

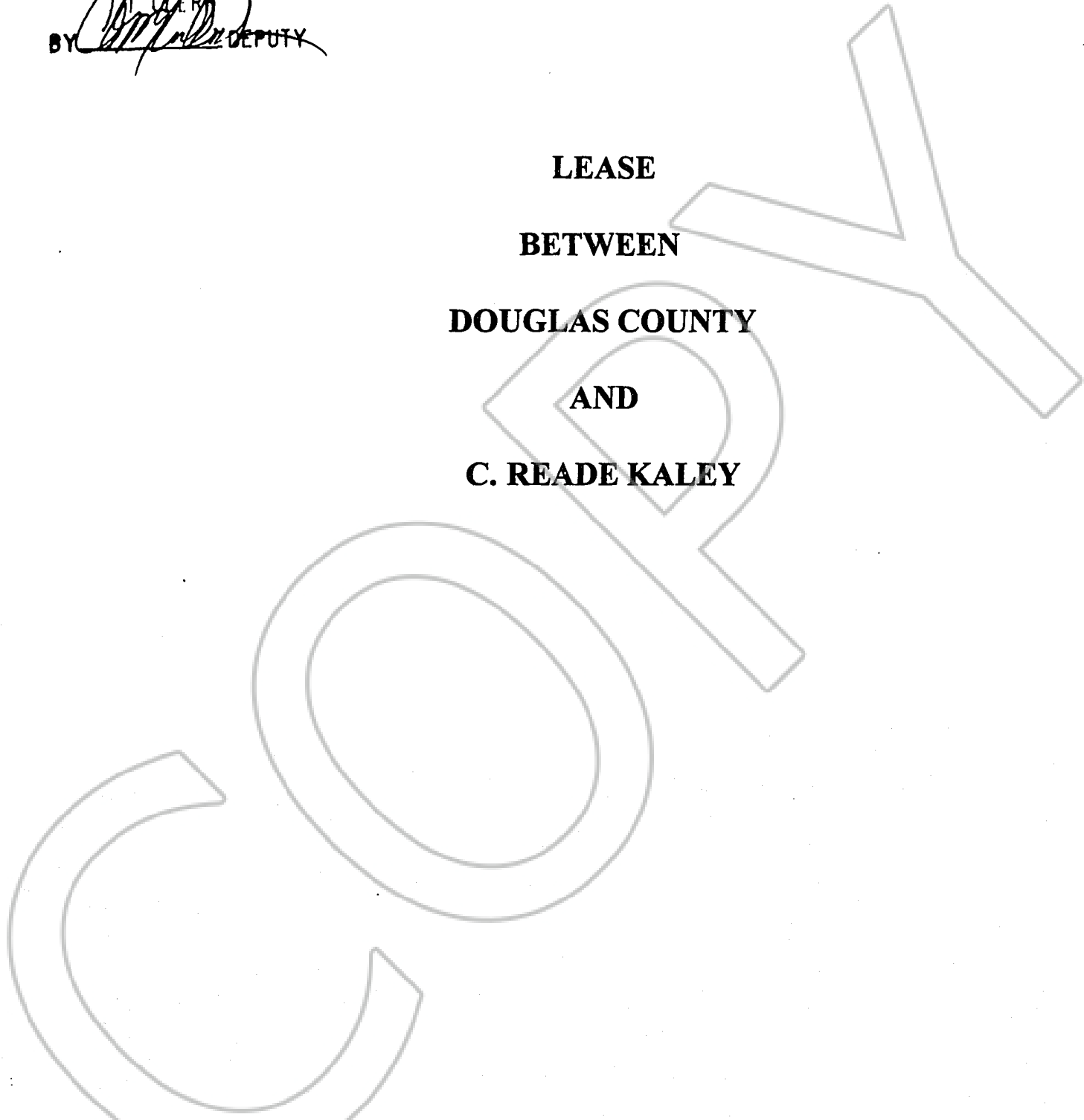
NF
Airport
For
FILED
NO. 98.228

'98 DEC -8 A9 :05

APPROVED 12/3/98 COMMISSIONERS MEETING

BARBARA REED
CLERK
BY *[Signature]* DEPUTY

**LEASE
BETWEEN
DOUGLAS COUNTY
AND
C. READE KALEY**



**LEASE
TABLE OF CONTENTS**

1. <u>PARTIES</u>	1
2. <u>PURPOSE</u>	1
3. <u>LEASED PREMISES</u>	1
4. <u>TERM</u>	1
5. <u>OPTION TO RENEW</u>	2
6. <u>RENT</u>	2
7. <u>ADDITIONAL PAYMENT PROVISIONS</u>	2
8. <u>SITE IMPROVEMENT</u>	3
9. <u>MAINTENANCE, REPAIR AND STORAGE</u>	3
10. <u>USE OF PREMISES</u>	3
11. <u>RENTAL OR COMMERCIAL OPERATIONS</u>	4
12. <u>UTILITIES</u>	4
13. <u>WASTE, QUIET CONDUCT, HAZARDOUS SUBSTANCES AND PROPERTY INSPECTION</u>	4
14. <u>STORMWATER DISCHARGE</u>	6
15. <u>RULES AND REGULATIONS</u>	6
16. <u>SECURITY</u>	6
17. <u>HOLD HARMLESS AND INDEMNIFICATION</u>	7
18. <u>INSURANCE</u>	7
19. <u>TAXES</u>	8
20. <u>INSPECTION, ACCESS AND NOTICE</u>	8

21. <u>ASSIGNMENT, SUBLETTING, SALE, AND ENCUMBRANCE</u>	8
22. <u>SURRENDER OF POSSESSION</u>	9
23. <u>DEFAULT</u>	10
24. <u>COUNTY'S REMEDIES</u>	11
25. <u>DESTRUCTION</u>	12
26. <u>NON-DISCRIMINATION</u>	12
27. <u>OPERATION OF AIRPORT BY COUNTY STAFF</u>	15
28. <u>FINANCING OF LEASEHOLD ESTATE</u>	15
29. <u>COUNTY PROCESSING FEES</u>	17
30. <u>NOTICE</u>	17
31. <u>INVALID PROVISIONS</u>	17
32. <u>MECHANIC'S AND MATERIALMAN'S LIENS</u>	17
33. <u>WAIVER</u>	18
34. <u>WRITTEN AGREEMENT</u>	18
35. <u>FURTHER ASSURANCES</u>	18
36. <u>CONSENTS</u>	18
37. <u>TIME</u>	18
38. <u>BINDING ON SUCCESSORS</u>	18
39. <u>ALTERATIONS AND ADDITIONS</u>	19
40. <u>APPEAL</u>	19
41. <u>SIGNATURES</u>	19

0456090

BK1298PG2103

LEASE
BETWEEN
DOUGLAS COUNTY
AND
C. READE KALEY

1. PARTIES

Douglas County, ("**County**"), a political subdivision of the State of Nevada, and C. Reade Kaley ("**Tenant**"), mutually agree and promise as follows:

2. PURPOSE

The purpose of this Lease is to lease a parcel of real property located at the Minden Tahoe Airport (the "**Airport**"), shown in Exhibit "A" - legal description, on which Tenant intends to construct improvements as shown in Exhibit "B" - construction exhibits. The Airport, owned by Douglas County, is a public airport located near Minden, Nevada, as shown on the airport layout plan which is on file in the airport administration building. The County is acting solely in its proprietary capacity as the Lessor and not in any governmental capacity unless so stated. The county's representative for purposes of this lease is the Operational Services Director ("**Director**").

