

HEBER CITY CORPORATION
75 North Main Street
Heber City, UT 84032
Airport Advisory Board (AAB) Meeting

April 8, 2026

4:00 p.m. – Regular Meeting

-Time and Order of Items are approximate and may be changed as Time Permits-

- I. Call To Order/Roll Call (Chairman Talley)
- II. Pledge of Allegiance
- III. Approval of Minutes
 1. Approval of the October 8, 2025, and December 11, 2025, meeting minutes (Deputy Recorder)
- IV. Public Comments: (Please limit comments to three (3) minutes per person)
- V. Airport Manager Quarterly Report
- VI. General Business
 1. Airport Financial Review with Budget Report and Year over Year Comparison
 2. Review and Consider Recommendation of Elemental Aviation SASO Application and Agreement (J. Mark Smedley, Asst. City Manager)
 3. Review and consider recommending the establishment of a committee to review and propose changes to the Heber City Airport Advisory Board Bylaws (Matt Brower, City Manager)
 4. Review, discuss, and consider recommendations on the following airport activities (Jason Talley, Chairperson)

Airport Sponsor installing and operating a self-service fuel island dispensing unleaded aviation fuel and overwing jet fuel

Airport Sponsor designating and improving, as necessary, paid public parking for transient aircraft

Establishment of a tax overlay zone for all property contained within the Airport Boundary and assess a 1% gross receipts tax
 5. Review, discuss, and consider recommendations on the designating Runway 22 as utilizing a Right-Hand Traffic Pattern (Jason Talley, Chairperson)
 6. Review, discuss, and consider recommendations for non-commercial self-service fuel (Chip Polvoorde)

7. Review, discuss, and consider recommendations for not expanding or replacing the current runway until it reaches the end of its useful life (Jason Talley, Chairperson)
8. Review and Consider Recommendation of the Non-Reversionary Form Ground Lease (J. Mark Smedley, Asst. City Manager)
9. Airport Manager Update (Matt Brower, City Manager)

VII. Adjournment

Ordinance 2006-05 allows Commission Members to participate in meetings via telecommunications media.

Posted on April Second of 2026 in the Heber City Municipal Building located at 75 North Main, the Heber City website at www.heberut.gov, and on the Utah Public Notice website at <http://pmn.utah.gov>.

1 **HEBER CITY CORPORATION**
2 **75 North Main Street**
3 **Heber City, UT 84032**
4 **Airport Advisory Board (AAB) Meeting**
5 **October 8, 2025**
6 **4:00 p.m. – Regular Meeting**

7 *-Time and Order of Items are approximate and may be changed as Time Permits-*

8 **I. Call To Order/Roll Call (Chairman Talley)**

9 Chairperson Talley called the meeting to order at 4:08 pm. He welcomed the new Board
10 Member, Jay Townsend. He thanked Jeff Peterson for his service on the Board. Alan
11 Roberts substituted for Nadium AbuHaidar.

12 **Airport Advisory Board Present:**

13 Chairperson Jason Talley
14 Vice Chairperson Bill Tew
15 Bart Mounteer
16 Jay Henry
17 Alan Robertson substituted for Nadium AbuHaidar
18 Jeff Mabbutt
19 Jay Townsend
20 Alternate / City Council Member D. Scott Phillips
21 (remotely)
22

23 **Staff Present:**

24 Airport Manager, Travis Biggs
25 Airport Office Administrator, Chandra Gremler
26 Assistant City Manager, Mark Smedley
27 City Deputy Recorder, Robin Raines-Bond
28 Finance Manager, Sara Nagel
29

30 **Also Present:** David Robinson, Oliver Talley, and others who did not sign in or whose
31 handwriting was illegible.
32

33 **Attending Remotely:** IT Director Anthon Beales.
34

35 **II. Pledge of Allegiance (Board Member Mabbutt)**

36 Board Member Jeff Mabbutt led the Pledge.

37 **III. Approval of Minutes**

38 1. Approval of the April 16, 2025, meeting minutes. (Robin Raines-Bond)

39 The minutes of the previous meeting were reviewed and approved with changes. The
40 motion concerning the Elemental Aviation proposal was moved to the next meeting for
41 consideration. The Board asked for an attorney to review the vote.

42 **MOTION:** Board Member Henry motioned to accept the minutes with Changes
43 requested by Chairman Talley and the recommendation of Assistant City Manager Mark
44 Smedley to exclude the motion and vote for the proposal of Elemental Aviation's fuel
45 farm SAOS to be presented to the City Council. Board Member Mounter seconded the
46 motion. **Yes:** Chairperson Talley, Vice Chairperson Tew, Board Member Mounter,
47 Mabbutt, and Henry. **No:** None. **Abstained:** Jay Townsend and Alan Robertson. **Motion**
48 **passed 4-0.**

49 **Minutes for Elemental Aviation Motion, for the Board's Consideration:**

50 It was noted that Council Member Nadium AbuHaidar and Chairman Jason Talley
51 recused themselves from voting on the motion due to a conflict of interest. Council
52 Member AbuHaidar later un-recused himself, citing that his business was not in
53 competition with Elemental Aviation's proposed SASO (Specialized Aviation Service
54 Operator). Mr. Talley argued that the FBO (Fixed Base Operator, OK3) would compete
55 with Elemental Aviation's proposed SASO because both have a financial interest in fuel
56 sales; therefore, his vote should not count. Mr. Talley also stated that, according to AAB
57 Bylaws, alternate members could only vote if a quorum would not be met. He stated that
58 a full quorum was present and that City Council Member Phillip's vote was therefore
59 invalid. Staff would consult with the City Attorney to determine if the voting was valid.

60 ***The following motion was stricken from the Approved minutes and moved to the***
61 ***next meeting for consideration.***

62 **Motion:**

- 63 • A motion was made to forward Elemental Aviation's proposal to the City Council
64 for consideration under the case-by-case minimum standards framework.
- 65 • The motion included findings that the proposal:
 - 66 ○ Provides high-quality products, services, and facilities to airport users.
 - 67 ○ Adds commercial activities not currently available at the airport.
 - 68 ○ Promotes safety and compliance with regulatory requirements.
 - 69 ○ Enhances the economic health of the airport, including flowage fees and
70 future hangar development.
 - 71 ○ Reduces lead and particulate emissions, contributing to community health
72 and welfare.
 - 73 ○ Permits orderly development consistent with the airport master plan and
74 ALP.

75 **Operational and Safety Requirements Included in Motion:**

- 76 • Permittee to maintain fuel storage facilities in good condition and demonstrate
77 agreements with reputable fuel suppliers.
- 78 • Permittee to maintain a written Spill Prevention Contingency and Control Plan
79 (SPCC) and file updated copies with the airport manager.
- 80 • Permittee liable for leaks, spills, or damage, and responsible for fuel quality and
81 reporting.
- 82 • Approvals for construction of the commercial self-service fuel facility and taxiway
83 improvements, consistent with applicable codes and the airport layout plan.

84 Additional Discussion

- 85 • Board members reiterated the advisory role and emphasized the importance of
86 protecting the city and its processes.
- 87 • Concerns were expressed regarding conflicts of interest, procedural compliance,
88 and the potential for misuse of the advisory process.
- 89 • Members noted that the proposal should be evaluated at the Council level, which
90 has the authority to approve, deny, or request further review, including potential
91 RFPs or other processes for self-service fueling at the airport.
- 92 • The Board acknowledged the differing opinions among members and the need to
93 respect the City Council's decision-making authority.

94 **MOTION:** Board Member Henry motioned to send the proposal on to the City Council
95 according to Mr. Talley's list. Vice-Chairperson Tew seconded the motion. **Yes:** Vice
96 Chairperson Tew, Board Members Henry and Petersen. **Abstained:** Chairperson Talley
97 **No:** Board Members Munteer, Mabbutt, and AbuHaidar, and Council Member Phillips
98 who broke the tie vote. **Motion failed 3-4.**

99

100 IV. Public Comments: (Please limit comments to three (3) minutes per person.)

101 None.

102 V. Airport Manager Quarterly Report (Travis Biggs)

103 Airport Manager Travis Biggs introduced his assistant Chandra Gremler. He said
104 many projects were underway at the airport, including maintenance, crack sealing,
105 hangar inspections, and installing a new gate. He informed the Board that the airport
106 would be closed for about eight days.

107 Board members expressed appreciation to Manager Biggs for his leadership,
108 accessibility, and dedication to airport operations. They noted significant improvements
109 at the airport, as well as his responsiveness to users and the community.

110 Mr. Talley would like to call a special meeting on December 3, 2025. He suggested an
111 item for the agenda:

- 112 1. Discussion for Right Hand Traffic on Runway 22

113

114 **VI. General Business**

115 1. Draft Non Reversionary Ground Lease Agreement

116 Mr. Biggs introduced a draft of the proposed Non-Reversionary Ground Lease Agreement,
117 explaining that the existing lease required updates to reflect current aviation practices and the
118 operational needs of the airport.

119 He reported that the draft was developed with extensive input from staff and industry experts.
120 Key goals included protecting the airport and community, reducing financial burden on
121 taxpayers, ensuring future flexibility for funding changes or natural disasters, helping the airport
122 become self-sustaining and compliant, and providing a professional and equitable document for
123 both the City and hangar owners.

124 Mr. Biggs clarified that the updated lease would apply as existing leases expire.

125 Lease Term Discussion ensued. The proposed lease term is 15 years. New-construction hangar
126 leases could extend 20 years or more. Board members expressed concerns related to amortization
127 periods and hangar valuation under the proposed terms. Members asked whether sale/transfer of
128 hangars would be affected and whether the lease terms would reflect market values. Mr. Biggs
129 noted that lease structures from other airports were reviewed and considered during the drafting
130 process.

131 Market Value Considerations were discussed.

132 Council Member Scott Phillips stated the City must ensure its leases reflect current market value,
133 noting that many existing leases are significantly below market rates. He emphasized:

- 134 • The airport is a public asset
- 135 • Updated leases should recalibrate to market value every 15 years
- 136 • Current leaseholders would have first rights to renew or extend
- 137 • Adjustments benefit all taxpayers by maintaining the value of airport land

138 Reversionary and non-reversionary leases were argued. The Board discussed differences
139 between the two lease types. Board Member Townsend expressed opposition to reversionary
140 leases. Mr. Biggs noted that the City's reversionary leases typically generate higher revenue.

141 Board Members asked extensive questions regarding:

- 142 • CPI selection and indexing for rate adjustments
- 143 • Transferability of leases to new owners
- 144 • Treatment of existing agreements approaching expiration
- 145 • Market-value recalibration intervals
- 146 • Application of provisions to Daniel hangars

147 Mr. Smedley clarified:

- 148 • The proposed lease would become the City's new standard non-reversionary lease
- 149 • Hangar owners own the structure; Heber City owns the land
- 150 • The City recognizes the need for adequate amortization periods
- 151 • The City is not attempting to remove hangar owners, but must responsibly manage airport
- 152 land value

153 The Board reviewed operational provisions within the lease: General and prohibited uses were
154 intended to protect all airport users. Compliance with environmental regulations related to
155 solvents, washing aircraft, drains, and contaminants. Aircraft must remain the primary use of the
156 hangar. Limited non-aeronautical storage permitted only under defined conditions and with
157 compliance deadlines. Rules for personal or identification signage were discussed. Insurance
158 requirements were reviewed, including hangar keeper's insurance. Questions were raised
159 regarding snow and weed removal, storage of equipment, and the placement of snow.
160 Clarifications were made regarding ownership-entity changes.

161 The market value, improvements, and future growth were discussed. Council Member Phillips
162 emphasized the importance of protecting the City's long-term investment in airport property.
163 Improvements made by owners, such as new doors, may increase hangar value. There is
164 currently a significant waiting list for hangars. New leases will be negotiated at updated rates as
165 current agreements expire.

166 Additional items discussed included:

- 167 • Discussion occurred regarding temperature conditions for required compliance periods
168 (e.g., 60 days for cleaning when above 50°F).
- 169 • Questions were raised concerning the storage of support vehicles, environmental
170 considerations, and aircraft servicing by owners or contractors.
- 171 • The definition of airspace rights above properties were briefly mentioned.

172 **MOTION:** Vice Chair Tew motioned to continue the non reversionary ground lease
173 agreement discussion at a December 3, 2025, meeting. Chairman Talley seconded the
174 motion. **Yes:** Chairperson Talley, Vice Chairperson Tew, Board Member Munteer,
175 Mabbutt, Townsend, and Henry. **No:** None. **Motion passed 6-0.**

176 VII. Adjournment

177 **MOTION:** Board Member Henry motioned to adjourn. Board Member Townsend
178 seconded the motion. **Yes:** Chairperson Talley, Vice Chairperson Tew, Board Members
179 Munteer, Henry, Townsend, and Mabbutt. **No:** None. **Motion passed 6-0.**

180 The meeting adjourned at 6:42 pm.

181

182 *I, Robin Raines-Bond, City Deputy Recorder of Heber City, hereby certify that the foregoing minutes*
183 *represent an accurate and complete record of the meeting held on April 16, 2025. This document*
184 *constitutes the official minutes of the Airport Advisory Board Meeting.*

185

186

187 SEAL

DATE

188

189

190

191

Robin Raines-Bond
City Deputy Recorder

DRAFT

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35

HEBER CITY CORPORATION
75 North Main Street
Heber City, UT 84032
Airport Advisory Board (AAB) Meeting

December 11, 2025

4:00 p.m. – SPECIAL Meeting

-Time and Order of Items are approximate and may be changed as Time Permits-

I. Call To Order/Roll Call (Chairman Talley)

Chairperson Talley called the meeting to order at 4:01 pm.

Airport Advisory Board Present:

Chairperson Jason Talley
Vice Chairperson Bill Tew
Bart Mounter
Jay Henry
Nadium AbuHaidar
Jeff Mabbutt
Jay Townsend

Staff Present:

Airport Manager, Travis Biggs
Airport Office Administrator, Chandra Gremler
Assistant City Manager, Mark Smedley
City Manager, Matt Brower
City Recorder, Trina Cooke
Finance Manager, Sara Nagel

Also Present: Jeanne Henry, Morgan Murdock, and others who did not sign in or whose handwriting was illegible.

Attending Remotely: Alternate / City Council Member D. Scott Phillips, City Attorney, Jeremy Cook, and IT Director, Anthon Beales, and Cory Capoccia.

I. Pledge of Allegiance (Board member Jay Townsend or by invitation)

Mr. Townsend led the Pledge.

II. Approval of Minutes

1. Approval of the October 8, 2025 Meeting Minutes (Robin Raines, Deputy Recorder)

40 The Board discussed disputed language in the draft minutes from a prior meeting related to a
41 board member's recusal and participation in a vote. It was noted that clarification from Mr. Smedley
42 had not been received and that the disputed portion of the minutes was not scheduled for approval
43 at this meeting. **Clarification:** *The disputed portion is included in the October 8, 2025, draft*
44 *meeting minutes and was included on this meeting's agenda. The April 16, 2025, meeting minutes*
45 *were approved with the exception of the disputed motion; therefore, that motion was carried*
46 *forward and included in the October 8, 2025, minutes.*

47 City Attorney Jeremy Cook, participating remotely, provided general guidance regarding recusal
48 and meeting minutes, stating that a board member may recuse and later participate if recusal is
49 determined to be unnecessary, and that minutes are intended to summarize what occurred and are
50 subject to Board approval and correction.

51 The Board also discussed bylaw provisions related to conflicts of interest and applicant
52 presentations, as well as the voting role of a City Council member serving on the Board. Mr. Cook
53 indicated he would review the City Council voting issue and provide clarification at a future
54 meeting.

55 **MOTION Rescinded:** Vice Chair Tew motioned to approve the October 8, 2025, meeting minutes.
56 Board Member Henry seconded the motion. Discussion ensued about correcting the minutes
57 before approval. The motion was rescinded and a new motion was made.

58 **MOTION:** Vice Chair Tew motioned to continue meeting minutes to the next meeting. Board
59 Member Henry seconded the motion. **Yes:** Chairperson Talley, Vice Chairperson Tew, Board
60 Member Mounteer, Mabbutt, Townsend, Henry and AduHaidar. **No:** None. **Motion passed 7-0.**

61 **III. Public Comments:** (Please limit comments to three (3) minutes per person.)

62 Cory Capoccia, hangar owner in Heber and from Park City, thanked the Airport Advisory Board for
63 its work and noted meaningful improvements in the most recent draft lease. He identified three
64 remaining areas of concern:

65 (1) Renewal terms and fees, recommending a cap on renewal fees and encouraging alignment
66 with the prior 1% renewal fee rather than a higher percentage;

67 (2) Lease term length, expressing support for a longer base term and additional renewal options to
68 provide investment certainty for hangar owners; and

69 (3) Estate planning and family transfers, requesting clarification that transfers within a family trust
70 or LLC would not trigger transfer fees.

71 Mr. Kabocha also commented on use restrictions, encouraging clarification that hangar use
72 remains primarily aeronautical while allowing reasonable incidental activities. He expressed
73 interest in participating in a working group to assist with further revisions.

74 **IV. General Business**

75 1. **SASO Application Review**

76 Chairperson Talley recused himself and declared a conflict of interest. Airport Manager Travis
77 Biggs shared that the staff's role was to review the application and determine if it was complete.
78 The Board considered the evaluation of Elemental Aviation's SASO (Specialized Aviation Service
79 Operator) application, including compliance with minimum standards and operational details.
80 Elemental Aviation would gather and submit additional documentation regarding their SASO
81 application by the next meeting. The discussion highlighted the potential financial implications of
82 the SASO application for the city, emphasizing the need for thorough review and documentation.

83 Board Member AbuHaidar did not agree with the application's validity. He wanted to be on the
84 record as saying that Mr. Talley's application was in violation. Mr. Talley stated he was not in
85 violation of his lease.

86 **MOTION:** Board Member Mabbutt motioned to continue the SASO Application by Elemental
87 Aviation and give the applicant the opportunity to bring forth the information mentioned in Mr.
88 Biggs report at the next meeting on January 13, 2026. Board Member Munteer **seconded** the
89 motion. **Yes:** Vice Chairperson Tew, Board Member Munteer, Mabbutt, Townsend, Henry and
90 AduHaidar. **No:** None. **Motion passed 6-0.**

91 2. **Approve Annual Meeting Schedule 2026** (Travis Biggs, Airport Director)

92 **MOTION:** Board Member Munteer motioned to accept the Annual Meeting Schedule as outlined.
93 Board Member Henry seconded the motion. **Yes:** Chairperson Talley, Vice Chairperson Tew,
94 Board Member Munteer, Mabbutt, Townsend, Henry and AduHaidar. **No:** None. **Motion passed**
95 **7-0.**

96 3. **Review Non-Reversionary Form Ground Lease**

97 There was a discussion on the implications of conflict of interest for board members who are also
98 hangar owners. Staff would consult with the city attorney regarding the conflict of interest and
99 recusal processes. City Attorney Jeremy Cook would prepare a presentation on conflicts of interest
100 guidelines for the next meeting. The discussion showed there is a need for clearer guidelines on
101 conflicts of interest within the Airport Advisory Board Bylaws. The Board expressed the importance
102 of understanding the minimum standards and rules governing their operations to ensure
103 compliance and effective recommendations to the City Council.

104 **Motion:** Board Member *Unrecognized* motioned to continue the agenda item. Board Member
105 Townsend **seconded** the motion. **Yes:** Chairperson Talley, Vice Chairperson Tew, Board
106 Members Munteer, Henry, Townsend, AduHaidar, and Mabbutt. **No:** None. **Motion passed 7-0.**

107
108 **V. Adjournment**

109
110
111
112
113
114
115
116
117
118
119
120
121
122
123
124

MOTION: Board Member AduHaidar motioned to adjourn. Board Member Henry seconded the motion. **Yes:** Vice Chairperson Tew, Board Members Mounteer, Henry, Townsend, AduHaidar, and Mabbutt. **No:** None. **Motion passed 6-0.**

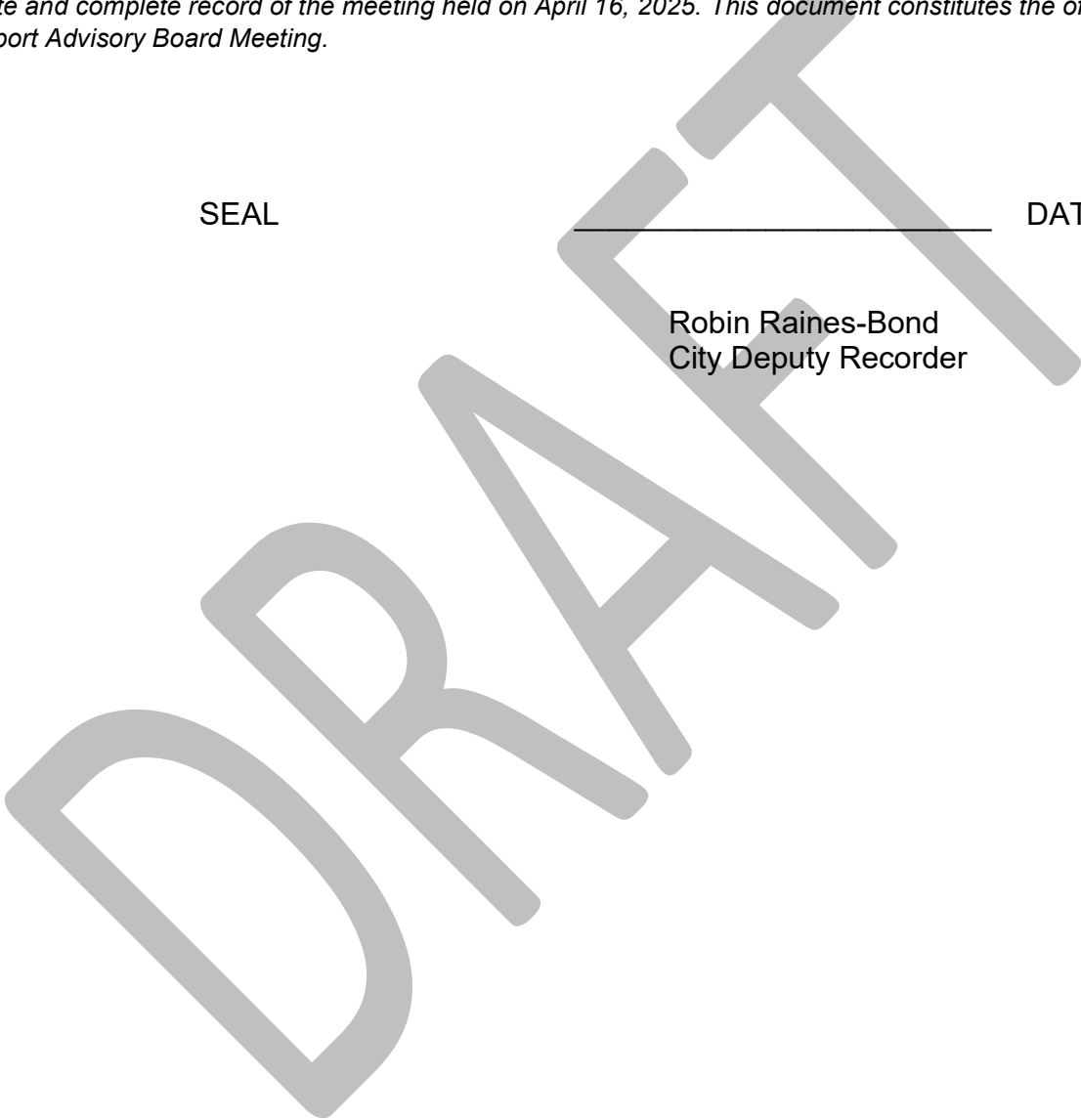
The meeting adjourned at 5:31 pm.

I, Robin Raines-Bond, City Deputy Recorder of Heber City, hereby certify that the foregoing minutes represent an accurate and complete record of the meeting held on April 16, 2025. This document constitutes the official minutes of the Airport Advisory Board Meeting.

SEAL

DATE

Robin Raines-Bond
City Deputy Recorder



Heber City Corporation
BUDGET REPORT WITH YEAR OVER YEAR COMPARISON
21 Airport Special Revenue - 07/01/2025 to 03/25/2026
75.00% of the fiscal year has expired

	March 2025 Actual	March 2026 Actual	Year Over Year \$ Change	Year Over Year % Change	YTD Actual	Budget	Over/(Under)	Percentage
Change In Net Position								
Revenue:								
Taxes								
3478 AVIATION FUEL TAX	10,382.99	-	(10,382.99)	-	24,553.16	40,000.00	15,446.84	61.38%
Total Taxes	10,382.99	-	(10,382.99)	-	24,553.16	40,000.00	15,446.84	61.38%
Charges For Services								
3470 AIRPORT BUSINESS FBO/SSO FEES	-	-	-	-	83,460.94	29,740.00	(53,720.94)	280.64%
3471 AIRPORT HANGAR GROUND LEASE FEE	987.09	4,765.00	3,777.91	482.73%	362,857.37	378,000.00	15,142.63	95.99%
3472 AVIATION FUEL	4,124.35	5,856.60	1,732.25	142.00%	35,897.50	40,000.00	4,102.50	89.74%
3473 AIRPORT LANDING FEES	26,402.68	26,569.20	166.52	100.63%	234,291.12	270,000.00	35,708.88	86.77%
3474 HANGAR TRANSFER FEES	-	-	-	-	288,998.00	210,000.00	(78,998.00)	137.62%
3475 HANGAR PAD FEES	-	-	-	-	-	-	-	-
3476 FARM LEASE	150.00	-	(150.00)	-	17,050.00	4,300.00	(12,750.00)	396.51%
3477 LICENSES	40.00	120.00	80.00	300.00%	9,312.00	10,000.00	688.00	93.12%
3479 AIRPORT PARKING	-	-	-	-	45.00	-	(45.00)	-
3620 MISCELLANEOUS INCOME	-	-	-	-	10,245.00	39,000.00	28,755.00	26.27%
3850 CONTRIBUTIONS - SURPLUS	-	-	-	-	-	-	-	-
Total Charges For Services	31,704.12	37,310.80	5,606.68	117.68%	1,042,156.93	981,040.00	(61,116.93)	106.23%
Interest								
3610 INTEREST INCOME	-	-	-	-	2,063.00	-	(2,063.00)	-
Total Interest	-	-	-	-	2,063.00	-	(2,063.00)	-
Miscellaneous Revenue								
3330 FEDERAL GRANT	-	-	-	-	-	-	-	-
3340 STATE GRANT-OPERATING	-	-	-	-	-	-	-	-
3615 INVESTMENT GAIN/LOSS	-	-	-	-	-	-	-	-
3616 COST OF SALES	-	-	-	-	-	-	-	-
3645 INSURANCE PROCEEDS	-	-	-	-	5,830.30	-	(5,830.30)	-
Total Miscellaneous Revenue	-	-	-	-	5,830.30	-	(5,830.30)	-
Contributions and Transfers								
3830 CONTRIBUTIONS FROM AIRPORT CAPITAL IMP	-	-	-	-	-	-	-	-
3870 CONTRIBUTIONS FUND SURPLUS	-	-	-	-	-	17,800.00	17,800.00	-
Total Contributions and Transfers	-	-	-	-	-	17,800.00	17,800.00	-
Total Revenue:	42,087.11	37,310.80	(4,776.31)	88.65%	1,074,603.39	1,038,840.00	(35,763.39)	103.44%
Expenditures:								
Parks, recreation, and public property								
Airport								
4011 SALARIES AND WAGES	18,764.66	16,506.50	(2,258.16)	87.97%	138,417.81	206,319.00	67,901.19	67.09%
4012 OVERTIME	-	-	-	-	-	-	-	-
4013 EMPLOYEE BENEFITS	8,339.48	3,382.31	(4,957.17)	40.56%	35,299.96	47,759.00	12,459.04	73.91%
4014 EMPLOYEE BENEFITS - MANAGERS	-	-	-	-	-	-	-	-
4015 UNIFORM ALLOWANCE	-	-	-	-	577.73	600.00	22.27	96.29%
4017 FICA AND MEDICARE	1,413.96	1,239.16	(174.80)	87.64%	10,381.93	15,184.00	4,802.07	68.37%
4021 BOOKS, SUBSCRIPTIONS & DUES	-	350.00	350.00	-	700.00	720.00	20.00	97.22%

Heber City Corporation
BUDGET REPORT WITH YEAR OVER YEAR COMPARISON
21 Airport Special Revenue - 07/01/2025 to 03/25/2026
75.00% of the fiscal year has expired

	March 2025 Actual	March 2026 Actual	Year Over Year \$ Change	Year Over Year % Change	YTD Actual	Budget	Over/(Under)	Percentage
4022 PUBLIC NOTICING	-	-	-	-	-	275.00	275.00	-
4023 TRAVEL	1,024.82	1,059.48	34.66	103.38%	2,372.02	8,725.00	6,352.98	27.19%
4024 OFFICE SUPPLIES	48.51	-	(48.51)	-	1,225.95	2,500.00	1,274.05	49.04%
4025 EQUIPMENT MAINTENANCE	-	-	-	-	3,237.23	3,500.00	262.77	92.49%
4027 UTILITIES	375.94	1,261.73	885.79	335.62%	11,155.23	10,100.00	(1,055.23)	110.45%
4028 TELEPHONE	178.61	-	(178.61)	-	1,646.70	2,733.00	1,086.30	60.25%
4029 GASOLINE & OIL	293.45	105.46	(187.99)	35.94%	663.65	4,500.00	3,836.35	14.75%
4031 PROFESSIONAL SERVICES	3,357.50	-	(3,357.50)	-	16,237.80	158,750.00	142,512.20	10.23%
4032 TRAINING	-	-	-	-	1,175.00	3,260.00	2,085.00	36.04%
4033 LEGAL	14,439.19	-	(14,439.19)	-	30,029.13	85,000.00	54,970.87	35.33%
4035 MEALS	-	46.59	46.59	-	65.91	200.00	134.09	32.96%
4048 SPECIAL SUPPLIES	1,056.76	625.53	(431.23)	59.19%	3,984.28	9,000.00	5,015.72	44.27%
4051 INSURANCE	-	-	-	-	7,315.39	6,550.00	(765.39)	111.69%
4065 DEPRECIATION	-	-	-	-	-	-	-	-
4071 SNOW REMOVAL	-	-	-	-	-	-	-	-
4072 BUILDING	-	-	-	-	285.00	3,000.00	2,715.00	9.50%
4073 IMPROV. OTHER THAN BUILDINGS	-	75.00	75.00	-	3,375.00	6,000.00	2,625.00	56.25%
4074 EQUIPMENT	4,679.16	-	(4,679.16)	-	25,638.37	52,860.00	27,221.63	48.50%
4075 CAPITAL EQUIPMENT	-	-	-	-	452.40	-	(452.40)	-
4077 INTERNAL SERVICE CHARGE - IT	418.75	-	(418.75)	-	2,066.64	3,400.00	1,333.36	60.78%
4078 INTERNAL SERVICE CHARGE - ADMIN	400.00	-	(400.00)	-	2,066.64	8,000.00	5,933.36	25.83%
4079 PAVEMENT MAINTENANCE/REPAIR	-	-	-	-	-	-	-	-
4091 INDIRECT SALARIES	8,188.03	5,697.46	(2,490.57)	69.58%	50,894.45	90,095.00	39,200.55	56.49%
4092 INDIRECT BENEFITS	3,609.12	1,702.78	(1,906.34)	47.18%	16,879.71	26,181.00	9,301.29	64.47%
4093 GENERAL FUND OVERHEAD	-	-	-	-	-	-	-	-
Total Airport	66,587.94	32,052.00	(34,535.94)	48.13%	366,143.93	755,211.00	389,067.07	48.48%
Total Parks, recreation, and public property	66,587.94	32,052.00	(34,535.94)	48.13%	366,143.93	755,211.00	389,067.07	48.48%
Miscellaneous								
4009 COST OF GOODS SOLD	-	-	-	-	-	-	-	-
4054 BANK FEES	-	-	-	-	-	-	-	-
Total Miscellaneous	-	-	-	-	-	-	-	-
Transfers								
3860 TRANSFER FROM OTHER FUNDS	-	-	-	-	-	-	-	-
7030 TRANSFER TO AIRPORT CAPITAL IMPROVEME	-	-	-	-	-	213,200.00	213,200.00	-
Total Transfers	-	-	-	-	-	(213,200.00)	(213,200.00)	-
Total Expenditures:	(66,587.94)	(32,052.00)	34,535.94	48.13%	(366,143.93)	(968,411.00)	(602,267.07)	37.81%
Total Change In Net Position	(24,500.83)	5,258.80	29,759.63	-21.46%	708,459.46	70,429.00	(638,030.46)	1,005.92%

HANGAR GROUND LEASE AGREEMENT

HEBER CITY AIRPORT

LESSOR: HEBER CITY CORPORATION

LESSEE: Louis TESSLER

DATED: April 2, 2018

TABLE OF CONTENTS

I. PREMISES..... 1

III. FIRST RIGHT OF REFUSAL TO RENEW LEASE..... 2

IV. LESSEE’S RIGHT TO REMOVE IMPROVEMENTS..... 3

V. RENTALS, FEES AND CHARGES 3

VI. USE OF PREMISES..... 4

VII. CONSTRUCTION – IMPROVEMENTS..... 4

VIII. OBLIGATIONS OF LESSEE..... 5

IX. LEASEHOLD MORTGAGES..... 7

X. INDEMNIFICATION AND HOLD HARMLESS..... 9

XI. HEBER CITY ORDINANCES 10

XII. INSURANCE..... 10

XIII. PERMITS, LICENSES AND CERTIFICATES..... 11

XIV. ASSIGNMENT..... 11

XV. RIGHT OF ENTRY AND INSPECTION..... 13

XVI. RULES AND REGULATIONS..... 13

XVII. GOVERNMENTAL RESERVATIONS AND RESTRICTIONS..... 13

XVIII. THE CITY’S RIGHT OF CANCELLATION..... 14

XIX.	LESSEE’S RIGHT OF CANCELLATION.....	14
XX.	FORCE MAJEURE.....	15
XXI.	DESTRUCTION OF PREMISES.....	15
XXII.	COSTS OF SUSTAINING AN ACTION FOR BREACH OR DEFAULT.....	16
XXIII.	PARTIAL INVALIDITY.....	16
XXIV.	ABANDONMENT.....	16
XXV.	UNLAWFUL USE.....	17
XXVI.	LEASE SUBORDINATE TO AGREEMENTS WITH U.S.A.....	17
XXVII.	DEVELOPMENT OF AIRPORT.....	17
XXVIII.	AIRPORT FACILITIES.....	17
XXIX.	BANKRUPTCY.....	18
XXX.	TAXES AND ASSESSMENTS.....	18
XXXI.	MARGINAL CAPTIONS.....	18
XXXII.	AMENDMENTS TO BE IN WRITING.....	18
XXXIII.	SUCCESSORS IN INTEREST.....	19
XXXIV.	NONEXCLUSIVE RIGHTS.....	19
XXXV.	WAIVER OF RIGHTS.....	19
XXXVI.	NOTICES.....	19
XXXVII.	HOLDOVER.....	20
XXXVIII.	TIME.....	20

HANGAR GROUND LEASE AGREEMENT

LEASE AGREEMENT made this 15th day of March, 2017 between HEBER CITY, herein called City, Lessor or Heber City, and Louis TESSLER, herein called Lessee.

