



STAFF REPORT

Report To: Board of Supervisors **Meeting Date:** November 5, 2020

Staff Contact: Stephanie Hicks, Deputy City Manager

Agenda Title: For Possible Action: Discussion and possible action regarding authorization of a proposed lease assignment between Sterling Air, Ltd (Assignor) and Carson Tahoe Executive, LLC (Assignee) for the Assignee to assume an existing ground lease. (Kenneth Moen, kmoen@flycarsoncity.com)

Staff Summary: Long-time airport tenant Steve Lewis, owner of Sterling Air, Ltd, contacted airport staff regarding an offer to purchase Sterling Air, Ltd's assets. The assets include a hangar and adjoining office space. The purchaser is Jeff Pickett, the sole member of Carson Tahoe Executive, LLC, a Nevada limited liability company. In order to conclude the purchase of Sterling Air, Ltd assets, the Carson City Airport Authority ("CCAA") and the Board of Supervisors ("Board") must approve the ground lease assignment.

Agenda Action: Formal Action / Motion **Time Requested:** 15 minutes

Proposed Motion

I move to authorize the ground lease assignment.

Board's Strategic Goal

Efficient Government

Previous Action

August 6, 2004 - The Board approved the Carson City Airport Lease Amendment and restatement between CCAA and Sterling Air, Ltd which was recorded as document number 323268.

October 21, 2020 - CCAA approved the ground lease assignment between Sterling Air, Ltd and Carson Tahoe Executive, LLC.

Background/Issues & Analysis

Long-time airport tenant Steve Lewis, owner of Sterling Air, Ltd, contacted airport staff regarding an offer to purchase Sterling Air, Ltd's assets. The assets include a hangar and adjoining office space. The purchaser is Jeff Pickett, the sole member of Carson Tahoe Executive, LLC, a Nevada limited liability company.

CCAA requested a Letter of Intent and provided Carson Tahoe Executive, LLC with a Fixed Based Operator (FBO) Checklist. Upon review of the received materials, airport staff has determined that Carson Tahoe Executive meets the criteria for a Class 1 FBO as defined in Carson City Municipal Code ("CCMC") 19.02.020.350 (Fixed Base Operators). In order to conclude the purchase of Sterling Air, Ltd assets, CCAA and the Board must approve the ground lease assignment.

Applicable Statute, Code, Policy, Rule or Regulation

Financial Information

Is there a fiscal impact? No

If yes, account name/number:

Is it currently budgeted? Yes

Explanation of Fiscal Impact: CCAA would continue to receive the same ground rent as defined in the lease agreement.

Alternatives

Do not approve the proposed lease assignment and provide alternative direction.

Attachments:

[2020 10 09 Sterling Air Airport Lease Assignment.pdf](#)

[Airport Lease map 072104 to Sterling Air_Gray Scale.pdf](#)

[080604recorded SterlingAir lease.pdf](#)

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)

APN: 005-011-83

When Recorded, Return To:

Ken Moen, Airport Manager
2600 E. College Parkway #6
Carson City, NV 89706

SPACE ABOVE THIS LINE FOR
RECORDER'S USE

ASSIGNMENT AND ASSUMPTION OF AIRPORT LEASE

THIS ASSIGNMENT AND ASSUMPTION OF AIRPORT LEASE (“Assignment”), made and entered into this ____ day of November, 2020, between STERLING AIR, LTD, a Nevada corporation. (“Assignor”), whose address is 2640 College Parkway, Carson City, Nevada 89706; and CARSON TAHOE EXECUTIVE, LLC., a Nevada limited liability company (“Assignee”), whose address is 3700 Baron Way, Suite 2, Reno, NV 89511, together with the consent of the CARSON CITY AIRPORT AUTHORITY (“Landlord”), whose address is 2600 E. College Parkway #6, Carson City, Nevada 89706;.

WITNESSETH:

WHEREAS, Assignor, as tenant, holds an Airport Lease Agreement with Landlord, titled “Carson City Airport Lease Amendment and Restatement”, recorded in the office of the Carson City Recorder on August 6, 2004, as Document #323268 (“Lease”, aka “Airport Lease”; copy attached hereto), covering approximately 43,458 square feet, more particularly described therein (“Leasehold Property”);

WHEREAS, the Lease permits assignment only upon Landlord prior consent in pertinent part as follows:

9. ASSIGNMENT AND SUBLEASING. Tenant shall have no right to assign or sublet its interest in this lease except upon Landlord's prior consent. Any

such assignment or sublease will be binding to assignees/sub lessees on all terms and conditions in this lease.

WHEREAS, Assignor desires to assign its leasehold interest in the Lease to Assignee, and Assignee desires to assume the same.

NOW THEREFORE, in consideration of the foregoing Recitals, the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee covenant and agree as follows:

1. Airport Lease Assignment and Assumption.

(a) Assignor hereby assigns, conveys and transfers to Assignee all of Assignor’s right, title and interest under the Airport Lease, as more particularly described therein.

(b) Assignee hereby accepts the foregoing assignment and agrees to assume, perform and discharge, as and when due, all of the covenants and obligations of the Assignor under the Airport Lease which arise after the Effective Date of this Assignment, and agrees to be bound by all of the terms and conditions thereof from and after the Effective Date.

(c) The parties acknowledge that the UNICOM equipment and duties have been transferred to Landlord, and are no longer an obligation of the Tenant.

2. Indemnification

Assignee shall defend, indemnify, hold harmless and release Assignor, its successors and assigns, from and against any and all damage, loss, liability, claim, cost, expense, action and cause of action (including, without limitation, attorneys’ fees and the reasonable costs of investigation) (collectively, “Claims”) incurred by or asserted against Assignor, its successors and assigns, arising under the Airport Lease and accruing subsequent to the Effective Date of this Assignment.