3. LEASED PREMISES

In consideration of the rent and faithful performance by Tenant of the terms and conditions and the mutual covenants of this agreement, County leases to Tenant, and Tenant leases from County, subject to all easements and encumbrances of record, the parcel of real property described in Exhibit "A", ("**Premises**"), and the appurtenant rights included in paragraph 10.

4. TERM

This lease is for a term of twenty-five (25) years. The effective date or commencement date of this lease is January 1, 1999.

5. OPTION TO RENEW

Tenant shall have the option to renew this lease for a period of fifteen (15) years upon the expiration of the initial term provided that all terms, covenants and conditions of the initial lease term have been met and fulfilled. All provisions of this lease will carry over with the exception of the rent amount. Other changes which are mutually agreed to by both parties may be made. Written notice of Tenant's intention to renew this lease must be given to County in writing at least 180 calendar days prior to the expiration of the initial term of this Lease.

6. RENT

Tenant shall pay the following rent:

Site Rent. Tenant shall pay County a monthly rent for the use of premises, payable in advance on the first day of each month during the term of this lease. The initial monthly rent amount is (6,126.24 square feet x 0.11 cents = \$673.89/ 12 months = \$56.16). On an annual basis on each anniversary of the commencement date, the rent amount will be adjusted. The base for computing the adjustment is the Consumer Price Index (CPI), published by the United States Department of Labor, Bureau of Labor Statistics (index), San Francisco - Oakland - San Jose, which is in effect on the date of the commencement of the term (beginning index), or other comparable measurement or index which may replace the CPI. The index published immediately preceding the adjustment date in question (extension index) is to be used in determining the amount of adjustment. If the extension index has increased from the beginning index, the minimum monthly rent for the following period until the next readjustment shall be set by multiplying the minimum monthly rent by a fraction, the numerator of which is the extension index, and the denominator of which is the beginning index. Rent payable for any partial month shall be prorated.

In no case shall the minimum monthly rent be less than the rent in effect immediately prior to the adjustment date then occurring. Site rent will not increase more than 5% per annum aggregate.

7. ADDITIONAL PAYMENT PROVISIONS

A. Late Payments. If the Tenant fails to pay to County any amount payable under this lease within 30 days after the amount is due, Tenant shall pay to County a late charge of \$50.00 per occurrence, plus interest on all unpaid amounts at a rate of 1 and 1/2% per month, or part of a month from the date the payment was due and payable until paid in full. The \$50.00 charge and interest will be assessed per each delinquency.

0456090

BK 1298PG2105

B. Place of Payment. All rents and fees must be made payable to the Minden Tahoe Airport, and mailed by first class mail, postage prepaid, or personally delivered to the Minden Tahoe Airport Administration Building, 1146 Airport Road, Minden, NV 89423, or as the director may designate.

8. SITE IMPROVEMENT

Tenant shall construct all site improvements on the premises as shown in exhibit "B", Construction Exhibits.

9. MAINTENANCE, REPAIR AND STORAGE

A. Tenant must, at its sole cost and expense throughout the term of this Lease, maintain the entire premises including landscaping in good condition as determined by the director. All painted exterior surfaces and surfaces requiring treatment of any kind must be maintained in good condition and must be repainted or treated when reasonably required to preserve the structure and to maintain high standards of appearance at the airport. All maintenance, repairs, and replacements must be of a quality substantially equal to the original materials and workmanship. Any changes in exterior paint colors is subject to the prior written approval of the director.

Upon written notice by the director to tenant, tenant must perform reasonable maintenance requested by the director. If an agreement reached between the tenant and director for completing the work, within 30 days after written notice, or the maintenance is not completed within 90 days, the director has the right to enter on the premises to perform the necessary maintenance, at tenant's sole expense. If the County performs maintenance on the tenant's behalf, tenant must reimburse the County within 30 days of notice of the amount for the work plus 10 percent for administration.

B. Tenants are responsible for removing all garbage, debris, and other waste material (solid or liquid) arising out of tenant's occupancy of the premises or its operations. Any garbage, debris, or waste which may be temporarily stored in the open must be kept in suitable garbage or waste receptacles equipped with tight fitting covers. Tenants, employees, sub-tenants, or customers must not keep unlicensed or inoperable vehicles on any portion of the Airport. Operable but unlicensed vehicles that are necessary as a part of the tenant's aviation related commercial enterprise (such as fuel trucks, golf carts, water tenders, tugs, etc.) will be permitted to remain on the Airport.

10. USE OF PREMISES

0456090

BK 1298PG2106

All uses of the premises must comply with the Airport minimum standards for development for fixed base operators and airport tenants, the Airport rules and regulations, and with Douglas County Code 20.668.

Tenant, as well as Tenant's assignees and subleassees, agents, employees, and customers, shall have non-exclusive appurtenant rights of access to and use of all areas and facilities of the Airport which are intended for the common use of all Tenants and occupants of the Airport, including, but not limited to, the takeoff and landing areas, taxi areas, reasonable access from the premises, and air control facilities.

This lease confers no rights to the subsurface of the land more than 5 feet below the ground level or to the airspace more than 10 feet above the top of the roof of the building or buildings, that is a part of the premises.

11. RENTAL OR COMMERCIAL OPERATIONS

This area of the Airport is set aside for aviation tenant and corporate or government tenant. (See Category F., Page 23 - Minimum Standards for Development for Fixed Base Operators and Airport Tenants at Minden-Tahoe Airport.) This area of the Airport is set aside for non-commercial operations. (See Page 16, Paragraph 14 - Commercial Operations of the Douglas County Airport Rules and Regulations.) This area of the Airport is set aside for non-commercial operations. (See Page 16, Paragraph 14 - Commercial Operations of the Douglas County Airport Rules and Regulations.)

12. UTILITIES

Tenant shall pay, on Tenant's own account, for all utilities used or consumed on the premises, including but not limited to, gas, water, electricity, garbage disposal, storm and sanitary sewer services, janitorial services, and telephone services.