RECITALS

A. Heber City owns and operates at the HEBER CITY AIRPORT located in Wasatch County, State of Utah, herein called Airport.

B. Lessee desires to lease a parcel of land on the Airport premises for the purpose of erecting and/or maintaining an existing aircraft hangar owned by Lessee for the storage of aircraft.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained, herein, the parties agree as follows:

I. PREMISES.

The City hereby leases to Lessee the Parcel of land only which is known as **Hangar Lot #6B** at the Heber City Airport, Wasatch County Utah more fully described on Exhibit "A" attached and made part hereof.

II. TERM.

A. Subject to all other provisions of this Agreement regarding termination reserved herein, the term of this lease shall commence on the **1st day of April, 2018 and end on the 31st day of April, 2038**, a duration of twenty (20) years, hereinafter the "Initial Term," unless sooner terminated in accordance with the provisions hereof.

B. Subject to the conditions set forth herein, Lessee shall have the option to extend the term of this Agreement for two (2) additional periods of five (5) years each, hereinafter the "Extended Term(s)," provided Lessee is not in default in the payment of any rent

3/15/2017

CITY DG

1

LESSEE LT

2016 non-reversionary

or in default in any other provisions of this Agreement at the time of its exercise of any such option. With the exception of rentals due, the terms and conditions applicable during the Initial Term of this Agreement shall remain applicable during any Extended Term. The rent escalation shall continue throughout the Initial Term and any Extended Term as provided.

C. The City desires to offer Lessee an opportunity to enter into a new lease for the Leased Premises on the terms set forth in this Agreement upon the expiration of the last of the two (2) Extended Terms described in Section II.B. above, should they be exercised by Lessee. If Lessee desires to continue occupying the Leased Premises after the expiration of all two (2) Extended Terms, Lessee may request that the City grants a new lease agreement. Such a request shall be made by Lessee in writing and delivered to the City not earlier than three hundred sixty-five (365) days and not later than one hundred twenty (120) days prior to the expiration of the last Extended Term. If: (i) if Lessee is not then in default under any provision of this Agreement; and (ii) the City certifies the conditions of the lease have been met and agrees to offer to lease the Leased Premises to hangar tenants or an association of hangar tenants; and (iii) such a new lease would be consistent with the Airport's master plan then in effect and any and all federal rules, regulations, directives, guidelines or other obligations with respect to Airport, including but not limited to the "grant assurances" to the FAA; then the City will offer Lessee a new lease of the Leased Premises, under such terms and conditions, including rental rates and duration of the lease term and on the then-current lease form being offered by the City.

III. FIRST RIGHT OF REFUSAL TO RENEW LEASE

Lessee shall have the first right of refusal to renew this lease agreement on the condition that Lessee is not in default hereunder at the time of such renewal and provided the renewal term does not exceed five (5) years. To renew this Lease under the first right of refusal, Lessee shall provide a minimum of thirty (30) days written notice to Lessor prior to the expiration of the initial lease term stating Lessee's desire the opportunity to exercise his first right of refusal. The terms and conditions contained herein shall govern any renewal of this Lease

unless otherwise agreed between the parties hereto. If Lessee fails to provide a minimum of thirty (30) days written notice to Lessor prior to the expiration of the initial lease term stating Lessee's desire to exercise his first right of refusal, Lessee then, as a result of inaction, loses the opportunity to exercise the first right of refusal and the Lease shall not be renewed.

IV. LEASEE'S RIGHT TO REMOVE IMPROVEMENTS.

Upon the termination of this lease, Lessee shall have the right to remove any improvements erected by Lessee on the premises during the lease term or any renewal. Lessee, upon removal of any improvements shall restore the land to as good condition as it was in prior to the erection of any improvements thereon. Lessee hereby agrees that removal of any and all improvements shall be completed on or before sixty (60) days from termination of this lease. Lessee hereby consents and agrees that any improvements remaining on the premises after the sixty (60) day removal period shall at the option of the City be deemed abandoned and owned by the City without any claim or right whatsoever in Lessee.

V. RENTALS, FEES AND CHARGES.

Subject to re-negotiation and change of rental rates as hereinafter provided, the Lessee agrees to pay the City for the use of the premises, facilities, rights, services and privileges granted herein, the following rental, payable to Heber City.

A. Rental for the above-described parcel is \$.337 per square foot for the entire lease footprint.

<u>Parcel</u>	<u>Area</u>	<u>Rate</u>
Lot 6B	6,650 sq. feet	33.7¢ sq. foot

B. The rent of the above described land for each following year of the agreement shall be \$2,241.05, and is due and payable to Heber City Corporation, within 30 days of the billing date of each calendar year of the Agreement.

C. Rents provided for herein, are subject to an annual change per the Consumer Price Index (C.P.I.)

D. All payments due the City under this Lease, including rent, that are not paid on or before thirty (30) days from the due date shall incur a late fee of ten (10%) percent for each 90 days or portions thereof that the amount remains delinquent.

E. All payments due the City under this Lease shall be delivered to the Heber City Corporation, 75 North Main Street, Heber City, Utah 84032 or as otherwise directed in writing by the City.

VI. USE OF PREMISES

The leased premises and any and all improvements located thereupon shall be used solely for conducting the following activities and shall not be used as overnight sleeping quarters:

A. Storage of aviation related equipment

B. Non-aviation storage as an incidental use on the condition the space is principally used for aviation purposes.

Lessee acknowledges that the premises may not be used for commercial purposes or as a fixed-base operator without Lessee meeting, complying with and obtaining approval for the minimum standards as may exist at that time for such operation. Further, Lessee agrees to maintain the storage in this area in neat condition.

VII. CONSTRUCTION – IMPROVEMENTS.

Lessee may make improvements on the premises. Lessee, as additional rent, shall construct and maintain a paved aircraft ramp area on the Leased Premises (the “Ramp.”). The Ramp must be designed and built to specifications, and for a minimum weight bearing capacity, established by the City, built to the full width of the Leased Premises, and to connect with



adjacent taxiway, ramp and/or auto parking areas, in order that a continuous and safe pavement section results. If access to the Leased Premises is not available on existing taxiways and/or roadways, then Lessee may also be required to construct the same. It is the responsibility of Lessee to maintain the entire Ramp area, and all other pavement areas on the Leased Premises, in a manner, which is safe and clean of debris so as not to cause danger or unsafe conditions for taxiing aircraft and Airport users. Notwithstanding the foregoing, the City shall be responsible for snow removal on the aircraft Ramp area excluding any parking and side lots and excluding any area within three feet (3') of any Hangar; provided, however, that priority of snow removal shall be in accordance with the City's Snow Removal Plan as it now exists or as it may be amended in the City's sole discretion. Lessee grants to users of the Airport the right to use aircraft Ramp areas on the Leased Premises from time to time for passage of aircraft on and near the adjacent taxiway. The construction time and default provisions of this Agreement shall be applicable to the Ramp described in this section.

VIII. OBLIGATIONS OF LESSEE.

A. Lessee agrees to notify the airport manager, in writing, within ten (10) days of its basing, of the registration number of the aircraft and the person(s) responsible for it, including off hours emergency phone numbers, for all aircraft stored on the leased premises.

B. Lessee shall be solely responsible for all costs or charges for utility services required by the Lessee during the term of this Lease.

C. Lessee agrees to maintain the demised premises including the interior of the hangar in a neat, orderly and safe condition, and free from waste, rubbish, snow or other hazards throughout the term of this Lease. Lessee shall not store or let stand any equipment or property belonging to the Lessee or under the Lessee's custody, outside the boundaries of the leased areas without prior consent of the City, except when such equipment or property is in the process of being loaded or unloaded. Should the Lessee fail to repair and maintain the leased

premises in proper condition, the City shall so notify the Lessee in writing. If the Lessee then fails to make such repair or maintenance within ten (10) days after the notice has been sent the City may cause such repair or maintenance service to be made. Lessee agrees to pay all City's costs incurred thereby and reimburse the City therefore on demand. If said costs and expenses are not paid within fifteen (15) days after demand therefore, this Lease shall be deemed to be in default and the City shall be entitled to all legal remedies provided hereunder, including termination of this Lease.

D. Lessee shall exercise due and reasonable caution to prevent fire, accidents, hazards or nuisances on the premises. Should the Lessee fail to remove or abate said hazard or nuisance after being notified to do so, the City may abate said hazard or nuisance and charge the cost thereof to the Lessee as provided in Section C above, or at the City's option to terminate the Lease.

E. Lessee agrees at its own expense to cause the premises and improvements and appurtenances thereto to be maintained in a presentable condition consistent with good maintenance practices. This shall include, although not be limited to, the obligations of the Lessee to maintain the premises in a clean, neat and orderly condition at all times, and to perform the necessary mowing and snow removal on the premises during the appropriate periods of the year. The Airport will assist in snow removal when capability and priority permit.

F. Lessee shall not erect, install, or cause to permit to be erected, installed or operated upon the premises herein any sign or advertising device without first having obtained the City's consent thereto. If the City consents it may set forth the size, construction, location and general appearance of any such permitted sign or device.

G. Lessee shall not have the right to sell or distribute any parts, fuels, oils, or similar products upon said demised premises or upon said airport pursuant to this Lease.

H. Lessee agrees to keep the demised premises free of any mechanic's or materialmen's liens or other lien of any kind or nature for any work done, labor performed or

material furnished thereon at instance or occasion of the Lessee and the Lessee further agrees to indemnify and save the City harmless from and against any and all claims, demands, costs and expenses of any nature whatsoever from any such work done, labor performed or materials furnished.

I. Lessee shall obey all applicable rules, regulations, ordinances and laws that may be from time to time promulgated by the City, State and Federal Government or agency thereof.

J. Lessee agrees to cause to be removed from the premises at its own expense all waste, garbage and rubbish and agrees not to deposit same, except temporarily in connection with collection for removal in Airport designated locations, on any part of the premises or other property of the City constituting the Airport.

K. With respect to new construction the general design and appearance of the same must receive the approval of the Heber City Airport Board

IX. LEASEHOLD MORTGAGES.

A. If Lessee shall execute a Leasehold Mortgage of its leasehold estate to an entity which is not directly or indirectly owned or controlled by, or is not under common ownership or control with Lessee (collectively, an "Unaffiliated Entity" hereafter), and if the holder of such Leasehold Mortgage shall provide the City with notice of such Leasehold Mortgage together with a true copy of such Leasehold Mortgage and the name and address of the Mortgagee, then following receipt of such notice by the City, the provisions of this Article shall apply in respect to such Leasehold Mortgage.

B. The term "Leasehold Mortgage" as used in this Agreement shall include, but not be limited to, a mortgage, a deed of trust, a deed to secure debt, or other security instrument by which Lessee's leasehold estate is mortgaged, conveyed, assigned, or otherwise transferred, to secure a debt or other obligation, in connection with the construction contemplated.

C. The City, upon providing Lessee any notice of default under this

Agreement or termination of this Agreement, shall at the same time provide a copy of such notice to the Leasehold Mortgagee by first class U.S. mail at the address specified in the notice given pursuant to Article IX, Section A, above. Such Leasehold Mortgagee shall have the additional periods of time specified in Article IX, Section D hereof to remedy, commence remedying, or cause to be remedied the default or acts or omissions which are specified in any such notice. The City shall accept such performance by or at the instigation of such Leasehold Mortgagee as if the same had been done by Lessee.

D. Anything contained in this Agreement to the contrary notwithstanding, if any default shall occur which entitles the City to terminate this Agreement, the City shall have no right to terminate this Agreement unless, following the expiration of the period of time given Lessee to cure such default or the act or omission which gave rise to such default, the Leasehold Mortgagee is given an additional period of thirty (30) days to:

- i. Notify the City of such Leasehold Mortgagee's desire to defeat such Termination Notice; and
- ii. Pay or cause to be paid all rent, additional rent, and other payments then due and in arrears as specified in the Termination Notice to such Leasehold Mortgagee and which may become due during such thirty (30) day period; and
- iii. Comply with due diligence and continuity, or in good faith commence to and with diligence continue to pursue compliance with all non-monetary requirements of this Agreement then in default.

E. The making of a Leasehold Mortgage shall not be deemed to constitute an assignment or transfer of this Agreement or of the leasehold estate hereby created, nor shall the Leasehold Mortgagee, as such, be deemed to be an assignee or transferee of this Agreement or of the leasehold estate hereby created so as to require such Leasehold Mortgagee, as such, to

assume the performance of any of the terms, covenants or conditions of this Agreement. Any Leasehold Mortgagee who takes an instrument of assignment or transfer in lieu of the foreclosure of the Leasehold Mortgagee shall be deemed to be a permitted assignee or transferee, and shall be deemed to have agreed to perform all of the terms, covenants and conditions on the part of Lessee to be performed hereunder from and after the date of such purchase and assignment, but only for so long as such purchaser or assignee is the owner of the leasehold estate. If the Leasehold Mortgagee or its designee shall become holder of the leasehold estate and if the Hangar and Improvements on the Leased Premises shall have been or become materially damaged on, before or after the date of such purchase and assignment, the Leasehold Mortgagee or its designee shall be obligated to repair, replace or reconstruct the building or other improvements.

X. INDEMNIFICATION AND HOLD HARMLESS.

Lessee expressly agrees to defend, protect, indemnify and hold harmless the City, its officers, agents and employees free and harmless from and against any and all claims, demands, damages, expenses, losses or liability of any kind or nature whatsoever which the City, its officers, agents or employees may sustain or incur or which may be imposed upon them for injury to or death of persons or damages to property arising out of or resulting from the negligent acts or negligent omissions of the Lessee, its officers, agents, employees or guests in their use or misuse of the demised premises. Lessee agrees to defend at its own cost, expense and risk all claims or legal actions that may be instituted against either the Lessee or the City, which arise out of the negligent acts or omissions of the Lessee. Lessee agrees to pay any settlement entered into and satisfy any judgment that may be rendered against either the Lessee or the City as a result of any negligent injuries or damages which have resulted from or are connected with this Lease or the occupancy or use of the demised premises by the Lessee, or its officers, agents, employees or licensees, including reasonable attorney fees.

XI. HEBER CITY ORDINANCES.

Lessee hereby acknowledges the applicability of the Heber City Municipal Ordinances to this Lease Agreement. Lessee hereby acknowledges notice of the terms, conditions and requirements presently contained therein and agrees, so far as said ordinance applies to persons such as Lessee herein, to comply with such ordinances as now in effect or as it may be amended during the term of this Lease or any renewal. **Specifically, the terms and conditions of Title 15 as currently existing or as may be amended are incorporated herein by reference and made part hereof as though written herein.**

XII. INSURANCE.

Concurrent with the execution of this Lease and as partial performance of the obligations assumed under paragraph X, (INDEMNIFICATION AND HOLD HARMLESS) hereof, the Lessee shall have from a reliable insurance company or companies authorized to do business in the State of Utah, liability insurance in such minimum amount as may be required by Heber City pursuant to reasonable exercise of its municipal powers.

The above insurance policy or policies shall contain an endorsement which provides that the Lessee is named insured as it pertains to said leasehold. Lessee shall provide the City with written evidence of said insurance at all times this Lease is in effect.

All insurance policies secured by the Lessee providing the coverages which affect the leasehold premises required under this Lease shall require each insurer to notify the City by registered or certified mail of any modification, termination or cancellation of any policy of insurance that affects the leasehold premises no less than thirty (30) days prior to the effective date of such modification, termination or cancellation. Notice by the insurer shall be effective upon the receipt of said notice by the City. In addition to any other requirements of this Lease, the Lessee shall notify the City of any modification which affects the leasehold premises, termination or cancellation of any policy of insurance secured by the Lessee pursuant to this

10

3/15/2017

CITY

DC

LESSEE

DT

2016 non-reversionary

paragraph as soon as the Lessee learns of any such modification, termination or cancellation. Each of said policies shall stipulate that the policy provided coverage is not subordinate to nor contributing with any other insurance coverage held or maintained by the City. The procuring of such policy or policies of insurance shall not be construed to be a limitation upon the Lessee's liability or a waiver of performance on the Lessee's part of the indemnification and hold harmless provisions of this Lease; and the Lessee understands and agrees that notwithstanding any policy or policies of insurance it remains the Lessee's obligation to protect, indemnify and hold harmless the City hereunder for the full and total amount of any damage, injuries, loss, expense, costs or liabilities caused by or in any manner connected with or attributed to the negligent acts or omissions of the Lessee, its officers, agents, employees, licensees or the operations conducted by the Lessee, or the Lessee's use, misuse or neglect of the premises described herein.

XIII. PERMITS, LICENSES AND CERTIFICATES.

Lessee shall obtain any and all permits, licenses and certificates which may be required in connection with the improvement and use of the demised premises and aircraft operations. Lessee shall comply with all applicable federal, state and local laws and regulations and the Lessee shall keep in effect any and all licenses, permits, notices and certificates as are required.

XIV. ASSIGNMENT.

A. Lessee shall not assign this Lease, or sublease any part of the premises without prior written approval of the City which approval shall not be unreasonably withheld. However, a 1% transfer fee or \$100.00, whichever is the greater amount, shall be paid to the City based upon the current assessor's valuation at the time of the assignment or transfer of the lease or sale of the hangar. The City hereby agrees that this Lease may be assigned as security for any hangar construction related loan required by Lessee, provided that such assignment permits Lessee to remain in possession except in the event of foreclosure. In the event of foreclosure or

forfeiture by the holder of such security, the City consents to further assignment to any person, firm or corporation which is fully competent and has the necessary facilities, experience and financial resources to perform the obligations contained in this agreement on the part of the Lessee to be performed, provided such proposed assignee shall expressly assume said obligations in writing. In the event that Hangar is sold prior to the end of term, a new lease for the Buyer may be entered into between Heber City and Buyer at the above-mentioned Term and Rate consistent with market value as well as the 1% Transfer fee based on appraised value of said Hangar, at the sole discretion of the City.

B. Right of First Refusal for Assignment – If at any time Lessee desires to sell, assign, or otherwise transfer its interest under this Agreement, including the Improvements existing on the Leased Premises, to a Buyer, and has obtained a bona fide offer for such sale, Lessee must first offer to sell, assign, or otherwise transfer such interest to the City, at the price and on the same terms as such bona fide offer, and the City shall have the right to purchase Lessee’s interest under such terms. Such offer must be in writing and state the name of the proposed transferee and all of the terms and conditions of the proposed transfer. The City shall have the right for a period of ten (10) business days after receipt of the offer from Lessee to elect to purchase Lessee’s interest (such ten [10] day period referred to as the “Election Period”). If the City does not desire to purchase Lessee’s interest, Lessee may then sell, assign, or otherwise transfer its interest in this Agreement to the person making the said offer, at the price and terms set forth in the offer, subject to the requirements of Article XIV, Section A above. If Lessee fails to close such sale within sixty (60) days after the expiration of the Election Period, any proposed sale, assignment or other transfer thereafter shall again be subject to this Section. This right of the City shall be continuing and shall survive any sale, assignment or other transfer of Lessee’s interest under this Agreement. The intent of this Section is to require all of Lessee’s interests in this Agreement be sold, assigned or otherwise transferred intact, without fractionalization.

XV. RIGHT OF ENTRY AND INSPECTION.

The City hereby reserves the right to enter into and upon the leased premises and any improvements thereon at all reasonable times and for all reasonable purposes without prior notice. The City or the airport manager or its or his designated representative shall have the right to exercise this right of inspection.

XVI. RULES AND REGULATIONS.

The City shall have the right to adopt and enforce reasonable rules and regulations with respect to the use of the airport and the public terminal building and appurtenances, provided that such rules and regulations shall not be inconsistent with safety and with rules and regulations of the Federal Aviation Administration with respect to aircraft operations at the airport.

XVII. GOVERNMENTAL RESERVATIONS AND RESTRICTIONS.

A. During the time of war or national emergency, the City shall have the right to lease the landing area, or any part thereof, to the United States Government for military or naval use, and if such Lease is executed, the provisions of this instrument, insofar as they are inconsistent with the provisions of the lease to the government, shall be suspended.

B. The City reserves the right to further develop or improve the airport as it sees fit, regardless of the desires or views of the Lessee and without interference or hindrance from Lessee.

C. There is hereby reserved to the City, its successors and assigns, for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the surface of the premises hereby leased, together with the right to cause such noise as may be inherent in the operation of aircraft, now known or hereafter used for navigation of or flight in the air, using said airspace or landing at, taking off from or operating on the airport.

D. The City reserves the right to take any action it considers necessary to

DB

JT

protect the aerial approaches of the airport against obstructions together with the right to prevent the Lessee from erecting, or permitting to be erected, or maintaining any building or other structure on or adjacent to the airport which, in the opinion of the City, would limit the usefulness of the airport or constitute a hazard to aircraft. It is understood and agreed that nothing in this Lease shall be construed to grant or authorize the granting of any exclusive rights to Lessee within the meaning of the civil Aeronautics Act.

XVIII. THE CITY'S RIGHT OF CANCELLATION.

In addition to all other remedies reserved by the City, this agreement, shall be subject to cancellation by the City should one or more of the following events occur:

A. If the Lessee fails to pay when due the whole or any part of the amounts agreed upon for rents and charges and such default continues for sixty (60) days after the City has demanded payment in writing.

B. If the Lessee shall fail to perform or keep and observe any of the covenants and conditions contained in this contract to be performed, kept and observed by Lessee, and Lessee fails to correct any breach hereof after sixty (60) days written notice from the City or ten (10) days if the default constitutes a risk to the health or safety of others, then and in such event the City shall have the right at once to declare this contract terminated.

C. The City reserves the right to terminate this Lease upon giving four month's written notice if the City has a need for the property for public purposes. In the event of a termination under this paragraph, the City must compensate the Lessee for the purchase cost of the improvement, the hangar, less depreciation based on straight line depreciation thirty years life expectancy if the Lessee elects to abandon the hangar or if the Lessee elects to remove the hangar the City must compensate the Lessee \$5,000.00 or \$1,000.00 for each remaining year of the Lease, whichever is the lesser amount.

XIX. LESSEE'S RIGHT OF CANCELLATION.

In addition to all other remedies available to the Lessee, this agreement shall be

14

3/15/2017

CITY _____

LESSEE  _____

2016 non-reversionary

subject to cancellation by the Lessee should any one or more of the following events occur:

A. The permanent and complete abandonment of the airport as an aviation facility.

B. The issuance by any court of competent jurisdiction of an injunction in any way preventing or restricting the use of the airport and the remaining in force of such injunction for at least thirty (30) days.

C. The breach by the City of any terms, conditions and covenants of this agreement to be kept, performed and observed by the City and the failure to remedy such a breach for a period of thirty (30) days after written notice from the Lessee of the existence of such a breach.

D. The assumption by the United States Government, or any authorized agents of the same, of the operation, control or use of the airport and its facilities, in such a manner as to substantially restrict the Lessee from normal use, if such restriction is continued for a period of ninety (90) days or more.

XX. FORCE MAJEURE.

If either party hereto shall be delayed or prevented from the performance of any act required hereunder by reason or act of God, flood, hurricane, tornado, earthquake, strikes, lockouts, which are beyond the control of the party obligated (financial inability excepted), performance of such act shall be excused for the period of the delay and the period of the performance of any such act shall be extended for a period equivalent to the period of such delays; provided, however, nothing in this clause shall excuse the Lessee from the prompt payment of rental or other charges required hereunder to be paid by Lessee except as may expressly be provided elsewhere in this Lease.

XXI. DESTRUCTION OF PREMISES.

Should the improvements to the demised premises be damaged or destroyed in

3/15/2017

CITY DC

15

LESSEE AT

2016 non-reversionary

whole or in part, by fire, earthquake or any other casualty at any time during the term of this Lease so that the same cannot be repaired within ninety (90) working days to substantially the same condition it was in immediately prior to the happening of such casualty, then either the City or the Lessee may, within fifteen (15) working days after the ninety (90) working days after the happening of such casualty, terminate this Lease as of the date of said casualty. Lessee shall proceed, within ninety (90) working days, with the restoration and reconstruction of the improvements on the demised premises to substantially the same condition in which they were in prior to the happening of the casualty. In no event shall the City be liable to the Lessee for any damages resulting to the Lessee from the happening of such fire or other casualty or from the repair or construction of the demised premises or from the termination of this Lease as herein provided, nor shall the Lessee be released thereby from any of its obligations hereunder except as expressly stated in this clause.

XXII. COSTS OF SUSTAINING AN ACTION FOR BREACH OR DEFAULT.

In the event either the City or the Lessee commences legal action against the other claiming a breach or default of this Lease, the prevailing party in such litigation shall be entitled to recover from the other reasonable attorney fees and all costs connected with said litigation.

XXIII. PARTIAL INVALIDITY.

If any term, covenant, condition or provision of this Lease is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby.

XXIV. ABANDONMENT.

If the Lessee shall abandon or be dispossessed by process of law or otherwise, any personal property belonging to the Lessee and left on the premises after such abandonment or

3/15/2017

CITY DS

16

LESSEE JF

2016 non-reversionary

dispossession shall at the option of the City be deemed to have been transferred to the City; and the City shall have the right to remove and to dispose of the same without liability to account therefore to the Lessee or to any person claiming under the Lessee.

XXV. UNLAWFUL USE.

Lessee agrees that no improvement shall be erected, placed upon, operated or maintained on the demised premises, nor shall business be conducted or carried on therein in violation of the terms of this Lease or any applicable law, statute, ordinance, regulation, rule or order of any governmental agency having jurisdiction hereover.

XXVI. LEASE SUBORDINATE TO AGREEMENTS WITH U.S.A.

This Lease shall be subordinate to the provisions of any existing or future agreement between the City 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 expenditures of Federal funds for the development of the Airport.

XXVII. DEVELOPMENT OF AIRPORT.

The City reserves the right to further develop or improve the Airport as it sees fit, regardless of the desires or views of the Lessee and without interference or hindrance by the Lessee.

XXVIII. AIRPORT FACILITIES.

Lessee is hereby granted the nonexclusive right, in common with all present and future users, to the use of such of the City's Heber City Airport public facilities as are designated by the Airport Manager from time to time. As an incident to all the other uses provided for in this Lease, the Lessee, its employees, authorized representatives, invitees, permittees, licensees, customers and patrons shall have the right to use all public waiting rooms and public lavatories provided such use shall be in common with others and may be suspended during any period

when maintenance, repairs or improvements are being made thereto.

XXIX. BANKRUPTCY.

Should the Lessee make an assignment for the benefit of creditors or should a voluntary or involuntary petition of bankruptcy or for reorganization or any arrangement be filed by or against the Lessee, or if the Lessee should become bankrupt or insolvent or if a receiver be appointed at the request of the Lessee's creditors (except as a receiver appointed at the request of the City) such action shall constitute a breach of this Lease for which the City at its option, may terminate all rights of the Lessee or Lessee's successors in interest under this Lease.

XXX. TAXES AND ASSESSMENTS.

Lessee shall pay before delinquency, all taxes, license fees, assessments and other charges which are levied and assessed against and upon the premises, fixtures, equipment or other property caused or suffered by the Lessee to be installed, located or placed upon the leased premises. The Lessee shall furnish the City with satisfactory evidence of these payments upon demand from the City. Lessee acknowledges that this Lease may create a possessory interest subject to property taxation and that the Lessee may be subject to the payment of property taxes levied on such interest. Lessee agrees to assume and pay any such assessment.

XXXI. MARGINAL CAPTIONS.

The various headings and numbers herein and the grouping of the provisions of this Lease into separate section, paragraphs and clauses are for the purpose of convenience only and shall not be considered a part thereof.

XXXII. AMENDMENTS TO BE IN WRITING.

This Lease sets forth all of the agreements and understandings of the parties and is not subject to modification except in writing, duly executed by the legally authorized representatives of each of the parties.

18

3/15/2017

CITY

DS

LESSEE

JT

2016 non-reversionary

XXXIII. SUCCESSORS IN INTEREST.

The covenants herein contained shall, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of all the parties hereto; and all of the parties shall be jointly and severally liable hereunder.

XXXIV. NONEXCLUSIVE RIGHTS.

It is understood and agreed that nothing herein contained shall be construed to grant or authorize the granting of an exclusive right within the meaning of Section 1349, of the United States code.

XXXV. WAIVER OF RIGHTS.

The failure of the City to insist upon strict enforcement of any of the terms, conditions and covenants herein shall not be deemed a waiver of any rights or remedies that the City may have and shall not be deemed a waiver of any subsequent breach or default by Lessee of the terms, conditions and covenants herein contained.

XXXVI. NOTICES.

All notices given or to be given, by either party to the other shall be given in writing and shall be addressed or delivered to the parties at the addresses hereinafter set forth or at such other addresses as the parties may by written notice hereafter designate. Notices to the City and the Lessee shall be addressed as follows:

TO: HEBER CITY

Airport Manager
Heber City
75 North Main
Heber City, UT 84032

TO: LESSEE
5953
TRAILside Loop
PC, UT
84098

TO: LESSEE

XXXVII. HOLDOVER.

In the event the Lessee shall hold over after the term granted herein, then such holding over shall be construed to be a tenancy from month-to-month only. Prepayment of rent beyond one month shall not be construed to alter or change the month-to-month status of any holdover tenancy. Lessee agrees to comply and abide with all other terms and conditions of this Lease in the event Lessee holds over after the term provided in this Lease expires.

XXXVIII. TIME.

Time is of the essence of this Lease.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be duly executed, with all the formalities required by law on the respective dates set forth opposite their signatures to be effective the day and year first above written.

3/15/2017

CITY IG

20

LESSEE AT

2016 non-reversionary

HEBER CITY, a Municipal Corporation

LESSEE: LOUIS TESSLER

APPROVED:

Kelleen Potter

Mayor

By: Joe Tessler

4/11/18

Date

4/3/18

Date

ATTEST:

Amy Bridge

City Recorder

4-10-18

Date

APPROVED AS TO FORM:

[Signature]

Airport Manager

4/3/18

Date



AMENDMENT TO HANGAR GROUND LEASE AGREEMENT

This Lease Amendment amends the Hangar Ground Lease Agreement between Louis Tessler (“Lessee”), and Heber City Corporation (“Lessor”), dated April 2, 2018. The particular Hangar is designated as Horseshoe Hangar 6B, (also referred to as Hangar Lot #6B).

It is anticipated that said Lease should be amended and entered into between HEBER CITY CORPORATION (“Lessor” or “Operator”) and Edgewood Capital, LLC (“Lessee”) for the same Hangar, Horseshoe Hangar 6B, pursuant to the following recitals and terms.

RECITALS

- A. Lessee, Edgewood, purchased Horseshoe Hangar 6A from Louis Tessler on May 3, 2018.
- B. Lessee desires to increase the lease hold area for an additional 30ft x 70ft (2,100sq ft). This lease hold addition, was surveyed and acknowledged by the current airport Engineers (T.O. Engineers). The total square footage will increase the lease hold area from the existing 6,659 to 8,759 square feet. The Rate will apply to the entire lease area as found in the original contract and will be billed in the Jan 1, 2020 billing cycle.

