

AIRPORT LEASE AGREEMENT

This Airport Lease Agreement ("Agreement" or "Lease") is made and entered into this 14th day of February, 2023 (the "effective date"), by and between the City of Page, a municipal corporation organized and existing under the laws of the State of Arizona ("Lessor"), Papillon Airways, Inc. ("Lessee").

RECITALS

A. Lessor owns, operates, and regulates the Page Municipal Airport located in the City of Page, County of Coconino, State of Arizona, including all real property, facilities, public services, and public utilities thereon ("Airport").

B. Lessor has designated specific areas of the Airport as suitable for the location and conduct of certain air carrier operations.

C. Lessor desires to lease a portion of the Airport to Lessee for the purpose of conducting an air taxi operation and related business activities thereon.

D. Lessee desires to lease certain areas, facilities, rights, licenses, services, and privileges in connection with its development and operation of an air taxi operations and related activities at the Airport.

E. Lessor desires to maximize charter flights and other passenger services in order to generate additional enplanements at the Airport in an amount sufficient to allow the Airport to maintain its classification as an airport eligible to receive certain financial assistance from the Federal Aviation Administration and the U.S. Department of Transportation.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and the mutual promises and covenants contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

ARTICLE I DEFINITIONS

The following terms shall have the meanings set forth below whenever used in this Agreement, except where the context clearly indicates otherwise.

1.1 Air Taxi Operator. A person, firm or corporation engaged directly in air transportation or passengers and/or property subject to the provisions of Part 135.

1.2 Airport Main Terminal. The term "Airport Main Terminal" shall refer to the main terminal building located at the Airport.

1.3 City. The term "City" shall refer to the City of Page, Arizona, an Arizona municipal corporation.

1.4 Improvements. The term "Improvements" shall mean and refer to all structures, buildings, facilities, walls, landscaping and improvements of any type or kind constructed or built on the Premises.

1.5 FAA. The term "FAA" shall mean and refer to the Federal Aviation Administration of the United States Government or any federal agency succeeding to the jurisdiction of the Federal Aviation Administration.

1.6 Premises. The term "Premises" shall mean and refer to that portion of the City of Page Airport property as more fully set forth in Article II, that is provided to Lessee for Lessee's exclusive and non-exclusive use and enjoyment pursuant to the terms of this Agreement.

1.7 Property. The term "Property" shall mean and refer to that portion of the Airport property that is leased to ~~Lessor~~ Lessee by the City.

1.8 Public Airport Facilities. The term "Public Airport Facilities" shall mean and refer to all public airport facilities and appurtenances including, but not limited to, approach areas, runways, taxiways, aprons, aircraft and automobile parking areas, roadways, sidewalks, navigational and navigational aides, lighting facilities, and other public facilities of the Airport exclusive of the Premises as defined herein.

ARTICLE II PREMISES AND PRIVILEGES

2.1 Premises. Lessor agrees to lease to Lessee and Lessee agrees to lease from Lessor the Premises for Lessee's use, according to the terms and conditions set forth herein.

2.1.1 Exclusive Use Space. Lessee shall be entitled to the exclusive use of seminal suite #4 located on the 1st level of the Airport Main Terminal located at 238 10th Ave., Page, Arizona, containing a total of 131 square feet of space.

2.2 Use of Airport. The Premises shall be used by the Lessee only for conducting the aviation business activities specified in this Agreement and shall be used for no other purposes unless the Lessor otherwise agrees in writing in advance. Lessor hereby grants the Lessee the following general privileges, uses and rights, all of which are subject to the terms, conditions, and covenants hereinafter set forth and all of which are non-exclusive relative to the Public Airport Facilities.

2.3 Use of Airport Public Facilities. Lessee shall be allowed the general use of all Public Airport Facilities and improvements which are now or may hereafter be constructed and are appurtenant to the Airport, except as hereinafter provided, to be used by the Lessee for the operation herein defined. The right of ingress and egress

from the Premises over and across the public roadways serving the Airport may be utilized by Lessee, its agents, patrons, and invitees, subject to the City's ordinances, rules and regulations as now or may hereinafter be applicable to the Airport. Use of the Premises including any hangars, be-downs and movable or portable hangars for repair, maintenance, or storage of automobiles, boats travel trailers, recreational vehicles, or other property not related to aircraft or aviation is expressly prohibited.

