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PATSY JANNEY-COON, RECORDER
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AMENDED AIRPORT LEASE AGREEMENT

THIS LEASE AGREEMENT made and entered into this 1st day of February, 2003, by and between YAVAPAI COUNTY, a political subdivision of the State of Arizona hereinafter called "LESSOR" and the SEDONA-OAK CREEK AIRPORT AUTHORITY, a non-profit corporation, d/b/a Sedona Airport Authority and/or Sedona Airport Administration, hereinafter called "LESSEE".

RECITALS

WHEREAS, the LESSOR owns certain real property pursuant to a conveyance by deed from the United States of America dated October 31, 1956 for the purpose of establishing and operating a public airport; and

WHEREAS, on January 18, 1971, the LESSOR entered into a lease agreement with LESSEE's predecessor in interest, the Sedona Airport Authority, for operation of the public airport; and

WHEREAS, since approval of the original lease, the parties have amended certain terms and conditions of the lease by execution of supplemental agreements and have extended the term of the lease by exercise of options as provided in the agreement with the term of the agreement now set to expire on May 1, 2031; and

WHEREAS, the parties wish to provide for an option whereby LESSEE may extend the lease term beyond the expiration date provided in the original lease agreement and amendments thereto; and

WHEREAS, LESSOR wishes to place the entirety of the premises conveyed to LESSOR by the October 31, 1956 deed under operating control of ~~LESSOR~~ LESSEE; and *DDW*

WHEREAS, LESSOR seeks to ensure the viability of the airport as a self-sustaining enterprise and to ensure that the airport continues to be managed and administered in a manner that will secure LESSOR's current and future fiscal interest in the facility; and

WHEREAS, the parties have determined that it would be to their mutual benefit to enter into an amended agreement, incorporating, as appropriate, portions of the prior agreements and such other amendments as the parties deem necessary; and

WHEREAS, LESSEE is a non-profit corporation formed for airport or air terminal purposes; and

WHEREAS, the parties are authorized to enter into this agreement pursuant to Section 11-28-8423 of the Arizona Revised Statutes.

NOW, THEREFORE, IT IS AGREED AS FOLLOWS

1. **Effect on Prior Leases.** Upon approval by the parties, this Agreement shall supersede all prior lease agreements between the parties and amendments thereto.
2. **Description of the Leased Premises.** LESSOR, pursuant to the terms and conditions set forth in this agreement hereby leases the following described property:
 - A. All real property and improvements thereon as described in Exhibit A, attached hereto and incorporated by reference herein.
 - B. All personal property owned by LESSOR and located on the premises unless specifically exempted in this Agreement or amendments thereto.
 - C. Additional after-acquired property, as well as improvements thereon and equipment used in connection with the operation of the airport and air terminal purchased or acquired for such purpose.
3. **Assignment of Red Rock Memorial Lodge Lease.** As of the effective date of this Amended Airport Lease Agreement, LESSOR hereby assigns to LESSEE all of its right, title and interest in that certain Lease Agreement dated July 6, 1964 between LESSOR and the Red Rock Memorial Lodge #63 F. & A. M. ("the Masonic Lodge Lease") as amended by the "Amendment to Lease Agreement" dated April 26, 2001 ("the Amended Lodge Lease") with a current lease term to run through June 30, 2014 (copies attached hereto as Exhibit B). At such time as the Masonic Lodge Lease, as amended, expires or is otherwise terminated, the real property and improvements thereto shall become part of the premises leased by LESSOR to LESSEE pursuant to this Amended Airport Lease Agreement and shall be subject to its terms and conditions. It is understood and agreed that, as long as the lease with the Red Rock Memorial Lodge remains in force, LESSEE shall fully honor its terms and conditions.
4. **Lease Term.** The term of the amended Lease Agreement shall commence on February 1, 2003 and shall continue in full force and effect until May 1, 2031 unless otherwise terminated as provided herein. The LESSEE, may at its option, renew the Agreement for an additional term to expire June 30, 2050 by providing written notice to LESSOR on or before June 30, 2030, of its intent to renew.
5. **LESSEE's Consideration.** In consideration of approval of this Agreement, LESSEE agrees to the following:
 - A. To pay to LESSOR for the use of the premises, facilities, rights, licenses, services and privileges granted hereunder, the sum of one and 00/100 (\$1.00) per year, the first payment to be made on or before the first day of July, ~~1999~~ ²⁰⁰³ and subsequent payments to be made on or before the first day of July of each succeeding year. *ADW*
 - B. In lieu of additional payment to LESSOR, to establish and maintain an Airport Improvement Fund to be used directly for airport improvements or as matching funds for any grant-funded airport improvement. LESSEE shall deposit in the Airport Improvement Fund its gross revenues, from whatever source derived, after deducting the following:
 1. LESSEE'S expenses directly attributable to the operation of the airport and air terminal,