13. WASTE, QUIET CONDUCT, HAZARDOUS SUBSTANCES AND PROPERTY INSPECTION

Tenant shall not commit, or suffer to be committed, any waste on the premises, or any nuisance or other act or thing which may disturb the quiet enjoyment of the use of the Airport or surrounding property. Tenant shall provide, as necessary, a separate drainage, collection or separation system to ensure that no untreated liquid waste from any type of operation be discharged directly into the Airport storm drainage or sanitary system, including aircraft cleaning and oil change operations. Tenant shall not permit any activity on the premises which directly or indirectly produces unlawful amounts or

levels of air pollution (gases, particulate matter, odors, fumes, smoke, or dust), water pollution, noise, glare, heat emissions, radioactivity, electronic or radio interference with navigation and communication facilities for the operation of the Airport and its use by aircraft, trash or refuse accumulation, vibration, prop-wash, or jet blast, or which is hazardous or dangerous by reason or risk of explosion, fire, or harmful emissions.

A. Hazardous Substances. The term "Hazardous Materials" means any toxic substance, hazardous substance, hazardous or radioactive material, as defined by NRS 459 as a regulated substance. Tenant must not cause or permit the presence, use, handling, generation, emission, release, discharge, storage, or disposal of any hazardous materials on, under, in, or about the premises, excepting the presence of any hazardous materials on, under, in, or about the premises as of the date of this lease or the migration to or seepage of hazardous materials from surrounding or adjacent property. Tenant must not cause or permit the transportation of any hazardous materials to or from the premises except for the proper disposal of any hazardous material according to law. Tenant shall indemnify, protect, defend, and hold harmless County from and against all liability, and consequential damages, penalties, expenses, and costs of any required or necessary testing, remediation, repair, removal, cleanup, or detoxification, of the premises and if affected surrounding properties, and from and against the preparation of any cleanup, remediation, closure or other required plans, whether the action is required or necessary prior to or following the termination of this lease, to the full extent attributable to the use, handling, generation, emission, release, discharge, storage, or disposal of hazardous materials by Tenant, its agent, employees, subtenants, or contractors during the term of this lease. Tenant must at all times notify the director of any hazardous materials present, used, generated, handled, emitted, released, discharged, stored, or disposed of on or from the premises. Notice is not required for hazardous materials present on the premises in reasonable quantities which are commonly used in aircraft storage and aviation related business facilities approved for this premises. These hazardous materials include, but are not limited to, cleaning materials, motor oils and hydraulic fluids, provided these hazardous materials are used and disposed of in accordance with applicable laws. Tenant must institute operating procedures designed to handle hazardous materials consistent with prudent industry practice. The director has the right to inspect the premises at any time after reasonable notice, except in emergencies, to verify compliance with this section.

The County and Tenant agree the indemnification provision of this section will survive termination of this Lease.

B. Condition of the Premises. The premises are conveyed in an "as is" physical condition with no warranty, expressed or implied, on the part of County as to the condition of the existing improvements, the condition of the soil or the geology of the

0456090

BK 1298PG2108

soil. It is the sole responsibility of Tenant, at its sole cost and expense, to investigate and determine the suitability of the soil, geology, environmental and seismic condition of the premises for Tenant's intended development. The Tenant is not liable for any preexisting hazardous materials on the premises and has no obligation to remediate the site of preexisting hazardous materials.

C. Initial Remediation. Nothing in the Lease imposes any responsibility or obligation on the County to prepare or implement any remediation plan or to attain remediation of the premises to a level or standard required for Tenant's use or any other purpose, except as provided in this section, the County makes no warranties, representations, covenants, or agreements concerning remediation for the purposed of Tenant's use or any changes in environmental laws affecting such uses. If environmental conditions exist on the premises that require remediation of the site the lease may be terminated by either party.

14. STORMWATER DISCHARGE

The Federal Clean Water Act provides that the discharge of pollutants to waters of the United States from any industrial or commercial properties must be in compliance with a National Pollutant Discharge Elimination Permit (NPDEP). Under this Act, airports are considered "industrial activities". Therefore, the Minden Tahoe Airport and all tenants located on the Minden Tahoe Airport, are required to be in compliance under the Act and the NPDEP.

Tenant assures that no pollution or hazardous material of any type will be discharged into the stormwater system at the Airport, and agrees to be held responsible for any discharge either by Tenant or by any of Tenant's subtenants, agents, or employees, during the entire term of this Lease. Any fine or cost of remedial action required of the County, by any agency or agencies having jurisdiction, as a result of actions on or discharges from the Premises, will be charged to Tenant, and Tenant shall immediately reimburse County for these costs upon demand.

15. RULES AND REGULATIONS

Tenant agrees to observe and obey all policies, rules, and regulations promulgated and enforced by County and any other appropriate authority having jurisdiction over the Airport and the premises described in this Lease, during the term of this Lease.

16. SECURITY

The director has no obligation to provide security to the premises. The Tenant may, at Tenant's own expense, employ security persons, install security lighting, or maintain

alarm services. If Tenant elects to install any outdoor lighting, Tenant must request permission from the director prior to installation. If at any time during the term of this Lease, additional security requirements are imposed on the Airport by the FAA or any other agency having jurisdiction over Airport, Tenant agrees to comply with the security requirements, at Tenant's sole expense upon being notified of the requirements in writing by the director. If the County is fined by FAA for a security violation caused by negligence of Tenant, or any of Tenant's sub-tenants, Tenant shall immediately reimburse the County on written demand.

17. HOLD HARMLESS AND INDEMNIFICATION

Tenant shall indemnify, defend, save, protect, and hold harmless County, its officers, agents and employees from any and all claims, costs, liability, including reasonable attorneys' fees, for any damage, injury, or death, including without limitation all consequential damages from any cause whatsoever, to persons or property arising directly or indirectly from or connected with Tenant's performance of its operations, the acts, errors or omissions of Tenant, its agents, contractors, guests, or employees, or the use and possession of the premises, by Tenant, its agents, contractors, guests, or employees, or the use and possession of the premises, by Tenant or any sub-tenant, their agents, contractors, guests, or employees, save and except claims or litigation arising throughout (and only to the extent of) the sole negligence or sole willful misconduct of the County, its officers or employees, and if required by the County, will defend any actions at the sole cost and expense of the Tenant.

18. INSURANCE

Tenant must procure and maintain, at its own cost and expense, at all times during the term of this Lease, the following policies issued by insurance companies authorized to do business in Nevada, with a financial rating of at least an A+ status as rated in the most recent edition of Best's Insurance Reports:

A. Tenant shall obtain and maintain, Liability Insurance in the following categories and amounts:

1) General liability insurance:

Premises and operation (including mobile equipment)

\$1,000,000 per occurrence/\$1,000,000 general aggregate

2) Automobile insurance

\$500,000 per occurrence

3) Aircraft liability

\$100,000 per passenger/\$1,000,000 per occurrence

Douglas County shall be named as additional insured under the liability insurance policy.

B. Form of Policies. All policies of insurance required by this section must be in a standard form and written by qualified insurance companies satisfactory to the director. Evidence of all insurance required must be provided by Tenant by filing with the director a copy of the policy and policies, together with a duly executed original certificate of insurance to the effect that the insurance required by this Lease is extended. All certificates of insurance must specifically state that "Douglas County, its officers, agents, and employees" are named as additional insureds under the policy or policies. All policies and certificates must contain a provision that written notice of policy lapses, cancellation, or any changes shall be delivered to the director no fewer than 30 days in advance of the effective date.