Assignor shall defend, indemnify, hold harmless and release Assignee, its successors and assigns, from and against any and all Claims incurred by or asserted against Assignee, its successors and assigns, arising under the Airport Lease and accruing prior to the Effective Date of this Assignment.

3. Miscellaneous.

(a) Successors. This Assignment shall be binding upon the heirs, successors, assigns and personal representatives of the parties hereto.

(b) Headings. The captions to the paragraphs are intended for convenient reference only and shall not be used and are not intended to modify, aid, describe or otherwise affect the meaning of the paragraph from that which is indicated by the text of the paragraph alone.

(c) Construction. This Assignment is the product of negotiation and the parties agree that it shall not be construed against the drafter. If any part of this Assignment shall be found to be invalid or unenforceable, the remainder of the Assignment shall be enforceable in accordance with its terms, deleting such unenforceable or invalid provisions.

(d) Entire Agreement. This Assignment constitutes the entire agreement between the parties with regard to the Airport Lease and any prior negotiations, agreements or other writings pertaining to the subject matter of this Assignment are merged herein and extinguished.

(e) Governing Law. This Assignment shall be construed under the laws of Nevada.

(f) Attorney Fees. In the event of any action or proceeding brought by any party against another pertaining to or arising out of this Assignment, the prevailing party shall be entitled to recover all costs and expenses, including reasonable attorney fees.


(g) Counterparts. This Assignment may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(h) Effective date. This Assignment & Assumption of Lease shall be effective upon recording.

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment as of the day and year first written above.

ASSIGNOR:

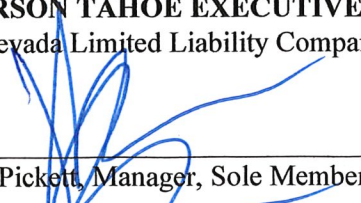
STERLING AIR, LTD
A Nevada Corporation

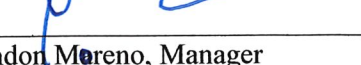
By: 
Steven W. Lewis
Its: President

Date: 12, 09, 2020

ASSIGNEE:

CARSON TAHOE EXECUTIVE, LLC,
A Nevada Limited Liability Company

By: 
Jeff Pickett, Manager, Sole Member

By: 
Brandon Moreno, Manager

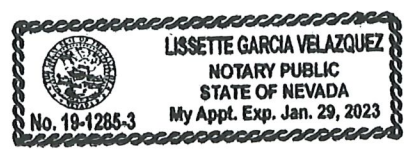
Date: 10-23-20

STATE OF NEVADA)
 : ss
CARSON CITY)

On this 12 day of October, 2020, before me, the undersigned, a Notary Public, personally appeared STEVEN W. LEWIS, president of STERLING AIR, LTD, known, or proved to me, to be the person described herein, who executed the foregoing instrument, and he acknowledged to me, that he has the requisite authority and executed the same freely and voluntarily, and for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year hereinabove written.

Lissette Garcia Velazquez
NOTARY PUBLIC (SEAL)
(Signature of Notarial Officer)

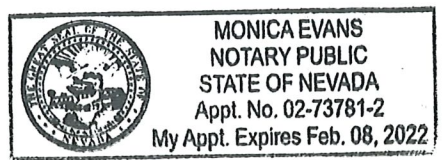


STATE OF NEVADA)
 : ss
COUNTY OF Washoe)

On this 23rd day of October, 2020, before me, the undersigned, a Notary Public, personally appeared JEFF PICKETT as Manager and Sole Member of CARSON TAHOE EXECUTIVE, LLC, and BRANDON MORENO as Manager, known, or proved to me, to be the persons described herein, who executed the foregoing instrument, and they acknowledged to me, that they have the requisite authority and executed the same freely and voluntarily, and for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year hereinabove written.

Monica Evans
NOTARY PUBLIC (SEAL)
(Signature of Notarial Officer)




[Landlord and Board of Supervisors approvals on following page]

CARSON CITY AIRPORT AUTHORITY:

Approved this 22ND day of OCTOBER, 2020 pursuant to Notice, meeting and vote:



MICHAEL GOLDEN, Chairman
CARSON CITY AIRPORT AUTHORITY

ATTEST:


JON ROGERS, Secretary-Treasurer

CARSON CITY:

Approved by the Board of Supervisors this ____ day of _____, 2020.

BRAD BONKOWSKI, Mayor Pro Tempore

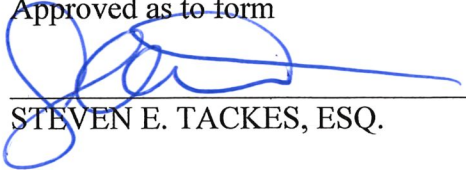
ATTEST:

CITY'S LEGAL COUNSEL
Approved as to form.