2.4 Scope of Grant of Privileges Lessor hereby grants to Lessee the general privileges, uses, and rights set forth in this Article II, all of which are further subject to the terms, conditions, and covenants of this Agreement, and all of which, except for Lessee's exclusive right to use and possession of the Exclusive Use Space during the terms of this Agreement, will be non-exclusive relative to the Airport.

2.5 Permitted Uses. Lessee shall be entitled to use of the Premises, Public Airport Facilities and Airport for the non-exclusive right to engage in the business of an Air Taxi and Aircraft Charter Services. The Premises, Public Airport Facilities and Airport shall not be utilized by Lessee for any purpose other than the conduct of Lessee's Air Taxi and Aircraft Charter Service unless the Lessor otherwise agrees in writing in advance.

2.5.1 Air Taxi and Aircraft Charter Services. Said service shall include the operation of non-scheduled, on demand, and/or contract tours or charter air transportation of passengers complying with CFR 135 FAA regulations.

2.5.1.1 Monthly Summary Report. Lessee shall provide monthly summary reports to Airport Director. The summary report shall include the previous month's explanation, development, and operation report. The format shall be acceptable to the Airport Director.

2.5.1.2 Annual CFR 135 Compliance Report. Lessee shall provide an annual CFR 135 Compliance Report to the Airport Director. The report shall demonstrate the requirements in Paragraph 2.5.1.

2.6 Right of Ingress and Egress. Lessor grants to Lessee and Lessee's employees, agents, passengers, suppliers, patrons, invitees, and furnishers of services a non-exclusive right of ingress and egress from the Premises over and across the public roadways which serve the Airport. Such right of ingress and egress shall be subject to the City's ordinances, rules and regulations applicable to the Airport.

2.7 Use of Airport Parking Lot. Lessor grants to Lessee and Lessee's employees, agents, passengers, suppliers, patrons, invitees, and furnishers of services the right to the general use of the Airport Parking Lot during the effective term(s) of this Agreement, unless such use of the Airport Parking Lot is restricted by the Federal Aviation Administration ("FAA") or Transportation Security Administration ("TSA") for security purposes, or as such use may be otherwise restricted by any governmental agency having jurisdiction over the Airport.

ARTICLE III TERM

3.1 Initial Term. This Lease shall commence on the effective date of this Agreement and shall, subject to the terms hereof, including the renewal options described in Section 3.2, remain in full force and effect for two (2) years following the effective date of this Agreement (the "Initial Term"), or unless terminated earlier by either or both of the parties pursuant to the provisions of Article XIV herein below.

3.2 Option to Renew. In the event that this Lease is in full force and effect and the Lessee shall not be in default hereunder, the privilege is granted to the Lessee the option to renew the Lease for two (2) additional one (1) year terms. Said exercise of the additional options shall be subject to renegotiation of the Lease rate pursuant to Section 4.1 and applicable sub-sections. The renewal of the Lease as provided for herein shall occur only upon Lessee providing Lessor with written notice of its intention to exercise the option at least one (1) month prior, and no more than six (6) months prior to the expiration of the current term. If the Lessee does not exercise its option to renew the Lease as set forth herein, then this Lease shall expire at the end of the current term. If the option is properly exercised, the Lessee shall pay rents and fees at the then existing rates.

ARTICLE IV LEASE RATES AND FEES

4.1 Lease Rates and Fees. As consideration for the use and enjoyment of the Premises, Property, Public Airport Facilities, rights, licenses, services, and privileges granted hereunder, Lessee agrees to pay Lessor the following lease rates, fees, and charges.

4.1.1 Base Lease Rate. Lessee agrees to pay a Base Lease Rate consistent with the rate(s) set by City Council per resolution. Each monthly rental payment, together with any additional fees as provided herein, shall be due and payable in advance on the first day of each calendar month. Any payments not received by Lessor as of the first day of each calendar month will be subject to the imposition of late charges pursuant to Section 5.1.2 herein below. Additionally, upon Lessee's exercise of the option to renew the Lease, the monthly Base Lease Rate shall be renegotiated by Lessor and Lessee ("the New Base Lease Rate"). The New Base Lease Rate shall be effective as of the beginning of the renewal period. In no event shall the New Base Lease Rate for the renewal period be less than the Base Lease Rate established for the second year of this Agreement.