AGREEMENT

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee agree that the above described Lease is amended as follows:

With regard to Horseshoe Hangar 6A, in addition to that real property and improvements that are the subject of the original said Lease, (6,659 square feet), Operator agrees to additionally lease approximately 2,100 square feet, for a total of 8,759. See Exhibit 1. The rate per square foot for the increased leasehold calculates to an annual lease amount of \$ 3,062⁰⁰, (Rent)

1. The term of the initial said April 2, 2018 Lease shall remain the same and apply to this Amended Lease. This Amendment does not extend the term of said April 1, 2018 Lease.

2. In addition to all rents and charges under this Amendment, each year thereafter, the Rent shall be adjusted to reflect changes in economic conditions by multiplying the Rent by a fraction, the denominator of which shall be the Western Consumer Price Index All Urban Consumers (the "Index"), non-seasonally adjusted, for January 2020 and the numerator of which is the Index for the third month immediately preceding the beginning of each subsequent year of the Term; provided, however, that any decrease in the Index shall not decrease the Leasehold Rent.

4. The above described leasehold area is not to be used for long term parking, or storage of any personal property. Lessee agrees not to leave more than one automobile/trailer/aircraft, or any other personal property on the newly added area over night, or for a time exceeding 48 hours, whichever is shorter. Regardless of the duration of parking, any use of the additional parking area shall be primarily for directly related aeronautical associated uses.

5. Lessee will, at their own expense, update the plat map and officially amend the recorded survey with the city/county building/planning department, and record the same with the City and County Recordors.

6. The Lease shall be subordinate to the provisions of any existing or future agreements between Lessor and the United States of America, relative to the operation and maintenance of the Airport, the terms and execution of which have been or may be required as a condition precedent to the expenditure or reimbursement to Lessor of federal funds for the

development of the Airport ("Grant Assurances"). In the event that the Lease, either on its own terms or by any other reason, conflicts with or violates any such Grant Assurances, Lessor may unilaterally amend, alter, or otherwise modify the terms of the Lease in order to resolve such conflict or violation without compromising or destroying any remaining portions of the Lease, and such remaining provisions shall remain binding and in full effect upon the parties as if no such amendment or alteration had occurred.

7. Except as amended hereby, the original April 1, 2018 Lease remains in full force and effect and is ratified and confirmed by Lessor and Lessee.

IN WITNESS WHEREOF, the parties have hereunto set their hands on the dates as set forth below:

HEBER CITY CORPORATION

Attest:



Kelley Potts

Trina N. Cooke



Dated: 2/12/2020

Edgewood Capital, LLC

Attest:

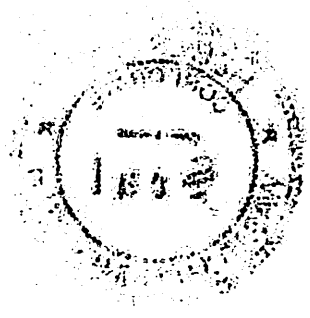
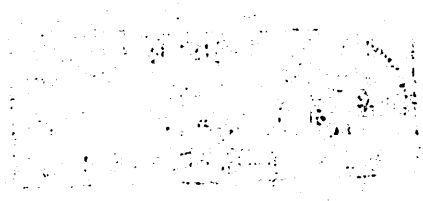


[Signature]

Trina N. Cooke

Dated: 2/12/20

Exhibit 1.



Second Amendment of Hangar Ground Lease Agreement

This Second Amendment of the Hangar Ground Lease Agreement (“Second Amendment”) is made and entered into this ___ day of _____, 2026 (the “Effective Date”), by and between the Heber City Corporation (“City”) and Edgewood Capital, LLC (“Lessee”), a Missouri limited liability company authorized to do business in the State of Utah (collectively, “Parties”).

WHEREAS, the City owns and operates the Heber Valley Airport located in Heber City, Wasatch County, Utah (“Airport”), and is the sponsor of the Airport under federal law; and

WHEREAS, the Hangar Ground Lease Agreement dated March 15, 2017, between the City and Louis Tessler, was assigned to the Lessee with the City’s consent, and subsequently amended by that Amendment of Hangar Ground Lease Amendment dated April 29, 2024 between the Parties (collectively, the “Lease”); and

WHEREAS, Lessee submitted an application in accordance with the City’s Minimum Standards to expand the commercial aeronautical activities authorized under the Lease; and

WHEREAS, the City finds the Lessee satisfied the Minimum Standards with respect to the desired commercial aeronautical activities; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties agree to amend the Lease as follows:

(1) In the Recitals of the Lease, Paragraph B is replaced by the following paragraph:

B. Lessee desires to lease a parcel of land on the Airport premises for the purpose of erecting, expanding, and/or maintaining an existing aircraft hangar owned by Lessee for the storage of aircraft, electric and small aircraft assembly and delivery, and non-FBO related support services; and for providing Aircraft Maintenance, Aircraft Rental and Flight Training, and Commercial Hangar services to the public, as each is described in the City’s Minimum Standards.

(2) Section VI, *USE OF PREMISES*, Paragraph A, is replaced by the following:

A. The leased premises and any and all improvements located thereupon shall be used solely for conducting the following activities, each in accordance with the Minimum Standards, and shall not be used as overnight sleeping quarters:

- i. Storage of aviation related equipment;
- ii. Non-aviation storage as an incidental use on the condition the space is principally used for aviation purposes;
- iii. Distribution of small aircraft with re-assembly and maintenance services, including necessary activities to obtain airworthiness certification of such aircraft;
- iv. Electric aircraft maintenance;

- v. Research and development of electric propulsions systems and advanced avionics;
- vi. Providing educational opportunities for local schools;
- vii. Providing the services of an Aircraft Maintenance Operator to the public, as defined by and in accordance with the Minimum Standards and the terms and conditions of the Lease;
- viii. Providing the services of an Aircraft Rental and Flight Training Operator to the public, as defined by and in accordance with the Minimum Standards and the terms and conditions of the Lease; and
- ix. Providing the services of an Commercial Hangar Operator to the public, as defined by and in accordance with the Minimum Standards and the terms and conditions of the Lease.

(3) Section XXXXVI, *AFFILIATES*, is amended to include the following bold and underlined provision(s):

The rights and privileges granted to the Lessee under this Lease may be exercised by a wholly-owned subsidiary of the Lessee or entities under common control as the Lessee (“Affiliate”), subject to the terms hereunder, provided the Lessee provides notice to the City of such Affiliate. **Such Affiliate’s gross revenue derived from this location shall be included in the calculation of the Annual Fee.** The City may look to either the Lessee or any of its Affiliates for full satisfaction of obligations, including the obligations to indemnify and hold harmless as set out under Section X.

(4) **Exhibit B** of the Lease is hereby replaced with the Exhibit B attached hereto.

Signatures Follow

IN WITNESS WHEREOF, the Parties hereto have caused these presents to be duly executed, with all the formalities required by law on the respective dates set forth opposite their signatures to be effective the day and year first above written.

HEBER CITY, a Municipal Corporation

APPROVED:

LESSEE:

Mayor

By: _____
Title:

Date

Date

ATTEST:

City Recorder

Date

APPROVED AS TO FORM:

City Attorney

Date

Exhibit B

REQUIRED FEDERAL CLAUSES

A. Compliance with Nondiscrimination Provisions. During the performance of this Agreement, Lessee, for itself, its assignees, and successors in interest (hereinafter collectively referred to as “Lessee” for purposes of this Exhibit B) agrees as follows:

1. **Compliance with Regulations:** Lessee will comply with the Title VI List of Pertinent Nondiscrimination Acts And Authorities, as they may be amended from time to time, which are herein incorporated by reference and made a part of this Agreement.
2. **Non-discrimination:** Lessee, with regard to the work performed by it during the term of this Agreement, will not discriminate on the grounds of race, color, national origin, creed, sex, age, or disability in the selection and retention of contractors, including procurements of materials and leases of equipment. Lessee will not participate directly or indirectly in the discrimination prohibited by the Nondiscrimination Acts and Authorities, including employment practices when the contract covers any activity, project, or program set forth in Appendix B of 49 CFR Part 21 including amendments thereto.
3. **Solicitations for Agreements, Including Procurements of Materials and Equipment:** In all solicitations, either by competitive bidding, or negotiation made by Lessee for work to be performed under a subcontract, including procurements of materials, or leases of equipment, each potential contractor or supplier will be notified by Lessee of Lessee’s obligations under this Agreement and the Nondiscrimination Acts And Authorities on the grounds of race, color, or national origin.
4. **Information and Reports:** Lessee will provide all information and reports required by the Acts, the Regulations, and directives issued pursuant thereto and will permit access to its books, records, accounts, other sources of information, and its facilities as may be determined by the sponsor or the Federal Aviation Administration to be pertinent to ascertain compliance with such Nondiscrimination Acts And Authorities and instructions. Where any information required of Lessee is in the exclusive possession of another who fails or refuses to furnish the information, Lessee will so certify to City or the Federal Aviation Administration, as appropriate, and will set forth what efforts it has made to obtain the information.
5. **Sanctions for Noncompliance:** In the event of Lessee’s noncompliance with the Non-discrimination provisions of this contract, City will impose such sanctions as it or the Federal Aviation Administration may determine to be appropriate, including, but not limited to withholding payments to the Lessee under the Agreement until the Lessee complies, and/or cancelling, terminating, or suspending the Agreement, in whole or in part.

6. **Incorporation of Provisions:** Lessee will include the provisions of paragraphs one through six of this Exhibit B, Section (A) in every contract, including procurements of materials and leases of equipment, unless exempt by the Acts, the Regulations and directives issued pursuant thereto. Lessee will take action with respect to any contract or procurement as City or the Federal Aviation Administration may direct as a means of enforcing such provisions including sanctions for noncompliance. Provided, that if Lessee becomes involved in, or is threatened with litigation by a contractor, or supplier because of such direction, Lessee may request City to enter into any litigation to protect the interests of City. In addition, Lessee may request the United States to enter into the litigation to protect the interests of the United States.

B. Real Property Acquired or Improved Under the Airport Improvement Program. Lessee for itself, its heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that in the event facilities are constructed, maintained, or otherwise operated on the property described in this Agreement for a purpose for which a Federal Aviation Administration activity, facility, or program is extended or for another purpose involving the provision of similar services or benefits, Lessee will maintain and operate such facilities and services in compliance with all requirements imposed by the Nondiscrimination Acts and Regulations listed in the Pertinent List of Nondiscrimination Authorities (as may be amended) such that no person on the grounds of race, color, or national origin, will be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities.

C. Construction/Use/Access to Real Property Acquired Under the Activity, Facility or Program. Lessee for itself, its heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that (1) no person on the ground of race, color, or national origin, will be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) that in the construction of any improvements on, over, or under such land, and the furnishing of services thereon, no person on the ground of race, color, or national origin, will be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination, and (3) that Lessee will furnish its services in compliance with all other requirements imposed by or pursuant to the List of Nondiscrimination Acts And Authorities.

D. Title VI List of Pertinent Nondiscrimination Acts and Authorities. During the performance of this Agreement, Lessee, for itself, its assignees, and successors in interest (hereinafter referred to as the “contractor”) agrees to comply with the following non-discrimination statutes and authorities; including but not limited to:

- i. Title VI of the Civil Rights Act of 1964 (42 U.S.C. § 2000d *et seq.*, 78 stat. 252), (prohibits discrimination on the basis of race, color, national origin);
- ii. 49 CFR Part 21 (Non-discrimination In Federally-Assisted Programs of The Department of Transportation—Effectuation of Title VI of The Civil Rights Act of 1964) including amendments thereto;
- iii. The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, (42 U.S.C. § 4601), (prohibits unfair treatment of persons

- displaced or whose property has been acquired because of Federal or Federal-aid programs and projects);
- iv. Section 504 of the Rehabilitation Act of 1973, (29 U.S.C. § 794 *et seq.*), as amended, (prohibits discrimination on the basis of disability); and 49 CFR Part 27;
 - v. The Age Discrimination Act of 1975, as amended, (42 U.S.C. § 6101 *et seq.*), (prohibits discrimination on the basis of age);
 - vi. Airport and Airway Improvement Act of 1982, (49 USC § 471, Section 47123), as amended, (prohibits discrimination based on race, creed, color, national origin, or sex);
 - vii. The Civil Rights Restoration Act of 1987, (PL 100-209), (Broadened the scope, coverage and applicability of Title VI of the Civil Rights Act of 1964, The Age Discrimination Act of 1975 and Section 504 of the Rehabilitation Act of 1973, by expanding the definition of the terms “programs or activities” to include all of the programs or activities of the Federal-aid recipients, sub-recipients and contractors, whether such programs or activities are Federally funded or not);
 - viii. Titles II and III of the Americans with Disabilities Act of 1990, which prohibit discrimination on the basis of disability in the operation of public entities, public and private transportation systems, places of public accommodation, and certain testing entities (42 U.S.C. §§ 12131 – 12189) as implemented by Department of Transportation regulations at 49 CFR Parts 37 and 38; and
 - ix. Title IX of the Education Amendments of 1972, as amended, which prohibits you from discriminating because of sex in education programs or activities (20 U.S.C. 1681 *et seq.*).

E. General Civil Rights Provision. In all its activities within the scope of its airport program, the Lessee agrees to comply with pertinent statutes, Executive Orders, and such rules as identified in Title VI List of Pertinent Nondiscrimination Acts and Authorities to ensure that no person shall, on the grounds of race, color, national origin, creed, sex, age, or disability be excluded from participating in any activity conducted with or benefiting from Federal assistance. This provision is in addition to that required by Title VI of the Civil Rights Act of 1964. If the Lessee transfers its obligation to another, the transferee is obligated in the same manner as the Lessee. The above provision obligates the Lessee for the period during which the property is owned, used or possessed by the Lessee and the airport remains obligated to the Federal Aviation Administration.

F. Right of Re-entry. In the event of breach of any of the above Nondiscrimination covenants, City will have the right to terminate the Agreement and to enter, re-enter, and repossess said lands and facilities thereon, and hold the same as if the Agreement had never been made or issued.

G. Subcontracts. Lessee agrees that it shall insert the above six provisions (Section (A) through Section (F)) in any agreement by which Lessee grants a right or privilege to any person, firm, or corporation to render accommodations and/or services to the public under this Agreement.

SPECIALIZED AVIATION SERVICE OPERATOR (SASO) APPLICATION

This application is a request to Heber City to utilize the Heber Valley Airport land or facilities for commercial activities, to issue a commercial aeronautical activities permit, or to issue any other permit to conduct commercial activities.

To familiarize the applicant to Heber Valley Airport SASO requirements, a copy of the *Heber City Airport Minimum Standards* (dated June 16, 2016) is attached to this application. Please refer to this document to ensure a complete and accurate application.

PART 1: Applicant Information

Operator/Business Name: Elemental Aviation Limited Company

Contact Name: Jason Talley

Contact Phone: 949-370-8950

Address: 158 W 1780 S

City: Heber City

State: UT

Zip: 84032

Email: jason@elemental.aero

Type of Operation being applied (check one):

- Fixed Base Operator (FBO)
- Aircraft Maintenance Operator, Avionics, Instruments or Aircraft Accessory overhaul/Repair Maintenance Operator
- Aircraft Rental, Flying Club, or Flight Training Operator
- Aircraft Charter or Aircraft Management Operator
- Aircraft Sales Operator
- Specialized Commercial Aeronautical Operator
- Commercial Hot Air Balloon Operator
- Temporary Specialized Aviation Service Operator
- Commercial Hangar Developer
- Commercial Hangar Operator

SPECIALIZED AVIATION SERVICE OPERATOR (SASO) APPLICATION

- Non-commercial Self-Service Fueling Permittee
- Commercial Activity Permit
- Other (please specify):

PART 2: Applicant Proposal

Summary of services applicant shall offer:

Applicant is an authorized Distributor of Pipistrel Aircraft, a Cessna Authorized Service Facility for Piston aircraft, a Beechcraft Authorized service facility for Piston Aircraft, a Garmin Authorized Sales and Service Facility, and owns and operates a FAA Part 141 Flight School (located in another geographic area). Applicant wishes to expand its permitted commercial activities to include being an Aircraft Maintenance Operator (today we are only permitted to work on small aircraft) pursuant to Section 4 of the Commercial Minimum Standards, Aircraft Rental and Flight Training Operator pursuant to Section 5 of the Commercial Minimum Standards, and Commercial Hangar Operator pursuant to Section 12 of the Commercial Minimum Standards.

Detailed description of scope of intended operation – include means and methods to be employed to accomplish contemplated services. Attach additional pages if necessary:

Applicant Elemental Aviation Limited Company (“Elemental”) is the exclusive authorized Pipistrel distributor for the Western United States. Pipistrel Aircraft is a leading provider of electric and piston powered small aircraft located in Italy and Slovenia.

Applicant is currently operating under a specialized commercial services authorization approved by the Heber City Council to conduct its operations. Pursuant to the commercial minimum standards, Applicant wishes to expand it allowed multiple commercial activities:

Aircraft Rental and Flight Training Operator

Aircraft Maintenance Operator

Commercial Hangar Operator

Applicant is compliant with the minimum standards as required for the above three uses.

Applicant has common beneficial ownership (as a subsidiary) as the owner of multiple hangars, has access to approximately 12,000 square feet of street side accessible hangar space, 3,000 square feet of office space (which includes customer facilities, classroom, customer lounge, accessible restrooms, and customizable space), approximately 10,000 square feet of apron and/or vehicular parking.

SPECIALIZED AVIATION SERVICE OPERATOR (SASO) APPLICATION

Applicant complies with the requirements of the commercial minimum standards for each of these activities and will fill a needed void at the Heber City Airport for some of these activities as well as offer competition to other commercial operators at the Airport.

Pursuant to the Commercial Minimum Standards, the applicant denotes the applicable section and compliance below:

Aircraft Maintenance Operator

Applicant complies with 4.2.1.1

Applicant complies with 4.2.12

Applicant complies with 4.2.1.3

Applicant complies with 4.4.1

Applicant complies with 4.5.1 (Heber City is already named on existing policies from Applicant for its current commercial activities)

Aircraft Rental and Flight Training Operator

Applicant complies with 5.2.1.1.1

Applicant complies with 5.2.1.2

Applicant complies with 5.4.1

Applicant complies with 5.5.1

Applicant complies with 5.6.1

Applicant complies with 5.7.1 (normal hours of operation are 8AM-5PM)

Applicant complies with 5.9.1 and will comply with 5.9.2 after approval of this application

Commercial Hangar Operator

Applicant complies with Section 12.1

Applicant complies with 12.3

Applicant complies with 12.4

SPECIALIZED AVIATION SERVICE OPERATOR (SASO) APPLICATION

PART 2: Applicant Proposal (continued)

Proposed date of commencement of the activity and term: January 1, 2026

Proposed hours of operation: 8AM – 5PM M-F

Amount and type of insurance coverage applicant will maintain:

\$5,000,000 General Liability, \$2,000,000 in Products Liability, \$1,000,000 liability (minimum) for all aircraft with \$100,000 passenger liability (minimum), \$1,000,000 vehicular liability.

Number of aircraft involved (type and tail numbers, if applicable):

At the time of application, applicant has 6 Pipistrel Aircraft, 1 American Champion Aircraft, and 1 Cessna aircraft it intends to utilize. Such aircraft are subject to change, but all aircraft utilized are properly registered with the State of Utah Department of Aeronautics.

Number of employees and qualifications (if applicable):

Jason Talley, CEO, ATP Pilot, CFI

Kagen Nelson, CFI

Jake Perkins, Mechanic

Buzz Hendrickson and Walker New - CSR

Evidence of applicant's financial capability to perform and provide proposed services and facilities (attach additional pages if necessary):

Applicant will provide necessary evidence upon request.

Proposed leasing activities (check one):

- Undeveloped land
- Developed land
- Existing hangars

SPECIALIZED AVIATION SERVICE OPERATOR (SASO) APPLICATION

- Other (please explain):

PART 2: Applicant Proposal (continued)

Amount and location of land applicant desires to lease (if applicable):


Not Applicable

Location of the building(s) to be leased (if applicable):

Pre-existing leased premises, 158 W 1780 S, Heber City UT 84032

Size and location of building(s) to be constructed (if applicable):

Not Applicable



Applicant Signature

10/30/2025

Date (mm/dd/yyyy)

NON-REVERSIONARY GROUND LEASE AGREEMENT

HEBER CITY AIRPORT

BETWEEN

HEBER CITY CORPORATION

AND

[_____]

[_____, 20__]

TABLE OF CONTENTS

I.	4
II.	4
III.	Error! Bookmark not defined.
IV.	5
V.	6
VI.	8
VII.	Error! Bookmark not defined.
VIII.	11
IX.	11
X.	Error! Bookmark not defined.
XI.	Error! Bookmark not defined.
XII.	15
XIII.	Error! Bookmark not defined.
XIV.	Error! Bookmark not defined.
XV.	19
XVI.	19
XVII.	19
XVIII.	19
XIX.	20
XX.	21
XXI.	23
XXII.	25
XXIII.	26
XXIV.	26
XXV.	27
XXVI.	27
XXVII.	28
XXVIII.	28
XXIX.	29
XXX.	29
XXXI.	29

XXXII.	29
XXXIII.	30
XXXIV.	30
XXXV.	30
XXXVI.	30
XXXVII.	30
XXXVIII.	31
XXXIX.	31
XL.	31
XLI.	31
XLII.	31

NON-REVERSIONARY GROUND LEASE AGREEMENT

This Non-Reversionary Ground Lease Agreement (“Agreement”) is made and entered into this ___ day of _____, 20__ (the “Effective Date”), by and between the Heber City Corporation (the “City”) and _____, a _____ (“Lessee”) (collectively, “Parties” and each individually, “Party”).

RECTIALS

WHEREAS, the City owns and operates the Heber Valley Airport located in Heber City, Wasatch County, Utah (the “Airport”), and is the sponsor of the Airport under federal law; and

WHEREAS, Lessee desires to lease a parcel of land on the Airport for the purpose of erecting and/or maintaining an aircraft hangar owned by Lessee for the personal storage of Lessee’s aircraft; and

WHEREAS, Lessee shall use the Premises as herein defined only for such uses and purposes that are expressly set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties agree as follows:

I. PREMISES

A. The City leases to Lessee, and Lessee leases from City, that certain real property consisting of _____ [acres/square feet] of land at the Airport that is located at [INSERT ADDRESS HERE], Heber City, Utah, which is more fully described on **Exhibit 1** attached and made part hereof (the “Premises”).

B. Lessee accepts the Premises “AS IS” in the condition existing upon the Effective Date. Lessee’s acceptance of the Premises shall be conclusive evidence that its condition is satisfactory to Lessee for Lessee’s intended purposes. The City makes no representation or warranty respecting the condition of the Premises as it exists now or in the future.

II. TERM

A. Term. The term of this Agreement shall commence on the Effective Date and shall continue twenty (20) years, expiring on the twentieth (20th) anniversary of the Effective Date at 11:59 p.m. local time, unless sooner terminated as set forth herein (the “Term”).

B. [The City desires to offer Lessee an opportunity to enter into a new lease for the Leased premises at the end of the term. If Lessee desires to continue occupying the Lease Premises after the expiration of the term, Lessee may request the City grant a new lease agreement and the City will enter into a new lease that is based upon such terms and conditions, including rental rates, of the then-current Airport standard lease form being offered by the City, provided: (i) Lessee is not in default in the payment of any Rent or in any other provisions of this Agreement, is in good standing at the Airport, and submits a current certificate from the City Building Inspector to the Airport Manager that the Improvements, including pavements are structurally sound and is projected to be sound for

the duration of the new lease; and (ii) the new lease is consistent with the Airport's Master Plan then in effect and all federal rules, regulations, directives, and guidelines or other obligations with respect to the Airport, including but not limited to the Grant Assurances.

Commented [CG1]: AAB Recommended Changes

III. HOLDING OVER

A. If Lessee should hold over and continue in possession of the Premises or any portion thereof after expiration or early termination of the Term or any renewal or extension thereof, Lessee's continued occupancy of the Premises will be on a month to month basis, at a rental rate of one hundred fifty percent (150%) the Rent due under this Agreement for the month prior to the holdover, subject to all the terms and conditions of this Agreement. The City may terminate the holdover tenancy at any time by providing thirty (30) days' prior written notice to Lessee.

Commented [CG2]: Jeremy Cook

B. If Lessee shall holdover and fail to surrender the Premises upon termination of this Agreement without the City's consent then, in addition to any other liabilities to the City arising therefrom, Lessee shall and does hereby agree to indemnify, defend, and hold the City harmless from any loss or liability resulting from Lessee's failure to surrender the Premises, including but not limited to claims made by any succeeding tenant.

IV. RENT, ADJUSTMENTS, AND OTHER CHARGES

A. Rent. In consideration for the use of the Premises, facilities, rights, services, and privileges granted herein, beginning upon the commencement of the Term, Lessee shall pay to the City rental at the initial rate of \$X.XX per square foot per year on XXXXX square feet comprising the Premises, for the total sum of [AMOUNT IN WORDS] DOLLARS (\$[AMOUNT]), as may be adjusted as provided herein, payable in full on the Effective Date and within thirty (30) days of the City's annual invoice (typically in mid-January) for each year of the Term thereafter (the "Rent").

B. Annual Adjustment. Beginning in the second (2nd) year of the Term, the Rent shall be automatically adjusted effective January 1st of each year during the Term based on the percentage increase in the Consumer Price Index, Mountain Plains over the prior year, provided, however, that the ground lease rate and Rent shall not decrease.

Commented [CG3]: Jeremy Cook

C. Changes in Ground Lease Rate. In addition to the annual adjustments, if City adopts a new standard Ground Lease Rate, the Ground Lease Rate in this Agreement shall be adjusted to match the Ground Lease Rate adopted by the City, subject to the following: (1) City shall not adjust the Ground Lease Rate pursuant to this Section IV.C. more than once every three years; (2) the new Ground Lease Rate shall not increase the current Ground Lease Rate, as adjusted pursuant to this Section IV.C, by more than twenty-five percent (25%); and (3) City shall provide Lessee not less than forty-five (45) days' notice prior to the effective date of any change to the Ground Lease Rate and Rent pursuant to this Section IV.C.

Commented [CG4]: Jeremy Cook

~~D. Manner of Payment. Lessee shall deliver Rent and all payments due to the City under this Agreement in a form acceptable to the City to the Heber City Airport Manager~~

e/o the Heber City Treasurer, 75 North Main Street, Heber City, Utah 84032, or as otherwise directed in writing by the City.

Commented [CG5]: Jeremy Cook

D. Proration of Rental Payments If the commencement or termination of the Term fall on any other date than the first (1st) or last day of a calendar year, the applicable rentals, fees, and charges for such year shall be paid pro rata according to the number of days in the year during which said privileges were enjoyed.

Commented [CG6]: Jeremy Cook

E. Other Fees and Charges. Lessee shall pay to the City within ten (10) days of notice by the City, any sum or sums paid by the City, or obligation or expense incurred by the City, for which Lessee has agreed to pay or reimburse the City, or which the City has paid or incurred because of the failure, neglect, or refusal of Lessee to perform or fulfill any of the promises, terms, conditions, or covenants required of it under this Agreement.

F. Late Payments. If Lessee fails to pay any amounts due under this Agreement, including Rent, within ten (10) days of the due date thereof, Lessee shall pay an interest charge of one and one-half percent (1.5%) of the amount owing for each calendar month or part thereof from the due date to the date payment is made. The payment of interest does not excuse or cure any otherwise uncured Lessee default under this Agreement. Payments received from Lessee will be applied by the City first to accrued interest, second to due Rent, and third to other amounts due hereunder.

V. USE OF PREMISES

A. Permitted Use. Subject to the terms and conditions of this Agreement, Lessee shall only use the Premises for the construction and/or maintenance of a private aircraft hangar and related facilities to be used solely for Lessee's and authorized sublessee's personal, non-commercial purposes ("Permitted Use"), which Permitted Use is limited to:

1. The **non-commercial** storage of active and operational aircraft owned or leased by Lessee and authorized sublessees, provided that within ten (10) days of the Effective Date, Lessee shall provide written notice to the Airport Manager of the registration number of the aircraft and the person(s) responsible for it, including off-hours emergency phone numbers; Recommended to remove the words non-commercial from these Sections

Commented [CG7]: AAB Recommendation

2. The **non-commercial** storage of aviation-related equipment;

3. Non-commercial, non-aviation storage as an incidental use, provided that the Premises is primarily used for aviation purposes and such non-aviation storage does not materially displace or limit the aeronautical contents of the hangar;

4. The **non-commercial**, self-servicing and preventive maintenance and servicing of Lessee's aircraft, Lessee's vehicles, and equipment, provided that motor vehicle or equipment maintenance shall **occur only indoors. Exceptions that would allow permitted outdoor self-servicing and preventive testing shall be limited to: engine runups, and testing of lights. However, such testing shall be temporary**

in nature and in no way shall it impede, compromise or infringe upon taxiing traffic, in order to accomodate immediate relocation of the testing aircraft, and

4.5.—: Any Sshort-term or and temporary parking of motor vehicles owned or leased by Lessee or their invitees shall only occur in connection with the Permitted Use.

B. Prohibited Use. Lessee shall use, and cause its invitees to use, the Premises and the Airport only for the Permitted Use and those other uses authorized under this Agreement and shall not engage in any unauthorized or prohibited use of the same. Prohibited uses include, but are not limited to, the following:

1. Lessee shall not erect, place upon, operate, or maintain any improvement on the Premises, nor conduct business therein, in violation of the terms of this Agreement or any applicable law, statute, ordinance, regulation, rule, or order of any federal, state, or local governmental agency having jurisdiction over the Premises.

2. Lessee shall not erect any structure or allow the growth of any plant or natural object that would constitute an obstruction to air navigation as defined in 14 CFR Part 77; nor shall Lessee conduct any activity on the Premises that would interfere with or be a hazard to the flight of aircraft over the land or to and from the Airport or interfere with air navigation and communication facilities serving the Airport. The City shall have the continuing right to take any action it deems necessary to prevent the erection or growth of any structure, tree, or other object into the air space, or development of any hazard to air navigation or communication, and to remove or abate from such air space, or mark and light as obstructions, any such structure, tree, object, or hazard, and shall have the right of ingress and egress over the Premises for such purposes.

3. Lessee shall not use the Premises as living or overnight sleeping quarters.

4. Lessee shall not use the Premises for non-aeronautical purposes without the prior written consent of the City, provided that Lessee shall at all times comply, and cause invitees to materially comply with the FAA's *Policy on the-Non-Aeronautical Use of Airport Hangars*, 81 Fed. Reg. 38906 (June 15, 2016),-as it may be amended.

Commented [CG8]: The AAB would prefer not to have written permission for this section.

5. Lessee shall not place waste materials on the Airport or dispose of such materials in violation of any federal, state, or local laws, rules, regulations, or orders.

Lessee shall not conduct any commercial activity or business at, on, or from the Premises without the prior written consent of the City, provided that, as a condition of such consent, Lessee shall comply with the Airport's Minimum Standards (as defined herein) and any other conditions, limitations, or terms the City may reasonably require. While subleasing in and of itself may not be a commercial activity, no sublease shall conduct commercial activity, nor shall any

sublease permit commercial activity. Subtenants shall not conduct commercial activities. Specify that subleasing of a hangar is not a commercial activity. IF we want to make subleasing a commercial activity we will need to revise the minimum standards. Can subtenants conduct commercial activities?

Commented [CG9]: AAB Recommendation

Commented [CG10]: AAB Recommendation

6. — Lessee shall not sell or store aviation fuel, parts, oils, or any other products or services from or on the Premises without the prior written consent of the City. Storage and use of aviation fuel, parts, oils, or any other products or services for maintenance and use on non-commercial, private aircraft is permitted. Personal use of oil and other items that are incidental to the operation and maintenance of the tenant's aircraft, as long as it does not violate local fire codes. Call out quantity restrictions or owners will be out of compliance for having a quart of oil in the hangar, for example quantities for personal use (case of oil). Maybe even just reference the Advisory circular if you wanted to reference the FAA advisory circle. Personal use of oil and other items that are incidental to the operation and maintenance of the tenant's aircraft, as long as it does not violate local fire codes.

Commented [CG11]: Airports Recommended update on wording

Commented [CG12]: AAB Recommendation

Commented [CG13]: Airports Recommended update on wording

7.6. Lessee shall not store any motor vehicles boats, RVs, Trailers etc., on the Premises without the prior written consent of the City. - Language needs reiterate primarily aeronautical, allow for transitory storage of motor vehicles, no permanent parking permitted. Do we want to address boats, RVs, Trailers etc.?

Commented [CG14]: AAB Recommendation

Commented [CG15]: Airport Discussion needed

8.7. Washing of aircraft, vehicles and other aviation equipment is permissible as long as run off does not make it into the water system or cause other environmental damage.. Lessee shall not wash any aircraft, motor vehicles, or equipment on the Premises without the City's prior written consent, which the City may grant, condition, or withhold in its sole discretion. Reword to stress that contaminants cannot make it into the water system as per the SWPPP, goal to keep contaminants out of storm drain. Use organic materials, dry wash .

Commented [CG16]: Airport Recommended wording

Commented [CG17]: AAB Recommendation

9.8. Lessee shall not store on the Premises equipment, materials, or containers, unless used in conjunction with the Permitted Uses, nor shall Lessee store any equipment or materials of any kind on the Premises which is unsightly or inconsistent with Lessee's maintenance obligations hereunder.