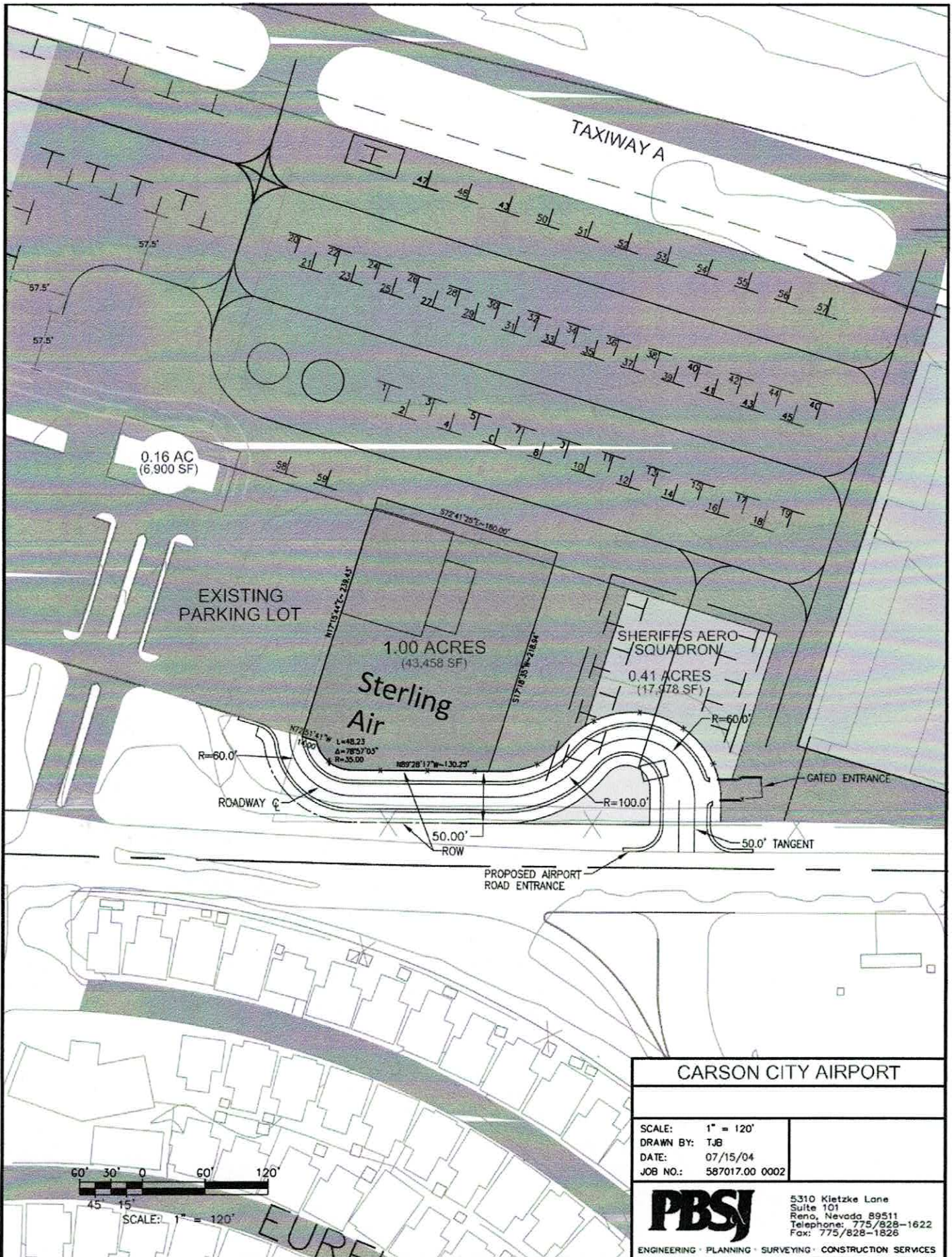
AUBREY ROWLATT, Clerk/Recorder

DISTRICT ATTORNEY

AIRPORT AUTHORITY COUNSEL
Approved as to form



STEVEN E. TACKES, ESQ.



CARSON CITY AIRPORT

SCALE: 1" = 120'
 DRAWN BY: TJB
 DATE: 07/15/04
 JOB NO.: 587017.00 0002

PBSJ
 5310 Kietzke Lane
 Suite 101
 Reno, Nevada 89511
 Telephone: 775/828-1622
 Fax: 775/828-1828
 ENGINEERING · PLANNING · SURVEYING · CONSTRUCTION SERVICES

CARSON CITY AIRPORT LEASE AMENDMENT AND RESTATEMENT

This amendment and restatement of airport lease (Lease), made and entered into this 21st day of July, 2004, between the CARSON CITY AIRPORT AUTHORITY (Landlord), whose address is 2600 E. Graves Lane #6 Carson City, Nevada 89706, and STERLING AIR, LTD. (Tenant), whose address is 2101 Arrowhead Drive, Carson City, NV 89706.

WITNESSETH:

WHEREAS, the Tenant has, on April 1, 2004, taken an Assignment recorded April 6, 2004, as Document No. 316655, of those certain premises leased from Landlord pursuant to Lease Agreement recorded March 22, 1985, Book 389 Page 575, as modified by the Assignment of Leasehold Interest issued October 1, 1990 under the terms of the Order issued by the United States Bankruptcy Court in Case No. 89-765; and

WHEREAS, Landlord and Tenant desire to extend and restate the Lease consistent with the presently effective terms of the standard lease utilized by Landlord, and modifying the premises leased; and

THEREFORE, Landlord and Tenant agree as follows:

1. PREMISES. Landlord leases to Tenant and Tenant leases from Landlord the real property located at the Carson City Airport in Exhibit A (premises), and the appurtenant rights included in Paragraph 8. The parties acknowledge that this Lease supercedes and replaces the lease as between Landlord and a prior tenant contained in the Lease Agreement recorded March 22, 1985, Book 389 Page 575. To the extent that areas included in the prior assigned Lease are not included in the areas leased to Tenant shown on Exhibit A, those areas are released to Landlord.

2. TERM. The Lease shall be extended 37 years beyond its existing termination date and thus will have a term of fifty (50) years, beginning August 1, 2004 and ending on July 31, 2054,

and shall be effective upon approval of the Carson City Airport Authority and Carson City as set forth by the latter date of signature hereunder.

3. RENT. Tenant shall pay to Landlord:

A. An initial rate of \$3,911.22 dollars per year at the rate of \$325.93 per month (calculated as \$0.15 per square foot per year times 43,458sqft, with a credit of \$0.06 per square foot per year until January 20, 2017), and reverting to \$0.15 per square foot per year, as adjusted by the CPI in paragraph 4 below, for the leased area for building described as Parcel 1 on Exhibit A, including the hangar parcel. Payments shall be made monthly, with payments due on the first day of each month. As additional compensation to Landlord, Tenant has released to Landlord:

- a. the area east of Parcel 1, such area to be used as a public taxi-lane for the duration of this Lease,
- b. the area previously designated as a fuel island,
- c. the tie down area to the west and north of the fuel island.
- d. the helipad area at the north end of the tie-down area.
- e. the transient aircraft hourly parking area circles, north east of the restaurant.
- f. the restaurant (terminal building).