2. Interest at the coupon or stated rate upon LESSEE'S outstanding bonds issued for airport and air terminal purposes and for purposes incidental and reasonably incidental thereto.
 3. Amounts required to be paid into sinking funds annually for the redemption of sinking fund bonds issued for airport and air terminal purposes and pro purposes incidental and reasonably related thereto.
 4. Amounts required for serial maturity of bonds issued for airport and air terminal purposes and for purposes incidental and reasonably related thereto.
 5. Amounts required to pay principal and interest on all other outstanding obligations incurred or assumed by LESSEE for airport and air terminal purposes and for purposes incidental and related thereto.
 6. A reasonable amount for operating and maintenance reserves.
6. **Public Use of the Airport.** LESSEE agrees to operate the airport for the use and benefit of the public, to make available all airport facilities and services to the public without unjust discrimination and to refrain from imposing or levying excessive, discriminatory or otherwise unreasonable charges or fees for any use of the airport or its facilities or for any airport service. LESSEE agrees to provide space on the airport, to the extent available, and to grant rights and privileges for use of the landing area and facilities of the airport to all qualified persons, firms and corporations desiring to conduct aeronautical operations on the airport. LESSEE further agrees to promptly notify LESSOR, in writing, of any complaints received pertaining to any alleged violations of this Paragraph.
7. **Rates and Charges.** A schedule of lease rates and other applicable airport charges shall be provided to LESSOR prior to the effective date of this Agreement. LESSEE will provide written notice of any proposed changes in the schedule no less than 20 days prior to their proposed implementation date and shall provide an amended schedule prior to implementation of any such changes.
8. **Administration and Promotion of Airport Operations.** LESSEE shall actively supervise and direct the operation and development of the premises subject to the following terms and conditions:
- A. It is the expectation of LESSOR that the airport will operate as a self-sufficient enterprise without financial subsidies or other payments by LESSOR except as expressly provided herein.
 - B. LESSEE shall operate the airport in a prudent and businesslike manner and prevent the commission of waste, extravagance and unsound business practices
 - C. LESSEE shall diligently promote aeronautical activities at the airport and to secure sub-tenants who wish to base aeronautical activities at the airport and to promote other types of revenue producing activities as appropriate.
9. **Airport Safety and Regulatory Compliance.** LESSEE agrees to take all necessary measures to operate the airport safely and in compliance with all regulatory requirements. In furtherance of this obligation LESSEE agrees to:

