

AIRPORT LEASE

THIS AGREEMENT made and entered into this 2nd day of July, 1992, by and between LYON COUNTY, a political subdivision of the State of Nevada, hereinafter referred to as "Lessor", and LAHONTAN AIRPORT DEVELOPMENT ASSOCIATION, a Nevada nonprofit corporation, hereinafter referred to as "Lessee".

W I T N E S S E T H:

WHEREAS, it is in the best interests of Lyon County to foster economic growth and obtain the economic benefits of a developed airport; and,

WHEREAS, Lessor and Lessee desire to enter into an agreement to lease real property known as the Silver Springs Airport and described as follows:

Parcel 1:

T 18 N, R 24 E, Mt. Diablo Mer., NV

Sec. 24: S 1/2, SW 1/4

Sec. 26: N 1/2, NE 1/4; SW 1/4, NE 1/4; NE 1/4, NW 1/4; S 1/2 NW 1/4

The area described above aggregates 320 acres.

Parcel 2:

A parcel of land situated in the N 1/2 of the NW 1/4 of Section 25, T 18 N, R 24 E, and being more particularly described as follows:

Beginning at the section corner common to Sections 23, 24, 25, and 26, T 18 N, R 24 E, thence due east for a distance of 2258.31 feet, thence south 68 degrees, 59' west for a distance of 2419.25 feet,

thence due north for a distance of 867.64 feet, to the point of beginning.

The area described above aggregates approximately 22.28 acres.

Parcel 3:

A parcel of land situated in the SE 1/4 of the SE 1/4 of the SE 1/4 of Section 23, T 18 N, R 24 E, and being more particularly described as follows:

Beginning at the section corner common to Sections 23, 24, 25, and 26, T 18 N, R 24 E, thence due north for a distance of 203.64 feet, thence south 68 degrees 59' west for a distance of 583.71 feet, thence north 89 degrees 24' east for a distance of 544.91 feet, to the point of beginning.

The area described above aggregates approximately 1.27 acres.

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

I. PROPERTY LEASED:

Lessor hereby leases to Lessee the Silver Springs Airport which is described above, and referred to herein as "the property" or "the airport".

II. TERM OF LEASE:

It is agreed that Lessee is granted the aforescribed premises to have and to hold, for the purpose of developing and operating a public use airport and related businesses, for a term of fifty (50) years, commencing from the date hereof, unless sooner terminated as herein provided and subject to conditions and covenants herein contained.

III. CONDITIONAL GRANT:

This Lease is conditioned upon the transfer to Lyon County of the subject property from the U.S. Government pursuant to provisions of federal law, including but not limited to, the Airport and Airway Improvement Act, 43 CFR 2640. The parties

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acknowledge that Lessee is the current tenant under lease from the Bureau of Land Management ("BLM").

1. The parties will utilize best efforts to secure a transfer of the real property to LYON COUNTY, the legal description of which property is set forth above.

2. Lessee will release its interests upon the Lease currently held with the United States Government if required or appropriate to effectuate this Lease.

3. Lessor will submit an application to the person authorized by the Secretary of Transportation to administer the Airport and Airway Improvement Act, or such other person as directed by the appropriate governmental agency, requesting that the airport land be conveyed to Lessor under the provisions of said Act.

4. Lessor shall submit a deposit in an amount determined by the BLM authorized officer to cover the administrative costs of processing the application, including the cost of survey, if one is necessary, and issuing of a document of conveyance pursuant to the Act. Lessee will reimburse Lessor for costs paid under this paragraph.

5. The parties acknowledge that the conveyance from the United States Government shall include a condition that the property interest conveyed shall revert to the United States in the event the lands in question are not developed for airport or airway purposes or used in a manner inconsistent with the terms of the conveyance, which reversion shall be at the option of the Federal Aviation Administration ("FAA") Administrator; and that the conveyance may be subject to other requirements of law.

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IV. USE:

1. For and in consideration of the foregoing, Lessee hereby agrees:

(a) To establish a public use airport on said tract and to maintain such airport during the life of this Lease.

(b) To pay Lessor, each year in advance, the annual rental required under Section VIII.

(c) To complete the construction of facilities for service, fuel, and other supplies necessary to make the land available for public use as an airport.

(d) To keep the airport equipped and maintained, at all times, in accordance with the requirements made by the Federal Aviation Administration.

(e) Not to allow use of the premises included in this Lease for unlawful purposes.

(f) That authorized representatives of Lessor or the Federal Aviation Administration shall, at any time, have the right to enter the leased premises for the purpose of inspection and shall have free access to records of operations under authority of this Lease.

