

TRUCKEE TAHOE AIRPORT DISTRICT BOARD OF DIRECTORS AGENDA ITEM SUMMARY

Topic:	Deli Lease Aeronautical Commercial		
Purpose	Information:	Guidance:	Decision: XX
Recommendation	Approve the attached lease and operating agreement for RedTruck catering/Larry Abney as the selected vendor to provide aeronautical food services, catering, and associated activities.		
Last Action	<p>May 31, 2012 the current lease with Runway Café and catering/Amy Burke was assigned to Lawrence Abney/Red Truck catering. Red Truck began services in the current administration building. The lease agreement has reverted to month to month. The lease referenced our previous administration building and the old Deli space, kitchen, storage areas, and customer seating. The lease rate was predicated on the condition, amenities, and business potential of our old building.</p>		
Discussion	<p>Since the spring of 2012, Red Truck has provided consistent service and quality food. The community has embraced the Airport as a gathering place. The presence of high quality food and reliable service has been integral to the momentum of our community outreach efforts; people visit the airport, talk with staff, embrace aviation, play on the playground, and create a sense of community.</p> <p>Aeronautical service offerings from Red Truck have been limited. Under the pending agreement Red Truck would offer crew meals, catering, and limited off hour food to our aviation customers. The deli would remain open six days per week. Alternative plans to provide food for air crews on Sundays are under discussion. A large portion of the lease renewal was an understanding of fair market value. Staff retained a local commercial real estate consultation firm and gained a fair market value assessment of the deli space, serving area, and public gathering area. This fair market value report coupled with two other independent aeronautical food service airport leases were the basis for the current lease structure and rate.</p> <p>Our location is unique. Typical marketplace factors do not apply, such as walk-in traffic, street side advertising, and neighboring business traffic. An effort was made to incorporate all factors including common area maintenance, rent, utilities, deposit structure, improvements, and hours of operation before a fully loaded fee structure was calculated. In an effort to acknowledge the unique location associated with this lease staff chose to monetize the community benefit received from the service offering and integrate it into the fee structure. This structure acknowledges the Lease's</p>		

TRUCKEE TAHOE AIRPORT DISTRICT BOARD OF DIRECTORS AGENDA ITEM SUMMARY

nonexclusive use of the deli area and supports the Districts strategy area 3, strategic directive 3.4, Community Enhancement.

Considering the unique business factors that apply to any operator at the airport, the professional opinion of North Tahoe commercial group, the numerical fair market value assessment, the average common area maintenance fees, and the two comparative airport leases, staff believes the fee structure in terms of the pending lease and operating agreement are fair to Red Truck and the District. Adequate effort has been made to construct an equitable agreement that supports the strategic goals of the airport while providing revenue based on fair market value.

Fiscal Impact	A fee increase from \$378 per month to \$1173.96 per month. Additional District revenue of \$795.96 per month from the Deli space.
Communication Strategy	Multiple meetings between staff and Mr. Abney proved beneficial. Mr. Abney agrees to the terms and conditions of the lease and operating agreement.
Attachments	Lease and operating agreement

LEASE AND OPERATING AGREEMENT

This Lease and Operating Agreement (this "Agreement") entered into as of the 1st day of May, 2014, by and between the Truckee Tahoe Airport District, a California Special Airport District ("DISTRICT") and Larry Abney owner Red Truck Restaurant & Catering, a sole proprietor ("LESSEE").

Witnesseth:

WHEREAS, DISTRICT now owns, controls and operates the Truckee Tahoe Airport (the "Airport") located in Placer and Nevada Counties, State of California; and

WHEREAS, Specialized Aviation Service Operation (SASO) are essential to the proper accommodation of general aviation at the Airport; and

WHEREAS, DISTRICT desires to make such services available at the Airport and LESSEE is qualified, ready, willing and able to provide such services; and

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained in this Agreement, the parties hereby agree as follows:

ARTICLE ONE

TERM

The term of this Agreement shall be for a period of one (1) years, commencing on the 1st day of May, 2014, and continuing through the 1st day of May, 2015 (the "Termination Date"), unless earlier terminated under the provisions of this Agreement. This Agreement contains no option to extend the term, however nothing herein shall preclude LESSEE and DISTRICT from mutually agreeing to negotiate for an additional term or from mutually agreeing to negotiate for rental of any other facility constructed at the Airport during the term of this Agreement. In the absence of such a negotiated extension of the term, any occupancy by LESSEE beyond the Termination Date shall be on a month-to-month basis on the conditions set forth herein.

ARTICLE TWO

LEASED PREMISES

DISTRICT hereby leases to LESSEE, and LESSEE hereby leases from DISTRICT, the following premises, identified and shown on Exhibit A, attached hereto and made a part hereof (the "Premises"), together with the right of ingress and egress:

- A. Real Property as described on Exhibit A,
- B. The following Personal Property belonging to the DISTRICT: permanently affixed personal property not owned by Red Truck Café or Larry Abney, as finally determined by Phred Stoner as soon as practicable after the execution of this lease, within the reasonable agreement of the Parties. LESSEE shall be entitled to use said personal property during the term of this Agreement and shall return the same to the DISTRICT at the end of the term in good working order.

ARTICLE THREE

RIGHTS AND OBLIGATIONS OF LESSEE

A. Required Services. LESSEE is hereby granted the nonexclusive privilege to engage in, and LESSEE agrees to engage in, the business of providing full and complete delicatessen service and retail sales of fresh food through counter sales at the Airport. LESSEE agrees that it will use its good faith effort to be open and available for business between 9 a.m. and 3:00 p.m. daily, for the number of days per week, during the time periods set forth as follows:

1. 7 days per week: June 1 through September 30 (Negotiated through service offering in lieu of full operation)
2. 6 days per week: September 30 through December 15
3. 7 days per week: December 15 through Jan 31
4. 6 days per week: February 1 through May 31

Additionally LESSEE agrees to offer an inflight catering service to all aircraft operators upon request and post in visible location menus, rates, and after hours contact. Food and drink may be prepared no greater than 24 hours in advance and placed in DISTRICT facility for pick up by aircrew, passengers, or aircraft operator. Additional operating hours shall include those times that the kitchen is staffed, such as catering food prep. LESSEE shall only use or occupy the Premises when the Terminal Building, where the Premises are located, is open to the Public and at no other times.

B. Authorized Services. In addition to the services required to be provided by LESSEE pursuant to Paragraph A. above, LESSEE is authorized, but not required, to provide the following services and to engage in the following activities: catering services for airport users or elsewhere.

C. Operating Standards. In providing any of the required and/or authorized services or activities specified in this Agreement, LESSEE shall operate for the use and benefit of the public and shall meet or exceed the following standards:

1. LESSEE shall comply with the minimum operating standards or requirements, promulgated by DISTRICT and provided to LESSEE, applicable to each of LESSEE'S activities on the Airport.
2. LESSEE shall furnish service on a fair, reasonable and nondiscriminatory basis to all users of the Airport. LESSEE shall furnish good, prompt and efficient service adequate to meet all reasonable demands for its services at the Airport. LESSEE shall charge fair, reasonable, and nondiscriminatory prices for each unit of sale or service; provided, however, that LESSEE shall be allowed to make reasonable and nondiscriminatory discounts, rebates, or other similar types of price reductions to volume purchasers.
3. LESSEE shall have an employee staffed at its operations at the Airport during the hours set forth in Article 3(A). Such employee shall be qualified and experienced, and vested with full power and authority to act in the name of LESSEE with respect to the method, manner and conduct of the operation of the specialized aviation services to be provided under this Agreement. Such employee shall be available at

the Airport during the hours set forth in Article 3, §A.