- A. take active charge of the management and supervision of airport activities to include establishment of written field rules and other pertinent rules and regulations as authorized by law, rule or regulation;
 - B. abide by, comply with, conform to and enforce all applicable Federal, State, County statutes, orders, rules, regulations and ordinances which in any manner affect the use or operation of the airport premises, including, but not limited to existing or hereinafter enacted rules and regulation of the Federal Aviation Agency or any succeeding agency thereof,;
 - C. inspect the runway, landing areas and taxiways and the lighting thereof on a regular basis, repair, and correct any conditions requiring minor and immediate repairs, and promptly advise LESSOR or its designated representative of any major disrepair or hazardous conditions and maintain, at LESSEE's expense, the lighting of the runway, landing areas, taxiways and airport beacon during hours of darkness;
 - D. operate the airport in accordance with the obligations of LESSOR to the Federal Government as enumerated in applicable grant agreements, deeds of conveyance, statutes, rules or regulations.
 - E. mark any temporarily unusable areas of the airport with red flags or equivalent markers during daylight hours and with lantern, torches or other suitable illumination or reflective devices at night.
10. **Grant of Exclusive Rights Prohibited.** LESSEE understands and agrees that nothing contained herein shall be construed to grant or authorize the granting of any "Exclusive Right" within the meaning of Section 303 of the Civil Aeronautics Act of 1938 as amended except as expressly permitted by applicable Federal statute, rule or regulation.
11. **Other Contracts and Agreements.** The lease of the premises is subject to the terms and conditions of the contracts and agreements listed in Exhibit D, attached hereto and incorporated by reference herein and by any future grant agreements that between LESSOR and the United States of America, the State of Arizona or any other funding entity.
12. **Financing of Development and Improvements.** LESSEE shall be obligated to provide funds as necessary to expand, improve and develop the airport and air terminal and to relocate or replace existing facilities in or on any space which is or may be leased or subleased hereunder. LESSEE shall prepare and, as necessary, update a five-year development/capital improvement plan and shall provide a copy of the plan and updates to LESSOR prior to undertaking any improvements or other development activities. LESSOR reserves the right, but shall not be obligated, to undertake such development or improvements as may be necessary in order to protect its interest in the premises and/or to comply with obligations arising from federal or state laws, rules, grant agreements or other agreements or to allocate funds to be used by LESSEE for such purposes. Unless otherwise expressly provided in this Agreement, or by other properly-authorized written agreement between the parties, any such expenditures, shall become obligations of the LESSEE due and payable upon demand by LESSOR. LESSEE shall have the right to issue bonds and incur other obligations to the extent permitted by law subject to the following conditions:
- A. No bonds issued by LESSEE shall be a lien or charge upon the premises.

- B. The LESSEE shall not assign, mortgage, pledge, hypothecate or encumber this Agreement or any portion of the premises except as expressly set forth herein.
- C. Bonds issued or other obligations incurred or assumed by LESSEE for airport or air terminal purposes shall not be obligations of LESSOR and LESSEE shall have no power to pledge the credit of LESSOR in any way whatsoever.
13. **Ownership of Airport Property.** Title to buildings, structures and additions made to buildings, structures and additions made to the premises by LESSEE or any of its subtenants shall vest in the LESSOR immediately upon termination of this lease. No building, structure or addition shall be removed from the leased premises without written consent of LESSOR unless the lease, permit, license, or other agreement under which the building, structure or addition was affixed to the land provide a right of removal and said lease, permit, license or other agreement was presented to and approved by the LESSOR before title vested in LESSOR.
14. **Routine Repairs and Maintenance.** The LESSEE shall be responsible for the condition of the premises, including the airport and air terminal as well as all improvements, fixtures and personal property thereon, whether now on the premises or hereafter added. LESSEE shall make all necessary repairs, inside and outside, structural or otherwise so as to maintain the premises in good order and condition and to keep them as an operating airport and air terminal during the term of this Agreement. Should LESSEE fail to discharge its obligations as set forth in this Section, LESSOR reserves the right, but shall not be obligated, to maintain and keep in repair the airport, air terminal or any other portion of the leased premises in order to protect its interest in the premises and/or to comply with obligations arising from federal or state laws, rules, grant agreements or other agreements or to allocate funds to be used by LESSEE for such purposes. Unless otherwise expressly provided in this Agreement or by other properly-authorized written agreement between the parties, any such expenditures, once made, shall become obligations of the LESSEE due and payable upon demand by LESSOR.
15. **Utilities.** LESSEE shall pay, or cause to be paid, all charges for gas, water, steam, electricity, light, heat, power, telephone, cable or other utility service furnished to or used in connection with LESSEE's activities pursuant to this Agreement.
16. **Alterations, Capital Improvements and Maintenance Projects.** It is understood and agreed that LESSOR has no present or future duty or responsibility for alterations, capital improvements or maintenance projects on the leased premises. Major alterations, capital improvements and major maintenance projects will be included in LESSEE'S five-year development/capital improvement plan as described in Section 13 of this Agreement. Prior to the preparation of plans or specifications or selection of any architects, engineers or contractors in connection with any alteration, capital improvement or maintenance project with a cost in excess of \$10,000 LESSEE shall advise LESSOR's designated representative. LESSOR shall have the right to review and approve plans and specifications and to participate in the selection of architects, engineers and contractors. LESSOR may elect to participate in the oversight and management of projects to the extent that it deems necessary to protect its interest. The parties may develop a management plan for individual projects specifying the roles and responsibilities of each party.
17. **Taxes and Assessments.** LESSEE shall pay, or cause to be paid, punctually when due and payable, all taxes, assessments or any other charge of every kind and nature which may be levied, assessed or imposed in connection with the premises or LESSEE's activities pursuant to this Agreement. LESSEE further agrees not to allow such taxes, assessments or other charges to become a lien on the premises or any structure or any fixture,