4.1.2 Late Payment. If any installment of rents or any other sums due from Lessee shall not be received by Lessor or Lessor's designee on or before the date that such amount shall be due, Lessee shall pay to Lessor a late charge equal to 10% of the amount due for each month such amount is overdue. Acceptance of such late charge by Lessor shall neither constitute a waiver of Lessee's default with respect to

such overdue amount nor prevent Lessor from exercising any of the other rights and remedies granted to Lessor hereunder.

4.1.3. Payment Bond. Upon the execution of this Agreement, Lessee shall furnish to Lessor a payment bond or cash deposit conditioned upon the faithful and true performance, observation and compliance with all of the terms, conditions, and provisions of this Agreement. The payment bond or cash deposit shall be in an amount equal to \$1,000.00.

4.1.4 Utility Expense Allocation. In addition to any rental or other fee amounts due hereunder, Lessee shall be responsible for payment to Lessor of all utility expenses allocated to the Premises. Each month, the amount of utility expenses to be allocated to the Premises shall be in the same proportion to the total amount of utility expenses for the Airport Main Terminal for that month as the space of the Premises is in proportion to the total Airport Main Terminal space. For purposes of utility expense allocations, the parties agree that the Premises occupied by Lessee constitute 5.06% of the total Airport Main Terminal space.

4.1.5 Janitorial Expense Allocation. In addition to any rental or other fee amounts due hereunder, Lessee shall be responsible for payment to Lessor of all Janitorial expenses allocated to the Premises. Each month, the amount of Janitorial expenses to be allocated to the Premises shall be in the same proportion to the total amount of utility expenses for the Airport Main Terminal for that month as the space of the Premises is in proportion to the total Airport Main Terminal space. For purposes of Janitorial expense allocations, the parties agree that the Premises occupied by Lessee constitute 5.06% of the total Airport Main Terminal space.

4.1.6 Taxes. Lessee shall pay all taxes, assessments, and charges of a like nature, if any, which at any time during the term of this Lease may be levied against Lessee by the United States Government, the State of Arizona, any municipal corporation, or any other governmental tax assessment body, upon or in respect to the Premises or any of Lessee's personal property situated on the Premises.

4.1.7 Adjustment to Base Lease Rate. If during the term of this Lease, upon the expiration of the first twelve (12) months, and each succeeding twelve (12) months, the Consumer Price Index (CPI) published by the United States Department of Labor, Bureau of Labor Statistics, All Urban Consumers, Flagstaff, Arizona (Western Urban), shows a rise in the cost of living index for all products for the prior year, the Lessees shall pay to the Lessor, as additional base fee, such percentage of the fee as is proportional to the rise in such index from the prior year for each year remaining under this agreement. The sum so calculated shall constitute the new Base Lease Rate. In no event shall the new Base Lease Rate be less than the Base Lease Rate payable for the month immediately preceding the applicable CPI Adjustment Date. If the index is discontinued during the Term, such other governmental index or replacement index or computation shall be used in order to obtain substantially the same result as would be obtained if the index had not been discontinued.

**ARTICLE V
MAINTENANCE SERVICES PROVIDED BY LESSOR**

5.1 Utilities. Lessor shall provide the Premises and other areas of the Airport Main Terminal building with heating, ventilation and air conditioning, normal electric services, and trash removal. Lessor shall provide water and sewer utility services to the Airport Main Terminal building. Lessee shall pay for Lessee's allocated portion of the actual expenses incurred by Lessor for the provision of such utilities to the Premises pursuant to the provisions of Section 4.1.4 herein above.

5.2 Maintenance Provided by Lessor. Lessor shall provide all janitorial services to the Premises and other areas of the Airport Main Terminal. Lessor shall keep, or make appropriate arrangements to keep, the Airport Main Terminal and Public Airport Facilities adequately equipped, furnished, decorated, clean and presentable. Lessor shall provide for trash removal from the Airport and Lessee shall place all of Lessee's trash in designated areas/containers. Lessee shall pay for Lessee's allocated portion of the actual expenses incurred by Lessor for the provision of such janitorial services and trash removal to the Premises pursuant to the provisions of Section 4.1.5 herein above.

5.3 Maintenance of Airport. Lessor or the City shall maintain or cause to be maintained and repaired in good condition all areas of the Public Airport Facilities, including, but not limited to, the Airport Main Terminal, other Airport buildings, vehicular parking areas, runways, field lighting, taxi strips, roadways, parking aprons, and all appurtenances, facilities, and services now or hereafter connected with the foregoing.