C. Notice. Tenant must give the director prompt and timely notice of any claim made or suit instituted of which it is aware of that in any way directly, contingently, or otherwise affects or might affect either, and both have the right to participate in the defense of the claim to the extent of its own interest.

19. TAXES

Tenant agrees to pay before delinquency all taxes and assessments which are levied and assessed upon Tenant's interest in the premises, or upon Tenant's personal property installed or located in or on the premises by the County, or other legally authorized governmental authority.

20. INSPECTION, ACCESS AND NOTICE

The director and any of its agents, at any time after reasonable written notice to Tenant, has the right to go on and inspect the premises and any improvements.

21. ASSIGNMENT, SUBLETTING, SALE, AND ENCUMBRANCE

A. Tenant must not sublease, sell, voluntarily assign, or encumber its interest in the Lease, in the leased premises, or in any improvements or allow any other person or entity (except Tenant's authorized representatives) to occupy or use all or any part of the premises, without first obtaining the director's written consent. Any assignment, encumbrance, sale, or sub-lease by Tenant is voidable and, at the director's election, constitutes a default of the Lease. The consent to any assignment, encumbrance, sale, or sub-lease does not constitute a further waiver of the provisions of this section. Rental of hangar space for non-commercial aircraft storage only on terms of one year or less will not be considered a sublease.

The parties each agree that Tenant's request to the director for his consent to any proposed sublease, assignment, sale, or other transfer, must include the following information and documents:

1. The name of the proposed subtenant, assignee, buyer, or other transferee;
 2. The nature of the proposed subtenant's, assignee's, or other transferee's business to be carried on the premises;
 3. Each of the terms and provisions of the proposed sublease, assignment, sale, or other transfer, including without limitation, the full consideration for the sublease, assignment, or transfer;
- B. Tenant has the right to sublease portions of premise subject to conditions stated in Section 11. Rental or Commercial Operations and to collect rent. If Tenant is in default of rent to the County pursuant to this Lease and fails to cure promptly after receiving notice from the director, Tenant immediately and irrevocably assigns to County, as security for Tenant's rent under this Lease, all rent from any subletting of all or part of the Premises, or the improvements, and County as assignee for Tenant, or a receiver for Tenant appointed on County's application, may collect the rent and apply it toward Tenant's obligations under this Lease.
- C. The director must respond to requests within 10 business days of receipt of any formal request. Requests under this section shall not be unreasonably denied.

22. SURRENDER OF POSSESSION

On expiration or after termination or cancellation of this Lease, unless a new agreement stating otherwise is executed, Tenant must surrender the premises to the director and remove all personal property. If Tenant fails to remove its personal property at the director's request from the premises on expiration or after termination or cancellation of the Lease, the property may be removed by the director at Tenant's expense, and Tenant must reimburse County immediately upon Tenant's receipt of County's written request for the reimbursement.

Title to all improvements constructed by Tenant on the premises and all alteration or additions allowed or required by the director will transfer to the County at no cost and free and clear of all liens, upon expiration, cancellation, or other earlier termination of this Lease. Tenant must vacate premises. The director will have the discretion to waive this requirement for all, some, or none of the improvements.

0456090

BK1298PG2112

Tenant fails to surrender the premises to the director on expiration or after termination or cancellation of the Lease as required by this section, Tenant shall defend, indemnify, and hold County harmless from all claims, liability, costs, and damages resulting from Tenant's failure to surrender the premises, including without limitation, claims made by a succeeding lessee or sub-lessee.

23. DEFAULT

The occurrence of any of the following is a default by Tenant:

- A. Failure to pay rent when due, if the failure continues for 30 days after written notice has been given to Tenant.
- B. Failure to undertake maintenance requested by the director, if the failure continues for 90 days after notice has been given to Tenant, unless a serious safety matter exists, in which case Tenant shall have 10 days from receipt of the notice to cure the default.
- C. Any discharge by Tenant of pollutants or hazardous materials on or from the premises.
- D. Assignment for the benefit of creditors except as provided for in sections 21 and 28.
- E. Failure to comply with any of the provisions of section 26.A. Non-Discrimination, after receiving written notice and failure to cure.
- F. Any act, condition, event, or failure of performance constituting a default under any other provision in this Lease.
- G. Failure to perform any other provision of this Lease if the failure to perform is not cured within 30 days after notice has been given to Tenant.
- H. If a default cannot reasonably be cured within the period provided for, Tenant will not be in default of this Lease if Tenant commences to cure the default within the period provided for and diligently and in good faith continues to cure the default. Tenant must commence and diligently and in good faith cure any safety hazard immediately on Tenant's becoming aware of the existence of the safety hazard.
- I. Notices given under this section must specify the alleged default and the applicable lease provisions, and must demand that Tenant perform the provisions of the Lease to cure the default within the applicable period of time, or quit the Premises. No notice is a termination of this lease unless specifically stated in the notice.

0456090

BK 1298PG2113

24. COUNTY'S REMEDIES

The County has the following remedies if Tenant commits a default. These remedies are not exclusive; they are cumulative and in addition to any remedies now or later allowed by law or equity.

A. The board may terminate this Lease and Tenant's right to possession of the premises. No act by the director, other than giving notice to Tenant as required by the board, shall terminate this Lease. Acts of maintenance, efforts to re-let the premises, or the appointment of a receiver on the director's initiative to protect County's interest under this Lease do not constitute a termination of Tenant's right to possession. If the board elects to terminate this Lease because of a default arising under Section 23. Default, subsections D. or E., this Lease shall not be treated as an asset of Tenant. On termination, County has the right to recover from Tenant:

1. The worth, at the time of the award, of the unpaid rent that had been earned at the time of the termination of this Lease;
2. The worth, at the time of the award, of the amount by which the unpaid rent that would have been earned after the date of termination of this Lease until the time of award exceeds the amount of the loss of the rent that Tenant proves could have been reasonably avoided;
3. The worth, at the time of the award, of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of the loss of rent that Tenant proves could have been reasonably avoided; and
4. Any other amount and court costs necessary to compensate County for all detriment proximately caused by Tenant's default.

"The worth, at time of the award," as used in subsections 1 and 2 is to be computed by allowing interest at the rate of 10% per annum. "The worth, at time of the award," as used in subsection 3 is to be computed by discounting the amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus 1%.

B. The director at any time after Tenant commits a default, may cure the default at Tenant's cost. If County at any time, by reason of Tenant's default, pays any sum or does any act that requires the payment of any sum, the sum paid by County is due from Tenant to County immediately upon notice given by the director to Tenant. If the Tenant pay at a later date, the sum will bear interest at a rate of 10% per annum from

0456090

BK1298PG2114

the date the sum is paid by County until County is completely reimbursed by Tenant. The sum, together with interest on it, is additional rent.