improvement or other property located thereon. Nothing contained herein shall be deemed to prohibit the LESSEE from contesting the validity or amount of any such tax, assessment or other charge before the appropriate authority or court.

18. Subleases. Subleases by LESSEE pursuant to this Agreement shall be subject to the following conditions:

- A. LESSEE shall submit each proposed commercial sublease to LESSOR for approval prior to execution by the LESSEE. Non-commercial leases may be submitted for approval prior to execution and, if so, shall be subject to the provisions of subsection 18(B). Each sublease to be submitted for approval by LESSOR shall contain a provision stating that "This sublease shall not be effective until approved by Yavapai County". In the event that LESSOR fails to take action on a sublease within 45 days of its submission for approval, it shall be deemed approved. Subleases submitted for approval which LESSOR declines to approve by vote of its Board of Supervisors shall be deemed void and unenforceable by any party. LESSOR will provide notice to SAA of grounds for disapproval of any lease. Prior to disapproval of any lease, LESSOR shall make a reasonable effort to resolve any issues that may be characterized by LESSOR as grounds for disapproval.
- B. In the event that LESSEE's interest in this Agreement terminates prior to the date specified in Paragraph 4, LESSOR-approved subleases shall continue in effect until their expiration dates, subject to other relevant terms and conditions of individual subleases. Subleases which have not been approved by LESSOR shall specifically provide that they shall be subject to early termination in the event that LESSEE's interest in this Agreement terminates prior to the termination date specified in the sublease.
- C. Subleases shall be restricted to such space as is actually ^{REQUIRED} ~~required~~ for the conduct of the sublessee's business activities. *DEW*
- D. No sublease shall encompass so large an area as to prevent other subleases to competitive aeronautical facilities.
- E. Commercial subleases and non-commercial subleases originally approved by LESSOR are not assignable by a sublessee without written permission of LESSOR and LESSEE. Each such sublease agreement shall include a written provision that any action that purports to assign the sublease without the written approval of LESSOR and LESSEE shall immediately terminate the sublease.
- F. No sublease shall be granted by LESSEE for less than adequate and full consideration. Such consideration may take the form of monetary payments as well as the construction of suitable permanent improvements and such other in-kind services as may be appropriate. The LESSOR expects that proposed sublease rates shall be established by comprehensive review of market rates for comparable space at similarly situated airports. LESSEE shall utilize a competitive bidding process for the award of subleases if it determined that such a process is required by law. Proposed rates shall be subject to review and approval by LESSOR.
- G. In discharging its management and administrative responsibilities pursuant to this Agreement, LESSEE shall ensure that all commercial sublessees provide

reasonable minimum levels of service. Minimum service specifications and compliance requirements shall be set forth in sublease solicitation documents and/or sublease agreements.

H. LESSOR reserves the right to direct LESSEE to terminate or cancel any sublease for any other of the reasons that this Agreement may be cancelled or terminated.