B. \$118.00 per month, calculated as \$2.00 per month per tie down, for the aircraft parking tie-downs identified as tie-downs nos. 1-59 located on the Airport Tie-down area described as Exhibit B. Tenant is renting the tie-downs only. Tenant shall maintain the tie-down mechanisms (ropes and chains) installed by Landlord. Landlord continues to maintain control, possession and ownership of the taxi-lanes and pavement area on which said tie-downs are located. Rent to

Landlord shall be payable monthly with payments due on the first day of each month. Tie-down rental rate shall be increased by the CPI increase in paragraph 4 below.

C. To the extent that Tenant elects to sell fuel pursuant to Paragraph 8 of this Lease, Landlord and Tenant will negotiate a fuel flowage fee per gallon as and for the right to sell fuel on the premise, in such location as mutually agreed upon between Landlord and Tenant, such fees to be paid at the time of each delivery of fuel to Tenant's fuel storage facility.

4. CPI ADJUSTMENT. An adjustment of the rental and fees above described shall occur on two year anniversary intervals from January 1, 2005, during the term of this Lease. Such adjustment of rental shall be based upon the percentage change reflected by the Consumer Price Index (hereinafter called the Price Index) for the preceding two year period. The Price Index shall mean the average for "all items' shown on the "U.S. City Average for All Urban Consumers" as promulgated by Bureau of Legal Statistics of the U.S. Department of Labor, as amended or replaced by the agency. Landlord shall measure each two year adjustment using the most recently available report, recognizing that it may be necessary to use a 2 year period with a final quarter ending prior to each December 31 adjustment date. In no event, however, shall any decrease in the Consumer Price Index result in a decrease of the rental below the base rate. For example, if the CPI for December 2006 is 155.0 (1982-1984=100) and for December 2004 is 150.0, then the rent would be adjusted by the difference (155.0-150.0) divided by 150.0 which equals a 3.3% increase.

5. IMPROVEMENTS. For all new construction upon the premises, Tenant shall meet the construction requirements and standards adopted by Landlord pursuant to Title 19 of the Carson City Municipal Code.

6. DEFAULT. The occurrence of any of the following shall constitute a default by Tenant:

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A. Failure to pay rent when due, if the failure continues for ten (10) days after notice has been given to Tenant.

B. Abandonment and vacation of the premises (failure to occupy and operate the premises for thirty (30) consecutive days shall be deemed an abandonment and vacation, except during the period of initial remodeling which is expected to last approximately 150 days).

C. Failure to perform any other provision of this lease including the construction requirements, if the failure to perform is not cured within thirty (30) days after notice has been given to Tenant. If Tenant can demonstrate to the satisfaction of Landlord the default cannot reasonably be cured within thirty (30) days, Tenant shall not be in default of this lease if Tenant commences to cure the default within the thirty (30) day period and diligently and in good faith continues to cure the default.

D. Filing a petition of voluntary or involuntary bankruptcy.

E. The making by the tenant of any general assignment for the benefit of creditors.

F. Violation of any of these standards, rules, and regulations, or failure to maintain current licenses required for the permitted operation.

Notices given under this paragraph must specify the alleged default and the applicable lease provisions, and must demand that Tenant perform the provisions of this lease or pay the rent that is in arrears, within the applicable period of time, or quit the premises. No such notice will be deemed a forfeiture or a termination of this lease unless Landlord so elects in the notice.

7. REMEDIES. Landlord shall have the following remedies if Tenant commits a default. These remedies are not exclusive; they are cumulative to any remedies now or later allowed by law.

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A. Tenant's right to possession not terminated. Landlord can continue this lease in full force and effect, and the lease will continue in effect as long as Landlord does not terminate tenant's right to possession, and Landlord shall have the right to collect rent when due. During the period Tenant is in default, Landlord can enter the premises and relet them, or any part of them, to third parties for Tenant's account. Tenant shall be liable immediately to Landlord for all costs Landlord incurs in reletting the premises. Reletting can be for a period shorter or longer than the remaining term of this lease. Tenant shall pay to Landlord the rent due under this lease on the dates the rent is due, less the rent Landlord receives from any reletting.

If Landlord elects to relet the premises as provided in this paragraph, rent that Landlord receives from reletting shall be applied to the payment of:

First, any indebtedness from Tenant to Landlord other than rent due from Tenant;

Second, all costs, including maintenance, incurred by Landlord in reletting;

Third, rent due and unpaid under this lease, after deducting the payments referred to in this paragraph, any sum remaining from the rent Landlord received from reletting shall be held by Landlord and applied in payment of future rent as rent becomes due under this lease. In no event shall Tenant be entitled to any excess rent received by Landlord. If, on the date rent is due under this lease, the rent received from reletting is less than the rent due on the date, Tenant shall pay to Landlord, in addition to the remaining rent due, all costs including for maintenance Landlord incurred in reletting that remain

after applying the rent received from the reletting as provided in this paragraph.

B. Termination of Tenant's right to possession. Landlord can terminate Tenant's right to possession of the premises at any time after default. No act by Landlord other than giving notice to Tenant shall terminate this lease. Acts of maintenance, efforts to relet the premises, or the appointment of a receiver on Landlord's initiative to protect Landlord's interest under this lease shall not constitute a termination of Tenant's right to possession. On termination, Landlord has the right to recover from Tenant the unpaid rent that had been earned at the time of termination of this lease, and any other amount, and court costs, necessary to compensate Landlord for all detriment proximately caused by Tenant's default.