25. DESTRUCTION

If the improvements erected on the premises are damaged or destroyed as a result of any uninsurable cause or risk at the time of destruction, or any cause or risk for which insurance coverage is not available at commercially reasonable rates and terms in the amount of at least 25% of the replacement cost of construction, Tenant has the option to either terminate this Lease or to replace and rebuild the improvements and structures so they are in substantially the same condition as they were in immediately before damage or destruction. Tenant must give written notice of the election to the director within 45 days of the date of the loss or destruction of the improvements and structures. If Tenant elects to terminate this Lease under this section, this Lease terminates. If Tenant elects to rebuild, rent will be abated in an amount proportional to the damage for a period not to exceed 3 months from the date of the written notice. If damage is less than 25% of the replacement cost of construction, Tenant shall rebuild the improvements, and no rent abatement shall apply.

26. NON-DISCRIMINATION

The Tenant agrees that the following federal requirements apply to the Tenant's use of the Premises.

A. The Tenant for himself, his heirs, personal representatives, successors in interest, and assigns, as a part of the consideration, does covenant and agree as a covenant running with the land that in the event facilities are constructed, maintained, or otherwise operated on the premises described in the lease for a purpose for which a DOT program or activity is extended or for another purpose involving the provision of similar services or benefits, the Tenant must maintain and operate the facilities and services in compliance with all other requirements imposed pursuant to Title 49, Code of Federal Regulations, DOT, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as the Regulation may be amended.

B. The Tenant for himself, his personal representatives, successors in interest, and assigns, as a part of the consideration covenants and agrees as a covenant running with the land 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 the use of the 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 grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subject to discrimination, (3) that the Tenant shall use the premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, DOT, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as Regulation may be amended.

C. That in the event of breach of any of the above nondiscrimination covenants, Landlord shall have the right to terminate the lease and to re-enter and repossess the premises and hold the premises as if the lease had never been made or issued. This provision does not become effective until the procedures of 49 CFR Part 21 are followed and completed including expiration of appeal rights.

D. Tenant shall furnish its accommodations and/or services on a fair, equal and not unjustly discriminatory basis to all users (and it must charge fair, equal and no unjustly discriminatory basis to all users) and it must charge fair, reasonable and not unjustly discriminatory prices for each unit or service; provided, that the tenant may be allowed to make reasonable and nondiscriminatory discounts, rebates or other similar type of price reductions to volume purchasers.

E. Non-compliance with subsection D above shall constitute a material breach of this agreement and in the event of such non-compliance the Landlord shall have the right to terminate this lease agreement without liability or at the election of the Landlord or the United States either or both Governments shall have the right to judicially enforce these provisions.

F. Tenant agrees that it shall insert the above five provisions in any lease agreement by which the Tenant grants a right or privilege to any person, firm or corporation to render accommodations and/or services to the public on the leased premises.

G. The Tenant assures that it will undertake an affirmative action program as required by 14 CFR Part 152, Subplot E, to insure that no person shall on the grounds of race, creed, color, national origin, or sex be excluded from participating in any employment activities covered in 14 CFR Part 152, Subpart E. The Tenant assures that no person shall be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by this subpart. The Tenant assures that it will require that its covered sub-organizations provide assurance to the Tenant that they will require assurance from their sub-organizations, as required by 14 CFR Part 152, Subpart E, to the same effort.

0456090

BK 1298PG2116

H. The Landlord reserves the right to further develop or improve the landing area of the airport as it sees fit, regardless of the desires or view of the Tenant and without interference or hindrance.

I. The Landlord reserves the right, but shall not be obligated to the Tenant to maintain and keep in repair the landing area of the airport and all publicly-owned facilities of the airport, together with the right to direct and control all activities of the Tenant in this regard.

J. This lease shall be subordinate to the provisions and requirements of any existing or future agreement between the Landlord and the United States, relative to the, development, operation or maintenance of the airport.

K. There is reserved to the Landlord, 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 leased premises. This public right of flight shall include the right to cause in the airspace any noise inherent in the operation of any aircraft used for navigation or flight through the airspace or landing at, taking off from or operation of the Minden Tahoe Airport.

L. Tenant agrees to comply with the notification and review requirements covered in part 77 of the Federal Aviation Regulations in the event future construction of a building is planned for the leased premises, or in the event of any planned modification or alteration of any present or future building or structure situated on the leased premises.

M. The Tenant by accepting this expressly agrees for itself, its successors and assigns that it will not erect nor permit the erection of any structure or object, nor permit the growth of any tree on the leased premises above the mean sea level elevation 4778 feet. In the event this covenant is breached, the Landlord reserves the right to enter upon the premises to remove the offending structure or object and cut the offending tree, all of which shall be at the expense of the Tenant.

N. The Tenant by accepting this lease agrees for itself, its successors and assigns that it will not make use of the leased premises in any manner which might interfere with the landing and taking off of aircraft from Minden Tahoe Airport or otherwise constitutes a hazard. In the event this covenant is breached, the Landlord reserves the right to enter upon the premises and to abate the interference at the expense of the Tenant.

0456090

BK 1298PG2117

O. It is understood and agreed that nothing contained in this lease 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).

P. This lease and all the provisions hereof shall be subject to whatever right of the United States Government now has or in the future may have or acquire, affecting the control, operation, regulation, and taking over of the Minden Tahoe Airport by the United States during the time of war or national emergency.

27. OPERATION OF AIRPORT BY COUNTY STAFF

A. Aviation Hazards. The director reserves the right to take any action he considers necessary to protect the aerial approaches of the airport against obstructions, together with the right to prevent Tenant from erecting or permitting to be erected any building or other structure on the premises which, in the opinion of the director or Federal Aviation Administration, would limit the usefulness of the airport or constitute a hazard to aircraft.

B. Navigational Aids. The director reserves the right during the term of this Lease, any renewal, or any extension to install air navigational aids including lighting, in, under, and across the premises, at the County's expense, in the exercise of any rights. The director agrees to give Tenant no less than 90 days written notice of its intention to install the air navigational aids.

28. FINANCING OF LEASEHOLD ESTATE

Tenant shall have the right to subject the leasehold estate to a mortgage, deed of trust, or other security instrument, as a security for a loan for construction of improvements in Exhibit B, Construction Exhibits. Upon completion of the improvements, Tenant has the right to subject the leasehold estate to a mortgage, deed of trust, or other security instrument, as security for a loan. These rights are granted provided that:

A. The mortgage and all rights acquired under it are subject to all of the covenants, conditions, and restrictions contained in this Lease and to all rights and interests of County;

B. Tenant give the director written notice of any mortgage, and the address to send any notices required by this section;

C. County will not exercise its remedies under section 23 Default, and section 24 County's Remedies of this Lease unless;

1. County sends a written notice of default to both Tenant and mortgagee stating the nature and extent of the default, and
2. Within 60 days after service of the notice of default, the mortgagee failed to do either of the following:

- (i) Cure the default if it can be cured by the payment of money, or;
- (ii) If the mortgagee does not elect to cure the default by the payment of money, the mortgagee commences foreclosure proceedings and, in the director's opinion, diligently prosecutes the foreclosure proceedings to conclusion.