19. **Assignment or Transfer.** LESSEE shall not transfer any right title or interest in the airport premises or property located thereon without the express written consent of LESSOR except as expressly provided in this Agreement. Nothing in this Agreement shall prohibit LESSOR from assigning or otherwise transferring its right, title or interest in the premises and/or any property located thereon to another party ~~or~~ from assigning its rights and obligations as set forth in this Agreement. In the event of such transfer, it is understood that LESSOR's successor in interest shall be bound by the applicable terms and conditions of this Agreement. ADW
20. **Procurement of Goods and Services.** In the erection, improvement and repair of all buildings, structures, works, runways, improvements, fixtures and personal property, and in furnishing supplies and materials for same or for other use by the LESSEE having a value in excess of \$10,000, LESSEE shall advertise for bids for the work contemplated and for furnishing such supplies and materials and shall require sealed bids or proposals. Any such contract shall be let to the lowest responsible bidder. Where appropriate, the LESSEE may reject all bids and re-advertise for new bids. Agreements for the purchase of goods and services in excess of \$10,000 are subject to prior approval by LESSOR. For purchases of goods or services below \$10,000 LESSEE may utilize other procurement procedures as approved by LESSOR.
21. **Accounts.** LESSEE shall keep complete and accurate books, records and accounts in regard to the financing, refinancing, construction, operation and maintenance of the premises from which all revenues and expenses can be readily determined. Such books and records shall be open to inspection by LESSOR's designated representatives during regular business hours. Copies or abstracts may be taken therefrom by LESSOR's designated representatives.
22. **Annual Audit.** All accounts related to LESSEE's operations pursuant to this Agreement shall be audited annually, at LESSEE's expense, by a certified public accountant. Selection of the auditor shall be subject to the approval of LESSOR. A copy of the draft audit report shall be provided to the LESSOR no more than 120 days after the conclusion of the LESSOR's fiscal year. A copy of the final audit report, together with LESSEE's written responses to the audit findings, shall be provided to the LESSOR within 175 days of the conclusion of LESSOR's fiscal year. If so requested by LESSOR, LESSEE's Board of Directors and/or administrator shall meet with LESSOR's designated representatives to review the audit findings. LESSOR deems it essential to its interests in ownership and proper operation of the airport to receive audit information in a timely fashion. In the event that either of the audit reports are not provided by the specified deadlines, LESSOR may, at its option, commission or complete the annual audit and charge the cost to LESSEE.
23. **Annual Revenue and Expenditure Budget.** For the purpose of assuring LESSOR that the LESSEE is achieving the stated objectives of this Agreement, LESSEE shall submit to LESSOR, no less than 75 days prior to the start of LESSEE's fiscal year, a detailed statement of projected revenues and expenditures for that fiscal year covering all portions of LESSEE's operations conducted pursuant to this Agreement. The budget submissions shall be in a form acceptable to LESSOR.

Within a period of 45 days after submission of the proposed budget, the LESSOR shall notify the LESSEE of its approval or disapproval thereof. If the proposed budget is approved by the LESSOR it shall constitute LESSEE's adopted budget for the subject fiscal year. If the proposed budget is disapproved, the LESSOR and LESSEE shall meet within ten (10) days of notification of disapproval to resolve any areas of disagreement. Failure by LESSOR to act on the proposed budget within the 45-day period shall be deemed approval of same.

If a satisfactory agreement is not reached within ten (10) days of the initial meeting, either party shall have access to any court of competent jurisdiction. In the alternative, by agreement of the parties, the dispute may be referred for mediation, arbitration or other dispute resolution process. In the event that it is determined that either party has acted in so arbitrary and capricious a manner as to constitute a display of bad faith, the other party may be entitled to reasonable attorney's fees.

It expressly understood and agreed that LESSOR is not obligated to approve any proposed budget that would require a contribution or other payment from LESSOR or from any other source unless such contribution or payment has been formally approved by the designated source prior to submission of the proposed budget.

Once LESSEE's adopted budget is approved and adopted, as provided herein, it shall not be amended without formal written approval by LESSOR. LESSOR shall act on proposed budget amendments no later than 45 days after submission by LESSEE. Failure by LESSOR to act on the proposed budget within the 45-day period shall be deemed approval of same.

24. Annual Report. LESSEE shall deliver to LESSOR, no later than the date of delivery of the annual revenue and expenditure budget, a complete report summarizing the financing, refinancing, construction, operation and maintenance of the airport premises for the prior fiscal year. The Annual Report shall be in a form acceptable to LESSOR.

25. Indemnification and Insurance. LESSEE shall save, hold harmless and indemnify LESSOR from any claims, causes of action, judgments or other costs, including reasonable attorney's fees arising from acts or omissions pursuant to LESSOR's performance pursuant to this Agreement unless such claims, causes, judgments or other costs arise solely from LESSOR's negligent acts or omissions.

