

PURCHASE AND ASSUMPTION AGREEMENT

THIS PURCHASE AND ASSUMPTION AGREEMENT (this "Agreement") is made and entered into as of the 3rd day of June, 2015 (the "Effective Date") by and between NEIL W. KLEINE LIVING TRUST, a revocable living trust ("Seller"), and DESERT AVIATION, LLC, an Arizona limited liability company or nominee, with its principal address at 3845 Stockton Hill Road, Kingman, Arizona 86402 ("Purchaser").

WITNESSETH:

WHEREAS, Seller is the Lessee of that certain Airport Ground Lease with the City of Prescott dated July 25, 2006 and any amendments thereto ("Lease"), for that certain real property of approximately .2778 acres of land at Ernest A. Love Field in Prescott, Arizona, as more particularly described in the Lease as Exhibit "A" ("Leased Premises"), and, until the termination of the Lease, Seller is the owner of all improvements as more particularly described in the Lease as Exhibit "C" and as existing as of the Effective Date ("Improvements"); and

WHEREAS, Seller desires to sell, transfer and assign to Purchaser, and Purchaser desires to purchase, accept and assume from Seller, all of Seller's right, title and interest in and to the Lease, the Leased Premises and Improvements, and assume all of Seller's rights and obligations thereunder, on the terms and subject to the conditions set forth herein; and

WHEREAS, the parties acknowledge and understand that the Lease can only be assigned with the consent of the City of Prescott ("City Consent"), in the form attached hereto as Tab 1.

NOW, THEREFORE, in consideration of the mutual covenants and premises herein contained, the parties, intending to be legally bound, hereby agree as follows:

1. Sale and Assignment. On the terms and subject to the conditions set forth in this Agreement, at the Closing (as defined below), Seller agrees to sell, transfer, assign, convey and deliver to Purchaser, and Purchaser agrees to purchase, acquire and accept from Seller, all of Seller's rights in the Lease, the Leased Premises and the Improvements.

2. Assumption. On the terms and subject to the conditions set forth in this Agreement, at the Closing, Seller agrees to transfer and assign to Purchaser, and Purchaser agrees to assume, pay for, perform, succeed to and discharge, as and when they become due, all rights, duties, obligations and liabilities of Seller (as Lessee under the Lease) under the Lease. On the Effective Date, the Parties shall execute and deliver to the City of Prescott the Notice of Intent to Sell Hangar & Assign Lease ("Notice") in the form attached hereto as Tab 2.

3. City Consent. Notwithstanding anything contained herein to the contrary, the parties acknowledge and understand that this Agreement is contingent upon the approval and consent from City of Prescott. The parties shall use their best efforts to obtain a signed City Consent, in the form attached hereto as Tab 1. Notwithstanding anything contained herein to the contrary, in the event the City does not approve the transaction, this Agreement shall become void and the Initial Deposit and all Additional Deposits shall be released and returned to Purchaser.

4. Bill of Sale. On the terms and subject to the conditions set forth in this Agreement, at the Closing, Seller agrees to transfer and assign to Purchaser all right, title and interest in the Improvements, free from any encumbrances other than the Lease, by execution of the *Bill of Sale* ("Bill of Sale"), in the form attached hereto as **Tab 3**.

5. Purchase Price. At the Closing, subject to the terms and conditions of this Agreement, Purchaser shall pay, or cause to be paid, to Seller in immediately available funds, the purchase price in the amount of Four Hundred Thousand and No/100 Dollars (\$400,000.00) ("Purchase Price"), payable as follows:

(a) Within three (3) business days of the Effective Date, Purchaser shall wire transfer the sum of Ten Thousand and No/100 Dollars (\$10,000.00) (the "Initial Deposit") to be placed in trust with Yavapai Title Agency, Inc., Attention: Joni K. Blyth, 3216 Lakeside Village Drive, Prescott, Arizona 86301 ("Escrow Agent");

(b) At Closing, Purchaser shall deliver the balance of the Purchase Price to Seller, through Escrow Agent, in the form of a wire transfer. Notwithstanding anything set forth in this Agreement to the contrary, the Purchase Price will be subject to closing prorations and other adjustments as more fully set forth herein. Except to the extent otherwise set forth herein, the Initial Deposit and any subsequent Deposits shall be applied for Purchaser's benefit against the Purchase Price at Closing.

6. Feasibility Period.

(a) Feasibility Period.