D. The mortgagee is not liable to perform Tenant's obligations under this Lease until the mortgagee acquires the leasehold estate by foreclosure, or by transfer in lieu or under threat of foreclosure. After the mortgagee acquires the leasehold estate together with Tenant's interest in and to any improvements by foreclosure, mortgagee is liable to pay back rent or to cure any default.

After the mortgagee acquires the leasehold estate and the improvements by foreclosure, the mortgagee must perform Tenant's obligations under this Lease only until the mortgagee assigns or transfers the leasehold estate. Any assignment or transfer of the leasehold estate by the mortgagee requires the written consent of the director. Any assignee or transferee must perform Tenant's obligations under this Lease. The transfer fee provision of section 23. Assignment, Subletting, and Encumbrance, subsection A.(9) does not apply to either mortgagee's acquisition of Tenant's leasehold estate or to its subsequent transfer to a third party. After cure by mortgagee of assignee or transferee of mortgagee of any defaults of Tenant's, mortgagee or any transferee or assignee succeeds to the rights and obligations of Tenant and shall attorn to County. The County shall not disturb the mortgagee's or assignee's right to quiet possession of the premises as Tenant and this Lease will continue in full force and effect.

E. Estoppel Certificates. Upon written request of either party, the party requested will promptly execute, acknowledge, and deliver to the other, or to any lender or mortgagee, a written statement certifying (a) that this Lease is unmodified and is in full force and effect (or if modified, that this Lease is in full force and effect, as modified, and stating the nature of the modification), (b) the dates to which all rents and other payments due have been paid, (c) whether any charges, offsets, or defenses exist against County's right to enforce any term or condition to be performed or observed by Tenant (and, if so, specifying the same), (d) whether Tenant currently is in default in the performance or observance of any term or condition, and whether any notice has been given to Tenant of any default which has not been cured (and, if so, specifying the same), (e) whether any charges, offsets or

0456090

BK 1298 PG 2 | 19

defenses exist against Tenant's right to enforce any term or condition to be performed or observed by County (and, if so, specifying the same), and (f) whether County is currently in default in the performance or observance of any term or condition, and whether any notice has been given to County of any default which has not been cured (and, if so, specifying the same). Any third party is entitled to rely upon the certificate.

29. COUNTY PROCESSING FEES

In the event that Tenant or a mortgagee of Tenant requires or requests the director's review, investigation, processing, or other consideration, of Tenant's proposed assignment, or other transfer, estoppel certificates, documentation regarding Tenant's refinancing of its leasehold interest, or other documentation, Tenant agrees to pay to the Airport a fee set by the board with each request or requirement. This payment is for the director's initial administrative costs and expenses, including labor and legal consulting fees, in processing and investigating Tenant's request.

30. NOTICE

All notices given under this Lease may be served by enclosing the notice in a sealed envelope addressed to the party and deposited with the United States Post Office as certified mail with postage prepaid. The notice is effective 3 days from the date of the mailing. Unless otherwise provided in writing by the parties, the address of the director and the proper party to receive any notices on its behalf is:

Operational Services Director
Minden Tahoe Airport
P.O. Box 218
Minden, NV 89423

and the address of the Tenant is:

C. Reade Kaley
432 Court Street
Reno, NV 89501

31. INVALID PROVISIONS

It is expressly understood and agreed by the parties that if any covenant, condition, or provision of this agreement is held to be invalid by a court of competent jurisdiction, the invalidity does not invalidate any other covenant, condition, or provision of the Lease, provided that the invalidity of any the covenant, condition, or provision does

0456090

BK1298PG2120

not materially prejudice either the director or Tenant in their respective rights and obligations contained in the valid covenants, conditions, and provisions of this Lease.

32. MECHANIC'S AND MATERIALMAN'S LIENS

Neither Tenant nor the director shall permit any mechanic's, materialman's, or other lien against the premises or the property of which the premises forms a part in connection with any labor, materials, or services furnished or claimed to have been furnished. If any lien is filed against the premises or property of which the premises forms a part, the party charged with causing the lien will cause the same to be discharged. Either party may contest any lien, so long as its enforcement is stayed.

33. WAIVER

The waiver by the director of performance by Tenant of any covenant, term, or condition of this Lease shall not be construed as a waiver of any subsequent breach of the same covenant, term, or condition.

34. WRITTEN AGREEMENT

Neither party has relied on any promise or representation not contained in this Lease. All previous conversations, negotiations, and understandings are of no further force or effect. This Lease may be modified only by a writing signed by both parties. The headings of the paragraphs are for convenience only and are not a part of this Lease; nor shall they be considered in construing the intent of this Lease.

35. FURTHER ASSURANCES

Whenever requested to do so by the other party, the director and tenant will promptly execute and deliver, or cause to be executed and delivered, all further assurances, documents, or instruments and will promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to carry out, give effect to, and comply with the terms and intent of this Lease.

36. CONSENTS

Whenever consent is required, it shall not be unreasonably withheld.

37. TIME

Time is of the essence of each and every provision of this Lease.

38. BINDING ON SUCCESSORS

0456090

BK1298PG2121

The covenants and conditions contained in this agreement, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators, and assigns of all the parties.

39. ALTERATIONS AND ADDITIONS

Following completion of the required improvements and facilities, Tenant must not make any material alterations to, erect any additional structures, or make any material improvements on the premises without prior written consent of the director, which consent shall not be unreasonably withheld. Any alteration or addition approved by director shall be constructed at the sole expense of Tenant. Upon approval by the director of any alteration or addition, the director must notify Tenant whether the alterations made must remain on and be surrendered with the premises on expiration or termination of the term.

40. APPEAL

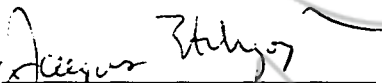
If a Tenant desires to appeal a decision made by the director in conjunction with this Lease, a written appeal must be given to the county manager within 15 days of the decision. The county manager will respond within 30 days, and failure to respond will constitute an approval of the appeal. Tenant may appeal the county manager's decision to the board of county commissioners. That appeal must be in writing and requires the payment of a fee. The fee may be refunded at the discretion of the board. The board's decision on the appeal will be considered final.