10.9. Lessee shall not store or let stand any equipment or property belonging to Lessee or under Lessee's custody (including but not limited to vehicles and aircraft) outside the boundaries of the Premises without prior written consent of the City, except when such equipment or property is in the process of being loaded or unloaded.

Commented [CG18]: Staff recommends leaving the written consent requirement.

VI. PRIVILEGES GRANTED TO LESSEE

City grants to Lessee the following rights and privileges, subject to Lessee's compliance with, as applicable, the Airport's minimum standards promulgated and adopted by the City ("Minimum Standards"), the Airport's rules and regulations promulgated and adopted by the City ("Rules and Regulations"), and all orders, rules, and/or regulations of the Federal Aviation

Administration (“FAA”), Transportation Security Administration (“TSA”), Department of Homeland Security (“DHS”), and Environmental Protection Agency (“EPA”), as each may be amended from time to time:

- A. The exclusive right to use the Premises in connection with the Permitted Use and for no other purpose, unless expressly authorized by the City in writing; provided that City reserves the right to grant users of the Airport the right to use the Pavement Area (as defined in Section VII.A.1 herein) on the Premises from time to time for passage of aircraft on and near the adjacent taxiway when required for ingress and egress to other areas of the Airport;
- B. The right to use, in common with others, the facilities and improvements owned or constructed by the City which are of a public nature and available for public use;
- C. The right of ingress and egress from the Premises for Lessee and Lessee’s contractors and invitees to the extent reasonably necessary in connection with the Permitted Use;
- D. The right to install, operate, maintain, repair, and store all fixtures and equipment necessary for the Permitted Use, at Lessee’s sole cost and expense; and
- E. Lessee shall not erect any **Commerical signs** on the Premises or the Improvements thereon **without the prior written consent of the City**, which may be withheld or conditioned in its sole and absolute discretion. **Personal signage is permitted but cannot be larger than 24x36 and are only permitted on the exterior side of the man doors.**

Commented [CG19]: AAB Recommendation
Commented [CG20]: AAB Recommendation
Commented [CG21]: Airport Recommended wording

VII. CONSTRUCTION OF IMPROVEMENTS

A. **Generally.** Lessee, at its sole expense and subject to the City’s approval as set forth below, may construct or install on the Premises, in accordance with all applicable federal, state, and local laws, ordinances, rules, and regulations, including FAA requirements, such buildings, structures, or improvements, or modifications, revisions, or alterations thereto, that are reasonably related to the Permitted Use, including a hangar facility and aircraft pavement area (collectively, the “Improvements”). Lessee may not cause or permit any Improvements on the Premises to conflict with the City’s Master Plan or Airport Layout Plan existing at such time and as on file with the FAA.

- 1. As part of the Improvements, Lessee, at its sole cost and expense, shall construct and maintain an aircraft pavement area on the Premises **(the “Pavement Area”)** **[The Pavement (ie: Asphalt, Concrete, etc)]** to accommodate the movement of aircraft in an out of the hangar improvements constructed thereon, which must be designed and built to specifications, and for a minimum weight bearing capacity, established by the City, built to the full width of the Premises, and to connect with adjacent taxiway, ramp, and/or auto parking areas so that a continuous and safe pavement section for aircraft use results. **[The City shall have no responsibility or obligation to make or maintain any Improvements to the Premises or to the public roadway and utility access to the Premises.**

Commented [CG22]: Airport Recommended wording
Commented [CG23]: AAB Recommendation

B. Plans and Specifications. Lessee shall, at its sole cost and expense, select qualified architects and engineers to prepare, as applicable, the architectural, site, structural, mechanical, and/or electrical drawings and specifications for the Improvements (the “Plans and Specifications”) as required by the appropriate governmental authorities and in accordance with Applicable Laws. Prior to the commencement of the construction or installation of any Improvements or any modifications thereto, Lessee shall obtain the City’s prior written approval of the relevant Plans and Specifications. The City may refuse to approve such Plans and Specifications at the City’s reasonable discretion and shall provide the reasoning for such disapproval to Lessee, provided, however, that the City’s approval shall not be unreasonably conditioned, withheld, or delayed. The City’s reasoning for disapproval may include, but shall not be limited to, the following: if the Improvements are inconsistent with the requirements of this Agreement, applicable law, rules or regulations, or the lawful direction of a government authority; if the external appearance of the planned Improvements is materially inconsistent with the uniform appearance of existing buildings or structures at the Airport or otherwise does not meet the City’s regulations or policies, if any, relating to substantial uniformity of appearance of all buildings and structures on the Airport or relating to Airport safety; or if the nature of the Improvements is inconsistent with the safe, secure, or orderly use of the Airport by others.

C. Unauthorized Construction. If any construction, improvement, alteration, modification, addition, repair, or replacement that requires City’s approval, under applicable laws and ordinances, local rules and regulations, or FAA requirements, is made without the City’s prior written approval, or that otherwise does not conform with applicable laws, rules, or regulations or the approved Plans or Specifications, the City may, in its sole and unfettered discretion, elect to require Lessee to restore the Premises to its prior condition and/or modify the Premises to the satisfaction of the City. Lessee’s failure to commence and diligently prosecute such removal or modification within thirty (30) days following receipt of notice by the City shall constitute an Event of Default (as defined herein).

D. Qualified Contractors; No Liens. Lessee shall cause all Improvements authorized to be constructed here under only by a contractor or contractor(s) properly licensed by the State of Utah. Lessee shall be solely responsible for payment to such contractor(s) for all elements of the construction and installation of Improvements. Lessee shall keep the Premises free and clear of all construction or mechanics liens resulting from any construction or work by or on behalf of Lessee. Lessee may contest the correctness or validity of any such lien, but shall indemnify, defend, and hold harmless the City, its elected representatives, offices, agents, and employees, and the Premises from all claims and liability for payment of any such lien. The City may file a notice of no responsibility for its lien protection.

E. Certified Statement of Costs. Within sixty (60) days of the completion of the Improvements, Lessee shall provide the City with a certified statement of all costs actually incurred by Lessee in constructing the Improvements, together with any supplemental or supporting documentation requested by the City to verify such construction costs.

VIII. TITLE; REMOVAL OF IMPROVEMENTS; RETURN OF PREMISES

A. Title. The City shall at all times hold and retain title to and fee simple interest in the Premises. Lessee’s leasehold interest in the Premises shall completely extinguish upon the expiration or early termination of this Agreement. All existing improvements and personal property on the Premises as of the Effective Date are and shall remain the property of the City. (Remove Sentence) All Improvements or personal property constructed, installed, or placed on the Premises by Lessee during the Term shall remain the property of Lessee, unless such Improvements are deemed abandoned pursuant to Section VIII.B herein. Comments that this is communism, wording change is necessary

Commented [CG24]: AAB Recommendation

Commented [CG25R24]: This language refers to personal property that is on the land prior to the lease hold; all such personal property is City property.

Commented [CG26]: AAB Recommendation

B. Removal of Improvements. Prior to the expiration or early termination of this Agreement, Lessee, at its sole cost and expense, shall have the right to remove any Improvements placed or erected on the Premises by Lessee. Any Improvements and/or personal property remaining on the Premises after the expiration or early termination of the Agreement shall, at the option of the City, be deemed abandoned and title thereto shall automatically transfer to the City without any claim or right whatsoever by Lessee.

C. Return of Premises. On or before the expiration or early termination of the Agreement, Lessee shall, at Lessee’s sole cost and expense: (i) remove all of Lessee’s personal property from the Premises, unless otherwise mutually agreed to in writing by the Parties; and (ii) either (a) if Lessee exercises its right to remove its Improvements pursuant to Section VIII.B, return the Premises to the City in as good a condition as it was prior to the erection of the Improvements thereon, or (b) if Lessee does not exercise its right to remove its Improvements, Lessee shall return the Premises and the Improvements to the City in their original condition existing as of the Effective Date or the date upon which the Improvements were completed, respectively. If Lessee fails to return the Premises in accordance with the requirements herein, the City reserves the right to charge Lessee for the cost of the restoration of the Premises and the Improvements (if applicable) and/or removal of any remaining personal property plus reasonable administrative costs.

IX. ENVIRONMENTAL COMPLIANCE

A. Generally. Lessee agrees that in conducting any activities on the Premises or on Airport property pursuant to this Agreement, Lessee shall comply, and require its employees, agents, contractors, and invitees (“Lessee Parties”) to comply, with any and all applicable federal, state, and local environmental laws, rules, and regulations and all orders and directives from any government agency having jurisdiction over Lessee, the Airport, and/or the Premises (collectively, “Environmental Laws”).

B. Hazardous Materials. Clean the language up and make it consistent throughout Hazmat gets treated different than hazardous materials Lessee and Lessee Parties shall not use, store, generate, manufacture, produce, handle, treat, dispose, transport, or conduct operations involving Hazardous Materials (defined herein) whether intentionally or unintentionally, at or from the Premises in violation of any Environmental Laws. Without limiting the foregoing, Lessee and Lessee Parties shall not discharge Hazardous Materials into the sewer and/or storm water drainage systems, or cause any Hazardous Materials to

Commented [CG27]: AAB Recommendation

Commented [CG28]: See definition below, which specifies quantity as a factor of dangerous.

be placed, held, stored, processed, treated, released, or disposed of on or about the Premises or Airport in violation of Environmental Laws. Better define as Operational Maintenance of aircraft or aeronautical related equipment.

Commented [CG29]: AAB Recommendation

Lessee shall, at no cost or expense to the City, promptly remove and remedy, in accordance with the requirements of Environmental Laws, all Hazardous Materials present in, on, under, or migrating from the Premises in violation of Environmental Laws, as a result of the acts or omissions of Lessee or any Lessee Party or its or their use or occupancy of the Premises; provided, however, that Lessee has no obligation to remove any Hazardous Materials in, on, under, or migrating from the Premises as a result of (i) the acts or omissions of third parties other than Lessee Parties or Lessee's predecessors in interest, or (ii) the acts or omissions of the City, unless Lessee's acts or omissions exacerbated such Hazardous Materials. However, Lessee shall bear the burden of providing evidence to the City that any Hazardous Materials in, on, under, or migrating from the Premises were not exacerbated by the acts or omissions of Lessee and are a result of (x) the acts or omissions of third parties other than Lessee Parties or Lessee's predecessors in interest; or (y) the acts or omissions of the City. As used in this Agreement, "Hazardous Materials" means any elements, compounds, chemicals, substances, flammable materials, explosives, radioactive materials, oil, petroleum, petroleum products, asbestos, lead paint, perfluoro octane sulfonic acids or perfluorooctanoic acids, polychlorinated biphenyls, military or civilian munitions, explosives, materials, or wastes that, because of their quantity, concentration or physical or chemical characteristics pose a present or potential hazard to human health or safety or to the environment including, by way of illustration and not limitation, those which are or become regulated, identified, defined, listed, or otherwise classified as a contaminant, pollutant, toxic pollutant, or toxic or hazardous substance, or a regulated substance under Environmental Laws.

C. Recordkeeping. Lessee shall maintain, in an orderly and easily accessible manner, all correspondence and communications with any governmental authority, records, or other information evidencing its compliance with all Environmental Laws for all Hazardous Materials brought upon, kept, used, stored, generated, or disposed of in, on, or about the Premises, or transported to or from the Premises by Lessee or Lessee Parties. Lessee must maintain these records for the period of time as is required by Environmental Laws or ten (10) years following termination of this Agreement, whichever is longer.

D. Environmental Permits. Lessee, at its expense, shall obtain, maintain, and comply with any and all permits required by any Environmental Laws to conduct its permitted activities on the Premises.

E. Review of Environmental Documents. At the City's written request, Lessee shall make available for inspection and copying, upon reasonable notice and at reasonable times, any and all non-privileged correspondence and communications with relevant governmental authorities and records or other information evidencing its compliance with all Environmental Laws for all Hazardous Materials brought upon, kept, used, stored, generated, managed, or disposed of in, on, or about the Premises, or transported to or from the Premises by Lessee or Lessee Parties.

F. Cooperation with Investigations. Lessee shall cooperate with any investigation, audit, or inquiry by the City or any governmental authority regarding possible violation of any Environmental Laws upon the Premises.

G. Access for Environmental Inspection. The City shall have access to the Premises upon reasonable prior notice to inspect the same in order to confirm that Lessee is in compliance with the requirements of this Section IX; provided, however, that the City may enter the Premises for such purposes without prior written notice in the event of an emergency pertaining to Environmental Laws, as determined by the City. Lessee agrees to fully cooperate with any such inspections, provided that such inspections shall not unreasonably interfere with Lessee's operations. If the City reasonably believes or has received information leading it to reasonably believe that Lessee's operations are not in compliance with the requirements of this Section IX, then, upon request by the City, Lessee shall conduct such inspection, testing, and analysis as the City reasonably deems necessary to ascertain whether Lessee is in compliance with this Section IX. Lessee shall pay all actual costs associated with any such environmental inspection, testing, and analysis. Any such tests shall be conducted by qualified independent environmental consultants chosen by Lessee, but such environmental consultants, and the scope and the methods of such investigation, shall be subject to the City's approval, which shall not be unreasonably withheld. Lessee shall provide copies of any and all relevant reports prepared by such experts to the City within a reasonable time after Lessee receives such reports.

H. Duty to Notify City. In the event of any release or threatened release of Hazardous Materials caused by or discovered by Lessee or any Lessee Party at, on, under, or about the Premises or the Airport, or in the event any claim, demand, complaint, or action arising under Environmental Laws is made or taken against Lessee with respect to activities on the Premises or the Airport, or if Lessee receives any notice pertaining to Lessee's failure or alleged failure to comply with any Environmental Laws at the Premises, Lessee shall notify City of all known facts pertinent to such release, threatened release, claim, demand, complaint, action, or notice and shall provide the City with copies of any and all claims, demands, complaints, notices, or actions so made no later than twenty-four (24) hours following receipt of the same. If Lessee is required by any Environmental Laws or applicable governmental authority to file any notice or report of a release or threatened release at, on, under, or about the Premises or the Airport, Lessee shall simultaneously provide a copy of such notice or report to the City.

I. Environmental Remediation. Lessee, at its sole cost and expense, shall undertake all necessary steps to remedy and remediate a release of Hazardous Materials or other condition to the extent caused by or resulting from the activities, conduct, or omissions of Lessee or its Lessee Parties, on the Premises or at the Airport, as necessary to reasonably protect the public health and safety to the extent required by Environmental Laws and/or to bring the Premises or the Airport into compliance with all Environmental Laws applicable to the Premises or Lessee's activities thereon. Specific cleanup levels for any environmental remediation work Lessee performs shall be designed to meet and satisfy the requirements of all Environmental Laws applicable to the Premises or Lessee's authorized use thereof. Except in the event of an emergency, such work shall be performed only after Lessee submits to the City a written plan for completing such work and receives the prior

approval of the City, which shall not be unreasonably withheld. The City shall have the right to review and inspect all such work at any time using consultants and representatives of its choice. The actual cost of such review and inspection shall be paid by Lessee. Lessee expressly warrants that all work performed pursuant to this Agreement shall be performed in accordance with all Environmental Laws. Lessee shall not enter into any settlement agreement, consent decree, or other compromise with respect to any claims relating to any release of Hazardous Materials or other condition in violation of Environmental Laws on, at, or from the Premises or the Airport without first notifying the City of Lessee's intention to do so and affording the City a reasonable opportunity to appear, intervene, or otherwise appropriately assert and protect the City's interest with respect thereto, which appearance or intervention by the City will be at City's sole cost and expense.

J. Obligations Upon Termination. At the expiration or termination of this Agreement, Lessee shall dispose of all Hazardous Materials and containers in compliance with all applicable Environmental Laws and shall complete all actions necessary to bring the Premises into full compliance with this Section IX and all Environmental Laws. Lessee shall provide the City with copies of all waste manifests for Hazardous Materials removed from the Premises at least thirty (30) days prior to the termination or expiration date of this Agreement.

K. Step-In Rights. Notwithstanding Lessee's obligations under this Section IX, the City and any other relevant governmental authorities shall at all times have the right, should Lessee fail to comply with its obligations in subsections I or J of this Section IX, after reasonable advance written notice, which shall include a reasonable opportunity to cure (except where a governmental authority other than the City is empowered by applicable law to act without notice), or immediately, if necessary to prevent additional harm to the environment, to take any and all actions as they individually or collectively may reasonably deem necessary to cease, contain, investigate, remediate, or otherwise respond to a condition which results from, causes, or threatens to cause a release of Hazardous Materials or other condition in violation of Environmental Laws at, under, or about the Premises or at the Airport. Lessee agrees to cooperate with any and all such actions.

L. No City Liability. The City shall not be responsible to Lessee or any Lessee Party for any Hazardous Materials in existence in, on, under, or migrating from the Premises or at the Airport, which condition may interfere with Lessee's operations or activities, or which might otherwise cause damages to Lessee through loss of business, destruction of property, or injury to Lessee, its Lessee Parties, customers, or clients, except to the extent such conditions are caused by the actions or omissions of the City.

M. Remedies Cumulative. Lessee agrees that all remedies of the City as provided in this Section IX with regard to Hazardous Materials, or violations of any Environmental Laws shall be deemed cumulative in nature and the City's right to indemnification as provided under this Section IX shall survive the termination of this Agreement.

N. Survival. The rights and obligations of this Section IX shall survive the expiration or termination of this Agreement and shall bind Lessee's successors and assigns and inure to the benefit of the City's successors and assigns, except those rights and/or obligations

which by their nature or context are not intended survive the expiration or termination of this Agreement.

I. TAXES

Lessee covenants and agrees that it will pay, when due, all taxes which may be assessed pursuant to law against the Premises, the Improvements, or any other buildings, improvements, and personal property located on the Premises, or against activities conducted by Lessee. Lessee shall provide the Airport Manager with satisfactory evidence of such payments within fifteen (15) days from the Airport Manager's written request.

I. INDEMNITY

O. Indemnification. Lessee shall, at its sole cost and expense, defend, indemnify, save, protect, and hold harmless the City, the Airport, the Heber City Council, and the Airport Advisory Board (the "AAB"), individually and collectively, and their representatives, officers, officials, employees, agents, and volunteers (the "Indemnified Parties") from any and all claims, demands, damages, fines, obligations, suits, judgments, penalties, causes of action, losses, liabilities, administrative proceedings, arbitration, or costs at any time received, incurred, or accrued by the Indemnified Parties, individually and collectively, arising out of or in connection with the activities of Lessee or Lessee's officers, employees, agents, contractors, or invitees at the Airport; provided, however, that Lessee shall have no obligation to indemnify under this Section XI.A to the extent such claim arises from the gross negligence or willful misconduct of the Indemnified Parties.

P. Environmental Indemnification. Additionally, Lessee shall defend, indemnify, save, protect, and hold harmless the Indemnified Parties in the event of an environmental contaminating accident or incident, release of any Hazardous Materials, or any violation of Section IX, to the extent such accident, incident, release, or violation is caused by Lessee, Lessee Parties, or any other personnel used by Lessee to maintain Lessee's facilities, vehicles, equipment, or aircraft.

X. INSURANCE

A. Insurance. Prior to the commencement of the Term and at all times throughout the Term of this Agreement, Lessee shall obtain and maintain from a reliable insurance company or companies rated AM Best A or better authorized to do business in the State of Utah insurance in the types and amounts required by the City pursuant this Section XII and, if applicable, the Minimum Standards, or as the City may otherwise reasonably request during the Term on not less than thirty (30) days written notice to Lessee.

B. Insurance Types and Coverages. Types and limits of insurance required as of the Effective Date are as follows:

1. *General and Aircraft Liability Insurance*. Lessee shall obtain and maintain comprehensive general and aircraft liability insurance for personal and bodily injury (including passengers), death, property damage, and passenger liability with a combined single limit for each occurrence in at least the following amounts: (a)

\$1,000,000 for each aircraft; (b) \$100,000 for each passenger; (c) \$1,000,000 for premises liability.

2. **Hangar Keeper's Liability Insurance.** If Lessee intends to store any aircraft not owned or leased by Lessee but otherwise approved under this Agreement on the Premises, Lessee shall obtain and maintain hangar keeper's liability insurance for at least the full value of the non-owned aircraft in Lessee's care, custody, or control. For those that lease the hangar but do not occupy it will need to have subtenant hangar insurance coverage. If Lessee does not occupy the hangar and intends to store aircraft, not own hangar, they need to have hangar keepers insurance

Commented [CG30]: AAB Recommendation

Commented [CG31]: Lessee shall retain responsibility of all insurance whether they occupy or not, or sublease, or not. Landlords and owners of real property are always responsible regardless of tenants.

3. **Automobile Liability Insurance.** Lessee shall obtain and maintain comprehensive automobile liability insurance at a combined single limit coverage of at least \$1,000,000 (bodily injury and property damage). Most others require 300-500K vs 1M Coverage, Typically a non-commercial policy

Commented [CG32]: AAB Recommendation

Commented [CG33]: Check with Travis and Jeremy for reasonable amount of coverage.

4. **Builder's Risk Insurance.** During any period of construction, reconstruction, or renovation of the Improvements, Lessee shall provide, or cause to be provided, builder's risk insurance as to all items of construction with coverage at least equal to the total amount of the construction contract(s) for all such construction activities.

5. **Property.** Lessee shall obtain and maintain "All Risk" property insurance in an amount at least equal to the full replacement value of all Improvements, facilities, and personal property located on the Premises. The City will not carry insurance or be liable for damage or loss to Lessee's Improvements, facilities, or personal property.

C. **Proof of Insurance.** Lessee shall submit certificates of insurance to the City prior to the commencement of the Term and annually thereafter, and at any time upon the request of the City. The insurance policy or policies required hereunder shall contain an endorsement which provides that Lessee is named insured as it pertains to this Agreement. Prior to the commencement of the Term and each time the policy renews, concurrently with the annual payment of Rent, or upon the City's request, Lessee shall provide the Airport Manager a copy of the policy endorsement naming Heber City Corporation as an additional insured under the policy.

D. **Policy Requirements.** All insurance coverages required under this Agreement shall (i) include the City and its officers, agents, and employees as additional named insured, (ii) provide thirty (30) days' prior written notice of cancellation, modification, or intent not to renew the policy, with such notice being effective upon the City's receipt of said notice, (iii) stipulate that the policy provided coverage is not subordinate to nor contributing with any other insurance coverage held or maintained by the City; (iv) include a waiver of subrogation, except for automobileautomobile and aircraft liability insurance, and (v) list any and all exclusions. Notice by the insurer shall be effective upon the receipt of said notice by the City. Lessee shall notify the City of any modification which affects the

Commented [CG34]: Spelling

leasehold premises, termination or cancellation of any policy of insurance secured by Lessee pursuant to this paragraph as soon as Lessee learns of any such modification, termination, or cancellation.

E. Application to Others. Lessee shall require all contractors, subcontractors, agents, or workers performing work or occupying the Premises to be properly licensed and to obtain ~~an insurance~~ insurance coverage meeting the requirements of this Section XII, as evidenced by a certificate of insurance. Lessee shall require that all such parties submit certificates of such insurance to the City prior to performing work or occupying the Premises. The insurance provisions herein shall likewise apply to any permitted assignee, sublessee, or transferee of Lessee.

Commented [CG35]: Spelling

F. No Limitation of Liability or Waiver. The procuring of such policy or policies of insurance shall not be construed to be a limitation upon Lessee's liability or satisfaction or a waiver of Lessee's indemnification obligations under this Agreement.

XI. MAINTENANCE & REPAIR

A. City Maintenance Obligations. The City shall be responsible for the maintenance of the shared public spaces and common use areas of the Airport. The City shall provide for the removal of snow and ice from the airfield and the Pavement Area, excluding any parking and side lots and any area within six (6) feet of any hangar on the Premises; provided, however, that priority of snow removal shall be in accordance with the City's snow removal plan, attached as **Exhibit 2** ("Snow Removal Plan"), as it now exists or as it may be amended in the City's sole discretion.

B. Lessee Maintenance Obligations. Lessee, at its sole cost and expense, shall be responsible for all other maintenance and repairs to the Premises, the Improvements, and the utilities thereon, including but not limited to the obligations set forth in this Section XIII.B.

1. Lessee shall keep and maintain the Premises, the Improvements, and any other improvements and personal property thereon in good and repair and in sanitary and sightly condition, reasonable wear and use excepted. Lessee agrees to provide at its own expense such janitorial and cleaning services and supplies, trash removal services, and any related services as may be necessary or required in the operation and maintenance of the Premises.

2. Lessee shall maintain the Premises, including all pavement areas, ie: Asphalt, Concrete etc. pavement areas clarify pavement on the Premises, in a manner which is safe and clean of debris so as not to cause danger or unsafe conditions for taxiing aircraft or other Airport users. Seal coat, crack seal, and paint are required to maintain all pavements in good condition. Lessee shall repair any cracked or damaged pavements as needed or upon the request of the City.

Commented [CG36]: AAB Recommendation

3. Except as provided above in Section XIII.A, Lessee shall provide for the removal of snow and ice from its Premises, **including but not limited to stairs, walkways, ledges, roads, paved areas, parking areas, and the perimeter of any**

hangar buildings. Lessee shall not place snow from its Premises on any other area of the Airport without prior written authorization from the Airport Manager. Maybe soften the language here to allow for emergencies etc. Rather than written consent we need to point to the rules and regulations vs list out all of the places to remove snow

Commented [CG37]: Staff would recommend existing language. Hard to enforce temporary permissions. The language allows for such emergencies already, on a case by case basis.

Commented [CG38]: AAB Recommendation

4. Lessee shall be responsible for all landscaping and weed removal on the Premises. This shall include, although not limited to, the obligation of the lessee to maintain the premises in a clean, neat and orderly condition at all times and to perform the necessary mowing, weed control on the premises during the appropriate part of the year. As not to impede access, current lease has better language for this. Recommendations to add wording.. This shall include, although not limited to, the obligation of the lessee to maintain the premises in a clean, neat and orderly condition at all times and to perform the necessary mowing, weed control on the premises during the appropriate part of the year

Commented [CG39]: AAB Recommendation

Commented [CG40]: AAB Recommendation

5. Lessee shall exercise due and reasonable caution to prevent fire, accidents, hazards, and nuisances on the Premises.

C. **Failure to Maintain.** In the event that Lessee fails to keep and maintain the Premises or Improvements in good condition and repair, reasonable wear and use excepted, for a period of thirty (30) days after written notice from the City to do so, the City, upon the expiration of such thirty (30) day period, may, but shall not be obligated to, enter upon the Premises and perform the obligation of Lessee, and charge Lessee the cost and expense thereof, including any reasonable administrative costs. Lessee shall pay the City such charge in addition to any other amounts payable by Lessee. Notwithstanding the foregoing, if Lessee's failure to perform any such obligation adversely affects or endangers the health or safety of the public, other Airport users or tenants, or of employees of the City in the reasonable judgment of the City, and if the City so states in its notice to Lessee, the City may, but shall not be obligated to, perform such obligation of Lessee at any time after providing such notice, at Lessee's sole cost and expense. The City shall not be liable to Lessee for any loss whatsoever resulting from the City's performance hereunder.

I. UTILITIES & SERVICES

D. **Lessee's Obligations.** Lessee agrees to provide for its own connections with utilities and to make separate agreements with the agencies responsible for these utilities. Lessee shall pay for all utility service supplied to the said Premises, and if required by the utility agencies as a condition of continued said services, Lessee shall install and pay for standard metering devices for the measurement of such services. Lessee shall be solely responsible for all utility charges, including without limitation natural gas, ~~electricity~~ City electricity, sewer, and water used on the Premises during the Term.

E. **City's Reservation of Rights.** Lessee agrees that the City shall have the right, without cost or compensation to Lessee, to install and maintain in, on, under, or across the Premises utilities (including sewer, water, gas, electric and telephone lines, electric substations) or other installations necessary to the operation of the Airport, or to service

other tenants of the City; provided the City shall carry out such work and locate above-ground structures in a manner so as not to unreasonably interfere with Lessee's use of the Premises. The rights of Lessee under this Agreement shall not be construed to confer any right upon Lessee concerning the use or operation of any such utilities, installations, or any other facilities at the Airport, except the Premises and other rights specifically described herein.

XII. COMPLIANCE WITH LAWS

Lessee shall comply, and cause Lessee Parties (as defined in Section IX) to comply, with any and all current and future laws, ordinances, rules, regulations, and orders issued or promulgated by any governmental authority governing or otherwise applicable to Lessee, the Airport, this Agreement, the Premises, or Lessee's use of the Premises, including but not limited to the Rules and Regulations, as amended from time to time, and all permits and licenses which may be necessary or required for the Permitted Use, including but not limited to the construction of the Improvements. Upon the City's written request, Lessee shall verify, within a reasonable time, compliance with any such applicable laws and regulations.

XIII. PERMITS, LICENSES, AND CERTIFICATES

During the Term, Lessee shall obtain and maintain any and all permits, licenses, and certificates which may be required in connection with the improvement and use of the Premises and its operations thereon, including but not limited to the construction of the Improvements.

XIV. QUIET ENJOYMENT

The City agrees that, on payment of the rentals, fees, and charges as herein provided and performance of the covenants and agreements on the part of Lessee to be performed hereunder, Lessee shall peaceably have and enjoy the Premises and all the rights and privileges of the Airport, its appurtenances, and facilities granted herein. Lessee agrees that temporary inconveniences, including but not limited to noise, disturbances, traffic detours, and the like resulting from, caused by, arising out of, or associated with the City's operation, construction, maintenance, or repair of the Airport, including but not limited to improvements thereon, or associated with special events that the City or others may from time to time host on the Airport, shall not constitute a breach of this Section. The City shall provide Lessee with reasonable prior notice of any planned temporary inconveniences or special events and shall take reasonable steps to mitigate the impact of such inconveniences so that they do not unreasonably interfere with Lessee's use of the Premises.

XV. DISPUTE RESOLUTION

Any dispute arising out of, relating to, or in connection with this Agreement, including any question regarding an alleged Event of Default (as defined below) or the Agreement's existence, validity, or termination, shall be resolved as set forth in the dispute resolution procedures attached in **Exhibit 3** ("Dispute Resolution Protocol"). In the event of litigation commenced in accordance with the Dispute Resolution Protocol, the prevailing Party (as determined by a final judgment) shall be entitled to recover its reasonable attorney's fees, expert-witness costs, and court costs from the other Party.

XVI. **SUBLEASES, ASSIGNMENTS, AND TRANSFERS** *Sublease needs defined, IF less than 60% of that volume of the hangar we need a sublease agreement for a term greater than 30 days*

Commented [CG41]: AAB Recommendation
Commented [CG42]: Question for Jeremy Cook and Travis Biggs.

A. City Consent Required. Lessee shall not assign or sublet this Agreement or the Premises, nor may it transfer the management and operation of the Premises, *without the prior written consent of the City*, such consent not to be unreasonably withheld, conditioned, or delayed. The City may withhold consent to an assignment, sublease, or transfer under any of the following circumstances, without limitation: (i) Lessee is in default of its obligations under this Agreement; (ii) the proposed assignee lacks the financial capability to comply with the terms and conditions of this Agreement or the ability to operate the facilities according to the terms and conditions of this Agreement and, if applicable, the Minimum Standards; (iii) the proposed assignee would not assume all of Lessee’s obligations under this Agreement, without condition or qualification; or (iv) the proposed assignment would violate any obligation of the City, including without limitation the Grant Assurances. Any purported assignment or sublease in violation of this Section XIX shall be null and void.

B. First Right of Refusal for Sale of Hangar. Notwithstanding the foregoing, if Lessee desires to sell or otherwise transfer its interest in this Agreement, including its leasehold interest in the Premises and ownership interest in the Improvements thereon, and has obtained a bona fide offer for such sale, Lessee must first offer to sell or otherwise transfer such interest to the City, at the price and on the same terms as such bona fide offer, and the City shall have the right to purchase Lessee’s interest under such terms. Such offer must be in writing and provide a copy of the sales agreement showing all terms and conditions of the proposed sale. The City shall have the right for a period of twenty-one (21) days after receipt of the offer from Lessee to elect to purchase Lessee’s interest (the “Election Period”). If the City does not desire to purchase Lessee’s interest, Lessee may then sell or otherwise transfer its interest in this Agreement to the person making the said offer, at the price and terms set forth in the offer, subject to the requirements of this Section XIX, including but not limited to the City’s prior written consent under subsection A above. If Lessee fails to close such a sale within one hundred twenty (120) days after the expiration of the Election Period, any proposed sale or other transfer thereafter shall again be subject to this Section. *This right of the City shall be continuing and shall survive any sale or other transfer of Lessee’s interest under this Agreement. The intent of this Section is to require all of Lessee’s interests in this Agreement be sold or otherwise transferred intact, without fractionalization. IF Transfer of hangar between LLC or Family Trust, does this require a transfer fee and approval from the City? (Jason had wording on this)*

Commented [CG43]: The current Fractionalization language provides for exceptions, but on a case by case basis. City must approve in writing such exceptions.
Commented [CG44]: AAB Recommendation

C. Sale to Third-Party Buyer. In the event Lessee’s interest in the Agreement (including the Improvements) are sold to a third-party buyer prior to the end of the Term:

1. *This Agreement shall automatically terminate upon the closing of such sale and the City will enter into a new lease between the City and the buyer that is based upon such terms and conditions, including rental rates, of the then-current Airport standard lease form being offered by the City, provided: (i) Lessee is not in default in the payment of any Rent or in any other provisions of this Agreement, is in good*

standing at the Airport, and submits a current certificate from the City Building Inspector to the Airport Manager that the Improvements are structurally sound and is projected to be sound for the duration of the new lease; and (ii) the new lease is consistent with the Airport's Master Plan then in effect and all federal rules, regulations, directives, and guidelines or other obligations with respect to the Airport, including but not limited to the Grant Assurances. The new lease shall not increase the duration and term of the original lease, unless specifically agreed to in writing by the City. Any such extension of duration shall remain at the sole discretion of the City. and THIS SECTION should be moved to the TERMS part of the lease

Commented [CG45]: This language and requirement is specific to a transfer.