5.4 Operation as a Public Airport. Lessor and the City agree that at all times Lessor and the City will operate and maintain the Airport facilities as a public airport consistent with and pursuant to assurances given by the City to the United States Government under the Federal Airport Act and consistent with the terms and conditions of this Lease. Lessor further agrees to manage the Airport in a reasonable and prudent manner and to use due diligence in the operation and maintenance of Airport facilities.

**ARTICLE VI
MAINTENANCE BY LESSEE**

6.1 Maintenance by Lessee. Lessee agrees to maintain the Premises in a reasonably safe, clean and orderly condition and to keep the Premises and immediate grounds reasonably free from trash and litter. With respect to any improvements constructed by Lessee on the Premises, Lessee shall, at Lessee's own expense, maintain all such improvements and appurtenances thereto in a reasonably good condition.

6.2 Reimbursement for Damages to Public Airport Facilities. Lessee shall, upon presentation of invoices sufficiently describing any repairs performed, reimburse Lessor for all reasonable and necessary expenses actually incurred by Lessor in repairing any damage to the Public Airport Facilities where such damage was the result

of any willful misconduct or gross negligence by Lessee or Lessee's employees or agents.


ARTICLE VII CONSTRUCTION AND INSTALLATIONS BY LESSEE

7.1 Permission of Lessor Required. Except as provided for herein, Lessee shall not construct or make any alterations, additions, improvements to, or installations upon the Premises without the prior written permission of the Lessor. Notwithstanding anything to the contrary, and as set forth more fully in Article VIII of this Agreement, Lessee shall be entitled to impose a mortgage or other encumbrance on the Improvements without obtaining the prior written consent of the Lessor; provided, however, that any such mortgage or lien may only be imposed for the purpose of obtaining financing associated with the development of the Premises.

7.2 Construction of Improvements. Any construction that may be performed by the Lessee pursuant to the written permission of the Lessor shall be done at Lessee's sole expense. The plans and specifications for the location, design, type of construction, dimensions and other features of any improvements to be constructed on the Premises by the Lessee shall be submitted to Lessor for Lessor's reasonable review and approval prior to commencement of construction.

ARTICLE VIII ENCUMBRANCES UPON PROPERTY

8.1 Limitations on Right to Encumber. Except as provided in Section 9.2 below, neither the Lessee nor any successors-in-interest to the Lessee shall (i) engage in any financing or any other transaction which creates any general leasehold mortgage, encumbrance or lien upon the Property, or (ii) suffer any encumbrance or lien to be made against or attached to the Property without the prior written consent of the Lessor. In the event any mortgagee of Lessee requests confirmation that any proposed encumbrance or lien is authorized by this Agreement, the City Manager shall be authorized to provide such written confirmation as may be required.

8.2 Consent Required. Notwithstanding the provision of Section ^{7.1} ~~8.1~~ above, Lessee shall be entitled to grant a leasehold mortgage in the Premises or allow a leasehold encumbrance or lien to attach to the Premises without obtaining the prior consent of the Lessor if the mortgage, encumbrance or lien has been granted or allowed for the purpose of obtaining any financing associated with developing the Premises as permitted by this Agreement. 

8.3 Delivery of Notice. Lessee shall notify Lessor in writing prior to executing any leasehold deed of trust or other similar lien or security instrument that Lessee proposes to enter into with respect to the Premises. The notice shall set forth the name and address of the proposed mortgagee or lienor, as well as the general terms and conditions of the mortgage or lien. Failure by Lessee to notify the Lessor in writing in advance of Lessee's execution of any such instrument that will impose a leasehold

mortgage, encumbrance or lien on the Premises shall be considered a material breach of this Lease.

ARTICLE IX CONSTRUCTION LIEN INDEMNITY

9.1 Construction in Compliance with Applicable Law. Any and all construction activity occurring on the Property by Lessee with written permission by Lessor shall be conducted in accordance with all applicable laws, rules, and regulations of the City of Page, the State of Arizona, and the United States Government. During the course of construction, Lessee will comply, or will cause Lessee's contractors and sub-contractors to comply, with all applicable Worker's Compensation and other labor laws.