41. SIGNATURES

COUNTY

TENANT

DOUGLAS COUNTY,
a political subdivision of the State
of Nevada

By 

Jacques Etchegoyhen
Chair, Douglas County Commissioners



C. Reade Kaley

0456090

BK1298PG2122

Recommended for Approval
and Approved as to Content:

By *Jim Braswell*
Jim Braswell
Operational Services Director

Approved as to Form:

By *Robert J. Morris*
Robert Morris
Chief Deputy District Attorney

Attest:

By *Barbara Reed*
Barbara Reed, Clerk

Date *12-4-98*

BY: *L. Lynch*, DEPUTY

EXHIBITS A and B

EXHIBIT "A" - Legal Descriptions

0456090

BK 1298PG2123

EXHIBIT A-1
**PROPERTY DESCRIPTION
FOR
AIRPORT LEASE (Kaley Building Parcel-1)**

A parcel of land located within the NE1/4 of Section 17, Township 13 North, Range 20 East, M.D.B.&M., and more particularly described as follows:

Commencing at Airport Control Monument #4 as shown on the Amended Record of Survey #14 for Douglas County, as recorded April 4, 1988 in Book 488, Page 239 as Document Number #175533; thence $S10^{\circ}58'43''E$ a distance of 667.57 feet to the TRUE POINT OF BEGINNING; thence $S44^{\circ}29'24''E$ a distance of 36.25 feet; thence $S45^{\circ}30'36''W$ a distance of 42.25 feet; thence $N44^{\circ}29'24''W$ a distance of 36.25 feet; thence $N45^{\circ}30'36''E$ a distance of 42.25 feet to the TRUE POINT OF BEGINNING.

Said Parcel contains 1,531.56 square feet, more or less.

The basis of bearings for the above description is the south line of the SW1/4 of Section 8, Township 13 North, Range 20 East, M.D.B.&M. which bears $N89^{\circ}38'08''W$ per the Amended Record of Survey #14 for Douglas County as described above.



0456090

BK 1298PG2124

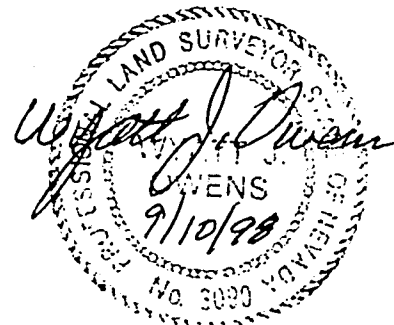
**PROPERTY DESCRIPTION
FOR
AIRPORT LEASE (Kaley Building Parcel-2)**

A parcel of land located within the NE1/4 of Section 17, Township 13 North, Range 20 East, M.D.B.&M., and more particularly described as follows:

Commencing at Airport Control Monument #4 as shown on the Amended Record of Survey #14 for Douglas County, as recorded April 4, 1988 in Book 488, Page 239 as Document Number #175533; thence $S07^{\circ}55'37''E$ a distance of 692.99 feet to the TRUE POINT OF BEGINNING; thence $S44^{\circ}29'24''E$ a distance of 36.25 feet; thence $S45^{\circ}30'36''W$ a distance of 42.25 feet; thence $N44^{\circ}29'24''W$ a distance of 36.25 feet; thence $N45^{\circ}30'36''E$ a distance of 42.25 feet to the TRUE POINT OF BEGINNING.

Said Parcel contains 1,531.56 square feet, more or less.

The basis of bearings for the above description is the south line of the SW1/4 of Section 8, Township 13 North, Range 20 East, M.D.B.&M. which bears $N89^{\circ}38'08''W$ per the Amended Record of Survey #14 for Douglas County as described above.



0456090

BK 1298 PG 2125

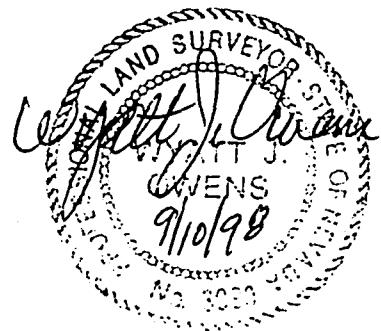
EXHIBIT A-3
**PROPERTY DESCRIPTION
FOR
AIRPORT LEASE (Kaley Building Parcel-3)**

A parcel of land located within the NE1/4 of Section 17, Township 13 North, Range 20 East, M.D.B.&M., and more particularly described as follows:

Commencing at Airport Control Monument #4 as shown on the Amended Record of Survey #14 for Douglas County, as recorded April 4, 1988 in Book 488, Page 239 as Document Number #175533; thence S05°05'54"E a distance of 720.22 feet to the TRUE POINT OF BEGINNING; thence S44°29'24"E a distance of 36.25 feet; thence S45°30'36"W a distance of 42.25 feet; thence N44°29'24"W a distance of 36.25 feet; thence N45°30'36"E a distance of 42.25 feet to the TRUE POINT OF BEGINNING.

Said Parcel contains 1,531.56 square feet, more or less.

The basis of bearings for the above description is the south line of the SW1/4 of Section 8, Township 13 North, Range 20 East, M.D.B.&M. which bears N89°38'08"W per the Amended Record of Survey #14 for Douglas County as described above.



0456090

BK 1298 PG 2126

**PROPERTY DESCRIPTION
FOR
AIRPORT LEASE (Kaley Building Parcel-4)**

A parcel of land located within the NE1/4 of Section 17, Township 13 North, Range 20 East, M.D.B.&M., and more particularly described as follows:

Commencing at Airport Control Monument #4 as shown on the Amended Record of Survey #14 for Douglas County, as recorded April 4, 1988 in Book 488, Page 239 as Document Number #175533; thence S02°28'54"E a distance of 749.09 feet to the TRUE POINT OF BEGINNING; thence S44°29'24"E a distance of 36.25 feet; thence S45°30'36"W a distance of 42.25 feet; thence N44°29'24"W a distance of 36.25 feet; thence N45°30'36"E a distance of 42.25 feet to the TRUE POINT OF BEGINNING.

Said Parcel contains 1,531.56 square feet, more or less.