Commented [CG46]: AAB Recommendation

2. Lessee shall pay a transaction ~~fee shall~~fee to the City based upon the sales price or the current assessor's valuation, whichever is higher, at the time of the sale prior to a new lease being issued according to the then-approved Heber City Consolidate Fee Schedule.

D. Sale to City. In the event the Improvements are sold to the City prior to the end of the Term, the City may deduct from the purchase price any unpaid Rents or amounts due under this Agreement and, upon the closing of such sale, this Agreement shall automatically terminate.

E. Surviving Obligations. Notwithstanding the foregoing, the sale of Lessee's interests in this Agreement pursuant to this Section shall not relieve Lessee of its obligations that expressly or by their nature survive termination of this Agreement, including but not limited to Lessee's environmental obligations and obligation to pay the City Rents and other amounts due under this Agreement that accrued prior to the closing of the sale.

F. Administrative Costs. The City has the option, in its sole discretion, to charge to Lessee for reasonable administrative costs actually incurred when reviewing and processing any requests for assignment, sublease, or transfer pursuant to this Section XIX. WHY Admin Cost? Should be part of the transfer fee

Commented [CG47]: AAB Recommendation

Commented [CG48]: The Administration fee is cover any admin., costs to review, approve and administer any transfers. The Transfer Fee is different and separate of any Admin fees. It is consideration for allowing the transfer.

XVII. LEASEHOLD MORTGAGES

A. Generally. Upon prior written notice to the City, Lessee shall have the right to mortgage or collaterally assign its interest in this Agreement to a bank or other similar intuitional lender (the "Mortgagee"), provided that any such leasehold mortgage or collateral assignment shall be in compliance with this Section XX and shall be subject, subordinate, and inferior at all times to the rights of the City under this Agreement (a "Leasehold Mortgage") and further provided that Lessee's notice to the City of the same shall include the name and address of the Mortgagee and a true copy of the Leasehold Mortgage. The term "Leasehold Mortgage" as used in this Agreement shall include, but not be limited to, a mortgage, a deed of trust, a deed to secure debt, or other security instrument by which Lessee's leasehold estate is mortgaged, conveyed, assigned, or otherwise transferred to secure a debt or other obligation, in connection with the construction of the Improvements.

B. Requirements. In connection with a Leasehold Mortgage, at a minimum the following shall apply: (i) such encumbrance shall only encumber Lessee's leasehold interest for the purpose of securing financing for Lessee's authorized Improvements and no other encumbrance shall be permitted; (ii) such encumbrance shall be subordinate to the City's interests; (iii) the Mortgagee or other lienholder must agree to maintain current contact information with the City and provide the City with concurrent copies of any notices or communications regarding a default; (iv) the Mortgagee or other lienholder must certify to the City that it has reviewed this Agreement and has accepted provisions that may affect the Mortgagee or other lienholder, and that no loan requirements conflict with or erode any provisions of this Agreement; (v) any Lessee default relating to such encumbrance shall be a default of this Agreement; (vi) the Mortgagee or other lienholder must agree that upon any default, the City shall have a lien with first priority on all Lessee-owned property at the Premises, including the Improvements; (vii) the Mortgagee or other lienholder must agree that the City has complete and sole discretion as to whether to approve the substitution of a tenant by the Mortgagee or other lienholder and whether the City terminates this Agreement (which would result in a termination of the Mortgagee's or other lienholder's interests in this Agreement); and (viii) such encumbrance shall terminate prior to the expiration or termination of this Agreement and the Mortgagee or other lienholder must agree to promptly remove such encumbrance when the obligation that it secures has been satisfied.

C. Notice of Default or Termination. The City, upon providing Lessee any notice of default under this Agreement or termination of this Agreement, shall at the same time provide a copy of such notice to the Leasehold Mortgagee by first class U.S. mail at the address specified in the notice given pursuant to Section XX.A above.

D. Opportunity to Cure. The Mortgagee shall have the right to remedy any default under this Agreement or cause the same to be remedied and the City shall accept such performance by or at the insistence of such Mortgagee as if the same had been made by Lessee. From the date Mortgagee receives notice of an occurrence of default as provided this Section, there shall be added to any grace period allowed by the terms of this Agreement, an additional ten (10) days in the case of default in payment of Rent and an additional thirty (30) days in the case of all other defaults, for such Mortgagee to cure the same beyond the time allowed to Lessee. In case of a default, other than failure to pay Rent, the City shall not be empowered to terminate this Agreement by reason of the occurrence of such default if Mortgagee, within thirty (30) days after the giving of notice of such default, commences foreclosure or similar proceedings under the Leasehold Mortgage for the purpose of acquiring Lessee's interest in this Agreement and thereafter diligently prosecutes the same, and shall bring current all payments of Rent and all other sums payable by Lessee hereunder. The Mortgagee may become the legal holder of the leasehold estate under this Agreement by foreclosure of its Leasehold Mortgage or as a result of the assignment of this Agreement in lieu of foreclosure. While such Leasehold Mortgage is in effect, the City shall not accept any surrender or cancellation of this Agreement by Lessee or amend or modify any material provision of this Agreement without the Mortgagee's prior written consent, which such consent shall not be unreasonably withheld or delayed.

Commented [CG49]: Jason Talley Recommendation

Commented [CG50]: Question for Jeremy Cook.

E. Assignment. The making of a Leasehold Mortgage shall not be deemed to constitute an assignment or transfer of this Agreement or of the leasehold estate hereby created, nor shall the Leasehold Mortgagee, as such, be deemed to be an assignee or transferee of this Agreement or of the leasehold estate hereby created so as to require such Leasehold Mortgagee, as such, to assume the performance of any of the terms, covenants, or conditions of this Agreement. Any Leasehold Mortgagee who takes an instrument of assignment or transfer in lieu of the foreclosure of the Leasehold Mortgagee shall be deemed to be a permitted assignee or transferee, and shall be deemed to have agreed to perform all of the terms, covenants, and conditions on the part of Lessee to be performed hereunder from and after the date of such purchase and assignment, but only for so long as such purchaser or assignee is the owner of the leasehold estate. If the Leasehold Mortgagee or its designee shall become holder of the leasehold estate and if the Improvements on the Premises shall have been or become materially damaged on, before, or after the date of such purchase and assignment, the Leasehold Mortgagee or its designee shall be obligated to repair, replace, or reconstruct the damaged Improvements.

XVIII. DEFAULT AND REMEDIES

A. Default. The occurrence of any of the following, in addition to those specified elsewhere in this Agreement, shall constitute a material breach of this Agreement by Lessee (each, an “Event of Default”):

1. Lessee’s failure to pay Rent or any other amounts due hereunder within ten (10) business days of the due date thereof.
2. Lessee’s failure to perform or observe any of Lessee’s obligations under this Agreement (including those obligations set forth in this Section XXI) that are left uncured for a period of thirty (30) business days after Lessee receives written notice from the City setting forth the failure in question and an opportunity to cure (or, if cure of such failure cannot reasonably be accomplished in the thirty (30) day period, Lessee’s failure to commence cure in such period and diligently prosecute the same to completion); provided, however, that the City may in its discretion shorten the applicable cure period in the event of a lapse in required insurance or any condition which creates an imminent safety risk to users of the Airport.
3. Lessee’s material default on the covenants and obligations set forth in any other written agreement between the City and Lessee concerning the use or lease of Airport property, as determined by a court of competent jurisdiction’s final, non-appealable judgment, after first being provided all applicable notice and cure periods and participating in the agreed upon dispute resolution procedures, if any, thereunder.
4. Lessee’s abandonment of the Premises.
5. Lessee’s becoming insolvent, taking advantage of any insolvency law or bankruptcy protection, making of a general assignment for the benefit of creditors, or consent to liquidation of all or substantially all of its assets.

6. The assessment of a tax lien or mechanic's lien upon the Premises for unpaid taxes or work that is not resolved within sixty (60) days of Lessee receiving notice of such lien.

7. The filing by Lessee of a voluntary petition in bankruptcy.

8. The institution of proceedings in bankruptcy against Lessee and the adjudication of Lessee as bankrupt pursuant to such proceedings if such adjudication is not vacated or stayed during the sixty (60)-day period following such adjudication.

9. The taking by a court of Lessee and its assets pursuant to proceedings brought under the provisions of any state or federal reorganization act if the judgment of the court is not vacated or stayed during the sixty (60)-day period following such judgment.

10. The appointment of a receiver of Lessee's assets if such appointment by a court is not vacated or stayed during the sixty (60)-day period following such appointment.

11. Lessee's assignment, sublease, transfer, or other conveyance of an interest in this Agreement in violation of Section XIX.

12. Lessee's breach or default of any Leasehold Mortgage (as defined in Section XX herein).

B. Remedies. If an Event of Default occurs, the City, in addition to any remedies available under applicable law, subject to the dispute resolution procedures specified in Section XVIII, may do any one or more of the following:

1. The City may elect to terminate this Agreement upon sixty (60) days' written notice to Lessee. IF happens in the winter, this is BAD. Can we add a condition for the temp. of 50 degrees?

Commented [CG51]: This only occurs after a default. There will be time to cure and time to plan.

Commented [CG52]: AAB Recommendation

2. Whether or not this Agreement has been terminated, the City may re-enter and repossess the Premises and may either in its own name, as agent for Lessee if this Agreement has not been terminated, or for its own behalf if this Agreement has been terminated, relet all or any part of the Premises; provided that City shall not be required to accept any tenant proposed by Lessee, or observe any instruction given by Lessee about such reletting. No such re-entry or taking possession of the Premises shall be construed as an election on the City's part to terminate this Agreement unless written notice of such election by the City is given to Lessee. Notwithstanding any such reletting without termination, the City may at any time thereafter elect to terminate this Agreement for any previous breach or default.

3. City may from time to time, without terminating this Agreement, enforce all of its rights and remedies under this Agreement.

C. Mitigation of Damages

Following any Event of Default by Lessee, the City shall use commercially reasonable efforts to mitigate its damages. The City’s obligation to mitigate damages after an Event of Default by Lessee under this Agreement that results in the City regaining possession of all or part of the Premises shall be satisfied in full if the City undertakes to re-let the Premises to another grantee (a “Substitute Grantee”) in accordance with the following criteria:

1. The City shall have no obligation to solicit or entertain negotiations with any prospective Substitute Grantee until the City obtains full and complete possession of the Premises including, without limitation, the final and unappealable legal right to re-let the Premises free of any claim of Lessee;
2. The City shall not be obligated to lease the Premises to a Substitute Grantee for a rental less than fair market rent then prevailing for similar space on the Airport;
3. The City shall not be obligated to enter into a new lease under terms and conditions that are unacceptable to the City under the City’s then-current leasing policies for comparable space on the Airport, or incompatible with the Master Plan, Minimum Standards, Rules and Regulations, or Grant Assurances; and
4. The City shall not be obligated to enter into a lease with any proposed Substitute Grantee that does not have sufficient financial resources to maintain the Premises and operations in a first-class manner and pay all rents payable pursuant to this Agreement.

XIX. RIGHTS OF CANCELLATION AND RELOCATION

A. City’s Right of Cancellation or Relocation. In addition to the City’s rights under Section XXI, in the event the City determines that it requires use of the Premises for a public purpose or if proper, planned, and orderly development of the Airport shall require that the City devote any part of the Premises to a different use than that contemplated by this Agreement, or in the case of an emergency, the City may take either of the following actions:

1. The City may terminate this agreement upon no less than one hundred twenty (120) days’ prior written notice to Lessee, except in the case of an emergency, which shall only require sixty (60) days’ prior written notice, and, upon such termination, shall pay Lessee an amount equal to the unamortized value of the Improvements, calculated on a straight-line basis from the date such Improvements were substantially completed through the then-remaining Term of this Agreement. Needs to be “The Fair Market Value”
2. The City may elect to relocate Lessee’s leased premises to another area on the Airport upon no less than one hundred and twenty (120) days’ prior written notice to Lessee, except in the case of an emergency, which shall only require sixty (60) days’ prior written notice; provided the City (a) provide Lessee with a

Commented [CG53]: AAB Recommendation
Commented [CG54R53]: Discussion needed, FAA Value
Commented [CG55]: Question for Jeremy Cook and Ryan.

replacement premises of no less area and that is substantially similar to the vacated premises, (b) pay the associated costs of relocating the Improvements thereto, (c) recalculate the Rent (if necessary) pursuant to Section IV to reflect the square footage and fair market value of the replacement premises, and (d) amend this Agreement to reflect such relocation. Except as expressly provided herein, all terms and conditions of this Agreement shall apply to the relocated premises and shall continue in full force and effect for the remainder of the Term.

B. Lessee's Right of Cancellation. Lessee may terminate this Agreement without cause with ninety (90) days' prior written notice to the Airport Manager. In the event of such cancellation, Lessee may remove its Improvements and shall restore and return the Premises in accordance with the requirements of this Agreement. If Lessee fails to remove its Improvements and restore the Premises, then the City may do so at Lessee's sole cost and expense.

XX. RIGHT OF ENTRY AND INSPECTION

The City may enter upon the Premises at any reasonable time for any purpose necessary, incidental to, or connected with the performance of its obligations under this Agreement, in the exercise of its governmental functions, or in the event of any emergency. Except in the case of the City's governmental functions or an emergency, the City shall give Lessee reasonable advance notice prior to City's entry into Lessee's buildings and improvements. For this provision, "Reasonable Advance Notice" is defined as 24 hours. Define "Reasonable" advance of notice

Commented [CG56]: AAB Recommendation

XXI. FORCE MAJURE; DESTRUCTION OF PREMISES

A. Neither Party shall be in violation of this Agreement by reason of failure to perform any of its obligations by reason of strikes, boycotts, labor disputes, embargoes, unforeseen shortages of materials, acts of God, acts of public enemy, substantial non-temporary flight restrictions, weather conditions, riots, rebellion, sabotage, or any other circumstances for which it is not responsible and which are not within its control (each, a "Force Majeure Event"). Upon the cessation or removal of the act or condition giving rise to the excuse of any obligation under this Agreement, the Party so excused from its obligation shall perform as required under this Agreement. Notwithstanding the foregoing, Lessee shall not be relieved of paying any Rent, fees, or other charges due to or during a Force Majeure Event. The Party claiming force majeure shall notify the other Party in writing within five (5) business days following any event or occurrence causing the delay and extent of the delay which may be incurred. Failure to timely so notify shall bar such Party from asserting any claim for that delay.

B. If the Improvements become damaged or destroyed in whole or in part, by a Force Majeure Event or any other casualty at any time during the Term so that the same cannot be repaired within ninety (90) days, Lessee will notify the City in writing within ninety (90) days of the casualty indication whether Lessee will either (i) restore and reconstruct the improvements within one (1) year from the date of the casualty to substantially the same condition the Improvements were in immediately prior to the happening of such casualty, or (ii) terminate the Agreement after restoring the Premises to substantially the

same condition it was in prior to constructing the Improvements, to be completed within ninety (90) days of such notice.

C. In no event shall the City be liable to Lessee for any damage resulting to Lessee from the occurrence of a Force Majeure Event or other casualty, from the repair or construction of the Premises, or from the termination of this Agreement under Section XXIV.B.

XXII. EMINENT DOMAIN

A. Allocation of Proceeds. In the event of a condemnation or a taking by the use of eminent domain of all or any part of the Premises, all proceeds of such condemnation or taking shall be apportioned to the City and Lessee as follows:

1. The amount awarded for the taking of the Premises shall belong to the City; and
2. Lessee shall have the right to recover such compensation as may be awarded on account of the value of the Improvements owned and/or made by Lessee, for moving and relocating expenses, for the value of its leasehold interest in the Premises, including but not limited to the loss, if any, sustained by Lessee as a result of the termination of this Agreement for loss of fixtures, moving expenses, and attorneys' fees and costs, and for any other damages sustained by Lessee as a result of such condemnation, provided that Lessee may not pursue the City for any such costs unless the City is the entity condemning or taking the Improvements.

B. Termination of Agreement. If the condemnation or taking by eminent domain is such that Lessee cannot reasonably or safely use the Premises, then at Lessee's option, the Agreement may be terminated upon sixty (60) days' prior written notice to the City.

C. Continuation of Agreement. In the event of a partial condemnation of the Premises where Lessee still has reasonable use of the Premises, this Agreement shall not be terminated, provided there is an equitable reduction in the amount of Rent payable under this Agreement based on the reduction in square footage. If required by the Mortgagee (if any), all proceeds for a condemnation shall be held by such Mortgagee and distributed by such Mortgagee for the payment of repairs or restoration to the Premises in accordance with the procedures set forth in the Leasehold Mortgage (or such other documents executed in connection therewith).

XXIII. NOTICES

All fees payable and notice given under this Agreement to the City shall be delivered to the Heber City Airport Manager, c/o the Heber City Treasurer, 75 North Main Street, Heber City, Utah 84032, or such other place as City shall specify in writing.

All notices given under this Agreement to Lessee shall be sent to:

Name: _____

Address: _____

City/State/Zip: _____

Email: _____

Commented [CG57]: J Cooke Recommendation to Add Email

All notices provided to be given under this Agreement shall be given by certified or registered mail, return receipt requested, postage fully prepaid or by nationally recognized overnight courier addressed to the proper Party at their respective addresses above. Any notice so given shall be deemed properly delivered, given, served, or received on the date shown for delivery or rejection on the return receipt. Either Party may change the address to which notices shall thereafter be given upon five (5) days' prior written notice to the other Party.

Commented [CG58]: JC replacing Steve O wording

Replaced with this paragraph: Any notices will be deemed to have been given if such written notice is mailed, postage prepaid, first class or registered mail to the addresses above. In addition, any notice that is received by the party, through hand-delivery, email or other means, shall be deemed given. Either Party may change the address to which notices shall thereafter be given upon five (5) days' prior written notice to the other Party.

Commented [CG59]: J Cooke Recommendation

XXIV. SUBORDINATION

A. **Grant Assurances.** This Agreement shall be subordinate to the provisions of any existing or future agreements between the City and the United States of America, relative to the operation and maintenance of the Airport, the terms and execution of which have been or may be required as a condition precedent to the expenditure or reimbursement to the City of federal funds for the development of the Airport (the "Grant Assurances"). In the event that this Agreement, either on its own terms or by any other reason, conflicts with or violates the terms of any the Grant Assurances, the City may unilaterally amend, alter, or otherwise modify the terms of this Agreement in order to resolve such conflict or violation without compromising or destroying any remaining portions of this Agreement, and such remaining provisions shall remain binding and in full effect upon the parties as if no such amendment or alteration had occurred, or, if such conflict or violation cannot be so resolved, City may at its election terminate this Agreement on not less than sixty (60) days' notice thereof, without any liability to Lessee.

B. **City's Interests.** Lessee hereby subordinates and makes this Agreement inferior to all existing and future mortgages, trust indentures, or other security interest of the City or the City's successor in interest. Lessee shall execute and deliver any documents required to evidence and perfect such subordination.

XXV. FEDERAL CLAUSES

Lessee acknowledges that the City is required by the FAA under the terms of its Grant Assurances to include in this Agreement certain required contract provisions, included as **Exhibit 4** hereto ("Federal Clauses"). Lessee agrees to comply with the Federal Clauses and, where applicable, include the Federal Clauses in each of its subcontracts without limitation or alteration. In the event such Federal Clauses are modified by the FAA or other federal agency

with jurisdiction, and the City provides Lessee with not less than thirty (30) days' written notice of such modification, Lessee agrees to comply with the modified Federal Clauses without written amendment of this Agreement. Unless prohibited by federal law, the City shall provide Lessee with notice and a reasonable opportunity to cure before exercising any right of termination provided by the Federal Clauses. Lessee acknowledges that a failure to comply with the Federal Clauses pursuant to this Section XXVIII constitutes an Event Of Default.

XXVI. NO EXCLUSIVE RIGHTS

It is understood and agreed that nothing herein contained shall be construed to grant or authorize the granting of an exclusive right within the meaning of 49 U.S.C. § 40103(e).

XXVII. NO WAIVER OF RIGHTS

No delay or omission in the exercise of any right or remedy of either Party on any default by either Party of its respective obligations under this Agreement shall impair such a right or remedy or be construed as a waiver. Any waiver by either Party of any default on the part of the other must be in writing and shall not be a waiver of any other default concerning the same or any other provision of this Agreement.

XXVIII. AVIGATION EASEMENT

The City reserves for the use and benefit of the public, the right of aircraft to fly in the airspace over the Premises, together with the right of said aircraft to cause such noise as may be inherent in the operation of aircraft landing at, taking off from, or operating on or in the vicinity of the Airport, and the right to pursue all operations of the Airport.

XXIX. NON-INTERFERENCE WITH AIRPORT OPERATIONS

Lessee expressly agrees for itself, its successors and assigns, and all other Lessee Parties that Lessee shall not conduct operations in or on the Premises in a manner that (i) interferes or might interfere with Airport operations or the reasonable use by others of other leased spaces or common facilities at the Airport, (ii) hinders or might hinder police, fire fighting, or other emergency personnel in the discharge of their duties, (iii) would or would be likely to constitute a hazardous condition at the Airport, (iv) would or would be likely to increase the premiums for insurance policies maintained by the City unless such operations are not otherwise prohibited hereunder and Lessee pays the increase in insurance premiums occasioned by such operations, (v) is contrary to any applicable Grant Assurance; (vi) would contradict or violate any applicable laws or regulations, directive, or similar restriction issued by any governmental authority having jurisdiction over the Airport, including the City, FAA, DHS, TSA, and Customs and Border Patrol, (vii) would involve any illegal purposes, or (viii) directly or indirectly interferes with the operation by the City or the FAA of air navigational, communication, or flight equipment on the Airport. In the event this covenant is breached, the City reserves the right, after prior written notice to Lessee, to enter upon the Premises and cause the abatement of such interference at the expense of Lessee. The City shall have the right to take any action it considers necessary to protect aerial approaches of the Airport against obstructions, together with the right to prevent Lessee from erecting or

permitting or causing to be erected any building or other structure which, in the sole opinion of the City, would limit the usefulness of the Airport or constitute a hazard to aircraft. In the event of a breach in Airport security caused by Lessee, resulting in fine or penalty to the City of which Lessee has received prior written notice, such fine or penalty will be charged to Lessee.

XXX. EMERGENCY CLOSURES

During time of war or national emergency, the City 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 areas or facilities of the Airport. If any such agreement is executed, the provisions of this Agreement, insofar as they are inconsistent with provisions of the agreement with the United States Government, will be suspended. Lessee must comply with all local, state, and federal orders, directives, regulations, guidance, and advisories during public emergencies. Public emergencies include, but are not limited to, national, state, and local security emergencies; public health emergencies and pandemics; evacuations; chemical spills; shelter-in-place alerts; severe weather advisories; boil water advisories; and roadway interruptions. Lessee's failure to comply with any local, state, or federal orders, directives, regulations, guidance, or advisories during a public emergency shall constitute a breach of this Agreement. The City shall have sole discretion in determining if Lessee is compliant with the above. If a public emergency is declared, the City will not be responsible for any expenses or losses incurred as a result of any public emergency.

XXXI. LIMITATION OF LIABILITY

The City shall not be liable to Lessee or Lessee Parties for any damages or loss caused to them or their property by any of the following: Force Majeure Events, water, rain, wind, snow ice, sleet, hail, fire, storms, earthquake, volcanic eruption, or any other weather event or condition outside of the City's control; any Airport tenant, user, operator, or any other third party; or by breakage, stoppage, or leakage of utilities on or adjacent to the Premises. In the event of damage or destruction to the Premises, the City is under no obligation to provide substitute space to Lessee.

XXXII. GOVERNING LAW; VENUE

This Agreement shall be construed in accordance with and governed by the laws of the State of Utah, notwithstanding any conflict-of-law principles. Venue for any action brought pursuant to this Agreement shall be the Fourth Judicial District, Wasatch County, District Court.

XXXIII. TIME OF THE ESSENCE

Time is of the essence in the performance of all of each Party's respective obligations under this Agreement.

XXXIV. AMENDMENTS

No amendment to this Agreement shall be binding on the City or Lessee unless reduced to writing and signed by both Parties. No provision of this Agreement may be waived, except pursuant to a writing executed by the Party against whom the waiver is sought to be enforced.

XXXV. SEVERABILITY

If any provision of this Agreement is held to be illegal, invalid, or unenforceable in full or in part, for any reason, then such provision shall be modified to the minimum extent necessary to make the provision legal, valid, and enforceable, and the other provisions of this Agreement shall not be affected thereby.

XXXVI. MERGER

This Agreement constitutes the final, complete, and exclusive agreement between the Parties on the matters contained in this Agreement. All prior and contemporaneous negotiations and agreements between the Parties on the matters contained in this Agreement are expressly merged into and superseded by this Agreement. In entering into this Agreement, neither the City nor Lessee has relied on any statement, representation, warranty, nor agreement of the other except for those expressly contained in this Agreement.

XXXVII. HEADINGS

The headings used in this Agreement, including but not limited to those headings used at the beginning of each numbered section herein, are solely for the convenience of the reader and shall not be construed as part of the agreement between the Parties.

XXXVIII. RELATIONSHIP OF PARTIES

This Agreement does not create any partnership, joint venture, employment, or agency relationship between the Parties. Nothing in this Agreement shall confer upon any other person or entity any right, benefit, or remedy of any nature.

XXXIX. ENTIRE AGREEMENT.

This Agreement constitutes the entire agreement of the parties regarding the matters described herein, and any representations or understandings not included herein shall have no effect.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties hereto have caused these presents to be duly executed, with all the formalities required by law on the respective dates set forth opposite their signatures to be effective the day and year first above written.

HEBER CITY, a Municipal Corporation

APPROVED:

Mayor

Date

ATTEST:

City Recorder

APPROVED AS TO FORM:

City Attorney

LESSEE:

By: _____
Title:

Date

Date

Date

Exhibit 1

Premises

[TBD]

Exhibit 2
Snow Removal Plan
[TBD]

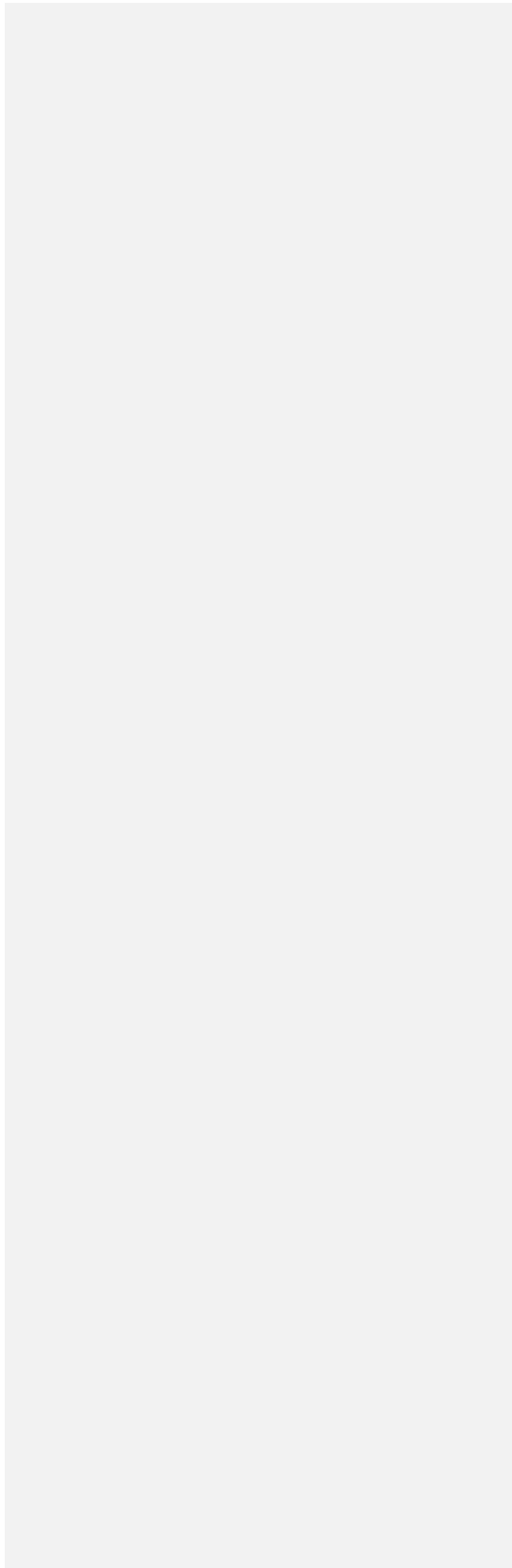


Exhibit 3

Dispute Resolution Protocol

- A. **Notice and Opportunity to Cure.** Unless a shorter cure period or right to immediate termination is expressly provided in this Agreement, no Party shall be considered in default of any provision of this Agreement, or any covenant or obligation pertaining to the use or occupancy of Airport property, and no right of termination shall arise, unless and until the counter-Party has provided such Party with written notice of default and not less than thirty (30) days to cure such default or, if the default is not capable of cure within thirty (30) days, such Party has within thirty (30) days commenced, and thereafter diligently proceeds to complete, those actions reasonably necessary to cure such Party's default.
- B. **Informal Dispute Resolution.** The Parties agree that, at all times, they will attempt in good faith to resolve all disputes that may arise under this Agreement. Upon receipt of written notice of a dispute from a Party, the Parties agree to refer the dispute to the City Manager, for the City, and the Chief Executive Officer, for Lessee (collectively, "Designated Persons"). The Designated Persons shall within fifteen (15) days of such written notice meet and negotiate in good faith to resolve the dispute, conferring thereafter as often as they deem reasonably necessary, and shall gather and in good faith furnish to each other any information pertinent to the dispute. All communications between the Designated Persons during the dispute resolution procedures set forth in this Paragraph shall be deemed confidential and treated as compromise and settlement negotiations and shall not be admissible in evidence by any proceeding without the mutual consent of the Parties.
- C. **Mediation.** Mediation of a dispute arising under this Agreement may not be commenced until the earlier of: (i) such time as both of the Designated Persons, after following the procedures set forth in Paragraph A and B hereof, conclude in good faith that amicable resolution through continued negotiation of the matter does not appear likely or (ii) fifteen (15) days after the date of the notice referring the dispute to the Designated Persons. If, after such time period, the dispute remains unresolved, the Parties shall attempt to resolve the dispute through mediation administered by the American Arbitration Association ("AAA") under its Commercial Mediation Procedures. The place of mediation shall be in Heber City, Utah, unless the parties agree otherwise. Mediation under this paragraph shall be a necessary prerequisite to any judicial action to enforce the terms and conditions of this Agreement, unless waived in writing with the mutual consent of both Parties.
- D. **Jurisdiction, Venue and Applicable Law.** With respect to an action to enforce the terms and conditions of this Agreement only, the Parties consent to the exercise of jurisdiction of Fourth Judicial District, Wasatch County, District Court and hereby agree that the venue of any action with respect to the enforcement of the terms and conditions of this Agreement shall be properly placed before this same court. This Agreement shall be interpreted under the laws of the State of Utah.