2. Lessee agrees and covenants to provide by non-exclusive sublease, some or all of the following non-exclusive services available:

1. Aircraft sales.
2. Parts and accessories sales.
3. Charter operations which include, without limitation, passenger or "airtaxi"; freight or delivery; photography; aerial survey; agricultural spraying; individual or group rides; piloting sky divers, etc.

4. Aircraft rental.
5. Flight instruction or ground school.
6. Maintenance services which shall include services in one or more of the following:
  - A. Airframe overhaul and repair;
  - B. Engine overhaul and repair;
  - C. Radio and electrical shop;
  - D. Instrument shop;
  - E. Aircraft interior work;
  - F. Refinishing and painting.
7. Line services which shall include one or more of the following:
  - A. Supplying the fuel, oil and other fluids;
  - B. De-icing fluid;
  - C. Interior cleaning;
8. Aircraft storage, inside and/or outside.

Any other services which may be provided by a Fixed Base Operator under FAA rules and regulations shall be allowed.

V. IMPROVEMENTS:

Lessee is authorized to modify, repair, or complete construction of buildings and improvements on the property, and to sublet portions of the property to accomplish the same. Said buildings and improvements to be constructed in accordance with the Lyon County building codes, and other laws which apply to the construction.

Lessee may also erect, install, provide, and maintain such pumps, tanks, gassing islands, and areas, ramps, and other gassing facilities to permit Lessee to supply fuel, oil, and

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other fluids to aircraft, subject to any applicable federal, state and local regulations.

Title to all improvements, including, but not limited to the above-mentioned buildings and improvements made on the premises shall become the property of Lessor upon the expiration or termination of this Lease, unless such improvements are portable or temporary in nature.

VI. FEDERAL AVIATION ADMINISTRATION REGULATIONS AGREED TO:

It is mutually understood and agreed by the Lessee and Lessor that the parties may desire to accept federal aid for development of the airport. Lessee shall make any such applications, and administer any such funding, subject to audit by Lessor. Lyon County, as a qualifying governmental recipient in accepting federal aid for the development of the Silver Springs Airport, will agree in writing to FAA regulations which are approved by the Board of County Commissioners of Lyon County, concerning any agreements, contracts, leases or other privileges in connection with the airport.

VII. TERMINATION OF AGREEMENT:

1. In the event of any of the following conditions existing Lessee may elect, in its sole discretion, any remedy provided in Section (2) immediately following:

A. If Lessor fails to perform under this Lease after failing to remedy a deficiency after sixty (60) days' written notice by Lessee.

B. If Lessor commits any act that prevents Lessee from doing any business authorized herein for a period of sixty (60) day .

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C. If the airport is closed by lawful authority, if normal business is interrupted by fire, earthquake, flood, enemy action, civil strife, strikes, picketing or other coercive activity by labor groups, action by a public agency or public officials, enactment, enforcement of public laws or any other intervening cause beyond Lessee's control, which said closure cannot be repaired or remedied within sixty (60) days.

2. When normal business is interrupted by any cause set forth in paragraph (1) above, Lessee may elect, in its sole discretion, to either terminate the Lease or to have all rent and fees abated throughout the period of interruption.

3. Lessor may elect, in its sole discretion, to terminate this agreement in its entirety upon the occurrence of any of the following events.

A. The abandonment or discontinuance of operations at the airport by Lessee.

B. Lessee defaulting in payment of the Lease payments as specified herein and the lease payment not being made within fifteen (15) days after service of notice as provided herein.

C. Violation or non-compliance by the Lessee of any of the provisions of this Agreement, after failing to remedy a deficiency sixty (60) days after written notice of the deficiency by Lessor.

D. Lessee failing to maintain the leased premises and improvements in good condition and repair according to the terms of this Lease.

It is specifically understood and agreed that the above-mentioned occurrences are separate and that each constitutes a separate basis upon which this Lease may be

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terminated and upon such termination, Lessor shall have the right to take possession of the property, all improvements and may operate the airport as its own.

It is understood that the Lessee will develop rules and regulations of the Silver Springs Airport which provide for nondiscriminatory and non-exclusive use and must comply with same. Should said rules and regulations be amended from time to time it shall be the responsibility of Lessee to notify Lessor as to any amendments and comply with same.