4. LESSEE shall provide, at its sole expense, a sufficient number of employees to provide effectively and efficiently, the services required or authorized by this Agreement.
5. LESSEE shall control the conduct, demeanor and appearance of its employees, who shall be trained by LESSEE and shall possess such technical qualifications and hold such certificates required by any government authority in carrying out assigned duties. It shall be the responsibility of LESSEE to maintain close supervision over its employees to assure a high standard of service to customers of LESSEE.
6. LESSEE shall comply with all federal, state and local laws, rules and regulations which may apply to the conduct of the business contemplated, including rules and regulations promulgated by DISTRICT, and LESSEE shall maintain in effect and post in a prominent place all necessary and/or required licenses or permits.
7. LESSEE shall be responsible for the maintenance and repair of the Premises and shall keep and maintain the Premises in good condition, order and repair, and shall surrender the same upon expiration of this Agreement, in the condition in which they are required to be kept, reasonable wear and tear and damage by the elements not caused by LESSEE'S negligence excepted.
8. It is expressly understood and agreed that, in providing required and authorized services pursuant to this Agreement, LESSEE shall have the right to choose, in its sole discretion, its vendors and suppliers.
9. No open or uninvited solicitation on the Airport of LESSEE'S services, except by signs as hereinafter provided, shall be done or permitted, and DISTRICT shall be the sole judge as to whether or not the foregoing restriction has been violated and constitutes a breach of this Agreement.
10. LESSEE shall not store materials or supplies at the Airport outside of any buildings.
11. LESSEE shall make no unlawful or offensive use of the Airport, nor commit or suffer or permit waste, excessive noise, obnoxious odors, excessive dust or any other nuisance at the Airport.
12. LESSEE agrees to keep the Premises clear and free of all litter, garbage, debris and refuse, and to keep such premises and area in an orderly and sanitary condition at all times.
13. LESSEE shall make a good faith effort to mitigate any and all impacts on DISTRICT and DISTRICT'S employees, guests, invitees and other Tenants from LESSEE'S activities, including but not limited to noise, vibration, odor, steam or other emissions. If DISTRICT determines, in the reasonable exercise of its discretion, that LESSEE has failed to mitigate the impact of LESSEE'S activities after reasonable attempts, it is understood that DISTRICT may reasonably restrict LESSEE'S activities.

ARTICLE FOUR

APPURTENANT PRIVILEGES

A. Use of Airport Facilities. LESSEE shall be entitled, in common with others so authorized, to the use of all facilities and improvements of a public nature which now are or may hereafter be connected with or appurtenant to the Airport.

ARTICLE FIVE

MAINTENANCE, ALTERATIONS, LEASEHOLD IMPROVEMENTS, SIGNS AND TRADE FIXTURES

A. Maintenance and Repairs. LESSEE has had the opportunity to inspect the Premises and accepts the Premises, as well as the improvements thereon, "as-is" in their present condition and acknowledges that the Premises and the improvements are in good, clean, safe and tenantable condition as of the date of the Lease. DISTRICT, at DISTRICT'S cost and expense, shall maintain in good condition and repair the exterior roof, exterior walls, structural supports, and foundations of the Premises, provided that DISTRICT shall not be liable for any damage to LESSEE or the property of LESSEE resulting from DISTRICT'S failure to make any repairs required by this section unless written notice of the need for such repairs has been given to DISTRICT by LESSEE and DISTRICT has failed for a period of thirty (30) days after the receipt of such notice to make such repairs. Except as otherwise expressly provided herein, LESSEE shall, at LESSEE'S own cost and expense, keep and maintain all portions of the Premises, as well as all improvements on said Premises, in good order and repair and in a safe and, clean condition as they were when received from DISTRICT, reasonable wear and tear excepted. DISTRICT shall have no obligation to repair, maintain or restore the Premises or to maintain any security or policing against theft, vandalism, malicious mischief, riot, social disorders or other public offenses. Notwithstanding anything to the contrary herein, DISTRICT will provide the following minimum services during the term of the Lease in exchange for LESSEE'S payment of a common area maintenance fee **in the amount of \$378 per month (the "CAM Fee")**: carpet cleaning, janitorial service, and snow removal and picnic area maintenance. Such services shall be provided at such times DISTRICT deems necessary or at the reasonable request of LESSEE.

B. Alterations; Removal of Lessee-Installed Property. LESSEE shall make no alterations, decorations, additions or improvements in the Premises or otherwise at the Airport without DISTRICT'S prior written consent which shall not be unreasonably withheld. All alterations, additions or improvements made by LESSEE at the Airport shall, unless DISTRICT elects otherwise, as hereinafter provided, be the property of LESSEE and shall be removed by LESSEE, at LESSEE'S expense upon the expiration or termination of this Agreement. If DISTRICT elects (upon written notice to LESSEE of such election given prior to the expiration or termination of this Agreement) that all or a designated portion of the alterations, additions, or improvements made by LESSEE shall remain on the Premises at expiration or termination of this Agreement, then said alteration, additions or improvements shall become DISTRICT'S property at no cost to DISTRICT. Notwithstanding the foregoing, however, it is understood and agreed that LESSEE is entitled to any and all tax benefits associated with the use or relinquishment of such additions or improvements. Machinery, equipment and trade fixtures installed by LESSEE in the Premises shall not be considered "alterations, additions or

improvements" subject to the foregoing provisions and shall be removed from the Airport by LESSEE on or before expiration or termination of this Agreement, provided any damage to DISTRICT'S property resulting from such removal shall be repaired or restored at LESSEE'S expense. All alterations, additions and improvements made by LESSEE shall be done in a workmanlike manner, with good materials, and in full compliance with all applicable building codes, laws, ordinances, regulations and directions of public agencies having jurisdiction, and free and clear from any and all liens, claims and demands for work performed, materials furnished, or operations conducted on the Premises.

C. Signs. LESSEE shall be entitled to maintain signs advertising its services, provided, however, DISTRICT reserves the right to remove any sign now or hereafter erected by LESSEE and provided, further, that such signs maintained by LESSEE shall be at such locations as DISTRICT'S General Manager shall designate in advance in writing and shall be of such type, design, color, size, composition and material acceptable to and approved by the DISTRICT in its sole discretion.

D. All of LESSEE'S signs shall be maintained in good order, condition and appearance during the term of this Agreement and shall be removed from the Airport by LESSEE at LESSEE'S sole expense on or before the expiration or other termination of this Agreement. LESSEE shall restore the premises to its pre sign installation condition when it removes any sign.

E. Trade Fixtures. During the term of this Agreement, LESSEE shall have the right, at its expense, to place in or on the Premises trade fixtures, furnishings, personal property, equipment and materials necessary to perform any services required or authorized hereunder. Said trade fixtures, furnishings, personal property, equipment and materials shall remain the property of LESSEE.