(i) During that certain period which commences on the Effective Date and ends at 5 p.m. local time in Prescott, Arizona, forty-five (45) calendar days thereafter (the "Feasibility Period"), Purchaser will have the opportunity to inspect the Leased Premises, the terms of the Lease, and complete any financing to close and fund the Purchase Price. Purchaser shall have access to the Property for inspections only at times and for durations reasonably approved by Seller.

(ii) Purchaser may at any time prior to 5:00 p.m. on the last day of the Feasibility Period, elect to terminate this Agreement by providing written notice thereof to Seller and Escrow Agent. If Purchaser terminates, the Initial Deposit and any Additional Deposit(s) shall be immediately paid and released to Seller.

(iii) Purchaser may, at any time prior to 5:00 p.m. on the last day of the Feasibility Period, elect to extend the Feasibility Period by an additional thirty (30) days by giving written notice to Seller and Escrow Agent and by wiring the sum of Five Thousand and No/100 Dollars (\$5,000.00) ("Additional Deposit") to Escrow Agent ("Extended Feasibility Period"). The Extended Feasibility Period shall be subject to the same terms and conditions in section (i) and (ii) above. If Purchaser terminates during the Extended Feasibility Period, the Initial Deposit and any Additional Deposit(s) shall also be immediately paid and released to Seller. In the event the Purchaser successfully closes on the transaction, the Initial Deposit and any Additional Deposit(s) shall be credited towards the Purchase Price.

(iv) Purchaser may elect to extend the Feasibility Period by an additional thirty (30) days by giving another written notice and by wiring the sum of another Five Thousand and No/100 Dollars (\$5,000.00) ("Additional Deposit") to Escrow Agent as provided in section (iii). The Extended Feasibility Period shall be subject to the same terms and conditions in section (iii) above. If Purchaser fails to Close or terminates during the final Extended Feasibility Period, the Initial Deposit and any Additional Deposit(s) shall be immediately paid and released to Seller and the escrow may be cancelled at Seller's discretion. In the event the Purchaser successfully closes on the transaction, the Initial Deposit and any Additional Deposit(s) shall be credited towards the Purchase Price.

7. Closing. The consummation of the transactions contemplated by this Agreement (the "Closing") shall be conducted electronically, commencing within ten (10) days of the expiration of the Feasibility Period or any Extended Feasibility Period, unless Purchaser gives written notification of the termination of this Agreement.

At the Closing, Seller and Purchaser shall each execute and deliver such other documents and instruments as the parties may reasonably require in order to effect the consummation of the transactions contemplated by this Agreement. Escrow Agent is authorized to release to Purchaser the City Consent duly executed by the City of Prescott or its authorized agent and the Bill of Sale, contemporaneously with such delivery, Purchaser shall deliver the Purchase Price to Seller.

8. Closing Costs and Recording. Except as otherwise set forth in this Agreement, Purchaser shall be responsible for filing or recording any instruments or documents evidencing, or otherwise notifying any parties regarding the consummation of the transactions contemplated by this Agreement.

9. Representations and Warranties.

(a) Representations and Warranties of Seller. Seller hereby represents and warrants to Purchaser as of the date hereof as follows:

(i) Seller is duly organized, validly existing and in good standing under the laws of the State of Arizona. Seller has all requisite trust power and authority to enter into this Agreement and any other agreement contemplated hereby, and perform all of its obligations hereunder and thereunder; and

(ii) A true, correct and complete copy of the Lease has been delivered to Purchaser, and is valid, existing, in full force and effect in accordance with its terms, and Seller has not made any previous assignment, lien or transfer of the Lease, the Leased Premises or the Improvements to any other party, and no lender or lien holder has any security interest thereunder; and

(iii) No representation or warranty of Seller contained in this Agreement, nor any written statement, Exhibit furnished to Purchaser by Seller, or by an authorized representative of Seller, under and pursuant to this Agreement, contains or will contain on the Closing Date any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein, in light of the circumstances under which it was or will be made, not misleading.

(b) Representations and Warranties of Purchaser. Purchaser hereby represents and warrants to Seller as of the date hereof as follows:

(i) Purchaser is duly organized, validly existing and in good standing under the laws of the State of Arizona. Purchaser has all requisite corporate power and authority to enter into this Agreement and any other agreement contemplated hereby, and perform all of its obligations hereunder and thereunder;

(ii) At Closing, Purchaser will have sufficient cash, available lines of credit or other sources of immediately available funds to enable it to pay the Purchase Price in accordance with this Agreement, and

(iii) No representation or warranty of Purchaser contained in this Agreement, nor any written statement, Exhibit furnished to Seller by Purchaser, or by an authorized representative of Purchaser, under and pursuant to this Agreement, contains or will contain on the Closing Date any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein, in light of the circumstances under which it was or will be made, not misleading.