8. APPURTENANT RIGHTS AND RESTRICTIONS.

A. Tenant may use the premises primarily for any or all permitted Fixed Base Operator activities at the Carson City Airport as permitted in Carson City Municipal Code Title 19 or as may be approved by Landlord. Tenant shall be required to operate at least one of the permitted FBO services set forth below as numbers 1 through 7. In addition, Tenant shall operate the UNICOM service for aircraft in accordance with FAA and FCC rules and regulations. Landlord has furnished the UNICOM equipment to Tenant without cost on a loan basis. Tenant agrees to return all loaned UNICOM equipment in good condition, considering normal wear, upon termination of this lease.

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For all tie down premises, the parties acknowledge that these areas are under the dominion and control of Landlord, and that Landlord maintains all rights appropriate to use of FAA funds on said tie down areas.

Tenant is, by this lease, an authorized FBO, and shall comply with the provisions of Title 19 applicable to the public provision of FBO services. Tenant is specifically permitted but not required to offer the following services:

1. Sales of new and used aircraft, including demonstrations of aircraft for sale.
2. Sales of aircraft parts, retail and wholesale, radio and electronic equipment, navigation and airman supplies and accessories.
3. Flight operations, rental and charter (with or without pilot), air taxi and air ambulance.
4. Flight training (primary and/or advanced).
5. Maintenance, repair and overhaul of all types of aircraft, engines, instruments, radio and electronic gear.
6. Line service, including fueling, lubrication and other servicing of any aircraft; towing disabled aircraft; a right to load and unload passengers and cargo and to transport passengers from transient aircraft parking areas to the terminal and other areas of the airport.
7. Aircraft storage and tie-down.
8. Sales of automotive fuel, lubricants and accessories to aircraft and ramp vehicles such as service vehicles, tugs, tractors, motorized ramps, baggage handling equipment, ground power units, space heaters; a right to make repairs on ground service equipment.
9. Financing and insuring aircraft.

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10. Transportation of persons, baggage and cargo from the airport to places beyond the premises, and vice versa, upon approval of appropriate authorities.

11. Rental of vehicles.

Activities other than those specifically stated in subparagraphs 1 through 11, inclusive, herein, will not be conducted by the Tenant without written advance approval from Landlord.

Tenant may conduct such non-aviation business upon the premises as are otherwise permitted by law and do not otherwise interfere with the aviation uses permitted under this Lease and other leases on this airport. Landlord's decision shall be final as to claims of conflict over interfering uses.

Tenant may construct, upon Landlord approval and other applicable governmental approvals, a fuel storage facility for Tenant's own use and sale to the public. For all fuel so stored, Tenant shall pay Landlord a fuel flowage fee to be negotiated. If Tenant supplies fuel, Tenant shall provide appropriate signage upon said fuel storage facility so as to notify pilots, during day and night, of its location and the availability of self service fuel.

B. Ingress and Egress. Tenant shall have full and unimpaired access to the premises at all times and a nonexclusive right to use the taxiway area between premises and runway, together with an easement of reasonable width and location between the premises and the taxiway. Tenant shall be responsible for all improvements upon such easement. Tenant shall be responsible for, and control the access to, the premises. Access between the leasehold and Airport shall comply with the Landlord's rules, regulations, or access plans.

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C. Right of Entry. Landlord, or its designated Airport Manager or agent, reserves the right to enter upon the premises at any reasonable time for the purpose of making any inspection deemed expedient or desirable for the proper enforcement of any terms, conditions, provisions, and covenants of this Agreement.

D. Air Space and Subsurface Rights. This lease confers no rights to the subsurface of the land more than five (5) feet below the ground level of the premises or to airspace more than ten (10) feet above the top of the roof of the building or buildings that is a part of the premises. All exemptions or applications must have the prior approval of Landlord.

E. Federal Requirements.

1. 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 tenant shall comply with all Federal Aviation Regulations (FARs) applicable to tenant's operations on the premises.

2. 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

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race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subject to discrimination.

3. 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 the Regulation may be amended.

4. 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, 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 types of price reductions to volume purchasers.

5. Noncompliance with Provision 4 above shall constitute a material breach of this Agreement and in the event of such noncompliance, 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.

6. 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.

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7. The Tenant assures that it will undertake an affirmative action program as required by 14 CFR Part 152, Subpart 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 suborganization provide assurance to the Tenant that they similarly will require assurance from their suborganizations, as required by 14 CFR 152, Subpart E, to the same effort.

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

9. 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.

10. 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.

11. The Landlord, its successors and assigns, for the use and benefit of the public, does reserve a right of flight for the passage of aircraft in the airspace above the surface of the lease premises. This public right of flight

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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 Carson City Airport.

12. 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.

13. The Tenant by accepting this lease 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 to a height more than ten (10) feet above the highest part of Tenant's building. 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.

14. 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 Carson City 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.

15. 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

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the meaning of Section 308 of the Federal Aviation Act of 1958 (49 U.S.C. 1349).

F. Tenant assures complete compliance with the Carson City Airport Rules and Regulations upon leased premises.

9. ASSIGNMENT AND SUBLEASING. Tenant shall have no right to assign or sublet its interest in this lease except upon Landlord's prior consent. Any such assignment or sublease will be binding to assignees/sublessees on all terms and conditions in this lease.

Tenant shall have the right to assign, pledge, or hypothecate this lease for the purpose of securing additional financing, upon the prior approval of Landlord.

The parties agree that a transfer of corporate interests in excess of twenty-five percent (25%) shall be deemed an assignment of this lease.

The Landlord reserves the right to assign, pledge, or hypothecate this Agreement upon notice to the Tenant.