ARTICLE SIX

PAYMENTS

A. Rent and Fees. In consideration of the rights and privileges granted by this Agreement, LESSEE agrees to pay to DISTRICT during the term of this Agreement rent in the sum of **\$637.24** per month for the first twelve (12) months of the term, adjusted as set forth below thereafter, together such other payments as are set forth in this Agreement, subject to further adjustment as set forth in Section D herein and other provisions of this Agreement. This rent is based on the Truckee Tahoe Airport District Policy Instruction 504. It is agreed by both parties that Red Truck Café / Larry Abney as owner, are providing food, catering, meals, and services to aeronautical/aviation customers. If the services offered by LESSEE fail to meet the definitions outlined in Truckee Tahoe Airport District Policy Instruction 504 as an aeronautical service provider or the LESSEE stops providing service that performs a benefit to aeronautical users of the airport the rent shall be adjusted to a non-aeronautical rate through the Truckee Tahoe Airport District Policy Instruction 504.

B. Time of Payment and Late Charge. LESSEE shall pay DISTRICT at its Airport offices without reduction, abatement, deduction, offset or any prior demand therefor, in advance on the first day of each calendar month, commencing on the first day of the month following the execution of this Agreement, all monthly payments provided for in the Agreement. LESSEE

shall pay the rent for the first month of this Agreement, prorated to the day of the month when the Agreement is executed, upon execution of the Agreement. All sums payable to DISTRICT shall be paid at the DISTRICT'S principal place of business or at 10356 Truckee Airport Road, Truckee, California 96161. If LESSEE shall fail to pay any amounts due pursuant to the terms of this Agreement, by the fifteenth (15th) day of the month such installment is due, a late charge equal to ten percent (10%) of said monthly installment shall be added to that installment and shall be due and payable from LESSEE to DISTRICT. In addition, such unpaid amounts shall thereafter be subject to a service charge equal to seven percent (7%) per annum, calculated for each day the outstanding balance is not paid in full.

C. Security Deposit.

1. LESSEE shall deposit \$2,500 with DISTRICT upon execution of this Agreement, which sum shall be held by DISTRICT as security for the faithful performance by LESSEE of all of the terms, covenants and conditions of this Agreement to be kept and performed by LESSEE. If at any time the rent herein reserved shall be overdue and unpaid, or any other sum payable to DISTRICT by LESSEE hereunder shall be overdue and unpaid, DISTRICT may, at its option, appropriate and apply all or any portion of said deposit to the payment of any such overdue rent or other sum. If LESSEE fails to keep and perform all of the terms, covenants and conditions of this Agreement to be kept and performed by the LESSEE, then DISTRICT may, at its option, appropriate and apply the deposit to the amount of losses or damage sustained or suffered by DISTRICT by reason thereof. Should the entire deposit or any portion thereof be appropriated and applied by DISTRICT as herein provided, then LESSEE shall, upon written demand of DISTRICT, forthwith remit to DISTRICT a sufficient amount of cash to restore said security to the original amount. LESSEE'S failure to do so within five (5) days after receipt of such demand constitutes a material breach of this Agreement.

D. Annual Adjustment of Rental Fee. The monthly rental fee set forth in Section A herein shall be adjusted annually as follows: On June 1st of each year, the monthly rent shall be computed by adding to the then current monthly rent an amount obtained by multiplying the then current monthly rent by the percentage by which the level of the Bureau of Labor Statistics, Consumer Price Index, All Urban Consumers, West - B/C (cities of less than 1,500,000 population), All Items (December 1996=100), as reported for the month of April just preceding said June, has increased over its level on the preceding April. (For example, if an agreement was entered into in June 1, 2014 at \$100 per month initial rent and the percentage change in the index between April 2014 and April 2015 was 1.1%, the rent would be adjusted by adding \$100 x 1.1%, or \$1.10, to the \$100 rent, for a total rent of \$101.10 on June 1, 2015.) The amount thus derived shall be the monthly rent for the month commencing in March and each succeeding month during the next one (1) year term and shall be adjusted accordingly for each succeeding annual period, provided that the monthly rent shall in no event be less than the rent imposed at the beginning of the original term. In the event that the defined Index is not available as of June 1st, the consumer price adjustment shall be computed as soon as such Index is available, and the rent shall be retroactively adjusted to said June 1st. In the event no Index is published for April, the Index used shall be that for the next succeeding month which is published and an adjustment shall be made based thereon annually. Said resulting rent shall be rounded to the nearest dollar.

E. Taxes. LESSEE shall pay before delinquency any and all taxes (including real property taxes), assessments, fees or charges, including possessory interest taxes, which may

be imposed, levied or assessed upon any leasehold or possessory interests of LESSEE, and personal property, improvements, equipment or fixtures owned, controlled or installed by LESSEE and used or located on the Airport, or upon LESSEE'S business, to the extent such taxes are directly attributable to LESSEE'S possession or improvements. By entering into this Agreement, a possessory interest subject to property taxation may be created. LESSEE shall pay all such taxes. Nothing herein shall be deemed to limit any of LESSEE'S rights to appeal any levies or assessments in accordance with the rules, regulations, laws, statutes, or ordinances governing the appeal process of the taxing authority making such levies or assessments.

ARTICLE SEVEN

UTILITIES AND SNOW REMOVAL

A. Utilities. LESSEE agrees to pay the cost of all utilities serving the Premises, including but not limited to gas, electric, water, sewer, and telephone services, and shall place said utilities in its own name when possible. LESSEE shall pay its pro-rata share of such utilities which remain in the name of the DISTRICT. At the commencement of this Lease, it is agreed that such pro-rata share for **utilities is \$158.72 per month** and that such amount shall be adjusted annually along with the base rent, all as set forth in section D of Article Six of this Lease. In the event LESSEE fails to pay any utility bill when due, DISTRICT may, at its option, pay the same and collect from LESSEE the amounts so disbursed, plus interest at the rate set forth in Article 6.B herein. In the event either the Truckee Sanitary District or the Tahoe-Truckee Sanitation Agency re-rate or otherwise increase the charges for sewage or sewerage service (as a result of usage or potential usage and not a District-wide rate increase), LESSEE shall be responsible for and pay all such increases.

LESSEE hereby expressly waives any and all claims for damage against DISTRICT arising from failure or interruption of utility services, including but not limited to, electricity, gas, water, plumbing, sewage, heat, ventilation, or air conditioning, or from construction activities at the Airport. Provided, however, DISTRICT shall use its best efforts to restore any such service as soon as possible after such interruption.

B. Snow Removal. DISTRICT shall provide snow removal for the outside areas contained within the Premises. Such snow removal shall be provided on an as-available basis subject to the DISTRICT priority schedule and availability of staff and equipment. It shall be the sole responsibility of LESSEE to provide its own equipment and labor to clean up and provide access to the buildings included within the Premises. LESSEE understands and agrees that DISTRICT snow removal equipment (snowplows, snow blowers, shovels, etc.) is not available for its use.

C. LESSEE hereby expressly waives any and all claims for damage against DISTRICT arising from failure or interruption of snow removal services.