9.2 Construction Lien Indemnity. Lessee shall not permit any improvements under construction or constructed on the Premises, or Lessee's interest therein, at any time during the term of this Lease to become subject to any lien, charge or encumbrance whatsoever, other than a mortgage, deed of trust, easement, or similar encumbrance in connection with the financing thereof, or liens of non-delinquent taxes or assessments for local improvements. Lessor reserves the right to pay funds on behalf of the Lessee to remove liens in violation of this Lease and Lessee will reimburse Lessor for such payments. Lessee shall pay and discharge all claims for labor and materials prior to the expiration of the time provided for filing of liens for claims of such nature.

ARTICLE X INDEMNITY AND INSURANCE

10.1 Indemnity by Lessee. Lessee shall indemnify and hold the City and Lessor harmless from any and all fines, suits, claims, demands, actions, and/or causes of action pertaining to any personal injury, death, or property damage which arises out of or is in connection with the business operations of Lessee on the Premises or in connection with Lessee's use of the Premises; provided, however, that the Lessee shall not be liable for any injury, damage, or loss occasioned by the negligence or willful misconduct of Lessor, its agents or employees. Lessor shall give Lessee prompt and timely notice of any claim or suits instituted which in any way, directly or indirectly, contingently or otherwise, affects or might affect Lessee, and Lessee shall have the right to compromise and defend the same to the extent of Lessee's own interest.

10.1.1 Lessee shall indemnify and hold Lessor harmless from and against any liability, loss, damage, costs, or expenses (including reasonable attorney fees and court costs) arising from any Worker's Compensation claims, Unemployment Compensation claims, or Unemployment Disability Compensation claims of employees of Lessee and/or Lessee's contractors and subcontractors, or claims under similar such laws and obligations.

10.2 Indemnity by Lessor. Lessor hereby agrees to indemnify and hold Lessee harmless from any and all fines, suits, claims, demands, actions, and/or causes of

action pertaining to any personal injury, death, or property damage which arises out of or is in connection with Lessor's management and operation of the Airport, provided, however, that Lessor shall not be liable for any injury, damage, or loss occasioned by the negligence or willful misconduct of Lessee or the negligence or willful misconduct of Lessee's agents, invitees or employees in the course of their employment by Lessee. Lessee shall give Lessor prompt and timely notice of any claim or suits instituted which in any way, directly or indirectly, contingently or otherwise, affects or might affect Lessor, and Lessor shall have the right to compromise and defend the same to the extent of Lessor's own interest.

10.2.1 Lessor shall not be liable for any injury to Lessee's business, for any loss of income or for damage to the goods, wares, merchandise, or other property of Lessee, Lessee's employees, invitees, customers, or any other person in or about the Premises, or for any injury to the person of any of Lessee's employees, agents, or contractors unless such damage, loss, or injury is caused by, or is the result of, any negligence or willful misconduct of Lessor, its employees or agents. Lessor shall not be liable for any damages arising from any act of any other Airport tenant, unless Lessor has ordered, approved, or in any way acquiesced to such act.

10.3 Certificates of Insurance. In addition to the indemnities required in this Article XI, Lessee shall maintain policies of insurance in the following types and amounts of coverage:

10.3.1 Commercial General Liability. Comprehensive public liability and property damage insurance in a kind and form satisfactory to Lessor with a minimum limit of liability of not less than One Million Dollars (\$1,000,000) for any one accident and a minimum limit of liability of not less than One Million Dollars (\$1,000,000) in the aggregate for each calendar year. An Umbrella or Following Form Excess Liability Policy may be used to complete the One Million Dollar (\$1,000,000) limits required by this Section ~~11.3.1~~ 10.3.1

10.3.2 Worker's Compensation and Employees Liability. Lessee shall provide and keep in full force and effect during the term of this Lease a policy of Worker's Compensation insurance covering those employees of Lessee who are employed by Lessee at the Premises.

10.4 Certificates of Insurance. Each Certificate of Insurance for the policies of insurance described in Section ~~11.3~~ shall name Lessor and the City as additional insureds and a copy of each Certificate of Insurance shall be filed with the City Clerk and City Risk Manager within thirty (30) days after the issuance of such Certificate of Insurance or within thirty (30) days after the execution of this Agreement, whichever date is later. Each Certificate of Insurance shall provide that insurance coverage for such policy of insurance will not be canceled or reduced without at least sixty (60) days prior written notice to Lessor and the City.

10.5 Insurance Companies Acceptable to Lessor and the City. Each policy of insurance described in Section ~~11.3~~ shall be issued by an insurer of recognized

10.3

responsibility that is reasonably satisfactory to Lessor.