10. INSURANCE AND BONDING.

A. Coverage. As a condition precedent to this lease, Tenant shall provide, at his own cost, insurance coverage in the amount of TWO MILLION DOLLARS (\$2,000,000.00), the category to be under-written by a responsible insurance carrier, authorized by the State of Nevada to provide such coverage. The following coverage shall be included:

1. Third-party comprehensive general liability coverage for bodily injury and property damage including owned and non-owned aircraft, for any claim or liability for any injury or damage to any person or property occurring

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on the leased premises or arising out of or resulting from Tenant's operations or omissions at the Carson City Airport.

2. Products liability coverage in addition to the foregoing comprehensive general liability insurance where the licensee operates a food service or offers goods or merchandise for sale.

3. Statutory workers' compensation and employer's liability coverage to the extent required by law.

4. Fire and extended coverage and vandalism and malicious mischief insurance, as provided by the lease Agreements, for damage or destruction of real property or leasehold improvements, where the Landlord has, or will have, an interest in such property by virtue of an existing lease.

B. Insured Includes. Landlord and Carson City must be named as additional insureds, and hereby require that the insurance carrier underwriting such coverage give the Landlord thirty (30) days written notice prior to cancellation of or material alteration to the policy.

Landlord requires that Tenant provide Landlord with a Certificate of Insurance evidencing the coverage in effect, including limits and expiration date. Such policy or policies shall be maintained in full force and effect during the term of the lease, and renewals or extensions of same.

Carson City and the Carson City Airport Authority reserve the right, every five years, to review and adjust the amount of insurance coverage required.

11. HOLD HARMLESS. The Tenant, in consideration of the Landlord's agreement to lease certain real property to Tenant pursuant to this Agreement, agrees that at all times during the term of

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this Agreement, Tenant shall indemnify and defend, saving harmless Landlord, Carson City, their officers, boards, commissions, agents, and employees from any and all claims by any person whatsoever on account of property damage, injury, or death of a person or persons acting on behalf of, or upon the request of, the Tenant during the term of this Agreement.

The Tenant further agrees to indemnify Landlord and Carson City from environmental liability for contamination or damage to the premises and any adjacent area to the premises related or connected with the occupation or use of the leasehold property.

Landlord, Carson City, their officers' boards, commissions, agents, and employees shall be held harmless in all respect for any cost, expense, or liability of any nature which may be incurred by the Tenant during the term of this Agreement.

12. ENVIRONMENTAL. The Tenant will conduct its business and operation in the Premises in compliance with all Environmental Laws and Permits. The Tenant will forthwith notify the Landlord of the occurrence of any of the following and will provide the Landlord with copies of all relevant documentation in connection therewith:

(a) a release of a Hazardous Substance in or about the Premises and/or Lands except in strict compliance with Environmental Laws and any applicable Permits;

(b) the receipt by the Tenant of an Environmental Notice; or

(c) the receipt by the Tenant of information which indicates that Hazardous Substances are being used, dissipated, stored, disposed of or introduced into the environment by anyone in or about the Premises and/or Lands in a manner other than that authorized under Environmental Laws.

Tenant will not permit the storage, use, treatment, disposal or introduction into the environment of Hazardous Substances in or about the Premises and/or Lands, except in compliance with applicable Environmental Laws. If the Landlord receives information that Hazardous

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Substances are being dissipated, used, stored, disposed of or introduced into the environment by anyone in or about the Premises and/or Lands in a manner other than that authorized under Environmental Laws, the Tenant will conduct such investigations, searches, testing, drilling and sampling ("Investigations") as are reasonably requested from time to time by the Landlord to determine the existence of Hazardous Substances in or about the Premises and/or Lands. If the Tenant does not complete the Investigations to the satisfaction of the Landlord, the Landlord may enter on the property of the Tenant and take any actions necessary to complete the Investigations, the cost of which actions will be borne by the Tenant as additional rent. If remedial work is required due to the presence of Hazardous Substances on or in the Premises and/or the Lands, the Tenant will take all necessary action, at the cost of the Tenant, to restore the Premises and/or Lands to a level acceptable to the Landlord and to all governmental authorities having jurisdiction. Upon the request of the Landlord, from time to time, the Tenant will provide to the Landlord satisfactory documentary evidence that all environmental permits are valid and in good standing.

Environmental Indemnity. The Tenant will indemnify and save harmless the Landlord, Carson City, their officers, directors, employees, agents and shareholders, from and against any and all losses, claims, costs, expenses, damages and liabilities, including all costs of defending or denying the same, and all costs of investigation, monitoring, remedial response, removal, restoration or permit acquisition and including all solicitor's fees (on a solicitor and own client basis) and disbursements in connection therewith which at any time may be paid or incurred by or claimed against the Landlord, its officers, directors, employees, agents and shareholders, and Carson City arising, directly or indirectly, out of:

- (a) a breach by the Tenant of any of the covenants contained in this Section;

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(b) the presence of or release of any Hazardous Substance on or off-site of the Premises and/or the Lands;

(c) any action taken by the Landlord with respect to the existence of any Hazardous Substance on or off-site of the Premises and/or the Lands; or

(d) any action taken by the Landlord in compliance with any Environmental Notice with respect to the existence of any Hazardous Substance on or off-site of the Premises and/or the Lands;

and such indemnity will survive the expiration or any termination of this lease notwithstanding anything in this lease to the contrary.

13. MAINTENANCE. Landlord is not required to provide any maintenance, repairs, removal, and construction of gross area leased or of buildings or facilities erected by Tenant.

Tenant shall provide and pay for all light, gas, electric, water, janitorial, and sewer charges used or incurred in or about the lease premises.

Tenant shall maintain all leased areas, salvage and rehabilitation areas, displays, storage areas, landscaping, pavement, facilities, and structures in a state of repair and good appearance acceptable to the Landlord. Landlord shall have sole discretion in interpreting and enforcing all Federal, State, and local rules, regulations, codes, and ordinances in determining what is, or is not, acceptable.