ARTICLE EIGHT

HAZARDOUS SUBSTANCES

Hazardous Substances. The provisions of this Section, which govern LESSEE'S obligations with

regard to hazardous substances, as defined below, shall survive termination of this Agreement.

A. Definition of Hazardous Substance. For purposes of this Agreement, "Hazardous Substances" is defined to mean any substance, material or waste, including asbestos and petroleum (including crude oil or any fraction thereof), which is or becomes designated, classified or regulated as being "toxic", "hazardous", a "pollutant", or similar designation under any federal, state or local law, regulation or ordinance.

B. Indemnity Regarding Hazardous Substances. LESSEE agrees to indemnify and hold DISTRICT harmless from and against all liabilities, claims, actions, foreseeable and unforeseeable consequential damages, costs and expenses (including sums paid in settlement of claims and all consultant, expert and legal fees and expenses of LESSEE'S counsel) or loss directly or indirectly arising out of or resulting from the presence of any Hazardous Substances as a result of LESSEE'S or any sub-LESSEE'S activities, in or around any part of the property or the soil, groundwater or soil vapor on or under the property, including those incurred in connection with any investigation of site conditions or any clean-up, remedial, removal or restoration work, or any resulting damages or injuries to the person or property of any of their parties or to any natural resources. Upon demand by DISTRICT, LESSEE shall defend any investigation, action or proceeding alleging the presence of any Hazardous Substances in any such location, which affects the property or which is brought or commenced against DISTRICT, whether alone or together with LESSEE or any other person, all at LESSEE'S own cost and by counsel to be approved by DISTRICT in the exercise of its reasonable judgment. In the alternative, DISTRICT may elect to conduct its own defense at the expense of LESSEE.

C. Compliance Regarding Hazardous Substances. LESSEE shall comply and cause all occupants of the Premises to comply, with all laws, regulations, and ordinances governing or applicable to Hazardous Substances as well as the recommendations of any qualified environmental engineer or other expert which apply or pertain to the Premises. LESSEE acknowledges that Hazardous Substances may permanently and materially impair the value and use of the Premises.

LESSEE shall not allow the installation or release of hazardous substances in, on, under or from the Premises. For the purposes of this provision, a release shall include, but not be limited to, any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leeching, dumping, or otherwise disposing of hazardous substance.

D. Notice Regarding Hazardous Substances. LESSEE shall promptly notify DISTRICT if it knows, suspects or believes, there may be any Hazardous Substances in or around the Premises, or in the soil, groundwater or soil vapor on or under the property, or that LESSEE or the Premises may be subject to any threatened or pending investigation by any governmental agency under any law, regulation or ordinance pertaining to any Hazardous Substances.

LESSEE shall give written notice to the DISTRICT within ten (10) days of receipt of such knowledge or cause for belief. Provided, however, if LESSEE knows, or has reasonable cause to believe that such substance is an imminent and substantial danger to public health and safety, LESSEE shall notify the DISTRICT immediately upon receipt of this knowledge or belief and shall take all acts necessary to alleviate such danger. LESSEE will notify the DISTRICT immediately of any notice of violation received or initiation of environmental action or private suits relative to the Premises.

E. Site Visits, Observations, and Testing. DISTRICT and its agents and representatives

shall have the right at any reasonable time to enter and visit the Premises for the purposes of observing the Premises, taking and removing solid or groundwater samples, and conducting tests on any part of the Premises. Such entry shall be during normal business hours except for emergencies. DISTRICT is under no duty, however, to visit or observe the Premises or to conduct tests. No site visit, observation or testing by DISTRICT shall result in a waiver of any default of LESSEE or impose any liability on DISTRICT. In no event shall any site visit, observation or testing by DISTRICT be a representation that Hazardous Substances are or are not present in, on or under the Premises, or that there has been compliance with any law, regulation or ordinance pertaining to Hazardous Substances or any other applicable governmental law. Neither LESSEE nor any other party is entitled to rely on any site visit, observation or testing by DISTRICT. DISTRICT shall not be obligated to disclose to LESSEE or any other party any report or finding made as a result of, or in connection with, any site visit, observation or testing by DISTRICT. In each instance, DISTRICT shall give LESSEE reasonable notice before entering the Premises or any other place DISTRICT is permitted to enter under this Section. DISTRICT shall make reasonable efforts to avoid interfering with LESSEE'S use of the Premises or any other property in exercising any right provided in this Section.

F. Grease Trap. DISTRICT shall be responsible for the timely and proper maintenance of the grease trap and the timely and proper disposal of the grease in that grease trap located on the Premises.

ARTICLE NINE

INSURANCE

A. Required Insurance. LESSEE shall obtain and maintain continuously in effect at all times during the term of this Agreement, at LESSEE'S sole expense, the following insurance:

1. **Comprehensive general liability insurance** protecting DISTRICT against any and all liability arising by reason of LESSEE'S conduct incident to the use of the Premises, or resulting from any accident occurring on or about the roads, driveways or other public places, including runways and taxiways, used by LESSEE at the Airport, caused by or arising out of any wrongful act or omission of LESSEE, in the minimum amount of \$1,000,000 per occurrence;
2. Personal injury in the amount of \$1,000,000 for each occurrence/\$1,000,000 aggregate;
3. Products/Completed Operations for permitted activities in an amount of \$1,000,000 for each occurrence/\$1,000,000 aggregate;
4. Designated Contractual Liability in an amount of \$1,000,000 for each occurrence/\$1,000,000 aggregate;
5. Independent Contractors Liability in an amount of \$1,000,000 for each occurrence/\$1,000,000 aggregate;
6. In the event LESSEE sells or otherwise provides alcohol at the Premises, Host Liquor Liability in an amount of \$1,000,000 for each occurrence/\$2,000,000

aggregate.

7. Premises medical payments insurance in an amount of \$1,000 any one person \$5,000 aggregate.
8. Fire Legal Liability in the amount of \$1,000,000 for each occurrence/\$1,000,000 in the aggregate.

The insurance specified in Sub-Paragraphs A.1 through A.8, above, shall name DISTRICT as an additional insured.

Any policy of insurance required under this Article shall be written by insurance companies authorized to do business in California. Each policy of insurance procured by LESSEE pursuant to this Article shall expressly provide that it cannot be canceled for any reason or altered in any manner unless at least 30 days' prior written notice has been given by the insurance company issuing the policy to DISTRICT in the manner specified in this lease for service of notices on DISTRICT by LESSEE.

Promptly on the issuance, reinsurance, or renewal of any insurance policy required by this lease, including fire and liability insurance policies, but at least upon execution of this lease and annually thereafter, LESSEE shall cause a certificate evidencing the policy and executed by the insurance company issuing the policy or its authorized agent to be given to DISTRICT. Upon request by DISTRICT, LESSEE shall provide a duplicate copy of the policy or policies to DISTRICT.

If at any time LESSEE fails to procure or maintain the insurance required by this Article, DISTRICT may obtain that insurance and pay the premiums on it for the benefit of DISTRICT. Any amounts paid by DISTRICT to procure or maintain insurance pursuant to this section shall be immediately due and repayable to DISTRICT by LESSEE with the next then due installment of rent under this lease; failure to repay at that time any amount expended by DISTRICT shall be considered the same as a failure to pay rent and a default by LESSEE under this lease.