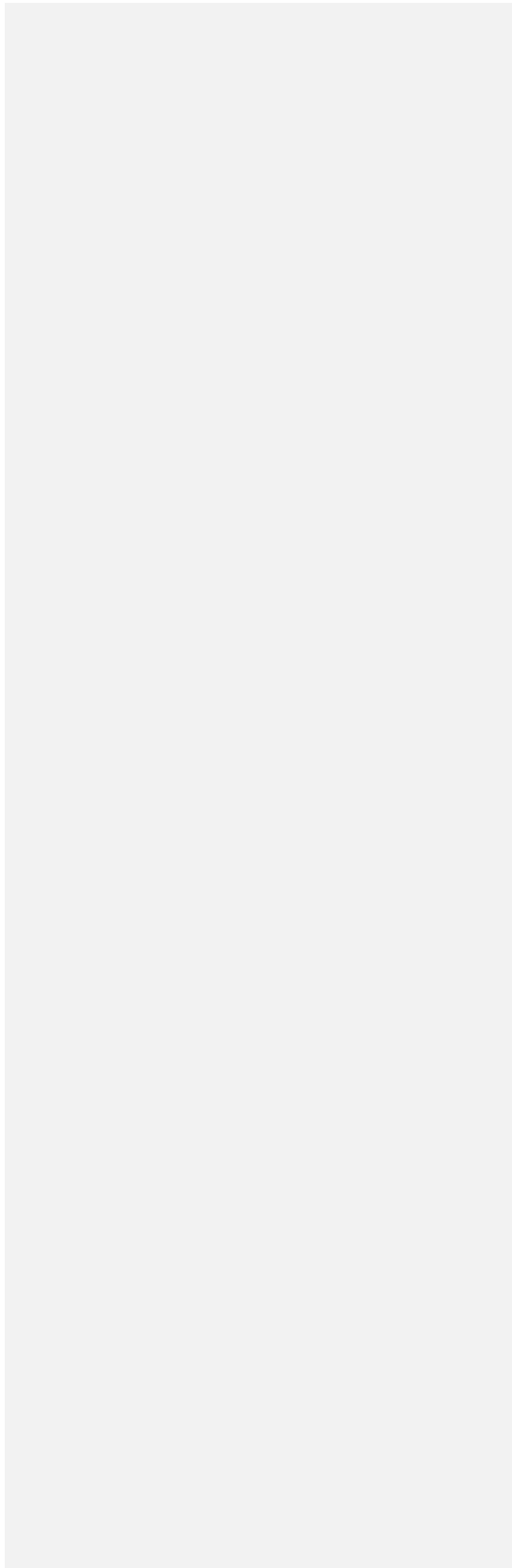
- E. Emergency Relief. No Party shall be precluded from initiating a proceeding in a court of competent jurisdiction for the purpose of obtaining any emergency or provisional remedy to protect its rights that may be necessary and is not otherwise available under this Agreement.
- F. Tolling. If a Party receiving a notice of default under this Agreement contests, disputes or challenges the propriety of such notice by making application to the dispute resolution procedure in this **Exhibit 3**, any cure period that applies to such default shall be tolled for the time period between such application and the issuance of a final award.
- G. FAA Disputes. The Parties understand and acknowledge the FAA's exclusive jurisdiction to determine the City's compliance with its federal Grant Assurance obligations (a "Compliance Dispute"), and that any remedies which may be imposed by the FAA for noncompliance therewith are exclusive. Accordingly, in the event of a Compliance Dispute, and after exhausting the procedures described in Paragraphs A and B hereof, either Party may initiate an informal or formal complaint proceeding with the FAA in accordance with 14 C.F.R. Parts 13 and 16 or similar succeeding provisions, without regard to the other provisions hereof. WHY written this way? Federal Statues non exclusive

Replaced with these paragraphs:

- A. Any notices will be deemed to have been given if such written notice is mailed, postage prepaid, first class or registered mail to the addresses above. In addition, any notice that is received by the party, through hand-delivery, email or other means, shall be deemed given. Either Party may change the address to which notices shall thereafter be given upon five (5) days' prior written notice to the other Party.
- B. **Jurisdiction, Venue and Applicable Law**. With respect to an action to enforce the terms and conditions of this Agreement only, the Parties consent to the exercise of jurisdiction of Fourth Judicial District, Wasatch County, District Court and hereby agree that the venue of any action with respect to the enforcement of the terms and conditions of this Agreement shall be properly placed before this same court. This Agreement shall be interpreted under the laws of the State of Utah
- C. **Emergency Relief**. No Party shall be precluded from initiating a proceeding in a court of competent jurisdiction for the purpose of obtaining any emergency or provisional remedy to protect its rights that may be necessary and is not otherwise available under this Agreement.
- D. **FAA Disputes**. The Parties understand and acknowledge the FAA's exclusive jurisdiction to determine the City's compliance with its federal Grant Assurance obligations (a "Compliance Dispute"), and that any remedies which may be imposed by the FAA for noncompliance therewith are exclusive. Accordingly, in the event of a Compliance Dispute, and after exhausting the procedures described in Paragraphs A and B hereof, either Party may initiate an informal or formal complaint proceeding with the FAA in accordance with 14 C.F.R. Parts 13 and 16 or similar succeeding provisions, without regard to the other provisions hereof.

Exhibit 4

FAA Required Contract Clauses



NON-REVERSIONARY GROUND LEASE AGREEMENT

HEBER CITY AIRPORT

BETWEEN

HEBER CITY CORPORATION

AND

[_____]

[_____, 20__]

TABLE OF CONTENTS

I. PREMISES4

II. TERM.....4

III. HOLDING OVER.....4

IV. RENT, ADJUSTMENTS, AND OTHER CHARGES5

V. USE OF PREMISES6

VI. PRIVILEGES GRANTED TO LESSEE7

VII. CONSTRUCTION OF IMPROVEMENTS8

VIII. TITLE; REMOVAL OF IMPROVEMENTS; RETURN OF PREMISES9

IX. ENVIRONMENTAL COMPLIANCE10

X. TAXES13

XI. INDEMNITY13

XII. INSURANCE14

XIII. MAINTENANCE AND REPAIR.....15

XIV. UTILITIES AND SERVICES.....17

XV. COMPLIANCE WITH LAWS17

XVI. PERMITS, LICENSES, AND CERTIFICATES17

XVII. QUIET ENJOYMENT17

XVIII. DISPUTE RESOLUTION18

XIX. SUBLEASES, ASSIGNMENTS, AND TRANSFERS18

XX. LEASEHOLD MORTGAGES.....19

XXI. DEFAULT AND REMEDIES21

XXII. RIGHTS OF CANCELLATION AND RELOCATION23

XXIII. RIGHT OF ENTRY AND INSPECTION24

XXIV. FORCE MAJURE; DESTRUCTION OF PREMISES24

XXV. EMINENT DOMAIN.....25

XXVI. NOTICES25

XXVII. SUBORDINATION26

XXVIII. FEDERAL CLAUSES26

XXIX. NO EXCLUSIVE RIGHTS.....26

XXX. NO WAIVER OF RIGHTS.....27

XXXI. AVIGATION EASEMENT27

XXXII.	NON-INTERFERENCE WITH AIRPORT OPERATIONS	27
XXXIII.	EMERGENCY CLOSURES.....	27
XXXIV.	LIMITATION OF LIABILITY.....	28
XXXV.	GOVERNING LAW; VENUE	28
XXXVI.	TIME OF THE ESSENCE	28
XXXVII.	AMENDMENTS.....	28
XXXVIII.	SEVERABILITY	28
XXXIX.	MERGER	28
XL.	HEADINGS.....	29
XLI.	RELATIONSHIP OF PARTIES	29
XLII.	ENTIRE AGREEMENT.	29

NON-REVERSIONARY GROUND LEASE AGREEMENT

This Non-Reversionary Ground Lease Agreement (“Agreement”) is made and entered into this ___ day of _____, 20__ (the “Effective Date”), by and between the Heber City Corporation (the “City”) and _____, a _____ (“Lessee”) (collectively, “Parties” and each individually, “Party”).

RECTIALS

WHEREAS, the City owns and operates the Heber Valley Airport located in Heber City, Wasatch County, Utah (the “Airport”), and is the sponsor of the Airport under federal law; and

WHEREAS, Lessee desires to lease a parcel of land on the Airport for the purpose of erecting and/or maintaining an aircraft hangar owned by Lessee for the personal storage of Lessee’s aircraft; and

WHEREAS, Lessee shall use the Premises as herein defined only for such uses and purposes that are expressly set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties agree as follows:

I. PREMISES

A. The City leases to Lessee, and Lessee leases from City, that certain real property consisting of _____ [acres/square feet] of land at the Airport that is located at [INSERT ADDRESS HERE], Heber City, Utah, which is more fully described on **Exhibit 1** attached and made part hereof (the “Premises”).

B. Lessee accepts the Premises “AS IS” in the condition existing upon the Effective Date. Lessee’s acceptance of the Premises shall be conclusive evidence that its condition is satisfactory to Lessee for Lessee’s intended purposes. The City makes no representation or warranty respecting the condition of the Premises as it exists now or in the future.

II. TERM

A. Term. The term of this Agreement shall commence on the Effective Date and shall continue for **five (5) years**, expiring on the **fifth (5th)** anniversary of the Effective Date at 11:59 p.m. local time, unless sooner terminated as set forth herein (the “Term”).

III. HOLDING OVER

A. If Lessee should hold over and continue in possession of the Premises or any portion thereof after expiration or early termination of the Term or any renewal or extension thereof, Lessee’s continued occupancy of the Premises shall be deemed a tenancy at will from month to month at a rental rate of one hundred fifty percent (150%) the Rent due under this Agreement for the month prior to the holdover, subject to all the terms and conditions of this Agreement. The City may terminate the holdover tenancy at any time by providing thirty (30) days’ prior written notice to Lessee.

B. If Lessee shall holdover and fail to surrender the Premises upon termination of this Agreement without the City's consent then, in addition to any other liabilities to the City arising therefrom, Lessee shall and does hereby agree to indemnify, defend, and hold the City harmless from any loss or liability resulting from Lessee's failure to surrender the Premises, including but not limited to claims made by any succeeding tenant.

IV. RENT, ADJUSTMENTS, AND OTHER CHARGES

A. Rent. In consideration for the use of the Premises, facilities, rights, services, and privileges granted herein, beginning upon the commencement of the Term, Lessee shall pay to the City rental at the initial rate of \$X.XX per square foot per year on XXXXX square feet comprising the Premises, for the total sum of [AMOUNT IN WORDS] DOLLARS (\$[AMOUNT]), as may be adjusted as provided herein, payable in full on the Effective Date and within thirty (30) days of the City's annual invoice (typically in mid-January) for each year of the Term thereafter (the "Rent").

B. Annual Adjustment. Beginning in the second (2nd) year of the Term, the Rent shall be automatically adjusted effective January 1st of each year during the Term based on the percentage increase in the Consumer Price Index, Mountain Plains over the prior year, provided, however, that the Rent shall not decrease.

C. Proration of Rental Payments. In the event that the commencement or termination of the Term fall on any other date than the first (1st) or last day of a calendar year, the applicable rentals, fees, and charges for such year shall be paid pro rata according to the number of days in the year during which said privileges were enjoyed.

D. Manner of Payment. Lessee shall deliver Rent and all payments due to the City under this Agreement in a form acceptable to the City to the Heber City Airport Manager c/o the Heber City Treasurer, 75 North Main Street, Heber City, Utah 84032, or as otherwise directed in writing by the City.

E. Other Fees and Charges. Lessee shall pay to the City within ten (10) days of notice by the City, any sum or sums paid by the City, or obligation or expense incurred by the City, for which Lessee has agreed to pay or reimburse the City, or which the City has paid or incurred because of the failure, neglect, or refusal of Lessee to perform or fulfill any of the promises, terms, conditions, or covenants required of it under this Agreement.

F. Late Payments. If Lessee fails to pay any amounts due under this Agreement, including Rent, within ten (10) days of the due date thereof, Lessee shall pay an interest charge of one and one-half percent (1.5%) of the amount owing for each calendar month or part thereof from the due date to the date payment is made. The payment of interest does not excuse or cure any otherwise uncured Lessee default under this Agreement. Payments received from Lessee will be applied by the City first to accrued interest, second to due Rent, and third to other amounts due hereunder.

V. USE OF PREMISES

A. Permitted Use. Subject to the terms and conditions of this Agreement, Lessee shall only use the Premises for the construction and/or maintenance of a private aircraft hangar and related facilities to be used solely for Lessee's and authorized sublessee's personal, non-commercial purposes ("Permitted Use"), which Permitted Use is limited to:

1. The non-commercial storage of active and operational aircraft owned or leased by Lessee and authorized sublessees, provided that within ten (10) days of the Effective Date, Lessee shall provide written notice to the Airport Manager of the registration number of the aircraft and the person(s) responsible for it, including off-hours emergency phone numbers;

2. The non-commercial storage of aviation-related equipment;

3. Non-commercial, non-aviation storage as an incidental use, provided that the Premises is primarily used for aviation purposes and such non-aviation storage does not materially displace or limit the aeronautical contents of the hangar;

4. The non-commercial, self-servicing and preventive maintenance and servicing of Lessee's aircraft, Lessee's vehicles, and equipment, provided that motor vehicle or equipment maintenance shall occur only indoors; and

5. Short-term and temporary parking of motor vehicles owned or leased by Lessee or their invitees only in connection with the Permitted Use.

B. Prohibited Use. Lessee shall use, and cause its invitees to use, the Premises and the Airport only for the Permitted Use and those other uses authorized under this Agreement, and shall not engage in any unauthorized or prohibited use of the same. Prohibited uses include, but are not limited to, the following:

1. Lessee shall not erect, place upon, operate, or maintain any improvement on the Premises, nor conduct business therein, in violation of the terms of this Agreement or any applicable law, statute, ordinance, regulation, rule, or order of any federal, state, or local governmental agency having jurisdiction over the Premises.

2. Lessee shall not erect any structure or allow the growth of any plant or natural object that would constitute an obstruction to air navigation as defined in 14 CFR Part 77; nor shall Lessee conduct any activity on the Premises that would interfere with or be a hazard to the flight of aircraft over the land or to and from the Airport or interfere with air navigation and communication facilities serving the Airport. The City shall have the continuing right to take any action it deems necessary to prevent the erection or growth of any structure, tree, or other object into the air space, or development of any hazard to air navigation or communication, and to remove or abate from such air space, or mark and light as obstructions, any such structure, tree, object, or hazard, and shall have the right of ingress and egress over the Premises for such purposes.

3. Lessee shall not use the Premises as living or overnight sleeping quarters.

4. Lessee shall not use the Premises for non-aeronautical purposes without the prior written consent of the City, provided that Lessee shall at all times comply, and cause invitees to materially comply with the FAA's *Policy on the Non-Aeronautical Use of Airport Hangars*, 81 Fed. Reg. 38906 (June 15, 2016), as it may be amended.

5. Lessee shall not place waste materials on the Airport or dispose of such materials in violation of any federal, state, or local laws, rules, regulations, or orders.

6. Lessee shall not conduct any commercial activity or business at, on, or from the Premises without the prior written consent of the City, provided that, as a condition of such consent, Lessee shall comply with the Airport's Minimum Standards (as defined herein) and any other conditions, limitations, or terms the City may reasonably require.

7. Lessee shall not sell or store aviation fuel, parts, oils, or any other products or services from or on the Premises without the prior written consent of the City.

8. Lessee shall not store any motor vehicles on the Premises without the prior written consent of the City.

9. Lessee shall not wash any aircraft, motor vehicles, or equipment on the Premises without the City's prior written consent, which the City may grant, condition, or withhold in its sole discretion.

10. Lessee shall not store on the Premises equipment, materials, or containers, unless used in conjunction with the Permitted Uses, nor shall Lessee store any equipment or materials of any kind on the Premises which is unsightly or inconsistent with Lessee's maintenance obligations hereunder.

11. Lessee shall not store or let stand any equipment or property belonging to Lessee or under Lessee's custody (including but not limited to vehicles and aircraft) outside the boundaries of the Premises without prior written consent of the City, except when such equipment or property is in the process of being loaded or unloaded.

VI. PRIVILEGES GRANTED TO LESSEE

City grants to Lessee the following rights and privileges, subject to Lessee's compliance with, as applicable, the Airport's minimum standards promulgated and adopted by the City ("Minimum Standards"), the Airport's rules and regulations promulgated and adopted by the City ("Rules and Regulations"), and all orders, rules, and/or regulations of the Federal Aviation Administration ("FAA"), Transportation Security Administration ("TSA"), Department of Homeland Security ("DHS"), and Environmental Protection Agency ("EPA"), as each may be amended from time to time:

A. The exclusive right to use the Premises in connection with the Permitted Use and for no other purpose, unless expressly authorized by the City in writing; provided that City reserves the right to grant users of the Airport the right to use the Pavement Area (as defined

in Section VII.A.1 herein) on the Premises from time to time for passage of aircraft on and near the adjacent taxiway when required for ingress and egress to other areas of the Airport;

B. The right to use, in common with others, the facilities and improvements owned or constructed by the City which are of a public nature and available for public use;

C. The right of ingress and egress from the Premises for Lessee and Lessee's contractors and invitees to the extent reasonably necessary in connection with the Permitted Use;

D. The right to install, operate, maintain, repair, and store all fixtures and equipment necessary for the Permitted Use, at Lessee's sole cost and expense; and

E. Lessee shall not erect any signs on the Premises or the Improvements thereon without the prior written consent of the City, which may be withheld or conditioned in its sole and absolute discretion.

VII. CONSTRUCTION OF IMPROVEMENTS

A. Generally. Lessee, at its sole expense and subject to the City's approval as set forth below, may construct or install on the Premises, in accordance with all applicable federal, state, and local laws, ordinances, rules, and regulations, including FAA requirements, such buildings, structures, or improvements, or modifications, revisions, or alterations thereto, that are reasonably related to the Permitted Use, including a hangar facility and aircraft pavement area (collectively, the "Improvements"). Lessee may not cause or permit any Improvements on the Premises to conflict with the City's Master Plan or Airport Layout Plan existing at such time and as on file with the FAA.

1. As part of the Improvements, Lessee, at its sole cost and expense, shall construct and maintain an aircraft pavement area on the Premises (the "Pavement Area") to accommodate the movement of aircraft in and out of the hangar improvements constructed thereon, which must be designed and built to specifications, and for a minimum weight bearing capacity, established by the City, built to the full width of the Premises, and to connect with adjacent taxiway, ramp, and/or auto parking areas so that a continuous and safe pavement section for aircraft use results.

2. The City shall have no responsibility or obligation to make or maintain any Improvements to the Premises or to the public roadway and utility access to the Premises.

B. Plans and Specifications. Lessee shall, at its sole cost and expense, select qualified architects and engineers to prepare, as applicable, the architectural, site, structural, mechanical, and/or electrical drawings and specifications for the Improvements (the "Plans and Specifications") as required by the appropriate governmental authorities and in accordance with Applicable Laws. Prior to the commencement of the construction or installation of any Improvements or any modifications thereto, Lessee shall obtain the City's prior written approval of the relevant Plans and Specifications. The City may refuse to approve such Plans and Specifications at the City's reasonable discretion and shall provide the reasoning for such disapproval to Lessee, provided, however, that the City's

approval shall not be unreasonably conditioned, withheld, or delayed. The City's reasoning for disapproval may include, but shall not be limited to, the following: if the Improvements are inconsistent with the requirements of this Agreement, applicable law, rules or regulations, or the lawful direction of a government authority; if the external appearance of the planned Improvements is materially inconsistent with the uniform appearance of existing buildings or structures at the Airport or otherwise does not meet the City's regulations or policies, if any, relating to substantial uniformity of appearance of all buildings and structures on the Airport or relating to Airport safety; or if the nature of the Improvements is inconsistent with the safe, secure, or orderly use of the Airport by others.

C. Unauthorized Construction. If any construction, improvement, alteration, modification, addition, repair, or replacement that requires City's approval, under applicable laws and ordinances, local rules and regulations, or FAA requirements, is made without the City's prior written approval, or that otherwise does not conform with applicable laws, rules, or regulations or the approved Plans or Specifications, the City may, in its sole and unfettered discretion, elect to require Lessee to restore the Premises to its prior condition and/or modify the Premises to the satisfaction of the City. Lessee's failure to commence and diligently prosecute such removal or modification within thirty (30) days following receipt of notice by the City shall constitute an Event of Default (as defined herein).

D. Qualified Contractors; No Liens. Lessee shall cause all Improvements authorized to be constructed hereunder only by a contractor or contractor(s) properly licensed by the State of Utah. Lessee shall be solely responsible for payment to such contractor(s) for all elements of the construction and installation of Improvements. Lessee shall keep the Premises free and clear of all construction or mechanics liens resulting from any construction or work by or on behalf of Lessee. Lessee may contest the correctness or validity of any such lien, but shall indemnify, defend, and hold harmless the City, its elected representatives, offices, agents, and employees, and the Premises from any and all claims and liability for payment of any such lien. The City may file a notice of no responsibility for its lien protection.

E. Certified Statement of Costs. Within sixty (60) days of the completion of the Improvements, Lessee shall provide the City with a certified statement of all costs actually incurred by Lessee in constructing the Improvements, together with any supplemental or supporting documentation requested by the City to verify such construction costs.

VIII. TITLE; REMOVAL OF IMPROVEMENTS; RETURN OF PREMISES

A. Title. The City shall at all times hold and retain title to and fee simple interest in the Premises. Lessee's leasehold interest in the Premises shall completely extinguish upon the expiration or early termination of this Agreement. All existing improvements and personal property on the Premises as of the Effective Date are and shall remain the property of the City. All Improvements or personal property constructed, installed, or placed on the Premises by Lessee during the Term shall remain the property of Lessee, unless such Improvements are deemed abandoned pursuant to Section VIII.B herein.

B. Removal of Improvements. Prior to the expiration or early termination of this Agreement, Lessee, at its sole cost and expense, shall have the right to remove any Improvements placed or erected on the Premises by Lessee. Any Improvements and/or personal property remaining on the Premises after the expiration or early termination of the Agreement shall, at the option of the City, be deemed abandoned and title thereto shall automatically transfer to the City without any claim or right whatsoever by Lessee.

C. Return of Premises. On or before the expiration or early termination of the Agreement, Lessee shall, at Lessee's sole cost and expense: (i) remove all of Lessee's personal property from the Premises, unless otherwise mutually agreed to in writing by the Parties; and (ii) either (a) if Lessee exercises its right to remove its Improvements pursuant to Section VIII.B, return the Premises to the City in as good a condition as it was prior to the erection of the Improvements thereon, or (b) if Lessee does not exercise its right to remove its Improvements, Lessee shall return the Premises and the Improvements to the City in their original condition existing as of the Effective Date or the date upon which the Improvements were completed, respectively. If Lessee fails to return the Premises in accordance with the requirements herein, the City reserves the right to charge Lessee for the cost of the restoration of the Premises and the Improvements (if applicable) and/or removal of any remaining personal property plus reasonable administrative costs.

IX. ENVIRONMENTAL COMPLIANCE

A. Generally. Lessee agrees that in conducting any activities on the Premises or on Airport property pursuant to this Agreement, Lessee shall comply, and require its employees, agents, contractors, and invitees ("Lessee Parties") to comply, with any and all applicable federal, state, and local environmental laws, rules, and regulations and all orders and directives from any government agency having jurisdiction over Lessee, the Airport, and/or the Premises (collectively, "Environmental Laws").

B. Hazardous Materials. Lessee and Lessee Parties shall not use, store, generate, manufacture, produce, handle, treat, dispose, transport, or conduct operations involving Hazardous Materials (defined herein) whether intentionally or unintentionally, at or from the Premises in violation of any Environmental Laws. Without limiting the foregoing, Lessee and Lessee Parties shall not discharge Hazardous Materials into the sewer and/or storm water drainage systems, or cause any Hazardous Materials to be placed, held, stored, processed, treated, released, or disposed of on or about the Premises or Airport in violation of Environmental Laws. Lessee shall, at no cost or expense to the City, promptly remove and remedy, in accordance with the requirements of Environmental Laws, all Hazardous Materials present in, on, under, or migrating from the Premises in violation of Environmental Laws, as a result of the acts or omissions of Lessee or any Lessee Party or its or their use or occupancy of the Premises; provided, however, that Lessee has no obligation to remove any Hazardous Materials in, on, under, or migrating from the Premises as a result of (i) the acts or omissions of third parties other than Lessee Parties or Lessee's predecessors in interest, or (ii) the acts or omissions of the City, unless Lessee's acts or omissions exacerbated such Hazardous Materials. However, Lessee shall bear the burden of providing evidence to the City that any Hazardous Materials in, on, under, or migrating from the Premises were not exacerbated by the acts or omissions of Lessee and

are a result of (x) the acts or omissions of third parties other than Lessee Parties or Lessee's predecessors in interest; or (y) the acts or omissions of the City. As used in this Agreement, "Hazardous Materials" means any elements, compounds, chemicals, substances, flammable materials, explosives, radioactive materials, oil, petroleum, petroleum products, asbestos, lead paint, perfluorooctane sulfonic acids or perfluorooctanoic acids, polychlorinated biphenyls, military or civilian munitions, explosives, materials, or wastes that, because of their quantity, concentration or physical or chemical characteristics pose a present or potential hazard to human health or safety or to the environment including, by way of illustration and not limitation, those which are or become regulated, identified, defined, listed, or otherwise classified as a contaminant, pollutant, toxic pollutant, or toxic or hazardous substance, or a regulated substance under Environmental Laws.

C. Recordkeeping. Lessee shall maintain, in an orderly and easily accessible manner, all correspondence and communications with any governmental authority, records, or other information evidencing its compliance with all Environmental Laws for all Hazardous Materials brought upon, kept, used, stored, generated, or disposed of in, on, or about the Premises, or transported to or from the Premises by Lessee or Lessee Parties. Lessee must maintain these records for the period of time as is required by Environmental Laws or ten (10) years following termination of this Agreement, whichever is longer.

D. Environmental Permits. Lessee, at its expense, shall obtain, maintain, and comply with any and all permits required by any Environmental Laws to conduct its permitted activities on the Premises.

E. Review of Environmental Documents. At the City's written request, Lessee shall make available for inspection and copying, upon reasonable notice and at reasonable times, any and all non-privileged correspondence and communications with relevant governmental authorities and records or other information evidencing its compliance with all Environmental Laws for all Hazardous Materials brought upon, kept, used, stored, generated, managed, or disposed of in, on, or about the Premises, or transported to or from the Premises by Lessee or Lessee Parties.

F. Cooperation with Investigations. Lessee shall cooperate with any investigation, audit, or inquiry by the City or any governmental authority regarding possible violation of any Environmental Laws upon the Premises.

G. Access for Environmental Inspection. The City shall have access to the Premises upon reasonable prior notice to inspect the same in order to confirm that Lessee is in compliance with the requirements of this Section IX; provided, however, that the City may enter the Premises for such purposes without prior written notice in the event of an emergency pertaining to Environmental Laws, as determined by the City. Lessee agrees to fully cooperate with any such inspections; provided that such inspections shall not unreasonably interfere with Lessee's operations. If the City reasonably believes or has received information leading it to reasonably believe that Lessee's operations are not in compliance with the requirements of this Section IX, then, upon request by the City, Lessee shall conduct such inspection, testing, and analysis as the City reasonably deems necessary to ascertain whether Lessee is in compliance with this Section IX. Lessee shall pay all

actual costs associated with any such environmental inspection, testing, and analysis. Any such tests shall be conducted by qualified independent environmental consultants chosen by Lessee, but such environmental consultants, and the scope and the methods of such investigation, shall be subject to the City's approval, which shall not be unreasonably withheld. Lessee shall provide copies of any and all relevant reports prepared by such experts to the City within a reasonable time after Lessee receives such reports.

H. Duty to Notify City. In the event of any release or threatened release of Hazardous Materials caused by or discovered by Lessee or any Lessee Party at, on, under, or about the Premises or the Airport, or in the event any claim, demand, complaint, or action arising under Environmental Laws is made or taken against Lessee with respect to activities on the Premises or the Airport, or if Lessee receives any notice pertaining to Lessee's failure or alleged failure to comply with any Environmental Laws at the Premises, Lessee shall notify City of all known facts pertinent to such release, threatened release, claim, demand, complaint, action, or notice and shall provide the City with copies of any and all claims, demands, complaints, notices, or actions so made no later than twenty-four (24) hours following receipt of the same. If Lessee is required by any Environmental Laws or applicable governmental authority to file any notice or report of a release or threatened release at, on, under, or about the Premises or the Airport, Lessee shall simultaneously provide a copy of such notice or report to the City.

I. Environmental Remediation. Lessee, at its sole cost and expense, shall undertake all necessary steps to remedy and remediate a release of Hazardous Materials or other condition to the extent caused by or resulting from the activities, conduct, or omissions of Lessee or its Lessee Parties, on the Premises or at the Airport, as necessary to reasonably protect the public health and safety to the extent required by Environmental Laws and/or to bring the Premises or the Airport into compliance with all Environmental Laws applicable to the Premises or Lessee's activities thereon. Specific cleanup levels for any environmental remediation work Lessee performs shall be designed to meet and satisfy the requirements of all Environmental Laws applicable to the Premises or Lessee's authorized use thereof. Except in the event of an emergency, such work shall be performed only after Lessee submits to the City a written plan for completing such work and receives the prior approval of the City, which shall not be unreasonably withheld. The City shall have the right to review and inspect all such work at any time using consultants and representatives of its choice. The actual cost of such review and inspection shall be paid by Lessee. Lessee expressly warrants that all work performed pursuant to this Agreement shall be performed in accordance with all Environmental Laws. Lessee shall not enter into any settlement agreement, consent decree, or other compromise with respect to any claims relating to any release of Hazardous Materials or other condition in violation of Environmental Laws on, at, or from the Premises or the Airport without first notifying the City of Lessee's intention to do so and affording the City a reasonable opportunity to appear, intervene, or otherwise appropriately assert and protect the City's interest with respect thereto, which appearance or intervention by the City will be at City's sole cost and expense.

J. Obligations Upon Termination. At the expiration or termination of this Agreement, Lessee shall dispose of all Hazardous Materials and containers in compliance with all applicable Environmental Laws and shall complete all actions necessary to bring the

Premises into full compliance with this Section IX and all Environmental Laws. Lessee shall provide the City with copies of all waste manifests for Hazardous Materials removed from the Premises at least thirty (30) days prior to the termination or expiration date of this Agreement.

K. Step-In Rights. Notwithstanding Lessee's obligations under this Section IX, the City and any other relevant governmental authorities shall at all times have the right, should Lessee fail to comply with its obligations in subsections I or J of this Section IX, after reasonable advance written notice, which shall include a reasonable opportunity to cure (except where a governmental authority other than the City is empowered by applicable law to act without notice), or immediately, if necessary to prevent additional harm to the environment, to take any and all actions as they individually or collectively may reasonably deem necessary to cease, contain, investigate, remediate, or otherwise respond to a condition which results from, causes, or threatens to cause a release of Hazardous Materials or other condition in violation of Environmental Laws at, under, or about the Premises or at the Airport. Lessee agrees to cooperate with any and all such actions.

L. No City Liability. The City shall not be responsible to Lessee or any Lessee Party for any Hazardous Materials in existence in, on, under, or migrating from the Premises or at the Airport, which condition may interfere with Lessee's operations or activities, or which might otherwise cause damages to Lessee through loss of business, destruction of property, or injury to Lessee, its Lessee Parties, customers, or clients, except to the extent such conditions are caused by the actions or omissions of the City.

M. Remedies Cumulative. Lessee agrees that all remedies of the City as provided in this Section IX with regard to Hazardous Materials, or violations of any Environmental Laws shall be deemed cumulative in nature and the City's right to indemnification as provided under this Section IX shall survive the termination of this Agreement.

N. Survival. The rights and obligations of this Section IX shall survive the expiration or termination of this Agreement and shall bind Lessee's successors and assigns and inure to the benefit of the City's successors and assigns, except those rights and/or obligations which by their nature or context are not intended survive the expiration or termination of this Agreement.

X. TAXES

Lessee covenants and agrees that it will pay, when due, all taxes which may be assessed pursuant to law against the Premises, the Improvements, or any other buildings, improvements, and personal property located on the Premises, or against activities conducted by Lessee. Lessee shall provide the Airport Manager with satisfactory evidence of such payments within fifteen (15) days from the Airport Manager's written request.

XI. INDEMNITY

A. Indemnification. Lessee shall, at its sole cost and expense, defend, indemnify, save, protect, and hold harmless the City, the Airport, the Heber City Council, and the Airport

Advisory Board (the “AAB”), individually and collectively, and their representatives, officers, officials, employees, agents, and volunteers (the “Indemnified Parties”) from any and all claims, demands, damages, fines, obligations, suits, judgments, penalties, causes of action, losses, liabilities, administrative proceedings, arbitration, or costs at any time received, incurred, or accrued by the Indemnified Parties, individually and collectively, arising out of or in connection with the activities of Lessee or Lessee’s officers, employees, agents, contractors, or invitees at the Airport; provided, however, that Lessee shall have no obligation to indemnify under this Section XI.A to the extent such claim arises from the gross negligence or willful misconduct of the Indemnified Parties.

B. Environmental Indemnification. Additionally, Lessee shall defend, indemnify, save, protect, and hold harmless the Indemnified Parties in the event of an environmental contaminating accident or incident, release of any Hazardous Materials, or any violation of Section IX, to the extent such accident, incident, release, or violation is caused by Lessee, Lessee Parties, or any other personnel used by Lessee to maintain Lessee’s facilities, vehicles, equipment, or aircraft.

XII. INSURANCE

A. Insurance. Prior to the commencement of the Term and at all times throughout the Term of this Agreement, Lessee shall obtain and maintain from a reliable insurance company or companies rated AM Best A or better authorized to do business in the State of Utah insurance in the types and amounts required by the City pursuant this Section XII and, if applicable, the Minimum Standards, or as the City may otherwise reasonably request during the Term on not less than thirty (30) days written notice to Lessee.

B. Insurance Types and Coverages. Types and limits of insurance required as of the Effective Date are as follows:

1. *General and Aircraft Liability Insurance.* Lessee shall obtain and maintain comprehensive general and aircraft liability insurance for personal and bodily injury (including passengers), death, property damage, and passenger liability with a combined single limit for each occurrence in at least the following amounts: (a) \$1,000,000 for each aircraft; (b) \$100,000 for each passenger; (c) \$1,000,000 for premises liability.