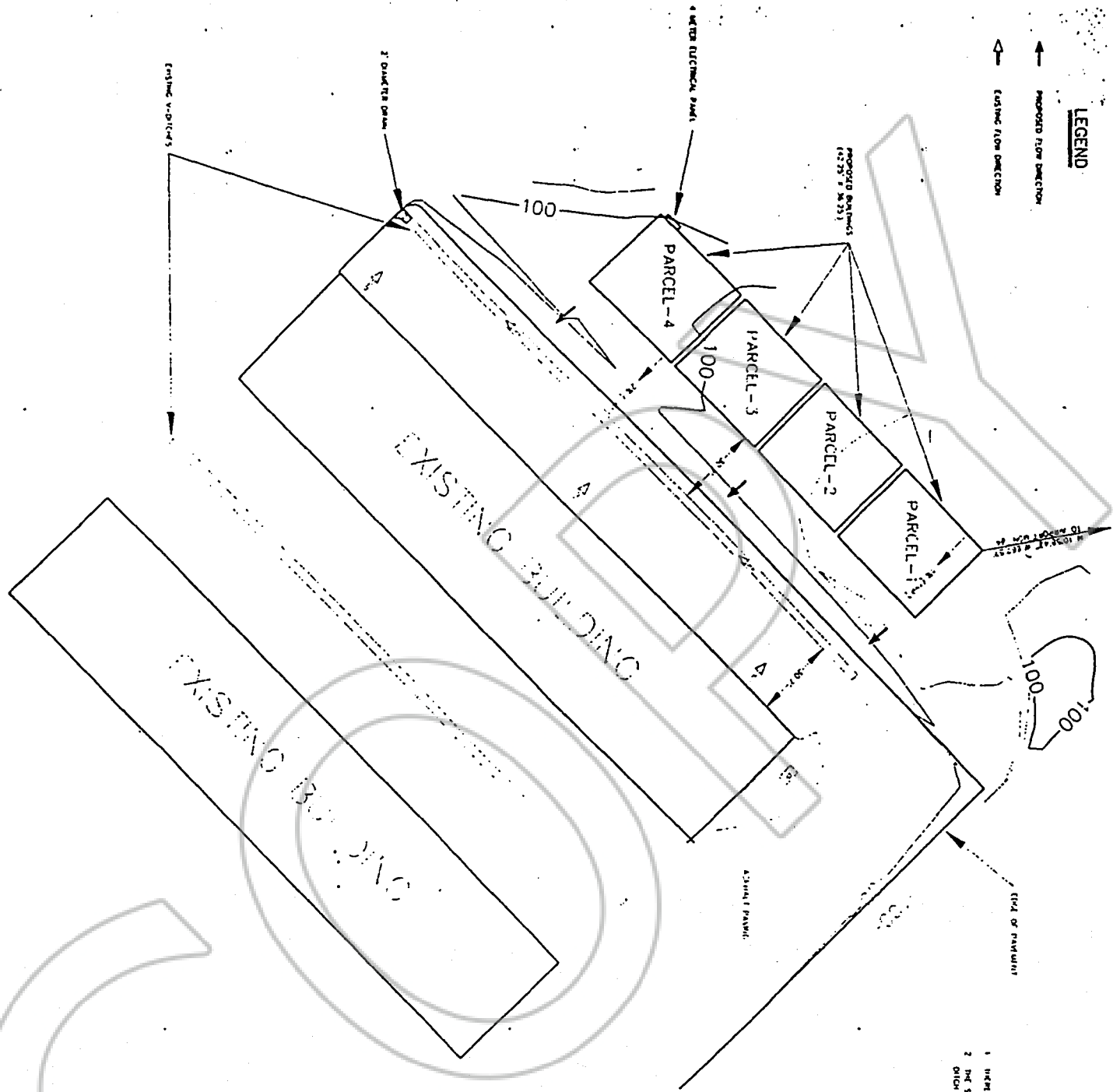
The basis of bearings for the above description is the south line of the SW1/4 of Section 8, Township 13 North, Range 20 East, M.D.B.&M. which bears N89°38'08"W per the Amended Record of Survey #14 for Douglas County as described above.



0456090
BK 1298PG2127

LEGEND

- ↑ PROPOSED FLOW DIRECTION
- ↑ EXISTING FLOW DIRECTION



NOTES

1. HERE WILL BE A 3' SEPARATION BETWEEN EACH OF THE NEW BUILDINGS.
2. THE 10' CORNER OF NUMBER 1-4 IS 18' FEET FROM THE FOOT OF THE GRAVITY DITCH AND 31' FEET FROM THE CENTER OF THE GRAVITY DITCH.

0456090

BK1298PG2128

TOPO MAP
 FOR
C. READE KALEY
 WITHIN THE DOUGLAS COUNTY AIRPORT



SCALE 1" = 50'



EXHIBIT "B" - Construction Exhibits

Tenant will construct the following improvements:

A. Plans and County's Approval. Tenant shall obtain written approval of all plans for buildings, grading, paving, drainage, utilities, landscaping, or other improvements by the director before construction may be commenced. All construction of improvements must conform with the approved plans and shall be constructed or installed in accordance with all applicable statutes, ordinances, building codes, and rules and regulations of county, and other authority that may have jurisdiction over the premises and Tenant's operations, including, but not limited to the Douglas County Community Development Department, East Fork Fire and Paramedic District or the Federal Aviation Administration. Tenant is solely responsible for determining and obtaining all necessary permits and approvals, and for paying any and all fees required, for the construction. The director's approval of Tenant's plans and specifications does not constitute a representation or warranty as to its conformity.

B. Construction Schedule. Tenant must begin the construction of the improvements within 12 months after the commencement date of the lease, and shall complete the construction within 24 months from the commencement date.

C. Delay of Construction. Upon Tenant's written request to the director, the dates in this section may be extended by written approval of the director. This may include time lost as a result of work stoppages, strikes, shortages of material, or acts of God, provided the time lost is entirely beyond Tenant's control. The rent must be paid during any delay.

D. Inspection and Acceptance. Tenant shall obtain building permits and approvals required. All improvements including, but not limited to, buildings, site preparation, sub-grade preparation, paving, drainage, and overall development of the premises, shall be subject to inspection, testing, and acceptance in accordance with applicable law.

E. Engineering. Tenant must set the necessary boundary stakes on the premises and shall provide any surveys required for the design of the area paving. The director must furnish Tenant with control information required for ground and pavement elevations, specifications for earthwork, pavement, and drainage. Any material deviation from the approved plans and specification must have prior approval by the director and any required governmental agency.

F. Utilities. Upon the prior written approval by the director, Tenant must install other utilities on the premises at its own cost and expense, including all connection, inspection, and service fees. All utilities must be installed underground, unless agreed to in writing by the director and waived by the planning commission. The County may negotiate with Tenant for the oversizing or extension of utilities to serve other parcels.

G. Paving and Concrete. Tenant must construct the pavement for the aircraft movement areas and the concrete hangar floors to accommodate the heaviest aircraft expected to operate in the area, or fully loaded fuel trucks, whichever is of greater weight, with a minimum expected pavement life of no less than 20 years. Any roadway access must be in accordance with county standards for comparable construction.

H. Notice of Non-Responsibility. County intends to post and to record a notice of county non-responsibility within 3 days of execution of this agreement. A copy of the notice shall be retained by the director following recordation at the County Recorder's Office.

I. Finish Site Grading. Tenant shall perform, at Tenant's expense, all finish grading of the premises. County will furnish, if available, native material.

J. Frontage Clearances. Tenant must construct the improvements so that all frontages and clearance of the improvements are in compliance with county standards and so they do not encroach upon the building restriction line shown on the ALP.

CERTIFIED COPY

The document to which this certificate is attached is a full, true and correct copy of the original on file and on record in my office.

DATE: December 8, 1998
B. REED Clerk of the 9th Judicial District Court
of the State of Nevada, in and for the County of Douglas.

By [Signature] Deputy

Revised: 11/10/98

SEAL

COPY

REQUESTED BY
DOUGLAS COUNTY
IN OFFICIAL RECORDS OF
DOUGLAS CO., NEVADA

'98 DEC -8 AM 11:33

0456090

BK 1298 PG 2131

LINDA SLATER
RECORDER

\$ 0 PAID 12 DEPUTY