LESSEE further agrees to obtain and maintain policies of insurance to include general liability, property damage, hangar keeper's liability, fire insurance and such other coverages as may be necessary to protect LESSEE and LESSOR from claims, causes of action, judgments and other costs, including reasonable attorney's fees arising from acts or omissions pursuant to LESSEE's performance pursuant to this Agreement. Minimum policy limits shall not be less than \$2,000,000 per occurrence for general liability insurance. Fire and property damage policy limits shall be sufficient to cover the replacement of real and personal property located on the premises. LESSOR may require increases in the policy limits as necessary to reflect its assessment of the magnitude of potential risks. All such policies shall name LESSOR as an additional insured.

LESSEE shall pay the premiums for all required policies and shall require that any insurance proceeds resulting from a loss or damage to property under such policies are payable jointly to the LESSOR and LESSEE in order that proceeds will be reinvested in rebuilding or repairing the damaged property. All insurance proceeds received as a result of loss or damage to property on the airport premises from any source whatever shall accrue to the benefit of the airport. While it is understood and agreed that such funds are

to be expended solely for the benefit of the airport such expenditures may be deferred for later use in accordance with a development/capital improvement plan approved by LESSOR pursuant to this Agreement.

LESSEE shall provide current certificates of insurance for all coverage. LESSEE shall advise LESSOR of any proposed changes in the amount or extent of coverage at least 15 days prior to the effective date of such changes and shall file updated certificates as required to reflect such changes.

26. Bylaws. LESSEE shall enact bylaws to establish procedures for the conduct of its activities pursuant to this Agreement. LESSOR shall submit proposed bylaws, or amendments thereto, to LESSOR no less than 30 days prior to the date set for approval by LESSEE. LESSOR reserves the right to disapprove any bylaws or amendments which it determines to have an actual or potential adverse impact on LESSOR's interests as set forth in this Agreement.

27. Board of Directors. No person may serve on the Board of Directors unless approved by LESSOR or its successor in interest prior to election or re-election. LESSOR shall review the list of persons submitted for consideration and shall approve or disapprove each name submitted. If LESSOR or its successor in interest does not approve or disapprove a list or name submitted within 45 days of submission, that list or name shall be deemed approved. LESSOR may prepare its own list, or add to a submitted list, names of persons approved by Yavapai County or its successor in interest for election and shall deliver such names to the LESSEE. Biographical information shall be provided for each candidate for election whether submitted by the Sedona Airport Administration or Yavapai County or its successor in interest. LESSEE shall establish procedures for selection and removal of its Board of Directors consistent with these provisions and include such procedures in its bylaws.

28. Conflicts of Interest. LESSOR deems it essential that actions of LESSEE's Board of Directors are in accord with the interests of LESSEE, LESSOR and the public. Accordingly LESSEE shall include in its bylaws a provision requiring its Board members, officers and employees to adhere to the provisions of the State of Arizona conflict of interest statutes, A.R.S. §38-501 *et seq.*

29. Open Meeting Laws. Since LESSEE's activities affect significant public interests, its decision processes must be visible to the public. LESSEE shall be considered a public body pursuant to A.R.S. §38-431(5). LESSEE shall include in its bylaws a provision requiring its Board of Directors, Board members and employees to adhere to the provisions of the Open Meeting Laws of the State of Arizona, A.R.S. §38-431 *et seq.*

30. Public Records. LESSEE's records shall be considered public records and are subject to public disclosure as required by law for such records. LESSEE shall include in its bylaws a provision requiring its Board of Directors, Board Members and employees to adhere to the Public Records Laws of the State of Arizona, A.R.S. §38-421 *et seq.* and §39-121 *et seq.*

31. Consultation With Lessor. It is understood and agreed that LESSOR, as owner of the airport premises, has an ongoing interest in proper performance of management and administration activities at the airport. In furtherance thereof, LESSEE agrees to consult with LESSOR's designated representatives on matters of planning, policy development, management and administration and shall provide such periodic activity reports as may be requested by LESSOR.

32. National Emergency. During time of war or national emergency, LESSOR shall have the right to enter into an agreement with the United States Government for military or naval use of part or all of the landing area, the publicly-owned air navigation facilities and or other area of facilities of the airport. If such an agreement is executed, the provisions of this Agreement, insofar as they are inconsistent with the provisions of the government agreement, shall be suspended. Any such agreement shall be the sole responsibility of LESSOR. The LESSOR may contract with LESSEE to administer or otherwise discharge LESSOR's obligations pursuant to such agreement on such terms and conditions as may be mutually acceptable to the parties.