ARTICLE XI RULES AND REGULATIONS

11.1 Compliance with Law. Lessee shall observe and comply with all laws, ordinances, rules, and regulations, now in effect or hereafter promulgated, of the United States Government, the State of Arizona, the County of Coconino, and the City of Page, and all governmental agencies which have jurisdiction over the Airport or the operation, management, maintenance, or administration of the Airport. Upon written request by Lessor, Lessee shall provide to Lessor copies of permits, licenses, or other documents which evidence Lessee's compliance with such applicable laws. Lessee shall, at Lessee's sole expense, obtain the licenses and/or permits required in connection with the operation of Lessee's air transportation services business on the Premises or Property.

11.2 Compliance with FAA Regulations. Lessee agrees to comply with the following Federal Aviation Administration regulations:

11.2.1 Non-Discrimination for Another Similar Service. Lessee covenants and agrees that in the event facilities are constructed, maintained, or otherwise operated on said Property described in this Lease Agreement for a purpose for which U.S. Department of Transportation ("USDOT") programs or activity is extended for another purpose involving the provision of similar services or benefits, the Lessee shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to Title 49, Code of Federal Regulations, USDOT, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally Assisted Programs of the U.S. Department of Transportation - Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

11.2.2 Non-Discrimination in Construction and Use of Premises. Lessee covenants and agrees that: (1) no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subject to discrimination in (i) the use of the Premises, (ii) the construction of any improvements on, over, or under the land occupied by the Premises, or (iii) the furnishing of services on the Premises, and (2) Lessee shall use the Premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, U.S. Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Non-discrimination in Federally Assisted Programs of the U.S. Department of Transportation - Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

11.2.3 Non-Discrimination Breach. In the event of breach of the above nondiscrimination covenants set forth Sections ~~12.2.1~~ and ~~12.2.2~~, Lessor shall have the right to terminate this Agreement in accordance with the notice, appeal, and other required procedures of Title 49, Code of Federal Regulations, Part 21.



11.2.4 Affirmative Action Program. Lessee agrees to undertake an affirmative action program as required by 14 CFR, Part 152, Subpart E, to ensure that no person shall on the grounds of race, creed, color, national origin, or sex shall be excluded from participating in any employment activities covered in Title 14, Code of Federal Regulations, Part 152, Subpart E.

11.2.5 Non-Discriminatory Pricing. Lessee agrees to furnish Lessee's accommodations and/or services on a fair, equal and not unjustly discriminatory basis to all users thereof, and Lessee agrees to charge fair, reasonable and not unjustly discriminatory prices for services provided by Lessee; provided, however, that Lessee may be allowed to make reasonable and nondiscriminatory discounts, rebates or other similar type price reductions to volume purchasers.

11.3 Right to Improve Landing Area. The City reserves the right to further develop or improve the landing area of the Airport as the City sees fit, regardless of the desires or opinions of the Lessee and without hindrance or interference.

11.4 Right to Maintain the Airport. City reserves the right to maintain and keep in repair the landing areas of the Airport and all Public Airport Facilities. Lessee shall not, without the prior written consent of the City, commence or engage in any repair or maintenance activities with regard to the landing areas of the Airport or the Public Airport Facilities.

11.5 Subordination. This Lease Agreement shall be subordinate to the provisions and requirements of any existing or future Agreement between the City and the United States Government relative to the development, operation, or maintenance of the Airport.

11.6 Reservation of Airspace. There is hereby reserved to City, its successors and assigns, for the use and benefit of the whole public, a right of passage of aircraft in the airspace above the surface of the Premises herein leased. This public right of flight shall include the right to cause in said airspace any noise inherent in the operation of any aircraft used for navigation or flight through the said airspace or landing at, taking off from, or operation on the Page Municipal Airport.

11.7 Airspace Notice of Construction. Lessee agrees to comply with the Airport Master Plan, Airport Layout Plan and the notification and review requirements covered in Part 77 of the Federal Aviation Administration Regulations in the event future construction of a building is planned for the Property or Premises, or in the event of any planned modification or alteration of any present or future building or structure situated on the Property or Premises. Upon written request from Lessee, Lessor agrees to provide to Lessee with a copy of the then current Airport Master Plan and Airport Layout Plan, as amended. Lessee agrees to reimburse Lessor for all reasonable costs actually incurred by Lessor in providing such copies to Lessee.