2. *Hangar Keeper’s Liability Insurance.* If Lessee intends to store any aircraft not owned or leased by Lessee but otherwise approved under this Agreement on the Premises, Lessee shall obtain and maintain hangar keeper’s liability insurance for at least the full value of the non-owned aircraft in Lessee’s care, custody, or control.

3. *Automobile Liability Insurance.* Lessee shall obtain and maintain comprehensive automobile liability insurance at a combined single limit coverage of at least \$1,000,000 (bodily injury and property damage).

4. *Builder’s Risk Insurance.* During any period of construction, reconstruction, or renovation of the Improvements, Lessee shall provide, or cause to be provided,

builder's risk insurance as to all items of construction with coverage at least equal to the total amount of the construction contract(s) for all such construction activities.

5. *Property.* Lessee shall obtain and maintain "All Risk" property insurance in an amount at least equal to the full replacement value of all Improvements, facilities, and personal property located on the Premises. The City will not carry insurance or be liable for damage or loss to Lessee's Improvements, facilities, or personal property.

C. Proof of Insurance. Lessee shall submit certificates of insurance to the City prior to the commencement of the Term and annually thereafter, and at any time upon the request of the City. The insurance policy or policies required hereunder shall contain an endorsement which provides that Lessee is named insured as it pertains to this Agreement. Prior to the commencement of the Term and each time the policy renews, concurrently with the annual payment of Rent, or upon the City's request, Lessee shall provide the Airport Manager a copy of the policy endorsement naming Heber City Corporation as an additional insured under the policy.

D. Policy Requirements. All insurance coverages required under this Agreement shall (i) include the City and its officers, agents, and employees as additional named insured, (ii) provide thirty (30) days' prior written notice of cancellation, modification, or intent not to renew the policy, with such notice being effective upon the City's receipt of said notice, (iii) stipulate that the policy provided coverage is not subordinate to nor contributing with any other insurance coverage held or maintained by the City; (iv) include a waiver of subrogation, except for automobile and aircraft liability insurance, and (v) list any and all exclusions. Notice by the insurer shall be effective upon the receipt of said notice by the City. Lessee shall notify the City of any modification which affects the leasehold premises, termination or cancellation of any policy of insurance secured by Lessee pursuant to this paragraph as soon as Lessee learns of any such modification, termination, or cancellation.

E. Application to Others. Lessee shall require all contractors, subcontractors, agents, or workers performing work or occupying the Premises to be properly licensed and to obtain an insurance coverage meeting the requirements of this Section XII, as evidenced by a certificate of insurance. Lessee shall require that all such parties submit certificates of such insurance to the City prior to performing work or occupying the Premises. The insurance provisions herein shall likewise apply to any permitted assignee, sublessee, or transferee of Lessee.

F. No Limitation of Liability or Waiver. The procuring of such policy or policies of insurance shall not be construed to be a limitation upon Lessee's liability or satisfaction or a waiver of Lessee's indemnification obligations under this Agreement.

XIII. MAINTENANCE AND REPAIR

A. City Maintenance Obligations. The City shall be responsible for the maintenance of the shared public spaces and common use areas of the Airport. The City shall provide for the removal of snow and ice from the airfield and the Pavement Area, excluding any parking and side lots and any area within six (6) feet of any hangar on the Premises;

provided, however, that priority of snow removal shall be in accordance with the City's snow removal plan, attached as **Exhibit 2** ("Snow Removal Plan"), as it now exists or as it may be amended in the City's sole discretion.

B. Lessee Maintenance Obligations. Lessee, at its sole cost and expense, shall be responsible for all other maintenance and repairs to the Premises, the Improvements, and the utilities thereon, including but not limited to the obligations set forth in this Section XIII.B.

1. Lessee shall keep and maintain the Premises, the Improvements, and any other improvements and personal property thereon in good and repair and in sanitary and slightly condition, reasonable wear and use excepted. Lessee agrees to provide at its own expense such janitorial and cleaning services and supplies, trash removal services, and any related services as may be necessary or required in the operation and maintenance of the Premises.

2. Lessee shall maintain the Premises, including all pavement areas on the Premises, in a manner which is safe and clean of debris so as not to cause danger or unsafe conditions for taxiing aircraft or other Airport users. Seal coat, crack seal, and paint are required to maintain all pavements in good condition. Lessee shall repair any cracked or damaged pavements as needed or upon the request of the City.

3. Except as provided above in Section XIII.A., Lessee shall provide for the removal of snow and ice from its Premises, including but not limited to stairs, walkways, ledges, roads, paved areas, parking areas, and the perimeter of any hangar buildings. Lessee shall not place snow from its Premises on any other area of the Airport without prior written authorization from the Airport Manager.

4. Lessee shall be responsible for all landscaping and weed removal on the Premises.

5. Lessee shall exercise due and reasonable caution to prevent fire, accidents, hazards, and nuisances on the Premises.

C. Failure to Maintain. In the event that Lessee fails to keep and maintain the Premises or Improvements in good condition and repair, reasonable wear and use excepted, for a period of thirty (30) days after written notice from the City to do so, the City, upon the expiration of such thirty (30) day period, may, but shall not be obligated to, enter upon the Premises and perform the obligation of Lessee, and charge Lessee the cost and expense thereof, including any reasonable administrative costs. Lessee shall pay the City such charge in addition to any other amounts payable by Lessee. Notwithstanding the foregoing, if Lessee's failure to perform any such obligation adversely affects or endangers the health or safety of the public, other Airport users or tenants, or of employees of the City in the reasonable judgment of the City, and if the City so states in its notice to Lessee, the City may, but shall not be obligated to, perform such obligation of Lessee at any time after providing such notice, at Lessee's sole cost and expense. The City shall not be liable to Lessee for any loss whatsoever resulting from the City's performance hereunder.

XIV. UTILITIES AND SERVICES

A. Lessee's Obligations. Lessee agrees to provide for its own connections with utilities and to make separate agreements with the agencies responsible for these utilities. Lessee shall pay for all utility service supplied to the said Premises, and if required by the utility agencies as a condition of continued said services, Lessee shall install and pay for standard metering devices for the measurement of such services. Lessee shall be solely responsible for all utility charges, including without limitation natural gas, electricity, sewer, and water used on the Premises during the Term.

B. City's Reservation of Rights. Lessee agrees that the City shall have the right, without cost or compensation to Lessee, to install and maintain in, on, under, or across the Premises utilities (including sewer, water, gas, electric and telephone lines, electric substations) or other installations necessary to the operation of the Airport, or to service other tenants of the City; provided the City shall carry out such work and locate above-ground structures in a manner so as not to unreasonably interfere with Lessee's use of the Premises. The rights of Lessee under this Agreement shall not be construed to confer any right upon Lessee concerning the use or operation of any such utilities, installations, or any other facilities at the Airport, except the Premises and other rights specifically described herein.

XV. COMPLIANCE WITH LAWS

Lessee shall comply, and cause Lessee Parties (as defined in Section IX) to comply, with any and all current and future laws, ordinances, rules, regulations, and orders issued or promulgated by any governmental authority governing or otherwise applicable to Lessee, the Airport, this Agreement, the Premises, or Lessee's use of the Premises, including but not limited to the Rules and Regulations, as amended from time to time, and all permits and licenses which may be necessary or required for the Permitted Use, including but not limited to the construction of the Improvements. Upon the City's written request, Lessee shall verify, within a reasonable time, compliance with any such applicable laws and regulations.

XVI. PERMITS, LICENSES, AND CERTIFICATES

During the Term, Lessee shall obtain and maintain any and all permits, licenses, and certificates which may be required in connection with the improvement and use of the Premises and its operations thereon, including but not limited to the construction of the Improvements.

XVII. QUIET ENJOYMENT

The City agrees that, on payment of the rentals, fees, and charges as herein provided and performance of the covenants and agreements on the part of Lessee to be performed hereunder, Lessee shall peaceably have and enjoy the Premises and all the rights and privileges of the Airport, its appurtenances, and facilities granted herein. Lessee agrees that temporary inconveniences, including but not limited to noise, disturbances, traffic detours, and the like resulting from, caused by, arising out of, or associated with the City's operation, construction, maintenance, or repair of the Airport, including but not limited to improvements thereon, or associated with special events

that the City or others may from time to time host on the Airport, shall not constitute a breach of this Section. The City shall provide Lessee with reasonable prior notice of any planned temporary inconveniences or special events and shall take reasonable steps to mitigate the impact of such inconveniences so that they do not unreasonably interfere with Lessee's use of the Premises.

XVIII. DISPUTE RESOLUTION

Any dispute arising out of, relating to, or in connection with this Agreement, including any question regarding an alleged Event of Default (as defined below) or the Agreement's existence, validity, or termination, shall be resolved as set forth in the dispute resolution procedures attached in **Exhibit 3** ("Dispute Resolution Protocol"). In the event of litigation commenced in accordance with the Dispute Resolution Protocol, the prevailing Party (as determined by a final judgment) shall be entitled to recover its reasonable attorney's fees, expert-witness costs, and court costs from the other Party.

XIX. SUBLEASES, ASSIGNMENTS, AND TRANSFERS

A. City Consent Required. Lessee shall not assign or sublet this Agreement or the Premises, nor may it transfer the management and operation of the Premises, without the prior written consent of the City, such consent not to be unreasonably withheld, conditioned, or delayed. The City may withhold consent to an assignment, sublease, or transfer under any of the following circumstances, without limitation: (i) Lessee is in default of its obligations under this Agreement; (ii) the proposed assignee lacks the financial capability to comply with the terms and conditions of this Agreement or the ability to operate the facilities according to the terms and conditions of this Agreement and, if applicable, the Minimum Standards; (iii) the proposed assignee would not assume all of Lessee's obligations under this Agreement, without condition or qualification; or (iv) the proposed assignment would violate any obligation of the City, including without limitation the Grant Assurances. Any purported assignment or sublease in violation of this Section XIX shall be null and void.

B. First Right of Refusal for Sale of Hangar. Notwithstanding the foregoing, if Lessee desires to sell or otherwise transfer its interest in this Agreement, including its leasehold interest in the Premises and ownership interest in the Improvements thereon, and has obtained a bona fide offer for such sale, Lessee must first offer to sell or otherwise transfer such interest to the City, at the price and on the same terms as such bona fide offer, and the City shall have the right to purchase Lessee's interest under such terms. Such offer must be in writing and provide a copy of the sales agreement showing all terms and conditions of the proposed sale. The City shall have the right for a period of twenty-one (21) days after receipt of the offer from Lessee to elect to purchase Lessee's interest (the "Election Period"). If the City does not desire to purchase Lessee's interest, Lessee may then sell or otherwise transfer its interest in this Agreement to the person making the said offer, at the price and terms set forth in the offer, subject to the requirements of this Section XIX, including but not limited to the City's prior written consent under subsection A above. If Lessee fails to close such sale within one hundred twenty (120) days after the expiration of the Election Period, any proposed sale or other transfer thereafter shall again be subject to this Section. This right of the City shall be continuing and shall survive any sale or other

transfer of Lessee's interest under this Agreement. The intent of this Section is to require all of Lessee's interests in this Agreement be sold or otherwise transferred intact, without fractionalization.

C. Sale to Third-Party Buyer. In the event Lessee's interest in the Agreement (including the Improvements) are sold to a third-party buyer prior to the end of the Term:

1. This Agreement shall automatically terminate upon the closing of such sale and the City will enter into a new lease between the City and the buyer that is based upon such terms and conditions, including rental rates, of the then-current Airport standard lease form being offered by the City, provided: (i) Lessee is not in default in the payment of any Rent or in any other provisions of this Agreement, is in good standing at the Airport, and submits a current certificate from the City Building Inspector to the Airport Manager that the Improvements are structurally sound and is projected to be sound for the duration of the new lease; and (ii) the new lease is consistent with the Airport's Master Plan then in effect and all federal rules, regulations, directives, and guidelines or other obligations with respect to the Airport, including but not limited to the Grant Assurances; and

2. Lessee shall pay a transaction fee shall to the City based upon the sales price or the current assessor's valuation, whichever is higher, at the time of the sale prior to a new lease being issued according to the then-approved Heber City Consolidate Fee Schedule.

D. Sale to City. In the event the Improvements are sold to the City prior to the end of the Term, the City may deduct from the purchase price any unpaid Rents or amounts due under this Agreement and, upon the closing of such sale, this Agreement shall automatically terminate.

E. Surviving Obligations. Notwithstanding the foregoing, the sale of Lessee's interests in this Agreement pursuant to this Section shall not relieve Lessee of its obligations that expressly or by their nature survive termination of this Agreement, including but not limited to Lessee's environmental obligations and obligation to pay the City Rents and other amounts due under this Agreement that accrued prior to the closing of the sale.

F. Administrative Costs. The City has the option, in its sole discretion, to charge to Lessee for reasonable administrative costs actually incurred when reviewing and processing any requests for assignment, sublease, or transfer pursuant to this Section XIX.

XX. LEASEHOLD MORTGAGES

A. Generally. Upon prior written notice to the City, Lessee shall have the right to mortgage or collaterally assign its interest in this Agreement to a bank or other similar intuitional lender (the "Mortgagee"), provided that any such leasehold mortgage or collateral assignment shall be in compliance with this Section XX and shall be subject, subordinate, and inferior at all times to the rights of the City under this Agreement (a "Leasehold Mortgage") and further provided that Lessee's notice to the City of the same shall include the name and address of the Mortgagee and a true copy of the Leasehold

Mortgage. The term “Leasehold Mortgage” as used in this Agreement shall include, but not be limited to, a mortgage, a deed of trust, a deed to secure debt, or other security instrument by which Lessee’s leasehold estate is mortgaged, conveyed, assigned, or otherwise transferred to secure a debt or other obligation, in connection with the construction of the Improvements.

B. Requirements. In connection with a Leasehold Mortgage, at a minimum the following shall apply: (i) such encumbrance shall only encumber Lessee’s leasehold interest for the purpose of securing financing for Lessee’s authorized Improvements and no other encumbrance shall be permitted; (ii) such encumbrance shall be subordinate to the City’s interests; (iii) the Mortgagee or other lienholder must agree to maintain current contact information with the City and provide the City with concurrent copies of any notices or communications regarding a default; (iv) the Mortgagee or other lienholder must certify to the City that it has reviewed this Agreement and has accepted provisions that may affect the Mortgagee or other lienholder, and that no loan requirements conflict with or erode any provisions of this Agreement; (v) any Lessee default relating to such encumbrance shall be a default of this Agreement; (vi) the Mortgagee or other lienholder must agree that upon any default, the City shall have a lien with first priority on all Lessee-owned property at the Premises, including the Improvements; (vii) the Mortgagee or other lienholder must agree that the City has complete and sole discretion as to whether to approve the substitution of a tenant by the Mortgagee or other lienholder and whether the City terminates this Agreement (which would result in a termination of the Mortgagee’s or other lienholder’s interests in this Agreement); and (viii) such encumbrance shall terminate prior to the expiration or termination of this Agreement and the Mortgagee or other lienholder must agree to promptly remove such encumbrance when the obligation that it secures has been satisfied.

C. Notice of Default or Termination. The City, upon providing Lessee any notice of default under this Agreement or termination of this Agreement, shall at the same time provide a copy of such notice to the Leasehold Mortgagee by first class U.S. mail at the address specified in the notice given pursuant to Section XX.A above.

D. Opportunity to Cure. The Mortgagee shall have the right to remedy any default under this Agreement or cause the same to be remedied and the City shall accept such performance by or at the insistence of such Mortgagee as if the same had been made by Lessee. From the date Mortgagee receives notice of an occurrence of default as provided this Section, there shall be added to any grace period allowed by the terms of this Agreement, an additional ten (10) days in the case of default in payment of Rent and an additional thirty (30) days in the case of all other defaults, for such Mortgagee to cure the same beyond the time allowed to Lessee. In case of a default, other than failure to pay Rent, the City shall not be empowered to terminate this Agreement by reason of the occurrence of such default if Mortgagee, within thirty (30) days after the giving of notice of such default, commences foreclosure or similar proceedings under the Leasehold Mortgage for the purpose of acquiring Lessee’s interest in this Agreement and thereafter diligently prosecutes the same, and shall bring current all payments of Rent and all other sums payable by Lessee hereunder. The Mortgagee may become the legal holder of the leasehold estate under this Agreement by foreclosure of its Leasehold Mortgage or as a

result of the assignment of this Agreement in lieu of foreclosure. While such Leasehold Mortgage is in effect, the City shall not accept any surrender or cancellation of this Agreement by Lessee or amend or modify any material provision of this Agreement without the Mortgagee's prior written consent, which such consent shall not be unreasonably withheld or delayed.

E. Assignment. The making of a Leasehold Mortgage shall not be deemed to constitute an assignment or transfer of this Agreement or of the leasehold estate hereby created, nor shall the Leasehold Mortgagee, as such, be deemed to be an assignee or transferee of this Agreement or of the leasehold estate hereby created so as to require such Leasehold Mortgagee, as such, to assume the performance of any of the terms, covenants, or conditions of this Agreement. Any Leasehold Mortgagee who takes an instrument of assignment or transfer in lieu of the foreclosure of the Leasehold Mortgagee shall be deemed to be a permitted assignee or transferee, and shall be deemed to have agreed to perform all of the terms, covenants, and conditions on the part of Lessee to be performed hereunder from and after the date of such purchase and assignment, but only for so long as such purchaser or assignee is the owner of the leasehold estate. If the Leasehold Mortgagee or its designee shall become holder of the leasehold estate and if the Improvements on the Premises shall have been or become materially damaged on, before, or after the date of such purchase and assignment, the Leasehold Mortgagee or its designee shall be obligated to repair, replace, or reconstruct the damaged Improvements.

XXI. DEFAULT AND REMEDIES

A. Default. The occurrence of any of the following, in addition to those specified elsewhere in this Agreement, shall constitute a material breach of this Agreement by Lessee (each, an "Event of Default"):

1. Lessee's failure to pay Rent or any other amounts due hereunder within ten (10) business days of the due date thereof.

2. Lessee's failure to perform or observe any of Lessee's obligations under this Agreement (including those obligations set forth in this Section XXI) that are left uncured for a period of thirty (30) business days after Lessee receives written notice from the City setting forth the failure in question and an opportunity to cure (or, if cure of such failure cannot reasonably be accomplished in the thirty (30) day period, Lessee's failure to commence cure in such period and diligently prosecute the same to completion); provided, however, that the City may in its discretion shorten the applicable cure period in the event of a lapse in required insurance or any condition which creates an imminent safety risk to users of the Airport.

3. Lessee's material default on the covenants and obligations set forth in any other written agreement between the City and Lessee concerning the use or lease of Airport property, as determined by a court of competent jurisdiction's final, non-appealable judgment, after first being provided all applicable notice and cure periods and participating in the agreed upon dispute resolution procedures, if any, thereunder.

4. Lessee's abandonment of the Premises.

5. Lessee's becoming insolvent, taking advantage of any insolvency law or bankruptcy protection, making of a general assignment for the benefit of creditors, or consent to liquidation of all or substantially all of its assets.

6. The assessment of a tax lien or mechanic's lien upon the Premises for unpaid taxes or work that is not resolved within sixty (60) days of Lessee receiving notice of such lien.

7. The filing by Lessee of a voluntary petition in bankruptcy.

8. The institution of proceedings in bankruptcy against Lessee and the adjudication of Lessee as bankrupt pursuant to such proceedings if such adjudication is not vacated or stayed during the sixty (60)-day period following such adjudication.

9. The taking by a court of Lessee and its assets pursuant to proceedings brought under the provisions of any state or federal reorganization act if the judgment of the court is not vacated or stayed during the sixty (60)-day period following such judgment.

10. The appointment of a receiver of Lessee's assets if such appointment by a court is not vacated or stayed during the sixty (60)-day period following such appointment.

11. Lessee's assignment, sublease, transfer, or other conveyance of an interest in this Agreement in violation of Section XIX.

12. Lessee's breach or default of any Leasehold Mortgage (as defined in Section XX herein).

B. Remedies. If an Event of Default occurs, the City, in addition to any remedies available under applicable law, subject to the dispute resolution procedures specified in Section XVIII, may do any one or more of the following:

1. The City may elect to terminate this Agreement.

2. Whether or not this Agreement has been terminated, the City may re-enter and repossess the Premises and may either in its own name, as agent for Lessee if this Agreement has not been terminated, or for its own behalf if this Agreement has been terminated, relet all or any part of the Premises; provided that City shall not be required to accept any tenant proposed by Lessee, or observe any instruction given by Lessee about such reletting. No such re-entry or taking possession of the Premises shall be construed as an election on the City's part to terminate this Agreement unless written notice of such election by the City is given to Lessee. Notwithstanding any such reletting without termination, the City may at any time thereafter elect to terminate this Agreement for any previous breach or default.

3. City may from time to time, without terminating this Agreement, enforce all of its rights and remedies under this Agreement.

C. Mitigation of Damages

Following any Event of Default by Lessee, the City shall use commercially reasonable efforts to mitigate its damages. The City's obligation to mitigate damages after an Event of Default by Lessee under this Agreement that results in the City regaining possession of all or part of the Premises shall be satisfied in full if the City undertakes to re-let the Premises to another grantee (a "Substitute Grantee") in accordance with the following criteria:

1. The City shall have no obligation to solicit or entertain negotiations with any prospective Substitute Grantee until the City obtains full and complete possession of the Premises including, without limitation, the final and unappealable legal right to re-let the Premises free of any claim of Lessee;

2. The City shall not be obligated to lease the Premises to a Substitute Grantee for a rental less than fair market rent then prevailing for similar space on the Airport;

3. The City shall not be obligated to enter into a new lease under terms and conditions that are unacceptable to the City under the City's then-current leasing policies for comparable space on the Airport, or incompatible with the Master Plan, Minimum Standards, Rules and Regulations, or Grant Assurances; and

4. The City shall not be obligated to enter into a lease with any proposed Substitute Grantee that does not have sufficient financial resources to maintain the Premises and operations in a first-class manner and pay all rents payable pursuant to this Agreement.

XXII. RIGHTS OF CANCELLATION AND RELOCATION

A. City's Right of Cancellation or Relocation. In addition to the City's rights under Section XXI, in the event the City determines that it requires use of the Premises for a public purpose or if proper, planned, and orderly development of the Airport shall require that the City devote any part of the Premises to a different use than that contemplated by this Agreement, or in the case of an emergency, the City may take either of the following actions:

1. The City may terminate this agreement upon no less than one hundred twenty (120) days' prior written notice to Lessee, except in the case of an emergency, which shall only require sixty (60) days' prior written notice, and, upon such termination, shall pay Lessee an amount equal to the unamortized value of the Improvements, calculated on a straight-line basis from the date such Improvements were substantially completed through the then-remaining Term of this Agreement.

2. The City may elect to relocate Lessee's leased premises to another area on the Airport upon no less than one hundred and twenty (120) days' prior written notice to Lessee, except in the case of an emergency, which shall only require sixty (60) days' prior written notice; provided the City (a) provide Lessee with a replacement premises of no less area and that is substantially similar to the vacated premises, (b) pay the associated costs of relocating the Improvements thereto, (c) recalculate the Rent (if necessary) pursuant to Section IV to reflect the square footage and fair market value of the replacement premises, and (d) amend this Agreement to reflect such relocation. Except as expressly provided herein, all terms and conditions of this

Agreement shall apply to the relocated premises and shall continue in full force and effect for the remainder of the Term.

B. Lessee's Right of Cancellation. Lessee may terminate this Agreement without cause with thirty (30) days' prior written notice to the Airport Manager. In the event of such cancellation, Lessee may remove its Improvements and shall restore and return the Premises in accordance with the requirements of this Agreement. If Lessee fails to remove its Improvements and restore the Premises, then the City may do so at Lessee's sole cost and expense.

XXIII. RIGHT OF ENTRY AND INSPECTION

The City may enter upon the Premises at any reasonable time for any purpose necessary, incidental to, or connected with the performance of its obligations under this Agreement, in the exercise of its governmental functions, or in the event of any emergency. Except in the case of the City's governmental functions or an emergency, the City shall give Lessee reasonable advance notice prior to City's entry into Lessee's buildings and improvements.

XXIV. FORCE MAJURE; DESTRUCTION OF PREMISES

A. Neither Party shall be in violation of this Agreement by reason of failure to perform any of its obligations by reason of strikes, boycotts, labor disputes, embargoes, unforeseen shortages of materials, acts of God, acts of public enemy, substantial non-temporary flight restrictions, weather conditions, riots, rebellion, sabotage, or any other circumstances for which it is not responsible and which are not within its control (each, a "Force Majeure Event"). Upon the cessation or removal of the act or condition giving rise to the excuse of any obligation under this Agreement, the Party so excused from its obligation shall perform as required under this Agreement. Notwithstanding the foregoing, Lessee shall not be relieved of paying any Rent, fees, or other charges due to or during a Force Majeure Event. The Party claiming force majeure shall notify the other Party in writing within five (5) business days following any event or occurrence causing the delay and extent of the delay which may be incurred. Failure to timely so notify shall bar such Party from asserting any claim for that delay.

B. If the Improvements become damaged or destroyed in whole or in part, by a Force Majeure Event or any other casualty at any time during the Term so that the same cannot be repaired within ninety (90) days, Lessee will notify the City in writing within ninety (90) days of the casualty indication whether Lessee will either (i) restore and reconstruct the improvements within one (1) year from the date of the casualty to substantially the same condition the Improvements were in immediately prior to the happening of such casualty, or (ii) terminate the Agreement after restoring the Premises to substantially the same condition it was in prior to constructing the Improvements, to be completed within ninety (90) days of such notice.

C. In no event shall the City be liable to Lessee for any damages resulting to Lessee from the occurrence of a Force Majeure Event or other casualty, from the repair or

construction of the Premises, or from the termination of this Agreement under Section XXIV.B.

XXV. EMINENT DOMAIN

A. Allocation of Proceeds. In the event of a condemnation or a taking by the use of eminent domain of all or any part of the Premises, all proceeds of such condemnation or taking shall be apportioned to the City and Lessee as follows:

1. The amount awarded for the taking of the Premises shall belong to the City;
and

2. Lessee shall have the right to recover such compensation as may be awarded on account of the value of the Improvements owned and/or made by Lessee, for moving and relocating expenses, for the value of its leasehold interest in the Premises, including but not limited to the loss, if any, sustained by Lessee as a result of the termination of this Agreement for loss of fixtures, moving expenses, and attorneys' fees and costs, and for any other damages sustained by Lessee as a result of such condemnation, provided that Lessee may not pursue the City for any such costs unless the City is the entity condemning or taking the Improvements.

B. Termination of Agreement. If the condemnation or taking by eminent domain is such that Lessee cannot reasonably or safely use the Premises, then at Lessee's option, the Agreement may be terminated upon sixty (60) days' prior written notice to the City.

C. Continuation of Agreement. In the event of a partial condemnation of the Premises where Lessee still has reasonable use of the Premises, this Agreement shall not be terminated, provided there is an equitable reduction in the amount of Rent payable under this Agreement based on the reduction in square footage. If required by the Mortgagee (if any), all proceeds for a condemnation shall be held by such Mortgagee and distributed by such Mortgagee for the payment of repairs or restoration to the Premises in accordance with the procedures set forth in the Leasehold Mortgage (or such other documents executed in connection therewith).

XXVI. NOTICES

All fees payable and notice given under this Agreement to the City shall be delivered to the Heber City Airport Manager, c/o the Heber City Treasurer, 75 North Main Street, Heber City, Utah 84032, or such other place as City shall specify in writing.

All notices given under this Agreement to Lessee shall be sent to:

Name: _____

Address: _____

City/State/Zip: _____

Email: _____

Any notices will be deemed to have been given if such written notice is mailed, postage prepaid, first class or registered mail to the addresses above. In addition, any notice that is received by the party, through hand-delivery, email or other means, shall be deemed given. Either Party may change the address to which notices shall thereafter be given upon five (5) days' prior written notice to the other Party.

XXVII. SUBORDINATION

A. Grant Assurances. This Agreement shall be subordinate to the provisions of any existing or future agreements between the City and the United States of America, relative to the operation and maintenance of the Airport, the terms and execution of which have been or may be required as a condition precedent to the expenditure or reimbursement to the City of federal funds for the development of the Airport (the "Grant Assurances"). In the event that this Agreement, either on its own terms or by any other reason, conflicts with or violates the terms of any the Grant Assurances, the City may unilaterally amend, alter, or otherwise modify the terms of this Agreement in order to resolve such conflict or violation without compromising or destroying any remaining portions of this Agreement, and such remaining provisions shall remain binding and in full effect upon the parties as if no such amendment or alteration had occurred, or, if such conflict or violation cannot be so resolved, City may at its election terminate this Agreement on not less than sixty (60) days' notice thereof, without any liability to Lessee.

B. City's Interests. Lessee hereby subordinates and makes this Agreement inferior to all existing and future mortgages, trust indentures, or other security interest of the City or the City's successor in interest. Lessee shall execute and deliver any documents required to evidence and perfect such subordination.

XXVIII. FEDERAL CLAUSES

Lessee acknowledges that the City is required by the FAA under the terms of its Grant Assurances to include in this Agreement certain required contract provisions, included as **Exhibit 4** hereto ("Federal Clauses"). Lessee agrees to comply with the Federal Clauses and, where applicable, include the Federal Clauses in each of its subcontracts without limitation or alteration. In the event such Federal Clauses are modified by the FAA or other federal agency with jurisdiction, and the City provides Lessee with not less than thirty (30) days' written notice of such modification, Lessee agrees to comply with the modified Federal Clauses without written amendment of this Agreement. Unless prohibited by federal law, the City shall provide Lessee with notice and a reasonable opportunity to cure before exercising any right of termination provided by the Federal Clauses. Lessee acknowledges that a failure to comply with the Federal Clauses pursuant to this Section XXVIII constitutes an Event Of Default.

XXIX. NO EXCLUSIVE RIGHTS

It is understood and agreed that nothing herein contained shall be construed to grant or authorize the granting of an exclusive right within the meaning of 49 U.S.C. § 40103(e).

XXX. NO WAIVER OF RIGHTS

No delay or omission in the exercise of any right or remedy of either Party on any default by either Party of its respective obligations under this Agreement shall impair such a right or remedy or be construed as a waiver. Any waiver by either Party of any default on the part of the other must be in writing and shall not be a waiver of any other default concerning the same or any other provision of this Agreement.

XXXI. AVIGATION EASEMENT

The City reserves for the use and benefit of the public, the right of aircraft to fly in the airspace over the Premises, together with the right of said aircraft to cause such noise as may be inherent in the operation of aircraft landing at, taking off from, or operating on or in the vicinity of the Airport, and the right to pursue all operations of the Airport.

XXXII. NON-INTERFERENCE WITH AIRPORT OPERATIONS

Lessee expressly agrees for itself, its successors and assigns, and all other Lessee Parties that Lessee shall not conduct operations in or on the Premises in a manner that (i) interferes or might interfere with Airport operations or the reasonable use by others of other leased spaces or common facilities at the Airport, (ii) hinders or might hinder police, fire fighting, or other emergency personnel in the discharge of their duties, (iii) would or would be likely to constitute a hazardous condition at the Airport, (iv) would or would be likely to increase the premiums for insurance policies maintained by the City unless such operations are not otherwise prohibited hereunder and Lessee pays the increase in insurance premiums occasioned by such operations, (v) is contrary to any applicable Grant Assurance; (vi) would contradict or violate any applicable laws or regulations, directive, or similar restriction issued by any governmental authority having jurisdiction over the Airport, including the City, FAA, DHS, TSA, and Customs and Border Patrol, (vii) would involve any illegal purposes, or (viii) directly or indirectly interferes with the operation by the City or the FAA of air navigational, communication, or flight equipment on the Airport. In the event this covenant is breached, the City reserves the right, after prior written notice to Lessee, to enter upon the Premises and cause the abatement of such interference at the expense of Lessee. The City shall have the right to take any action it considers necessary to protect aerial approaches of the Airport against obstructions, together with the right to prevent Lessee from erecting or permitting or causing to be erected any building or other structure which, in the sole opinion of the City, would limit the usefulness of the Airport or constitute a hazard to aircraft. In the event of a breach in Airport security caused by Lessee, resulting in fine or penalty to the City of which Lessee has received prior written notice, such fine or penalty will be charged to Lessee.

XXXIII. EMERGENCY CLOSURES

During time of war or national emergency, the City 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 areas or facilities of the Airport. If any such agreement is executed, the provisions of this Agreement, insofar as they are inconsistent with provisions of the agreement with the United States Government, will be suspended. Lessee

must comply with all local, state, and federal orders, directives, regulations, guidance, and advisories during public emergencies. Public emergencies include, but are not limited to, national, state, and local security emergencies; public health emergencies and pandemics; evacuations; chemical spills; shelter-in-place alerts; severe weather advisories; boil water advisories; and roadway interruptions. Lessee's failure to comply with any local, state, or federal orders, directives, regulations, guidance, or advisories during a public emergency shall constitute a breach of this Agreement. The City shall have sole discretion in determining if Lessee is compliant with the above. If a public emergency is declared, the City will not be responsible for any expenses or losses incurred as a result of any public emergency.