10. Conditions Precedent to the Obligations of Purchaser. All obligations of Purchaser to consummate the transactions contemplated by this Agreement and pay to Seller the Purchase Price, are subject to the fulfillment on or before the Closing Date of each of the following conditions, unless waived in writing by Purchaser:

(a) The Leased Premises and Improvements shall be free and clear of all Liens, except for Liens for taxes not yet due and payable.

(b) Escrow Agent is in possession of the City Consent duly executed by the City of Prescott; and

(c) Escrow Agent is in possession of the Bill of Sale executed by Seller.

11. Conditions Precedent to the Obligations of Seller. All obligations of Seller under this Agreement are subject to the fulfillment on or before the Closing Date, or as of a prior date if applicable, of each of the following conditions unless waived in writing by Seller:

(a) Seller shall have received the Purchase Price in accordance with Section 5.

12. Miscellaneous.

(a) Expenses. Except as otherwise provided in this Agreement, all costs and expenses incurred in connection with the consummation of the transactions contemplated hereby, including any broker's or finder's fees, shall be paid by the party incurring such cost or expense.

(b) Entire Agreement. This Agreement (including the Exhibit hereto) and the agreements, assignments, certificates and other documents delivered pursuant to this Agreement contain the entire agreement among the parties with respect to the transactions described herein, and supersede all prior agreements, written or oral, with respect thereto. The Recitals to this Agreement are incorporated into this Agreement as if fully set forth herein.

(c) Counterparts. This Agreement may be executed and delivered in multiple counterparts, each of which so executed and delivered shall be deemed an original, and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective as of the Effective Date.

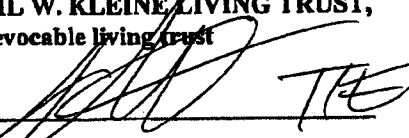
PURCHASER:

DESERT AVIATION, LLC,
an Arizona limited liability company

By: 
Its managing member

SELLER:

NEIL W. KLEINE LIVING TRUST,
a revocable living trust

By: 
Its trustee

By: _____
Its trustee

Notice of Intent to Sell Hangar & Assign Lease

Date: June 3, 2015

To: John E. Cox, Airport Manager, Prescott Municipal Airport, 6546 Crystal Lane, Prescott, AZ 86301

From: Neil W. Kleine, Trustee, Neil W. Kleine, R.L.T. 9813 W. Avenida Del Sol, Peoria, AZ 85383-1188

Proposed Qualified New Owner: Desert Aviation, L.L.C.

Address, City, State, Zip: Post Office Box 3878, Kingman, Arizona 86402

Telephone: (928) 681-3344 Email: MarkPeterson@tacos.com

Emergency Contact: Kathy Zach, (928) 263-6673

Principals of Proposed Qualified New Owner: (If not a natural person)

Mark T. Peterson and Everett Burge

Aircraft Make/Model _____ Registration Number _____

Submitted by: _____ Date _____

Neil W. Kleine (signature)

Everett A. Burge
Proposed Qualified New Owner (signature)

_____ Date _____

This shall serve as Notice to the City of Prescott from Neil W. Kleine, R.L.T. of its intent to sell the hangar at 2335 Ruger Road, located at the Prescott Airport to Proposed Qualified New Owner, and assign the Airport Ground Lease. This notice is given pursuant to Article XII, of the *Airport Ground Lease between the CITY OF PRESCOTT & Neil W. Kleine, R.L.T.*; also known as City Contract Number 2007-014.

Submit the following with this form:

1. Copy of applicable hangar sales agreement which shall include an agreement to be bound by the terms of the City Contract #2007-014 as it may be amended from time to time.

Upon Final closure of the sale or transfer:

The conveyance fee equal to five percent (5%) of the sales price for the transferred interest shall be paid to the City of Prescott – Airport, provided, however, that in no event shall this conveyance fee be less than \$10,000. The applicability of such conveyance fee is intended to be limited to third party transactions.