VIII. LEASE PAYMENTS:

1. Lessee shall pay to Lessor the sum of \$500.00 per year, due on or before the 1st day of July of each year for the first five (5) years of this Lease; and,

2. Thereafter, Lessee shall pay to Lessor annually two percent (2%) of gross annual income from land rental or land sublease which rent shall be set at a fair market value, but not less than \$500.00 per year. Gross annual income shall be determined as the average of the last five (5) years rental income.

IX. INSURANCE/INDEMNITY:

1. Lessee shall maintain in full force and effect during the term of this agreement, a policy or policies of liability insurance with carriers and in form satisfactory to Lessor in an amount not less than FIVE MILLION DOLLARS (\$5,000,000.00), or to the level as currently held by Lessor for general liability, whichever is greater. Lessor shall be an insured in such policies.

2. Lessee agrees to hold harmless, defend and indemnify Lessor, its officers, agents, employees and volunteers from any

claim, demand, suit, action or cause of action based upon bodily injury, including death, property damage, inverse condemnation, nuisance, diminution in value of property caused by any action either direct or passive, the omission or failure to act or negligence on the part of Lessee, its employees, agents, representatives, sublessees or assigns.

3. Lessee's insurance coverage shall be primary insurance as respects Lessor, its officers, agents, employees and volunteers. Any insurance or self-insurance maintained by Lessor, its officers, agents, employees and volunteers shall be in excess of Lessee's coverage and shall not contribute with it in any way.

4. Any failure to comply with reporting provisions of the policies shall not affect coverage provided to Lessor, its officers, agents, employees or volunteers.

5. Lessee's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

6. Lessee's insurance coverage shall be endorsed to state that coverage shall not be suspended, voided, cancelled or non-renewed by either party, reduced in coverage or in limits except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to Lessor except for non-payment of premiums.

7. Insurance is to be placed with insurers with a Best's rating of not less than A:VII.

8. Any deductibles or self-insured retention must be declared to and approved by Lessor's risk management officer. At the option of Lessor, either: the insurer shall reduce or

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eliminate such deductibles or self-insured retention as respects Lessor, its officers, officials, employees and volunteers; or, the Lessee shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.

9. Lessee shall furnish Lessor's risk manager with certificates of insurance and with original endorsement effecting coverage required by this clause. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. The certificates and endorsements are to be received and approved by Lessor's risk manager prior to the commencement of taking possession of the leased property. Lessor's risk manager may require complete, certified, copies of all required insurance policies, at any time.

10. Lessor will include the airport in any federal assistance from FEMA, or other governmental agency should Lessor believe it to be necessary and appropriate for the operation of the airport, or to address disaster relief.

11. In addition, the Lessee and each sublessee shall provide fire and extended coverage insurance against damage to the buildings to be constructed upon the leased premises in the amount of the insurable value thereof.

X. MISCELLANEOUS TERMS:

1. Sublets and Assignment of Lease:

A. Lessee shall have the right, without specific prior approval of Lessor, to sublet portions of this Lease to accomplish the development goals. Any such sublease must require compliance with the terms of this Lease.

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B. Lessee shall have the right to assign this Lease, subject to assignee meeting Lessor's requirements concerning financial responsibility and Lessor's granting advance written approval. Any assignment of this Lease will require that the assignee be subject to all conditions, items and provisions of this Lease.

C. Lessee shall have the right to assign or sell this Lease, for the purpose of securing additional financing, upon the prior approval of Lessor.

D. For the purposes of this section, Lessee shall give written notice to Lessor of any proposed assignment. In the event Lessor enters no objection within sixty (60) days from receipt of notice by the Lessor, approval shall be deemed to have been granted.

2. Utilities:

Unless otherwise expressly stated herein, Lessee agrees to pay for all utilities used by Lessee on the property.

3. Inspection by Lessor:

Lessee agrees to permit Lessor to enter upon and inspect all leased premises at all reasonable times.

4. Rights of Quiet Enjoyment:

Lessee is granted the right to ingress, egress and free access to the premises and to peaceful possession and quiet enjoyment. Lessee shall have the right to design a plan for development of the airport which shall encourage economic growth and implementation of such plan as long as said plan is not inconsistent with Lessor's master plan for the Silver Springs area.

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5. Master Plan:

Lessor agrees to work in good faith regarding its master plan to avoid adversely affecting development of the airport.

6. Maintenance of Premises:

Lessee agrees, directly or through sublessees, to maintain the interior and exterior of all buildings constructed upon the leased premises in a clean, sanitary and attractive condition.

In order to maintain the airport in a good and safe condition in compliance with FAA rules and procedure, Lessee may enter into mutual agreements with Lessor for runway, taxiway, ramp and roadway maintenance.