33. Subordination to Federal Agreements Generally. This agreement shall be subordinate to the provision of any existing agreement between LESSOR and the United States relative to the operation or maintenance of the airport, the execution of which has been or may be required as a condition precedent to the expenditure of federal funds for the development of the airport.

34. Condemnation or Acquisition by Others. In the event that the demised premises or any part thereof, or the right and interest of LESSEE in or to the premises or any part thereof shall be condemned, taken or acquired by a body having superior power of eminent domain, any compensation or award therefor shall be payable in accordance with the following provisions:

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

1. The amount required to redeem LESSEE's bonds or to pay any of LESSEE's obligations issued or incurred for airport and air terminal purposes and outstanding at the time title vest in the condemning power at the earliest dates after such decree of judgment when any such bonds may be called for redemption or such obligations may be paid, or if any such bonds or obligations are not subject to call or immediate payment, then the amount required to redeem or pay them at their maturity; less the following items
 - a. The assets of any sinking fund established for the redemption of any bonds or other obligations issued, insured or assumed for airport and air terminal purposes, including interest thereon.
 - b. The proceeds remaining unexpended from the sale of any and all bonds issued, incurred or assumed for airport and air terminal purposes;
 - c. Any cash set aside for redemption of bonds issued in payment of any obligations incurred or assumed for airport and air terminal purposes;
2. The interest on any such bonds or obligations from the last interest payment due prior to the vesting of title in the condemning power up to the date of such call or maturity;
3. The call premium, if any;
4. Any unamortized funds of LESSEE, other than bond or other obligation proceeds, of Federal, State or City grants, expended for capital improvements at the airport or air terminal.

- B. The balance, if any, of such compensation or award shall be paid to LESSOR, or if LESSEE remains intact and viable and if the remaining property is sufficient to continue airport and air terminal operations to the LESSEE for continuing airport and air terminal purposes.
- C. The amount paid to LESSEE as provided herein shall, together with any funds remaining unexpended for airport and air terminal purposes from the proceeds of any such bonds or obligations, be set aside in a special fund. If, after payment of redemption of all of said bonds and obligations with interest and after the deduction of unamortized funds of LESSEE as aforesaid, there shall remain any balance in said special fund, including income and appreciation thereon, and if the Airport can no longer be operated, LESSEE shall pay such balance to LESSOR.
- D. If the whole of said demised premises or the right and interest of LESSEE shall be condemned, taken or acquired, as aforesaid, then no further rental shall be payable hereunder. If only part of the said demised premises or if only part of the right and interest of the LESSEE is condemned, taken or acquired and is such part is so substantial as to make it impractical to proceed with the operation of the demised premises for airport or air terminal purposes, no further rental shall be payable; provided, however, that possession of the demised premises remaining shall be promptly surrendered to LESSOR as if the term, hereof, shall have come to an end.
- E. If, however, only a part of said demised premises or of the right and interest of LESSEE in or to the same shall be condemned, taken or acquired, and the remaining is sufficient to conduct the operation thereof for airport and air terminal purposes, the obligations of LESSEE under the provisions of this Agreement relating to rent as well as under other provisions of this Agreement, shall continue and remain unaffected by such condemnation, taking or acquisition.

35. Termination by LESSOR. LESSOR may terminate this Agreement prior to its expiration date in the event of any of the following:

- A. Filing of a petition, voluntarily or involuntarily for the adjudication of LESSEE as a bankrupt.
- B. Any general assignment by LESSEE for the benefit of creditors
- C. The any act or occurrence which deprives the LESSEE permanently of the ability to perform its obligations pursuant to this Agreement except suspension of operations resulting from war or national emergency.
- D. The abandonment of operations at the airport by LESSEE
- E. LESSEE's failure to adhere to any and all of the terms and conditions of this Agreement after notice and opportunity to correct said deficiencies as provided in this subsection. LESSOR shall provide written notice to LESSEE specifying the nature of the alleged violations. LESSEE shall have 30 days from the date of its receipt of said notice to correct the deficiencies noted and shall be granted an additional 30 days for compliance in the event that LESSEE furnishes satisfactory evidence that it is continuously and diligently attempting to correct such default or breach.