B. LESSEE shall not knowingly do or permit to be done any act, activity, use or thing that will invalidate or conflict with any insurance policies issued to DISTRICT or LESSEE.

ARTICLE TEN

INDEMNIFICATION

A. LESSEE shall defend (with counsel acceptable to DISTRICT), protect, indemnify and hold harmless DISTRICT, its directors, officers, employees, agents and representatives at all times from and against any and all liabilities, suits, proceedings, liens, actions, penalties, losses, expenses, claims or demands of any nature, including costs and reasonable expenses for legal services and causes of action of whatever character which DISTRICT may incur, sustain or be subjected to arising out of or in any way connected with this Agreement, the acts or omissions of LESSEE or its officers, agents, employees, guests, customers, visitors or invitees, or LESSEE'S operations on, or use or occupancy of the Premises or the Airport or Airport facilities. The foregoing indemnification excludes only liability or loss caused by the sole negligence or willful misconduct of DISTRICT. Notwithstanding anything to the contrary herein, LESSEE'S financial responsibility is limited to the amount of applicable insurance proceeds.

B. Notice. LESSEE agrees to notify DISTRICT in writing as soon as practicable of any claim, demand or action arising out of an occurrence covered hereunder of which LESSEE has knowledge, and to cooperate with DISTRICT in the investigation and defense thereof.

ARTICLE ELEVEN

CASUALTY

A. Damage or Destruction of District-erected Premises. In the event that any fixed improvements erected on the Premises by DISTRICT are damaged or destroyed by fire or other casualty, the rent hereunder shall not abate provided the Premises are not rendered untenable by such damage. If the Premises are rendered untenable, and DISTRICT elects to repair the Premises, the rent shall abate for the period during which such repairs are being made, provided the damage was not caused by acts or omissions of LESSEE, its employees, agents or invitees, in which case the rent shall not abate. If the Premises are rendered untenable and DISTRICT elects not to repair the Premises this Agreement shall terminate.

B. Damage or Destruction of Lessee-erected Premises. In the event of damage to or destruction caused by the negligent or intentional act of LESSEE, of LESSEE-constructed improvements located within the Premises or in the event LESSEE-constructed improvements located within the Premises are declared unsafe or unfit for use or occupancy by a public entity with the authority to make and enforce such declaration, LESSEE shall, within ninety (90) days of such damage, destruction or declaration commence and diligently pursue to completion the repair, replacement, or reconstruction of improvements necessary to permit full use and occupancy of the Premises for the purposes required by this Agreement. Repair, replacement or reconstruction of improvements within the Premises shall be accomplished in a manner and according to plans approved by DISTRICT.

ARTICLE TWELVE

CONDEMNATION

If all or any part of the Premises is taken by any public or quasi-public agency or entity under the power of eminent domain during the term of this Agreement:

(1) Either DISTRICT or LESSEE may terminate this Agreement by giving the other thirty (30) days' written notice of termination; provided, however, that LESSEE cannot terminate this Agreement unless the portion of the Premises taken by eminent domain is so extensive as to render the remainder of the Premises useless for the uses permitted by this Agreement.

(2) If only a portion of the Premises is taken by eminent domain and neither DISTRICT nor LESSEE terminates this lease, the rent thereafter payable under this Agreement shall be reduced by the same percentage that the floor area of the portion taken by eminent domain bears to the floor area of the entire Leased Space.

(3) If any portion of the Airport other than the Premises is taken by eminent domain, DISTRICT may, at its option, terminate this lease by written notice to LESSEE.

(4) Any and all damages and compensation awarded or paid because of a taking of the Premises shall belong to DISTRICT, and LESSEE shall have no claim against DISTRICT or the entity exercising eminent domain power for the value of the unexpired term of this Agreement or any other right arising from this Agreement.

ARTICLE THIRTEEN

LESSEE AS INDEPENDENT CONTRACTOR

In conducting its business hereunder, LESSEE acts as an independent contractor and not as an agent, partner or joint venturer of DISTRICT. The selection, retention, assignment, direction and payment of LESSEE'S employees shall be the sole responsibility of LESSEE, and DISTRICT shall not attempt to exercise any control over the daily performance of duties by LESSEE'S employees.

ARTICLE FOURTEEN

NONEXCLUSIVE RIGHTS

A. Nonexclusive Right. It is not the intent of this Agreement to grant to LESSEE the exclusive right to provide any or all of the services described in Article III at any time during the term of this Agreement. DISTRICT reserves the right, at its sole discretion, to grant others certain rights and privileges upon the Airport which are identical in part or in whole to those granted to LESSEE. DISTRICT does, however, covenant and agree that:

1. It shall enforce all minimum operating standards or requirements for all endeavors and activities conducted at the Airport;
2. Any other operator of food service endeavors or activities will not be permitted to operate on the Airport under rates, terms, or conditions that are more favorable than those set forth in this Agreement; and
3. It will not permit the conduct of any food service endeavor or activity at the Airport except under an approved lease and operating agreement.

B. Nonexclusive Concession. The concession or rights herein granted to LESSEE to operate a delicatessen business from the Premises are nonexclusive, and DISTRICT shall have the right to deal with, offer and grant similar leases, rights and concessions to any other firm or person. In the event of a conflict between the food service/delicatessen concessions of LESSEE and any other LESSEE or concessionaire at the Airport, DISTRICT shall have the right to resolve such conflict or dispute and its determination shall be binding upon LESSEE.

ARTICLE FIFTEEN

ASSIGNMENT AND SUBLETTING

A. Assignment and Subletting. LESSEE shall not assign, transfer, sublease, pledge, hypothecate, surrender, or otherwise encumber, or dispose of this Agreement or any estate or right created by this Agreement, or any interest in any portion of the same, or permit any other

person or persons, company or corporation to occupy the Premises except to a subsidiary, affiliate or other entity where the beneficial ownership is substantially similar to that of LESSEE. This lease is non-transferable. Except as provided above, any attempt to transfer this Agreement from LESSEE by merger, consolidation, or liquidation, or the sale, conveyance, transfer by bequest or inheritance, or other transfer of a controlling interest in LESSEE shall constitute a default and termination of the agreement.

ARTICLE SIXTEEN

PERMITS AND REGULATIONS

A. Permits.

1. LESSEE shall be solely responsible for, obtain and pay for any and all permits required by all federal, state, and local governmental entities for any and all work on alterations, additions modifications, installations, or improvements accomplished by LESSEE or by others on behalf of or for the benefit of LESSEE, or caused or allowed to be accomplished by LESSEE on the Premises. Any consent of DISTRICT Manager required under this Agreement shall be separate from any other consents or approvals required by any federal, state or other governmental agency.
2. It is expressly agreed that LESSEE allowing a subcontractor, independent contractor or other third party not an employee of LESSEE to utilize the Premises for LESSEE'S permitted business obligations shall not constitute an assignment or subletting but that allowing such person to utilize the Premises for other than LESSEE'S permitted business obligations on the Premises shall constitute a sub-lease and is prohibited.

