; thence S65°35'44"W, a distance of 400.00 feet; thence N24°23'07"W, a distance of 5199.51 feet to the TRUE POINT OF BEGINNING

B. Parcel NW of Mingus Avenue - Extended:

A portion of Section 4, T15N, R3E, and a portion of Section 33, T16N, R3E, G&SRB&M, Yavapai County, Arizona, more particularly described as follows:

Job # 83-56
AIRPORT LEASE PARCEL
LEGAL DESCRIPTION
PAGE 3



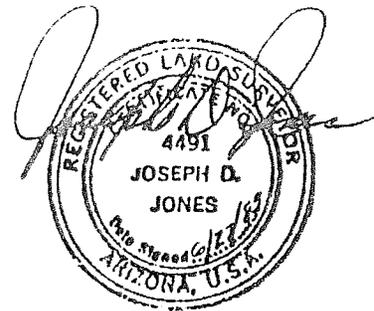
Commencing at the NW corner of said Section 4; thence S01°55'01"W, a distance of 742.16 feet to the TRUE POINT OF BEGINNING; thence N42°01'01"E, a distance of 1881.84 feet to a point on the Northwesterly right-of-way line of Mingus Avenue: thence S27°31'23"W, along said right-of-way line, a distance of 1663.62 feet; thence S23°37'27"W, along said right-of-way line, a distance of 285.74 feet; thence N47°59'12"W, a distance of 506.52 feet to the TRUE POINT OF BEGINNING.

C. Easement for a Portion of Mingus Avenue as Recorded in Book 395, Pages 361-363, Records of Yavapai County, Arizona:

A strip of land 60.00 feet in width, in the South one-half of Section 33, T16N, R3E, G&SRB&M, Yavapai County, Arizona, lying 30.00 feet left of and 30.00 feet right of the following described centerline:

Commencing at the SW corner of said Section 33; thence S01°55'01"W, a distance of 742.16 feet; thence N42°01'01"E, a distance of 2268.99 feet; thence N24°23'19"W, a distance of 352.43 feet; thence N65°37'20"E, a distance of 999.63 feet to a point which is the most Northerly corner of the Cottonwood Airport; thence N24°22'21"W (Meas.) (N25°10'W, Rec.), a distance of 24.06 feet (Meas.) (24.2 feet, Rec.) to the TRUE POINT OF BEGINNING of said centerline; thence S63°08'16"W (Meas.) (S62°23'W, Rec.), a distance of 100.97 feet (Meas. & Rec.); thence Southwesterly, along a curve to the left, having a radius of 1432.40 feet, through a central angle of 14°54'00", a distance of 372.50 feet; thence S48°14'16"W (Meas.) (S47°29'W, Rec.), a distance of 282.89 feet (Meas. & Rec.); thence N45°33'44"W (Meas.) (N46°19'W, Rec.), a distance of 138.27 feet (Meas.) (137.34 feet, Rec.) to the North boundary of the Cottonwood Airport and the end of said centerline.

Job # 83-56
AIRPORT LEASE PARCEL
LEGAL DESCRIPTION
PAGE 4



D. Mingus Avenue Extension:

A strip of land 60.00 feet in width, in the South half of Section 33, T16N, R3E, and the North half of Section 4, T15N, R3E, G&SRB&M, Yavapai County, Arizona, lying 30.00 feet left of and 30.00 feet right of the following described centerline:

Commencing at the SW corner of said Section 33; thence $S01^{\circ}55'01''W$, a distance of 742.16 feet; thence $N42^{\circ}01'01''E$, a distance of 2268.99 feet; thence $N24^{\circ}23'19''W$, a distance of 352.43 feet; thence $N65^{\circ}37'20''E$, a distance of 999.63 feet; thence $N24^{\circ}22'21''W$, a distance of 24.06 feet to the TRUE POINT OF BEGINNING of said centerline; thence $S63^{\circ}08'16''W$, a distance of 100.97 feet; thence Southwesterly, along a curve to the left, having a radius of 1432.40 feet, through a central angle of $14^{\circ}54'00''$, a distance of 372.50 feet; thence $S48^{\circ}14'16''W$, a distance of 170.66 feet; thence Southwesterly, along a curve to the left, having a radius of 881.47 feet, through a central angle of $15^{\circ}46'03''$, a distance of 242.58 feet; thence $S32^{\circ}28'13''W$, a distance of 399.32 feet; thence Southwesterly, along a curve to the left, having a radius of 1273.24 feet, through a central angle of $04^{\circ}56'50''$, a distance of 109.94 feet; thence $S27^{\circ}31'23''W$, a distance of 1743.73 feet; thence $S23^{\circ}37'27''W$, a distance of 294.69 feet to the Southwesterly boundary of the Cottonwood Airport Property and the end of said centerline.

Area of parcel less Exceptions A, B, C and D 117.0806 Acres
more or less

Rev: 10-27-83
Rev: 11-21-84