7. Rules of Construction:

A. Whenever approval of either party is herein required, approval shall be presumed upon the failure to respond within sixty (60) days of notice by certified mail.

B. Whenever approval of either party is required herein, approval shall not unreasonably be withheld.

8. Safety Zone:

In the event Lessee is unable to acquire land at the east end of the runway, or obtain an additional safety zone, Lessor will, to the extent funds are made available for airport purposes at the Silver Springs Airport or are budgeted by Lessor for that purpose, obtain such land and/or safety zone.

9. Emergency Use:

Lessor shall be entitled to use the airport in the event of an emergency.

10. Hazardous Materials:

Lessee is prohibited from using the airport for manufacture or storage of hazardous substances, except to the extent

necessary for normal airport construction and aviation operations thereon, and only in amounts appropriate for such use. Hazardous substances shall include those set forth in 40 CFR 302.

XI. SUBCONTRACTING RIGHTS:

The Lessee shall have the right to subcontract portions of activities under the terms of the Lease, provided such agreements meet the requirements of this Lease.

XII. TAXES:

Lessor shall be entitled to all real and personal property taxes legally imposed or assessed upon property located at the Silver Springs Airport, as well as all other taxes permitted by law.

XIII. GENERAL:

1. It is understood and agreed that each and all the terms of this Lease are subject to the regulations and provisions of law applicable to the operation of the Silver Springs Airport as a Federal Aid Airport Project. If any provision of this Lease is invalid, the other provisions of the Lease which are valid shall remain in effect, and the parties agree to re-negotiate in good faith any terms of this Lease to comply with the requirements of the applicable laws and regulations, or to the extent that such is necessary to satisfy requirements of the federal government or any of its agencies for safe operation of the airport, or to the extent necessary to meet funding requirements of any governmental agency upon the mutual consent of Lessor and Lessee to obtain such funding.

2. This Lease may be modified and/or updated by mutual consent to adequately react to changing circumstances or

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requirements. If any provision of this Lease is found to be incapable of performance, contrary to law, or work a substantial hardship upon the parties, or either of them, then the parties agree to negotiate in good faith such modifications as may be necessary and appropriate.

3. The Lessee agrees to observe and obey during the term of this Lease all laws, rules and regulations promulgated and enforced by the State of Nevada, Lyon County, and by any other proper authority having jurisdiction over the conduct of operations at the Silver Springs Airport.

4. Lessor shall have complete dominion over the premises described in this Lease during the term of this Lease for the purpose of and to the extent necessary to maintain law, order and safety and has the authority and the right to deny access to the Silver Springs Airport by any person who fails to conform in all respects to this Lease. Lessee shall assist Lessor, upon request, in any security matter existing at the airport.

XIV. NOTICES:

It is agreed that any notice to be given or served upon the Lessee shall be sufficient if sent by registered mail, postage prepaid addressed to Lahontan Airport Development Association, P.O. Box 311, Silver Springs, Nevada 89429, and any notice to be given or served upon the Lessor shall be sufficient if sent by registered mail, postage prepaid, addressed to 31 S. Main St.,  
Yerington, Nevada.

XV. SUCCESSORS AND ASSIGNS:

By this Lease, each party binds himself, his heirs, trustees, representatives and all successors and assigns in interest. Each party guarantees the performance of any and all

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covenants and conditions contained in this agreement; and upon the failure of any successor in interest to so perform, the parties agree to complete such covenants, conditions and requirements of this agreement.

EXECUTED at Yerington, Lyon County, Nevada, as of the day and year in this agreement first above-written.

LESSOR:

LYON COUNTY

By: [Signature]  
Its: Commissioner

ATTEST:

By: [Signature]  
Its: Commissioner

By: Marian Pixler  
Clerk

By: [Signature]  
Its: Commissioner

LESSEE:

LAHONTAN AIRPORT DEVELOPMENT ASSOCIATION

By: Kay Bennett  
Its: PRESIDENT

ATTEST:

Hale B. Bennett  
Secretary/Treasurer

APPROVED AS TO FORM:

By: Keith Loomis  
KEITH LOOMIS, ESQ.  
LYON COUNTY DISTRICT ATTORNEY

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LYON COUNTY RECORDS  
LYON COUNTY, NEV.  
RECORD REQUESTED BY  
Steven E. Jackson, Eng.  
'92 JUL 21 AM 11 16  
NANCY M. GARR  
COUNTY RECORDER  
FEE 9.00 DEF (11)  
P.O. 13841000  
Carson City, NV.  
89702

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