B. Compliance with Governmental Requirements. LESSEE shall, at LESSEE'S sole cost and expense, comply with all rules, regulations, ordinances, statutes and laws of all county, municipal, state, local, federal and other governmental authorities, now or hereafter in effect pertaining to the Airport, the Premises, or LESSEE'S use thereof. LESSEE shall specifically ensure that all of LESSEE'S employees have proper Worker's Compensation coverage in effect at all times.

C. Compliance with District Rules and Regulations. LESSEE shall at LESSEE'S sole cost and expense at all times during the term of this Agreement or any renewal or extension thereof comply with and observe all rules, regulations, ordinances and laws which have been or may be promulgated by DISTRICT relating to the Premises and the use of the facilities of the Airport including all fire regulations, safety regulations, noise control regulations and security regulations. Such rules and regulations are hereby made a part of this Agreement and LESSEE'S failure to keep and observe the rules and regulations shall constitute a breach of the terms of this Agreement in like manner as if the same were contained herein as covenants and conditions. DISTRICT reserves the right to amend or supplement the rules and regulations and to adopt additional rules and regulations applicable to the Premises, to LESSEE'S use of the Premises, and the use of the facilities of the Airport. DISTRICT shall have no obligation to LESSEE as a result of the violation of any such rules by any other person.

ARTICLE SEVENTEEN

ASSURANCES REQUIRED BY THE FAA

Those certain seventeen (39) provisions set forth within Section B, "Assurances," of Exhibit B, "Assurances Required by the Federal Aviation Administration," attached hereto and made a part hereof, are those specific provisions required by the FAA to be appropriately included within all agreements (including, without limitation, leases, licenses, permits, and contracts) between DISTRICT and any and all persons and/or entities who use or perform work or conduct activities on DISTRICT-owned Airport premises for aeronautical or non-aeronautical purposes. LESSEE, by its signature(s) hereunto affixed, acknowledges that it has reviewed the aforesaid Exhibit B, in its entirety, and fully understands the meaning, purpose, and intent thereof. LESSEE expressly agrees that, throughout the life hereof, it shall fully and faithfully comply with, abide by and/or adhere to, as applicable and appropriate, each and every one of the numbered provisions contained with Section B, "Assurances," of said Exhibit B (as said numbered provisions are reflected therein or as same may be amended, from time to time, during the life hereof, by DISTRICT, as and when the FAA's requirements thereon imposed may so dictate), which, pursuant to the guidelines established within Sections 2 of Section A of said Exhibit B, shall either be applicable to LESSEE on the start date of the term hereof or which, as a result of changing facts and/or circumstances, shall subsequently become applicable to LESSEE, hereunder, during the life hereof.

ARTICLE EIGHTEEN

DEFAULT AND TERMINATION

A. Termination by LESSEE. This Agreement shall be subject to termination by LESSEE in the event of any one or more of the following events:

1. The abandonment of the Airport as an airport or airfield for any type, class or category of aircraft.
2. The default by DISTRICT in the performance of any of the terms, covenants or conditions of this Agreement, and the failure of DISTRICT to remedy, or undertake to remedy, to LESSEE'S satisfaction, such default for a period of thirty (30) days after receipt of notice from LESSEE to remedy the same.
3. Damage to or destruction of all or a material part of the Premises or Airport facilities necessary to the operation of LESSEE'S business.
4. The lawful assumption by the United States, or any authorized agency thereof, of the operation, control or use of the Airport, or any substantial part or parts thereof, in such a manner as to restrict LESSEE from substantially conducting business operations for a period in excess of ninety (90) days.

B. Termination by DISTRICT. This Agreement shall be subject to termination by DISTRICT in the event of any one or more of the following events:

1. The default by LESSEE in the performance of any of the terms, covenants or conditions of this Agreement, and the failure of LESSEE to remedy, or undertake to remedy, to DISTRICT'S satisfaction, such default for a period of thirty (30) days after receipt of notice from DISTRICT to remedy the same.

2. LESSEE files a voluntary petition in bankruptcy, including a reorganization plan, makes a general or other assignment for the benefit of creditors, is adjudicated as bankrupt or if a receiver is appointed for the property or affairs of LESSEE and such receivership is not vacated within thirty (30) days after the appointment of such receiver.
3. LESSEE'S abandonment of the Premises.

C. Default. The occurrence of any one or more of the following events shall constitute an "Event of default" and breach of this Agreement by LESSEE and DISTRICT may immediately take all steps to terminate the Lease:

1. If LESSEE shall make an assignment for the benefit of its creditors; or
2. If any petition shall be filed against LESSEE in any court, whether or not pursuant to any statute of the United States or of any state, of any bankruptcy, reorganization, composition, extension, arrangement, or insolvency proceedings, and LESSEE shall thereafter be adjudicated bankrupt, and if such proceeding shall not be dismissed within thirty (30) days after the institution of the same, except that such time shall be extended while such proceeding is being diligently defended against by LESSEE: or, if any such petition shall be so filed by LESSEE: or
3. If, in any proceeding, a receiver or trustee is appointed for all or any portion of LESSEE'S property, and such receiver or trustee shall not be discharged within thirty (30) days after his appointment, except such time shall extended while such proceeding is being diligently defended against by LESSEE: or
4. If LESSEE shall fail to pay when due any rent due hereunder, and such failure shall continue for ten (10) days after written notice to LESSEE: or
5. If LESSEE shall fail to pay any additional rent or other charge required hereunder, and such failure shall continue for ten (10) days after written notice to LESSEE: or
6. If LESSEE shall fail to perform or observe any other requirement of this Agreement and such failure shall continue for ten (10) days after written notice to LESSEE, except if LESSEE has commenced and is diligently proceeding to cure the same: or
7. The attachment, execution or other judicial seizure of substantially all of LESSEE'S assets located at the Premises or of LESSEE'S interest in this Agreement, where such seizure is not discharged within thirty (30) days.

ARTICLE NINETEEN

MISCELLANEOUS PROVISIONS

A. Waiver/Timeliness. No waiver of any term, condition, or covenant of this Agreement shall be presumed or implied. Any such waiver must be expressly made in writing by the party waiving the term, condition, or covenant. The acceptance by DISTRICT from LESSEE of any amount paid for any reason under this Agreement in a sum less than what is actually owed shall

not be deemed a compromise, settlement, accord and satisfaction, or other final disposition of the amount owing unless DISTRICT agrees otherwise in writing. The acceptance by DISTRICT from LESSEE of rent shall not constitute a waiver of any prior breach, violation or default in or with respect to the performance or observance of the covenants and conditions contained herein. Acceptance of rent late or any waiver by DISTRICT of a LESSEE breach is not a waiver of default in a subsequent failure to pay rent on time or a subsequent breach of term, covenant or condition.

B. Invalidity. In the event any covenant, condition or provision herein is held to be invalid by any court of competent jurisdiction, the invalidity of any such covenant, condition or provision shall in no way affect any other covenant, condition or provision herein contained, provided that the invalidity of such covenant, condition or provision does not materially prejudice either DISTRICT or LESSEE in its respective rights and obligations contained in the valid covenants, conditions or provisions of this Agreement

C. Notices. All notices required herein shall be in writing and may be given by personal delivery or by first-class mail, postage prepaid, and addressed to DISTRICT at 10356 Truckee Tahoe Airport Road, Truckee, California 96161, and to LESSEE at P.O 6 Truckee, CA 96160

Either party may at any time change its address for such notice by giving written notice of such change to the other party. Any notice provided for herein shall be deemed delivered upon being deposited as aforesaid at any United States Post Office or branch or substation or in any United States mailbox, or at time of personal delivery.