11.8 Limitation on Structures. Except as otherwise permitted by Article VI of

this Agreement or as permitted in writing by Lessor, Lessee may not erect or grow, nor permit the erection or growth of, any structure or object on the Property.

11.9 No Interference with Airport Operations. Lessee shall not use the Premises in any manner that either (i) interferes with the landing and taking off of aircraft from the Page Municipal Airport or (ii) otherwise constitutes an unreasonably hazardous condition. In the event the aforesaid covenant is breached, Lessor reserves the right to enter upon the Premises and cause the abatement of such interference at the expense of Lessee.

11.10 No Exclusive Right. It is understood and agreed that nothing herein contained shall be construed to grant or authorize the granting of an exclusive right within the meaning of Section 308a of the Federal Aviation Act of 1958 (49 U.S.C. 1349a).

11.11 War or National Emergency. This Agreement shall be subject to any right the United States Government now has or in the future may have or acquire, affecting the control, operation, regulation, and take over of the Airport or the exclusive use or nonexclusive use of the Airport by the United States during time of declared or undeclared war, national emergency, or pursuant to acts of terrorism.

11.12 Subletting and Assignment.

11.12.1 Lessee shall let, sublet, or assign the Premises in whole or part, without the prior written consent of the City through its City Manager. Such consent shall be deemed to have been given if, within thirty (30) days after receipt by Lessor of a written notice in which Lessee shall designate the intended transferee or assignee of the Premises, the City Manager does not, in writing, disapprove of the proposed action. (This provision shall not apply to placing of mortgages, deeds of trust, or similar liens on the improvements made on the Premises, or to voluntary or involuntary transfers of such security instruments, as provided in Article IX herein above.)

11.12.2 Lessee and all prospective sub-lessees or assignees are required to comply with the requirements of Chapter 14 of the Code of the City of Page.

**ARTICLE XII
TOTAL OR PARTIAL DESTRUCTION OF PREMISES**

12.1 Total or Partial Destruction of Improvements. If at any time during the term of this Agreement, the Premises, or the improvements thereon, shall be destroyed by fire, earthquake, or other calamity, and if the destruction or damage is of such nature as to render the Premises unsuitable for the conduct of air transportation operations by the Lessee as determined jointly by the City, Lessor and Lessee, then Lessee may, within ninety (90) days following such damage or destruction, give written notice of termination to Lessor and this Agreement shall terminate.

**ARTICLE XIII
TERMINATION**

13.1 Termination by Either Party Upon Occurrence of Event. Lessor or Lessee may cancel this Agreement by giving sixty (60) days advance written notice to the other party to be served as hereinafter provided, upon or after the happening of any one of the following events:

13.1.1 The failure or refusal of the FAA or TSA, at any time during the term of this Agreement, to permit Lessee to operate in or from the Airport and such refusal or failure is not reversed or cured within the sixty (60) days notice period.

13.1.2 Issuance by any court of competent jurisdiction of an injunction in any way preventing or restricting the use of the Airport or any part thereof for airport purposes which affects the Lessee's operation; and the remaining in force of such injunction for a minimum period of ninety (90) days if the injunction materially affects the Lessee's normal operations.

13.1.3 The inability of Lessee to use, for a period in excess of ninety (90) days, the Airport or the Premises, or any of the rights, licenses, services, or privileges leased to Lessee hereunder because of any law or any order, rule, regulation, or other action or any non-action of the FAA or any other governmental authority, or because of fire, earthquake, or other casualty or acts of God or act of terrorism.

13.1.4 The assumption by the United States Government or any authorized agency thereof of the operation, control, or use of the Airport or any substantial portions thereof, in such a manner as to substantially restrict Lessee, for a period of ninety (90) days, from operating Lessee's normal operations thereon.

13.2 Modification of Lease Due to Relocation. This Lease may be modified by City should the need arise to relocate the Lessee elsewhere on the Airport or the City builds a new airport elsewhere. In such event, City will provide Lessee with at least ninety (90) days advance written notice. In the event that either (i) relocation of Lessee's leased improvements or (ii) relocation of Lessee's leased premises within the present Airport is required by Lessor or the City, then Lessor or the City will, at no cost to Lessee, relocate Lessee's improvements and/or provide Lessee with such improvements as are comparable to those improvements then in existence on the Premises. In the event a relocation of the present airport occurs during the period of this Lease, Lessor shall reimburse Lessee for the replacement cost of any improvements located on the Premises which are not relocated by Lessee to the new airport premises.