Landlord may require Tenant to perform all necessary maintenance, repairs, removal, construction or cleaning/clearing of unsightly areas upon the leased premises. In the event such maintenance, repairs, removal, construction, or cleaning/clearing of unsightly areas is not undertaken as required, Landlord may perform such maintenance, repairs, removal, construction, or cleaning/clearing of unsightly areas on behalf of Tenant and at Tenant's expense, plus ten percent (10%) for administration.

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14. TAX OBLIGATION. Tenant shall pay all taxes and assessment against any buildings or other structures and improvements used by Tenant in its operations, and if imposed at any future date, any and all real property taxes assessed against the land leased from Landlord, including any possessory interest taxes.

15. REMOVAL OF BUILDINGS AND IMPROVEMENTS. Tenant shall remove at his cost all buildings and improvements upon termination of the Agreement and restore the premises to its original condition. Title in building and improvements shall at all times during the lease term remain in the Tenant. The Landlord shall have the option on termination to take title of the buildings and improvements, at no cost or obligation to Landlord, in lieu of Tenant's obligation to restore the premises to its original condition.

16. REPORTING. Anything that affects the safe and efficient operation of the Carson City Airport shall be immediately reported to Landlord or the designated Airport Manager.

17. AMENDMENTS. Any amendments to this lease require approval by the Landlord, Carson City, and Tenant. All proposed amendments must be submitted in writing to Landlord for review and placement before a regularly scheduled meeting of the Carson City Airport Authority for consideration.

18. GENERAL. 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 Carson City 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 Lease will be re-negotiated to comply with the requirements of the applicable laws and regulations. In the event that negotiation attempts are unsuccessful, either party may petition the First Judicial District Court, which shall then

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be entitled to establish such replacement provisions or issue such rulings as are just, for the purpose of satisfying the intent of the Lease provisions.

The Tenant agrees to observe and obey during the terms of this Lease all laws, rules, and regulations promulgated and enforced by the State of Nevada, Carson City, and by any other proper authority having jurisdiction over the conduct of operations at the Carson Airport.

Landlord and the Carson City Sheriff's Office shall have complete dominion over the premises herein 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 Carson Airport by any person who fails to obey all relevant laws, rules, and regulations.

19. NOTICES. It is agreed that any notice to be given or served upon either party shall be sufficient if sent by certified mail, postage prepaid, addressed to the address of the party listed at the beginning of this Lease, or to such other address as may be designated in writing by such party.

Approved this 21st day of July, 2004.

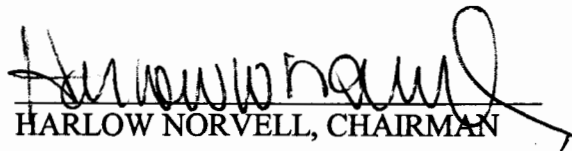
TENANT



STERLING AIR LTD.

By Steven W. Lewis, President.

LANDLORD
CARSON CITY AIRPORT AUTHORITY
CARSON CITY, NEVADA



HARLOW NORVELL, CHAIRMAN

ATTEST:

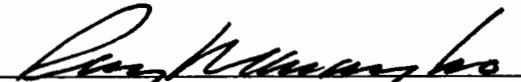


GENE SHELDON, TREASURER, CCAA


323268

CARSON CITY

Approved by the Board of Supervisors this ____ day of August, 2004.


RAY MASAYKO, Mayor

ATTEST:


ALAN GLOVER, Clerk/Recorder

CITY'S LEGAL COUNSEL
Approved as to form.


DISTRICT ATTORNEY

AIRPORT AUTHORITY COUNSEL
Approved as to form.


STEVEN E. TACKES, ESQ.

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EXHIBIT A

Carson City Airport Area Leased /legal description for Sterling Air Lease

Parcel 1

Hangar Building Parcel

A certain parcel of land situate in the N 1/2 of the SE 1/4 of Section 4, T 15 N, R 20 E, M.D.B.&M., Carson City, Nevada. Said parcel being more particularly described as follows, to-wit:

Commencing at the S 1/16 corner common to Sections 4 and 3, thence on a Nevada State Plane Coordinate System bearing N 0°55'35" E for a distance of 80.00 feet; thence N 89°22'07" W for a distance of 1368.24 feet; thence N 17°18'35" E for a distance of 375.44 feet; thence S 72°41'25" E for a distance of 195.68 feet to the True Point of Beginning;

Thence from the True Point of Beginning located at the northwest corner of the parcel at a bearing of S 72°41'25" E a distance of 180.00 feet to the northeast corner of the parcel; thence S 17°18'35" W a distance of 218.94 feet to the southeast corner of the parcel; thence N 89°28'17" W a distance of 130.29 feet to the beginning of a tangent curve with a radial bearing of N 00°31'43" E; thence 48.23 feet along said curve having a radius of 35.00 feet and bearing to the right through a central angle of 78°57'03"; thence N 72°51'41" W a distance of 14.00 feet to the southwest corner of the parcel; thence N 17°15'44" E a distance of 239.43 feet to the True Point of Beginning. Said parcel containing approximately 43,458 square feet or approximately 0.998 acres.