D. Headings. The headings used in this Agreement are intended for convenience of reference only and do not define or limit the scope or meaning of any provision of this Agreement.

E. Access by District. LESSEE shall permit DISTRICT and its agents to enter the Premises at all reasonable times upon reasonable notice for any appropriate purpose, including, without limitation, the following purposes:

1. To inspect the Premises;
2. To maintain the Airport;
3. To maintain or make such repairs to the Premises as DISTRICT is obligated or may elect to make;
4. To make repairs, alterations or additions to any other portion of the Airport;
5. To post notices of non-responsibility for alterations, additions or repairs;
6. To access any areas reserved to the DISTRICT herein;
7. To show the Premises to prospective purchasers or LESSEES.

DISTRICT shall have such right of entry and the right to fulfill the purpose thereof without any rebate of rent to LESSEE for any loss of occupancy or quiet enjoyment of the Premises thereby occasioned.

F. Sale of Premises by District. In the event of any sale or exchange of the Premises by DISTRICT and assignment in connection therewith by DISTRICT of this Agreement, DISTRICT shall be entirely freed and relieved of any liability contained in or derived from this Agreement with respect to any act, occurrence or omission relating to the Premises or to this Agreement occurring after the consummation of such sale or exchange.

G. Maintenance of Airport Facilities. DISTRICT shall maintain all public and common or joint use areas of the Airport including the Air Operations Area, in good repair, and shall make such repairs, replacements or additions thereto as it considers, in its sole discretion, necessary for the safe and efficient operation of the Airport.

H. Aerial Approaches. DISTRICT reserves the right to take any action it considers necessary to protect the aerial approaches of the Airport against obstruction, together with the right to prevent LESSEE from erecting, or permitting to be erected, any building or other structure on or adjacent to the Airport which, in the reasonable opinion of DISTRICT, would limit the usefulness of the Airport or constitute a hazard to aircraft.

I. Time. Time is of the essence of this Agreement and of each and every one of the provisions herein contained except in respect to delivery of possession of the Premises to LESSEE.

J. Force Majeure. Any prevention, delay or stoppage due to strikes, walkouts, labor disputes, acts of God, inability to obtain labor or materials or reasonable substance therefore, governmental restrictions, governmental regulations, governmental controls, enemy or hostile governmental action, civil commotion, fire or other casualty, and other causes beyond the reasonable control of the party obligated to perform, shall excuse the performance by such party for a period equal to any such prevention, delay or stoppage, except for the obligation imposed with regard to rental and other charges to be paid by LESSEE pursuant to this Agreement.

K. Tense, Number and Gender. Each number, tense and gender used in this Agreement shall include any other tense, number or gender where the context and the parties hereto or the context and references therein shall require. If LESSEE shall consist of more than one person, all of the terms, covenants and conditions of this Agreement shall be joint and several as to LESSEE.

L. Exhibits Incorporated. All exhibits to which reference is made in this Agreement are deemed incorporated in this Agreement by reference as though fully set forth herein, whether or not actually attached.

M. Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

N. LESSEE'S Authority. If LESSEE is a corporation, each individual executing this Agreement on behalf of said corporation represents and warrants that he is duly authorized to execute and deliver this Agreement on behalf of said corporation, in accordance with a duly adopted resolution of the Board of Directors of said corporation or in accordance with the Bylaws of said corporation, and that this Agreement is binding upon said corporation in accordance with its terms.

O. LESSEE'S Obligations. If a California corporation, Limited Liability Company or Limited Liability Partnership, LESSEE shall furnish DISTRICT a copy of its Articles of Incorporation or Article of Organization, as appropriate and a current listing of its officers and directors filed with the California Secretary of State. If an out-of-state corporation, Limited Liability Company or Limited Liability Partnership, LESSEE shall also furnish a copy of a current Certificate of Qualification issued by the California Secretary of State, qualifying the entity to do business in the State of California, as well as a certificate designating its agent for service of process in the State of California. If a partnership LESSEE shall furnish DISTRICT a copy of the published

statement of doing business under a fictitious name filed with the Nevada or Placer County Clerk. Regardless of LESSEE'S status, each person executing this Agreement on behalf of LESSEE shall complete, as individuals, the DISTRICT'S Lessee/Licensee Information Form and return the same to the DISTRICT.

P. Governing Law. The construction of this Agreement, and the rights and liabilities of the parties hereto, shall be governed by the laws of the State of California.

Q. Entire Understanding / Ambiguities. This Agreement contains the entire understanding of the parties. LESSEE, by signing this Agreement, agrees that there is no other written or oral understanding between the parties with respect to the Premises. Each party has relied on its own examination of the Premises, advice from its own attorneys, and the warranties, representations, and covenants of the Agreement itself. Each of the parties in this Agreement agrees that no other party, agent, or attorney of any other party has made any promise, representation, or warranty whatsoever which is not contained in this Agreement. The failure or refusal of any party to read the Agreement or other documents, inspect the Premises, and obtain legal or other advice relevant to this transaction constitutes a waiver of any objection, contention, or claim that might have been based on these actions. No modification, amendment, or alteration of this Agreement will be valid unless it is in writing and signed by all parties. Ambiguities in this Agreement, if any, shall not be construed against the drafting party.

R. Attorney's Fees. In the event any litigation or arbitration is commenced regarding this Lease Agreement, the prevailing party in any such action shall be entitled to an award of its Attorney's fees and costs, in addition to any other remedy or relief granted therein.

S. Headings. Headings are inserted in this Lease Agreement for convenience of reference only and shall not be utilized to limit, construe or otherwise interpret this Lease Agreement.

IN WITNESS WHEREOF, the parties have duly executed this Agreement.

LESSEE:

DISTRICT:

Larry Abney owner Red Truck

TRUCKEE TAHOE AIRPORT DISTRICT

By: _____
Larry Abney

By _____
John Jones
President

Date: _____

Date _____

By _____
Kevin Smith,
Secretary

Date _____

Approved as to form for District:

By _____
Brent Collinson, District Counsel

Date _____

Approved as to form for Lessee:

By _____
-----, Counsel for Lessee

Date _____

Exhibit A

DESCRIPTION OF PREMISES

Kitchen Space	371 Square feet
Footprint of Service Area in Common Area	1000 Square feet
Total Square Footage	1371 Square feet
Total Square Footage Grossing (CAM)	1488 Square feet

Exhibit B

ASSURANCES REQUIRED BY THE FEDERAL AVIATION ADMINISTRATION

SECTION A

Purpose and Definition of Terms

1. PURPOSE:

The Truckee Tahoe Airport District, an airport owner subject to Federal Grant Agreement obligations at Truckee Tahoe Airport (TRK), is required by the Federal Aviation Administration (FAA) to include specific provisions, addressing, among other things, the requirements of Title VI of the Civil Rights Act of 1964, Exclusive Rights prohibitions, and Affirmative Action items contained in Title 14 Code of Federal Regulations Part 152, within all agreements (including, without limitation, leases, licenses, permits, and contracts) between said DISTRICT and any and all entities who use or perform work or conduct activities on DISTRICT owned or operated airport premises for aeronautical or non-aeronautical purposes. The purpose of this Exhibit is to appropriately incorporate with the "Agreement", to which it is attached and made a part of by reference therein, the seventeen (17) numbered provisions contained within Section "B", "ASSURANCES", below.