XXXIV. LIMITATION OF LIABILITY

The City shall not be liable to Lessee or Lessee Parties for any damages or loss caused to them or their property by any of the following: Force Majeure Events, water, rain, wind, snow ice, sleet, hail, fire, storms, earthquake, volcanic eruption, or any other weather event or condition outside of the City's control; any Airport tenant, user, operator, or any other third party; or by breakage, stoppage, or leakage of utilities on or adjacent to the Premises. In the event of damage or destruction to the Premises, the City is under no obligation to provide substitute space to Lessee.

XXXV. GOVERNING LAW; VENUE

This Agreement shall be construed in accordance with and governed by the laws of the State of Utah, notwithstanding any conflict-of-law principles. Venue for any action brought pursuant to this Agreement shall be the Fourth Judicial District, Wasatch County, District Court.

XXXVI. TIME OF THE ESSENCE

Time is of the essence in the performance of all of each Party's respective obligations under this Agreement.

XXXVII. AMENDMENTS

No amendment to this Agreement shall be binding on the City or Lessee unless reduced to writing and signed by both Parties. No provision of this Agreement may be waived, except pursuant to a writing executed by the Party against whom the waiver is sought to be enforced.

XXXVIII. SEVERABILITY

If any provision of this Agreement is held to be illegal, invalid, or unenforceable in full or in part, for any reason, then such provision shall be modified to the minimum extent necessary to make the provision legal, valid, and enforceable, and the other provisions of this Agreement shall not be affected thereby.

XXXIX. MERGER

This Agreement constitutes the final, complete, and exclusive agreement between the Parties on the matters contained in this Agreement. All prior and contemporaneous negotiations

and agreements between the Parties on the matters contained in this Agreement are expressly merged into and superseded by this Agreement. In entering into this Agreement, neither the City nor Lessee has relied on any statement, representation, warranty, nor agreement of the other except for those expressly contained in this Agreement.

XL. HEADINGS

The headings used in this Agreement, including but not limited to those headings used at the beginning of each numbered section herein, are solely for the convenience of the reader and shall not be construed as part of the agreement between the Parties.

XLI. RELATIONSHIP OF PARTIES

This Agreement does not create any partnership, joint venture, employment, or agency relationship between the Parties. Nothing in this Agreement shall confer upon any other person or entity any right, benefit, or remedy of any nature.

XLII. ENTIRE AGREEMENT.

This Agreement constitutes the entire agreement of the parties regarding the matters described herein, and any representations or understandings not included herein shall have no effect.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties hereto have caused these presents to be duly executed, with all the formalities required by law on the respective dates set forth opposite their signatures to be effective the day and year first above written.

HEBER CITY, a Municipal Corporation

APPROVED:

LESSEE:

Mayor

By: _____
Title:

Date

Date

ATTEST:

City Recorder

Date

APPROVED AS TO FORM:

City Attorney

Date

Exhibit 1

Premises

[TBD]

Exhibit 2

Snow Removal Plan

[TBD]

Exhibit 3

Dispute Resolution Protocol

- A. Notice and Opportunity to Cure. Unless a shorter cure period or right to immediate termination is expressly provided in this Agreement, no Party shall be considered in default of any provision of this Agreement, or any covenant or obligation pertaining to the use or occupancy of Airport property, and no right of termination shall arise, unless and until the counter-Party has provided such Party with written notice of default and not less than ten (10) business days to cure such default.

- B. Jurisdiction, Venue and Applicable Law. With respect to an action to enforce the terms and conditions of this Agreement only, the Parties consent to the exercise of jurisdiction of Fourth Judicial District, Wasatch County, District Court and hereby agree that the venue of any action with respect to the enforcement of the terms and conditions of this Agreement shall be properly placed before this same court. This Agreement shall be interpreted under the laws of the State of Utah.

- C. Emergency Relief. No Party shall be precluded from initiating a proceeding in a court of competent jurisdiction for the purpose of obtaining any emergency or provisional remedy to protect its rights that may be necessary and is not otherwise available under this Agreement.

- D. FAA Disputes. The Parties understand and acknowledge the FAA's exclusive jurisdiction to determine the City's compliance with its federal Grant Assurance obligations (a "Compliance Dispute"), and that any remedies which may be imposed by the FAA for noncompliance therewith are exclusive. Accordingly, in the event of a Compliance Dispute, and after exhausting the procedures described in Paragraphs A and B hereof, either Party may initiate an informal or formal complaint proceeding with the FAA in accordance with 14 C.F.R. Parts 13 and 16 or similar succeeding provisions, without regard to the other provisions hereof.

Exhibit 4

FAA Required Contract Clauses

LEASING POLICY UPDATE

HEBER VALLEY AIRPORT

December 2, 2025



State of the Airport

Heber City has been asked to consider moving up the Airport Capital Improvement Program (ACIP) in preparation for the 2034 Winter Olympics.

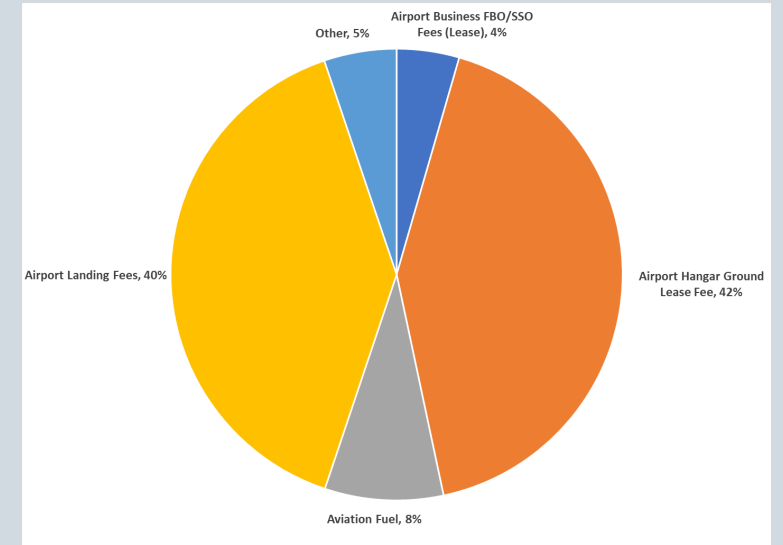
This would move forward the \$94.8* M in capital development planned through 2038 by five years, requiring the Sponsor Contribution of \$4.8* to be accelerated.

This would require increased cash flow to build up the Capital Reserved fund.

Airport Revenue is primarily from airport leases (based users) and landing fees (transient users).

The Airport currently host 77 private hangars, 7 of which the City has the right to revert upon lease expiration.

The City has tasked AGP with developing a leasing policy that will provide guidance to staff on leasing issues and private development of the airport.



Development	Type	#	Reversionary
Hangar Row	Private	31	2
Daniels Hangars	Private	32	0
Horseshoe Hangars	Private	9	0
Commercial Hangars	Commercial	5	5
TOTAL		77	7

Fiscal Year (July 1 - June 30)	%	Base Year		Forecasted					
		2024	2025	2026	2027	2028	2029	2030	
Airport Special Revenue Fund (21) Revenues									
21.3470 Airport Business FBO/SSO Fees (Lease)	4%	\$ 29,740	\$ 43,529	\$ 44,094	\$ 44,668	\$ 45,248	\$ 45,837	\$ 46,432	
21.3471 Airport Hangar Ground Lease Fee	42%	\$ 280,648	\$ 338,507	\$ 348,663	\$ 416,907	\$ 429,414	\$ 442,296	\$ 455,565	
21.3472 Aviation Fuel	8%	\$ 56,400	\$ 57,133	\$ 57,876	\$ 58,628	\$ 59,390	\$ 60,163	\$ 60,945	
21.3473 Airport Landing Fees	40%	\$ 263,844	\$ 334,092	\$ 338,436	\$ 342,835	\$ 347,292	\$ 351,807	\$ 356,380	
21.3474 Hangar Transfer Fees	2%	\$ 10,000	\$ 160,130	\$ 10,262	\$ 10,395	\$ 10,530	\$ 10,667	\$ 10,806	
21.3476 Farm Lease / Nonaeronautical Use	1%	\$ 3,400	\$ 3,444	\$ 3,489	\$ 3,534	\$ 3,580	\$ 3,627	\$ 3,674	
21.3477 Licenses	1%	\$ 9,500	\$ 12,156	\$ 12,314	\$ 12,474	\$ 12,636	\$ 12,801	\$ 12,967	
21.3610 Interest Income	1%	\$ 5,500	\$ 5,572	\$ 5,644	\$ 5,717	\$ 5,792	\$ 5,867	\$ 5,943	
21.3620 Miscellaneous Income (Fire Fighting, Gate Access Fees & Other)	1%	\$ 6,100	\$ 52,372	\$ 53,053	\$ 53,743	\$ 54,441	\$ 55,149	\$ 55,866	
TOTAL CHARGES FOR SERVICES	100%	\$ 665,132	\$ 1,006,935	\$ 873,830	\$ 948,902	\$ 968,325	\$ 988,213	\$ 1,008,579	
21.3870 Contributions Fund Surplus		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
TOTAL OPERATING REVENUE		\$ 665,132	\$ 1,006,935	\$ 873,830	\$ 948,902	\$ 968,325	\$ 988,213	\$ 1,008,579	
Capital Improvement Fund - Airport (41) Revenues									
41.3330 Federal Grants (90.63% of Federal ACIP projects only)	90.63%	\$ 1,066,625	\$ 487,350	\$ 5,335,200	\$ 492,121	\$ 3,472,035	\$ 543,780	\$ 13,990,553	
41.3340 State Grants (4.685% of Federal ACIP and 90% of State Funded ACIP projects)	4.69%	\$ 268,978	\$ 301,725	\$ 140,400	\$ 25,440	\$ 179,482	\$ 366,510	\$ 723,223	
TOTAL CAPITAL REVENUE	95.32%	\$ 1,335,603	\$ 789,075	\$ 5,475,600	\$ 517,560	\$ 3,651,518	\$ 910,290	\$ 14,713,777	
TOTAL OPERATING AND CAPITAL REVENUES		\$ 2,000,735	\$ 1,796,010	\$ 6,349,430	\$ 1,466,462	\$ 4,619,842	\$ 1,898,503	\$ 15,722,355	
Airport Special Revenue Fund (21) Expenditures									
TOTAL OPERATING EXPENSES		\$ 587,205	\$ 552,044	\$ 568,605	\$ 531,027	\$ 546,958	\$ 622,768	\$ 580,268	
OPERATING SURPLUS/DEFECIT		\$ 77,927	\$ 454,891	\$ 305,225	\$ 417,874	\$ 421,367	\$ 365,445	\$ 428,311	
Capital Improvement Fund - Airport (41) Expenses									
41.4031 Professional Services (included in ACIP below)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
41.4072 Building and Improvements (see ACIP below)		\$ 702,640	\$ 926,000	\$ 5,616,000	\$ 543,000	\$ 3,831,000	\$ 1,083,000	\$ 15,437,000	
41.4080 Capital Projects		\$ 900,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
41.4074 Equipment		\$ 56,000	\$ -	\$ -	\$ -	\$ -	\$ 64,919	\$ -	
TOTAL CAPITAL EXPENSES		\$ 1,658,640	\$ 926,000	\$ 5,616,000	\$ 543,000	\$ 3,831,000	\$ 1,147,919	\$ 15,437,000	
21.7030 Sponsor Participation of Capital Projects		\$ 323,037	\$ 136,925	\$ 140,400	\$ 25,440	\$ 179,482	\$ 237,629	\$ 723,223	
FISCAL YEAR OPERATING SURPLUS/DEFECIT - TRANSFER TO CAPITAL FUND		\$ (245,110)	\$ 317,966	\$ 164,825	\$ 392,435	\$ 241,884	\$ 127,816	\$ (294,912)	
Capital Improvement Fund - Airport (41) Ending Net Position		\$ (245,110)	\$ 72,856	\$ 237,681	\$ 630,116	\$ 872,001	\$ 999,816	\$ 704,904	
<i>Sponsor Participation of Uncompleted Projects</i>			\$ 4,671,394	\$ 4,530,994	\$ 4,505,554	\$ 4,326,072	\$ 4,088,442	\$ 3,365,219	
<i>Percentage of Uncompleted Projects Funding in Reserve</i>			2%	5%	14%	20%	24%	21%	

Airport Finance 101

Many GA airports rely on general fund subsidies to meet local match requirements when large capital projects arise and are often required to cover annual operating deficits.

- In many communities, municipal general fund contributions and public bonding are politically unpopular as the benefits of airport investment are not clearly visible to the voting public.
- Communicating the airport's value such as its support for emergency response, business retention, or community access is often met with skepticism or misunderstanding.

Sponsors are liable for 100% of operating expenses.

- Sponsors typically rely on operating revenue from aeronautical activity to offset operating expenses.
- Municipal sponsors tend to operate GA airports like other public utilities with the goal of balancing the operating budget by setting market rates based on nearby similar facilities.

As a condition of AIP, sponsors agree to comply with federal grant assurances.

Relevant Grant Assurances

#5 Preserving Rights and Powers: prohibits airport sponsors from actions that would deprive it of properly managing the airport.

#19 Operations and Maintenance: requires the airport be operated in a safe and serviceable condition at all times in accordance with minimum standards.

#22 Economic Nondiscrimination: the airport must be available for public use, on reasonable terms, and without unjust discrimination for aeronautical activities.

#23 Exclusive Rights: cannot give the exclusive right to conduct an aeronautical activity.

#24 Fee and Rental Structure: sponsors must establish a fee structure and make financial decisions with the goal of achieving self-sufficiency.

#25 Airport Revenue: must be used for the airport or within the airport system.

Revenue Diversion vs Revenue Dilution

Revenue diversion occurs when airport income is used for non-airport purposes, such as unrelated municipal programs or infrastructure projects, in violation of federal grant assurances

Revenue dilution, the failure to collect appropriate revenues or undervaluing airport assets such as ground leases, hangar rents, and land sales, also diminishes long-term self-sufficiency, essentially "losing" potential income that could have been used for airport improvements and maintenance.

The failure of an airport to make decisions in the best interest of self-sufficiency when the airport is operating at a deficit or dependent on public subsidies is problematic.

Primary Management Compliance Documents

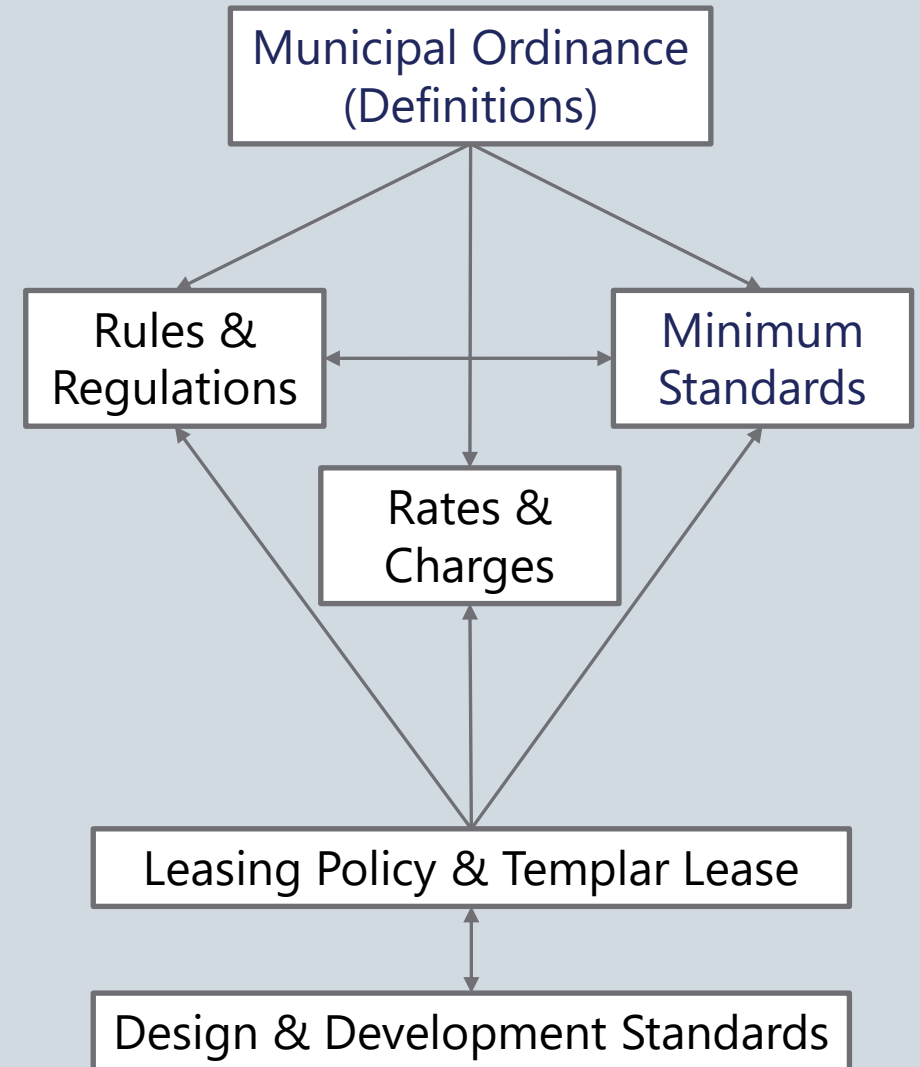
Primary Management Compliance Documents (PMCDs) serve as the formal record of whether it is meeting its federal obligations as a condition of receiving AIP funding.

Rules and Regulations ensures safe and efficient operations by all users.

Minimum Standards for Commercial Aeronautical Service Providers.

Schedule of Rates & Charges ensure fair, consistent and transparent fees.

Ground / Building Leases: establishes permitted uses, rents and term.



Airport Leasing Policy

As a key component of Primary Management Compliance Documents (PMCDs), a Leasing Policy guides City/Airport staff in the preparation, negotiation, and administration of airport leases for land and improvements.

Lease Request Process

- Unsolicited Statement of Interest (SOI)
- Public Notice Period
- Competitive Request for Proposal (RFP)
- Application form, completeness review, approval, and appeal procedures

Ground Lease Term

Ground leases are typically the largest source of aeronautical revenue at GA airports, often accounting for over half, and sometimes as high as 90 percent of revenue.

FAA Compliance Manual 5190.6B, 12.3.b.(3) states that “Most tenant ground leases of 30 to 35 years is sufficient to retire a tenant’s initial financing and provide a reasonable return for tenant’s development of major facilities.”

Aeronautical storage hangars are not a long-term investment but provide a utilitarian value during the term of the lease with no expectation of return after expiration.

Lease term should be based on a determination of the premises useful life, permit compliance, and amortization of the cost for any capital improvements to the structure.

Reversion Issues

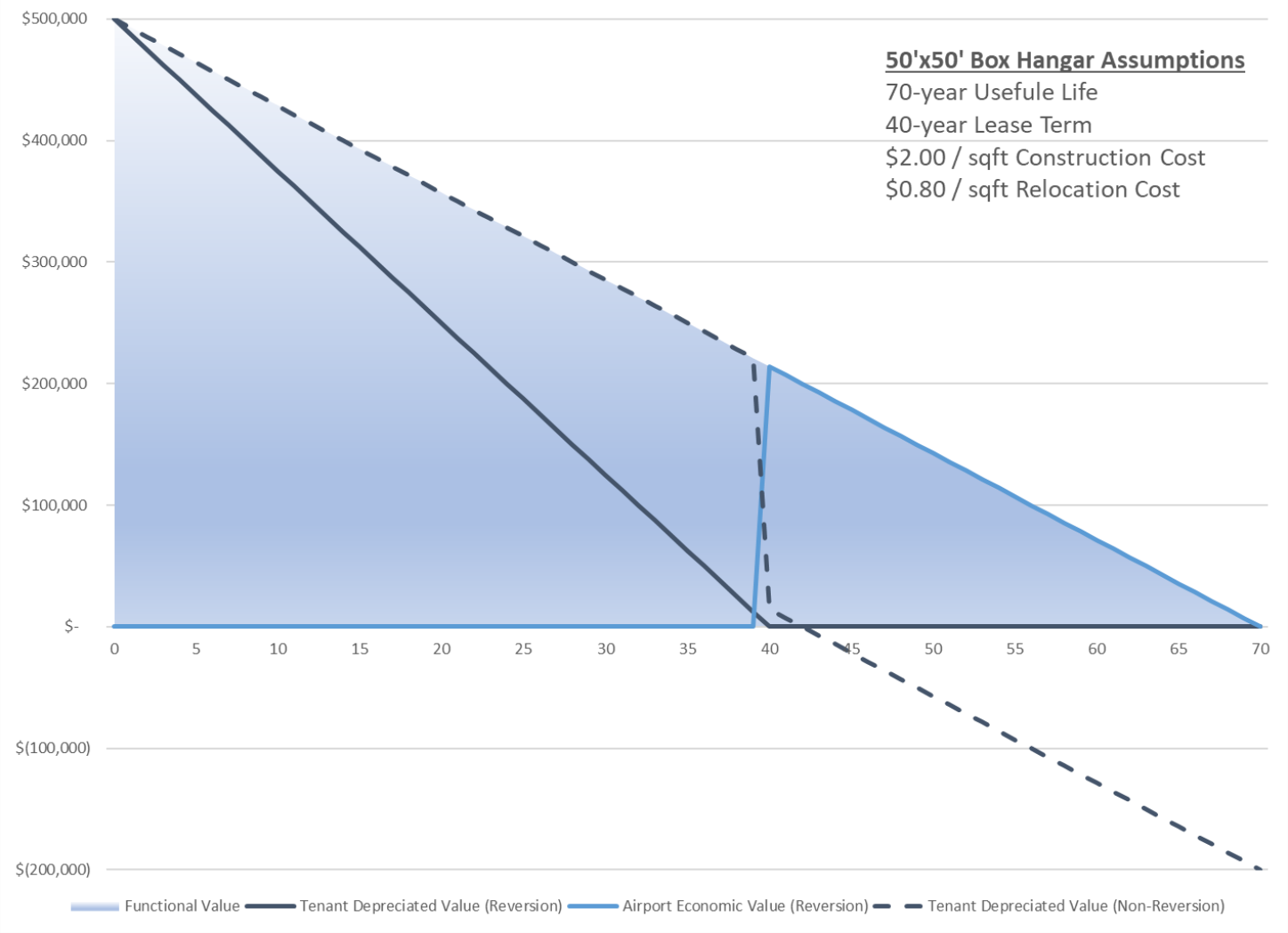
Reversion: upon expiration of the term of an agreement, the ownership of the improvements made by the lessee revert to the lessor (airport sponsor), usually at the lessor's option.

- In the alternative, the airport sponsor may require the lessee to demolish or remove improvements and return the leased premises to its original condition
- Rental structures changes from “land” to “improved” rental rate

Purpose: airport sponsor's control over development and use of property.

- Means for airport sponsor's to acquire improved facilities
- Robust future revenue stream
- Supports financial self-sustainability
- Ensures control over leasehold O&M requirements

Lease Type Economics



Reversionary leases incentivize private development with a reduced ground lease rate to accelerate depreciation of tenant improvements in exchange for the transfer of those assets at the expiration of the lease term.

In non-reversionary leases, tenants retain the depreciated value of improvements, but relocation costs typically bring the depreciate value down.

A candid reflection on FAA aircraft hangar leases and hangar reversion policy

“The AOPA position on reversion clauses in leases is that... while reversion is one acceptable way to terminate a lease, there are many approaches to terminating leases that offer alternatives more akin to a win-win situation while simultaneously ensuring that the airport continues to honor principles of self-sustainability.”

Reversionary Ground Leases



Extending or renewing reversionary ground leases without collecting incremental revenue once the initial investment has been amortized is contrary to making the airport as self-sustaining as possible.



Renewal or first right of refusal may be appropriate for tenants in good standing when improvements exceed, or commit investment to meet, a minimum Facility Condition Index (FCI).



Tenants seeking a lease extension or new lease are required to provide the airport with a FCI assessment that evaluates building structural, mechanical, electrical, and plumbing systems for age and condition as well as noncompliance with current building codes.



The Airport's right to approve sale of any private hangar on airport leased property is necessary to preserve the airports rights and powers under Grant Assurance 5. However, a non-comprehensive list of reasons for denial should be included in an airport leasing policy.

Lease Extension Models

To balance fiscal responsibility with tenant equity, some airports are exploring alternative models that extend lease terms in exchange for reinvestment.

- **Investment-for-Term:** tenants agree to make substantial capital improvements such as roof replacement, door upgrades, or code compliance in return for a defined lease extension.
- **Deferral fee** is calculated as the net present value of the hangar's fair market rental return over the proposed term extension.
- **Improved hangar rent** is a deferral fee amortized over time as improved hangar rent, layered on top of ground rent to reflect the site's enhanced value.
- **Reversion** is a necessary last resort after the good faith efforts to avoid indefinite holdover.

These models allow airports to avoid abrupt reversion while still recovering value and ensuring that aging facilities meet current standards while maintaining goodwill with tenants.

Non-Reversionary Ground Leases

Non-reversionary ground lease rate can be established from reversionary comparables by subtracting the residual hangar discount rate from the Fair Market Rental Return.

- The FCI-adjusted reversionary hangar value at lease expiration is amortized over the lease term, reflecting the remaining value at lease expiration as a price per square foot.
- Subtracting this from the Market Hangar Rent isolates the effective ground rent at the comparable airport.
- This represents the value the airport gives up under a non-reversionary lease and should be used as the basis for establishing a fair non-reversionary ground lease rate.

In cases where reversion is not an option, such as when airport tenants occupy ground for port-a-ports, a licensing agreement may be appropriate.

Next Steps

1. Draft Leasing Policy ready for review in January 2026
2. Address first right of refusal on existing leases
3. Renewal Fee for Long Term Non-Reversionary Lease Extensions
4. Explore sale versus lease of reverted hangars (Commercial Hangars B, C, and D)
5. Develop financial pro forma of City-constructed hangars

THANK YOU

ANY QUESTIONS?



April 2, 2026

RE: MEMO ON REVERSIONARY AND NON-REVERSIONARY LEASING POLICIES

Ascension Group Partners (“AGP”) has been engaged by the city of Heber, Utah (“City”) to complete a leasing policy for Heber Valley Airport (HCR). This memo outlines a consistent and defensible methodology for determining renewal fees for reversionary hangars and extension fees for non-reversionary hangars at HCR. The approach is grounded in the City’s obligations under Federal Aviation Administration (FAA) Grant Assurances to promote financial self-sufficiency, avoid unjust discrimination, and ensure that airport property is used for its highest and best aeronautical use. The methodology is not assigning value to privately owned improvements but rather evaluating the economic opportunity cost of continued occupancy relative to the Airport’s ability to redevelop the site and generate revenue.

Airports commonly rely on ground leases to encourage private investment, particularly hangar development, that the airport may not have the financial resources to construct on its own. By leasing airport land to private developers, the Airport can accommodate aeronautical demand and expand aircraft storage capacity through a public-private partnership model, while retaining fee ownership of the underlying land and long-term control over its use.

Ground leases are typically structured as either reversionary or non-reversionary. Under a reversionary lease, the tenant is permitted to construct a hangar on leased land, and ownership of the improvement transfers to the Airport upon expiration of the lease term, in exchange for a reduced ground lease rate during the term. Under a non-reversionary lease, the tenant retains ownership of the hangar improvements at the end of the lease term but must either remove the improvements or negotiate a lease extension or renewal to continue occupying the premises.

In both cases, the Airport conveys only a leasehold interest in the land and retains fee ownership, thereby preserving long-term control over airport property required by FAA Grant Assurances. This structure is distinct from a fee simple transfer or from excessively long lease terms that may effectively function as disposal of real property, and it ensures that the Airport remains compliant with FAA requirements governing the use and control of federally obligated airport land.

HCR has eight-seven (87) hangars constructed on non-reversionary ground leases and four (4) hangars constructed on reversionary ground leases with three (3) hangars having already reverted to City ownership that generate facility rental revenue in addition to the underlying ground lease. The City must evaluate lease renewals in terms of the economic value of the airport land while also considering tenant continuity, and on terms that promote aeronautical activity.

When a lease expires, the City has the option to:

1. Extend the existing lease or renew the lease under modified terms;
2. Revert improvements to city ownership (reversionary leases only); or
3. Require removal of improvements by, and at the expense of, the existing tenant and either
 - a. Re-lease the ground for private development, or
 - b. Construct a new airport-owned facility rented at market rates.

To evaluate these leasing decisions consistently, AGP recommends the City apply an opportunity cost framework based on potential redevelopment of the site to ensure that the City makes decisions in the best interest of the self-sufficiency of the airport.

Opportunity Cost of Redevelopment

The guiding principle is that extension or renewal of a lease should not leave the City in a worse financial position than if the current lease expired.

In the case of a reversionary lease, the airport acquires ownership of the improvements upon expiration and may generate both hangar and ground lease revenue without incurring construction costs. In the case of a non-reversionary lease, the Airport must consider the cost of constructing a replacement facility to generate comparable revenue. Accordingly, the opportunity cost for non-reversionary leases reflects net development return rather than gross rental value.

Therefore, the opportunity cost of lease renewal or extension is the net economic return it could reasonably generate from a comparable hangar on the same site. The opportunity cost is calculated using the Fair Market Rental Return (FMRR) of improvements less the capital recovery expense associated with constructing comparable improvements. This approach reflects the City's obligation to ensure the continued occupancy does not displace a higher-value aeronautical use of airport property.

Deferral Fees are an industry best practice airports may offer to extend an existing ground lease, postponing reversion of the hangar in exchange for paying the equivalent Net Present Value (NPV) of the hangar rent that would have been realized after lease expiration. **Renewal Fees** for non-reversionary leases follow the same principal by applying the NPV of the FMRR, but consider the Capital Recovery Expense of constructing a comparable facility amortized over a standard term. Both Deferral and Renewal Fees allow the tenant to retain ownership and remain in the hangar with extended term while receiving discounted rent for essentially “paying up front”. The only difference between the two is that the Capital Recovery Expense is zero for a Deferral Fee because the airport will have ownership in the existing asset upon expiration of the reversionary lease.

Acquisition Fees can be similarly applied in the case where improvements have already reverted to City ownership. Where the sale of airport-owned real property is prohibited without FAA consent, an airport could enter into a lease agreement for the long-term use of a reverted hangar and the underlying ground with the consideration “paid up front” similar to a Deferral Fee. This would function like the leasehold conveyance of a reverted hangar, where the Airport grants a term-limited right of use in exchange for a lump sum payment.

Investment for Term is another industry best practice that credits tenant improvements in exchange for additional term to the lease. Investment for Term also functions similar to a Deferral Fee, but the consideration is invested into the existing improvements (e.g. roof or hangar door replacement) rather than paid to the airport. This value exchange is appropriate for reversionary leases where the Airport ultimately benefits from the extended useful life of the improvements

Fee for Term is a standardized framework incorporating the principles from existing industry best practices to express the economic value of lease term as the net present value of the Airport’s opportunity to generate revenue from the property. Deferral Fees and Investment for Term are common industry practices, but these principles can be applied to Renewal Fees and Acquisition Fees to establish a standard Fee for Term methodology for assessing the value of ground lease term across reversionary and non-reversionary leases on an equivalent economic basis.

The Fee for Term methodology aligns with Grant Assurance 24 by ensuring the Airport remains as financially self-sustaining as possible and does not forego reasonable revenue opportunities. The methodology applies a uniform framework to all similarly situated tenants, regardless of lease structure using standardized assumptions and published factors, allowing tenants to understand how fees are calculated. It also supports both lump sum and annualized payment

structures adapted to different lease terms that can be validated against actual RFP results or comparable lease transactions to ensure reasonableness.

This methodology safeguards the City from foregoing financially superior aeronautical uses of airport property and supports fee and rental structure that makes the Airport as self-sustaining as possible, consistent with FAA Grant Assurance 24.

Fee Methodology

The following assumptions are used to present an example for the Fee for Term NPV calculation of a non-reversionary 50'x50' box hangar for current market rates and construction costs at HCR.

Term	20	years
Discount Rate	6.5%	
Escalation Rate	3.0%	
Escalation Discount	0.967	
Ground Rent (annually)	\$0.42	\$/sq ft
Hangar Rent (monthly)	\$0.54	\$/sq ft
Hangar Asset Life	50	years
Hangar size (sq ft)	2,500	sq ft
Cost of Construction	\$120	\$/sq ft
Fair Market Rental Return	\$9,712	in Year 1
FMRR Cash Flow	\$302,187	over term

The Fee for Term on a non-reversionary lease is the NPV of the FMRR less ground rent and the cost of construction. These assumptions result in the following Fee for Terms:

Year	1	5	10	15	20
Cost of Construction	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Ground Rent	\$1,082	\$1,217	\$1,411	\$1,636	\$1,896
Hangar Rent	\$16,793	\$18,901	\$21,912	\$25,402	\$29,447
Fair Market Rental Return	\$9,712	\$11,684	\$14,501	\$17,766	\$21,551
Cummulative FMRR	\$9,712	\$53,417	\$120,120	\$202,226	\$302,187
NPV Calculation	\$9,712	\$10,222	\$10,734	\$11,128	\$11,422
Fee for Term	\$9,712	\$49,865	\$102,564	\$157,460	\$214,017
Discount	0%	-7%	-15%	-22%	-29%
Unit Fee (\$/sqft/yr)	\$3.88	\$3.99	\$4.10	\$4.20	\$4.28