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EXHIBIT B

Carson City Airport Tiedowns rented /legal description for Sterling Air Lease

Tiedown Nos. 1 through 59 located within the Airport area described as follows:

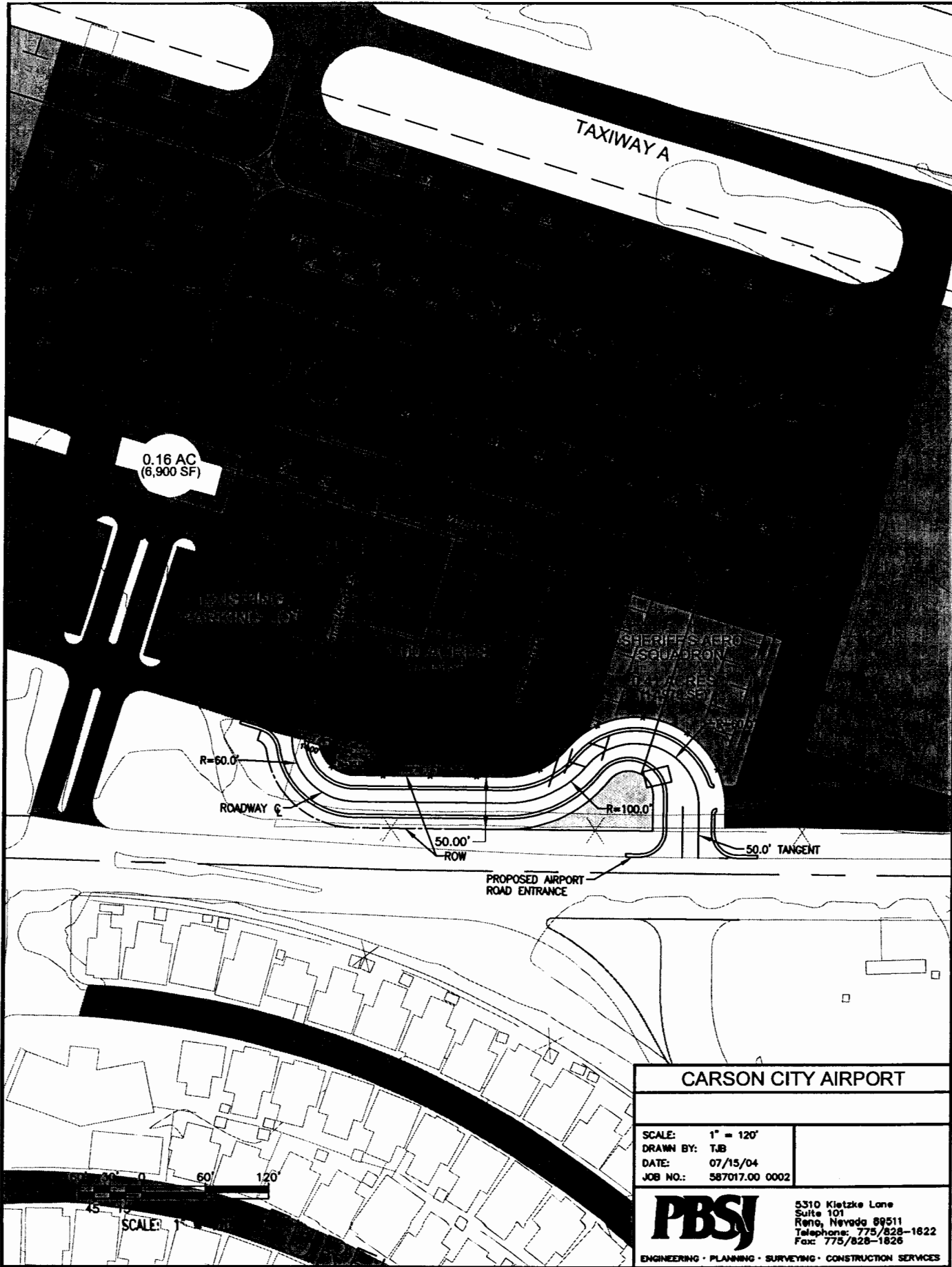
A certain parcel of land situate in the N ½ of the SE ¼ of Section 4, T 15 N, R 20 E, M.D.B & M., Carson City Nevada. Said parcel being more particularly described as follows:

Commencing at the S 1/16 corner common to Sections 4 and 3, thence N 0°55'35" E a distance of 80.00 feet; thence N 89°22'07" W a distance of 1,368.24 feet; thence N 17°18'35" E a distance of 377.51 feet; thence S 72°41'25" E a distance of 25.00 feet to the True Point of Beginning;

From the True Point of Beginning located at the southwest corner of the parcel; thence N 17°18'35" E a distance of 324.77 feet to the northwest corner of the parcel; thence S 72°41'25" E a distance of 575.00 feet to the northeast corner of the parcel; thence S 17°18'35" W a distance of 339.77 feet to the southeast corner of the parcel; thence N 72°41'25" W a distance of 542.50 feet to an angle point; thence N 17°18'35" E a distance of 15.00 feet to an angle point; thence N 72°41'25" W a distance of 32.50 feet to the True Point of Beginning, said parcel containing 194,880 square feet or 4.47 acres more or less.

Said tie-downs are numbered on the attached map.

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0.16 AC
(6,900 SF)

TAXIWAY A

R=60.0'

ROADWAY

50.00'
ROW

R=100.0'

50.0' TANGENT

PROPOSED AIRPORT
ROAD ENTRANCE

CARSON CITY AIRPORT

SCALE: 1" = 120'
DRAWN BY: TJB
DATE: 07/15/04
JOB NO.: 587017.00 0002



5310 Kietzke Lane
Suite 101
Reno, Nevada 89511
Telephone: 775/828-1822
Fax: 775/828-1826

ENGINEERING • PLANNING • SURVEYING • CONSTRUCTION SERVICES

323268

APN none

APN _____

APN _____

RECORDED AT THE
REQUEST OF

CARSON CITY CLERK TO
THE BOARD

2004 AUG -6 PM 2:57

FILE NO. 323268

ALAN GLOVER
CARSON CITY RECORDER

FEES U/C DEP. PH

FOR RECORDER'S USE ONLY

TITLE OF DOCUMENT:

*Carson City Airport Lease Amendment
between Carson City Airport Authority
& Sterling Air, Ltd.*

WHEN RECORDED MAIL TO:

E. 323268