2. DEFINITION OF TERMS USED WITHIN SECTION "B", "ASSURANCES", BELOW:

In order to facilitate ease of fulfillment of the requirement specified within paragraph 1 of this Section "A", this Exhibit is designed to be attached to and made a part of all Truckee Tahoe Airport District "Agreements", including, without limitation, leases, licenses, permits, contracts, etc. Therefore, in the event the "Agreement" to which this Exhibit is attached and made a part of by reference therein shall be other than a lease or be a lease within which the parties thereto are therein called or referred to other than "DISTRICT" and "Lessee", then, where the terms "DISTRICT", "Lessee", and "Lease" appear, as shown, within the seventeen (17) numbered "ASSURANCES" listed within Section "B" below, said terms shall be deemed to mean "Truckee Tahoe Airport District", "THE OTHER PARTY TO THE PARTICULAR AGREEMENT" (e.g., Licensee, Permitted, Concessionaire, Operator, etc.), and the "AGREEMENT" itself (regardless of title, type and/or description, including, without limitation, Leases, Agreements, Licenses, Permits, and Contracts) respectively. Where the terms "LAND LEASED" and "LEASED PREMISES" (and all reasonably readily identifiable derivations thereof) appear, said terms shall be deemed to mean the land(s) and/or premises specifically identified within the "Agreement" as being that/those to which leasehold tenancies, occupancies, use(s), operation(s), and/or access(es) by the Lessee, Permitted, Licensee, Operator, Concessionaire, etc., are expressly authorized.

SECTION B

Assurances

1. The "LESSEE", for itself, its heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree (as a covenant running with the land if the "Agreement" to which this Exhibit is attached is a lease) that in the event facilities are constructed, maintained, or otherwise on the said property described in this LEASE for a purpose for which a U. S. Department of Transportation (DOT) program or activity is extended or for another purpose involving the provision of similar services or benefits, the "LESSEE" shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to Title 49, Code of Federal Regulations, 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 said Regulations may be amended.

2. The "LESSEE", for itself, its personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree (as a covenant running with the land if the agreement to which this Exhibit is attached is a lease) 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 subjected to discrimination in the use of said facilities, (2) that in the construction of any improvements on, over, or under such land and the furnishing of services thereon, no person on the grounds of race, color, or national origin shall be excluded from participation, denied the benefits of, or otherwise be subject to discrimination, (3) that the "LESSEE" shall use the "premises" in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Non-discrimination in Federally-Assisted Programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

3. That in the event of breach of any of the above nondiscrimination covenants, "DISTRICT" shall have the right to terminate the "LEASE" and to reenter and repossess said land and the facilities thereon, and hold the same as if said "LEASE" had never been made or issued. This provision does not become effective until the procedures of 49 IFR Part 21 are followed and completed including expiration of appeal rights.

4. "LESSEE" shall furnish its accommodations and/or services on a fair, equal and not unjustly discriminatory basis to all users thereof and it shall charge fair, reasonable and not unjustly discriminatory prices for each unit or service; PROVIDED that the "LESSEE" may be allowed to make reasonable and nondiscriminatory discounts, rebates or other similar type of price reductions to volume purchasers.

5. Non-compliance with Provision 4 above shall constitute a material breach thereof and in the event of such non-compliance the Truckee Tahoe Airport District ("DISTRICT") shall have the right to terminate this "LEASE" and the estate hereby created without liability therefore or at the election of the "DISTRICT" or the United States either or both said Governments shall have the right to judicially enforce Provisions 1, 2, 3, and 4 above.

6. "LESSEE" agrees that it shall insert the above five (5) provisions in any lease, agreement, contract, etc., by which "LESSEE" grants a right or privilege to any person, firm or corporation to render accommodations and/or services to the public on the "premises" herein "LEASED".

7. The "LESSEE" assures that it will undertake an affirmative action program as required by 14 IFR Part 152, Subpart E, to ensure 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 IFR Part 152, Subpart E. The "LESSEE" 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 "LESSEE" assures that it will require that its covered suborganizations provide assurances to the "LESSEE" that they similarly will undertake affirmative action programs and that they will require assurances from their suborganizations, as required by 14 IFR 152, Subpart E, to the same effect.

8. The "DISTRICT" 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 "LESSEE" and without interference or hindrance.

9. The "DISTRICT" reserves the right, but shall not be obligated to the "LESSEE", 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 "LESSEE" in this regard.

10. This "LEASE" shall be subordinate to the provisions and requirements of any existing or future agreement between the "DISTRICT" and the United States, relative to the development, operation or maintenance of the "Airport".

11. There is hereby reserved to the "DISTRICT", its successors and assigns, for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the surface of the "premises" herein "LEASED". This public right of flight shall include the right to cause in said airspace any noise inherent in the operation of any aircraft used for navigation or flight through the said airspace or landing at, taking off from or operation on the "Airport".

12. "LESSEE" 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 "LESSEE", 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 "land leased" hereunder which would exceed the height limits of Part 77 of the Federal Aviation Regulations. In the event the aforesaid covenants are breached, "DISTRICT" (the owner) reserves the right to enter upon the "land lease" hereunder and to remove the offending structure or object and cut the offending tree, all of which shall be at the expense of the "LESSEE".

14. The "LESSEE", 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/or taking off of aircraft at and/or from the "AIRPORT" or otherwise constitute a hazard. In the event the aforesaid covenant is breached, the "DISTRICT" (owner) reserves the right to enter upon the "premises hereby leased" and cause the abatement of such interference at the expense of the "LESSEE".

15. This "LEASE", and all the provisions hereof shall be subject to whatever right the United States Government now has or in the future may have or acquire, affecting the control, operation, regulation and taking over of said "AIRPORT" or the exclusive or nonexclusive use of the "AIRPORT" by the United States during the time of war or national emergency.

16. It is the policy of the Department of Transportation (DOT) that disadvantaged and minority business enterprises as defined in 49 IFR Part 23 shall have the maximum opportunity to participate in the performance of leases as defined in 49 IFR 23.5. Consequently, these leases are subject to 49 IFR Part 23, as applicable. "LESSEE" hereby covenants and agrees that no person shall be excluded from participation in, denied the benefits of, or otherwise be discriminated against in connection with the award and performance of any contract, including leases, covered by 49 IFR Part 23 on the grounds of race, color, national origin or sex. "LESSEE" agrees that it will include the above clauses in all subleases and cause sublessees to similarly include the clauses in further subleases.

17. It is understood and agreed that nothing herein contained shall be construed to grant or authorize the granting of an exclusive right within the meaning of Section 308a of the Federal Aviation Act of 1958 (49 U.S.C. 1349a).