36. **Termination by LESSEE.** LESSEE may terminate this agreement prior to its expiration date if the LESSOR fails to abide by any of the terms and conditions of this Agreement after the expiration of 30 days from the date written notice has been given to LESSOR by LESSEE to correct such default or breach provided that LESSEE shall extend the notice period for an additional 30 days in the event that LESSOR furnishes satisfactory evidence that it is continuously and diligently attempting to correct such default or breach.

37. **Discrimination.** In its operation of the airport, ~~LESSEE~~ ^{LESSEE} understands and agrees to the following: *ADW*

A. No person on the grounds of race, color, sex or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination in the use of the airport facilities.

B. In the construction of any improvements on, over or under the airport premises or the furnishing of services thereon, no persons shall be excluded from participation or otherwise subjected to discrimination on the basis of race, color, sex or national origin.

C. LESSEE shall maintain and operate the airport premises in compliance with all other requirements imposed by *Title 49, Code of Federal Regulations, Department of Transportation Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964*, and as said regulations may be amended.

D. Failure to comply with Sections 6 or 37 of this Agreement shall constitute a material breach thereof and in the event of such non-compliance, LESSOR may terminate this Agreement and the estate created without liability therefore. In the alternative, LESSOR or the United States or both entities may take actions as necessary to judicially enforce the above-referenced provisions of the Agreement.

E. LESSEE will, to the extent required by statute, regulation or rule, undertake an affirmative action program as set forth in *14 CFR Part 152, subpart E* to ensure that no person shall be excluded from participation in any covered employment activities or participation in or receipt of any services or benefits of any program covered by this subpart.

F. LESSEE shall insert the above provisions of this Section 36 in any sublease, license or other grant of authority to any person, firm or corporation to provide accommodations and/or services to the public on the airport premises.

38. **Inspection.** LESSOR reserves the right at all times of free access to all portions of the premises for purposes of inspection.

39. **Notices.** All written notices required to be sent by either party to the other shall be shall be forwarded by certified mail addressed as follows:

LESSOR: Board of Supervisors, Yavapai County
1015 Fair Street, Prescott, AZ 86301

LESSEE: Board of Directors, Sedona Airport Administration
235 Air Terminal Drive, Sedona, Arizona 86336

40. **Waiver.** Waiver of any provision of this Agreement by either party shall not constitute a waiver of any other provision of the agreement nor of any subsequent breach of any provision of the agreement.
41. **Entire Agreement.** This Lease Agreement sets forth all the promises, leases, conditions between LESSOR and LESSEE relative to the Premises, and there are no promises, leases, conditions or understandings, either oral or written, between them other than as are herein set forth. No alteration, amendment, change or addition to the Lease shall be binding upon LESSOR or LESSEE unless reduced to writing and signed by them.
42. **Time of the Essence.** Time shall be of the essence with respect to all dates and time periods set forth in this Lease.
43. **Severability.** In the event any covenant, condition or provision herein contained is held to be invalid by a court of competent jurisdiction, the invalidity of any such covenant, condition or provision shall in no way affect any other covenant, condition or provision herein contained.
44. **43. Required Provisions.** Each and every provision of law and clause required by law to be inserted in this Agreement shall be deemed to be inserted herein and the Agreement shall be read and enforced as though it were included herein. Upon the application of either party, any required provisions not inserted or inserted incorrectly, shall be inserted or corrected by Amendment to the Agreement.
45. **Applicable Laws.** This Agreement has been made in the State of Arizona and shall be governed and interpreted in accordance with the laws of the State of Arizona.

APPROVALS

LESSOR: YAVAPAI COUNTY



 Chairman, Board of Supervisors
 2/3/03

 Date

ATTEST:


 Clerk of the Board

APPROVED AS TO FORM


 Deputy County Attorney

LESSEE: SEDONA AIRPORT ADMINISTRATION



President, Board of Directors

1-27-03
Date

ATTEST:



Signature

GENERAL MGR. (SAA)
Title

SedonaMasterLease11703

EXHIBIT A

SEDONA AIRPORT – AMENDED LEASE AGREEMENT

LEGAL DESCRIPTION OF THE LEASED PREMISES