13.3 Termination of Lease Due to Conflict of Interest (A.R.S. §38-511). Pursuant to A.R.S. §38-511, the Lessor may, within three years after the execution of this Agreement, cancel this Agreement, without penalty or further obligation, if any person significantly involved in bidding, negotiating, securing, drafting or creating the

Agreement on behalf of the Lessor, is at any time while the Agreement or any extension of the Agreement is in effect, an employee or agent of any other party to the Agreement in any capacity or a consultant to any other party of the Agreement with respect to the subject matter of the Agreement. Lessor further elects to recoup any fee or commission paid or due to any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of Lessor from any other party to the Agreement, arising as a result of the Agreement.

13.4 Termination by Lessor: In addition to any right to terminate this Agreement for cause, Lessor reserves the right to terminate this Agreement without cause upon sixty (60) days prior written notice to Lessee.

ARTICLE XIV EXPIRATION OF LEASE

14.1 Removal of Property. Upon the termination of this Agreement, and provided Lessee is not in default of this Agreement, Lessee shall have the right to remove all of Lessee's machinery, equipment, and property located on the Premises which are capable of being removed without injury or damage to the Premises.

14.2 Ownership of Improvements. Upon the termination of this Agreement, any permanent improvements to the Premises shall become the property of the Lessor unless the Lessor determines that it would not be in Lessor's best interest to own such improvements. In the event Lessor elects not to exercise its right to retain any or all of permanent improvements to the Premises, Lessee may, within sixty (60) days of the termination of the lease and at Lessee's sole expense, remove such permanent improvements.

ARTICLE XV MISCELLANEOUS

15.1 Landlord-Tenant Relationship. Nothing contained in this Lease shall be deemed or construed to create the relationship of principal and agent or of partnership or of joint venture or of any association whatsoever between Lessor and Lessee, it being expressly understood and agreed that neither the computation of rent nor any other provisions contained in this Lease, nor any act or acts of the parties hereto shall be deemed to create any relationship between Lessor and Lessee other than the relationship of landlord and tenant.

15.2 Notices. Any notice desired or required to be served by either party upon the other or any notice provided for in this Agreement shall be in writing and shall be deemed given upon hand-delivery, by courier, or, if mailed, three (3) business days after being deposited in the United States mail, certified, return receipt requested, to the party to whom addressed, as set forth herein below:

Lessor: City of Page
P.O. Box 1180
Page, Arizona 86040
Lessee: ^{Papillon} Papillon Airways, Inc
P.O. Box 3013
Page, Arizona 86040



Any party may change the address to which notice shall be delivered or mailed by notice duly given.

15.3 Applicable Law and Venue. This Agreement shall be interpreted and enforced according to laws of the State of Arizona, except when pre-empted by Federal Law. Any State actions or proceedings between the parties arising from or related to this Agreement shall be brought and maintained in Coconino County, Arizona, Superior Court.

15.4 Attorney Fees. In the event that either party shall institute and prevail in any action or suit for the enforcement of any of such party's rights hereunder, the prevailing party in said action shall be entitled to collect reasonable attorney fees and costs arising therefrom.

15.5 Severability. In the event any provision of the Agreement is held invalid and unenforceable, the other provisions of this Agreement shall be valid and binding on the parties hereto.

15.6 Good Faith. The parties agree to operate under this Agreement in good faith.

15.7 Waiver. No waiver of default by either party of any of the terms, covenants or conditions hereof shall be construed as a waiver of any subsequent default.

15.8 Headings. The paragraph heading used herein are for convenience only and shall not affect the construction hereof.

15.9 Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original.


15.10 Successors and Assigns. This Agreement shall be binding upon and enure to the benefit of Lessor and Lessee and their respective successors and assigns.

15.11 Entire Agreement. This Agreement constitutes the complete Agreement and understanding between the parties and supersedes all prior oral and written understandings. This Agreement shall not be modified, amended, or changed except in a writing executed by both parties.

IN WITNESS WHEREOF, the parties hereto have entered into this Airport Lease Agreement effective as of the day and year first herein above written.


LESSOR:

City of Page,
a municipal corporation organized and existing under the laws of the State of Arizona

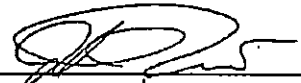
BY: 
Its: CITY MANAGER

Attest: _____

Approved as to form:


CITY ATTORNEY

LESSEE:

BY: 
Its: President