Notice of Intent to Sell Hangar & Assign Lease

Date: June 3, 2015

To: John E. Cox, Airport Manager, Prescott Municipal Airport, 6546 Crystal Lane, Prescott, AZ 86301

From: Neil W. Kleine, Trustee, Neil W. Kleine, R.L.T. 9813 W. Avenida Del Sol, Peoria, AZ 85383-1186

Proposed Qualified New Owner: Desert Aviation, L.L.C.

Address, City, State, Zip: Post Office Box 3878, Kingman, Arizona 86402

Telephone: (928) 681-3344 Email: MarkPeterson@tacos.com

Emergency Contact: Kathy Zach, (928) 263-6673

Principals of Proposed Qualified New Owner: (If not a natural person)

Mark T. Peterson and Everett Burge

Aircraft Make/Model _____ Registration Number _____

Submitted by: [Signature] _____ Date 6-15-2016

Neil W. Kleine (signature)

[Signature] _____ Date _____
Proposed Qualified New Owner (signature)

This shall serve as Notice to the City of Prescott from Neil W. Kleine, R.L.T. of its intent to sell the hangar at 2335 Ruger Road, located at the Prescott Airport to Proposed Qualified New Owner, and assign the Airport Ground Lease. This notice is given pursuant to Article XII, of the *Airport Ground Lease between the CITY OF PRESCOTT & Neil W. Kleine, R.L.T.*; also known as City Contract Number 2007-014.

Submit the following with this form:

1. Copy of applicable hangar sales agreement which shall include an agreement to be bound by the terms of the City Contract #2007-014 as it may be amended from time to time.

Upon Final closure of the sale or transfer:

The conveyance fee equal to five percent (5%) of the sales price for the transferred interest shall be paid to the City of Prescott – Airport, provided, however, that in no event shall this conveyance fee be less than \$10,000. The applicability of such conveyance fee is intended to be limited to third party transactions.

CITY CONSENT of Sale of Hangar and Lease Assignment

2335 Ruger Road, Prescott, AZ

Neil W. Kleine, for the Neil W. Kleine, R.L.T. 9813 W. Avenida Del Sol, Peoria, AZ 85383-1186

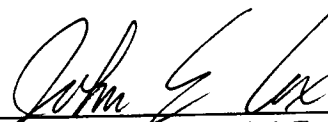
Proposed Qualified New Owner: Desert Aviation, LLC

The City of Prescott, by and through the Prescott Airport Manager, hereby consents to the sale of the above referenced hangar and Airport Ground Lease within the premises defined in City Contract Number 2007-014, as amended (hereinafter referred to as the "Lease"), to the above referenced Proposed Qualified New Owner, (hereinafter referred to as "New Owner"), upon the following terms and conditions:

1. That this consent shall not be deemed a waiver or relinquishment in the future of the covenant against assignment, sale or subletting without first obtaining the consent of the City of Prescott.
2. That in the event of any conflict between the terms and conditions of the Lease and the hangar sales agreement, the terms and conditions of the Lease shall prevail.
3. That the New Owner shall agree to accept and abide by any and all provisions in the Lease, and to faithfully perform any and all covenants, stipulations, agreements and obligations under the Lease.
4. The conveyance fee equal to five percent (5%) of the sales price for the transferred interest shall be paid to the City, provided, however, that in no event shall this conveyance fee be less than \$10,000. The applicability of such conveyance fee is intended to be limited to third party transactions. Said fee is due and payable to the City upon final closure of the sale or transfer of the Hangar Unit identified above.

If any of the terms and conditions above are NOT met upon final closure of the sale or transfer of the Hangar Unit identified above, City Consent is void.

CITY OF PRESCOTT

By:  Date: June 29, 2015
John E. Cox, C.M., C.A.E., Airport Manager

Upon City consent an original signed by the City will be transmitted to the title company.

CONTRACT TRACKING SHEET



CONTRACT NO:2007-014 AS1

For Contract Review -

1st Step: City Clerk will assign a contract number (if Council action is required, get number first and include in Council Agenda Memo)

2nd Step: Route Contract and applicable documents through Legal Department

***** Certificate of Liability/Insurance MUST be attached. Please include the expiration date.**

PROCESS - NOTE: The Legal Department MUST review all IGAs, Easements, Lease Property, Acquisition and Development Agreements as well as all Contracts. Must be reviewed and signed off by both Risk Manager & Legal Department prior to any action taken.

Please fill out this form completely or it will be returned to you prior to review, approval, or scanning in OnBase. If a response is not applicable, please use "N/A" - Do Not Leave Any Blanks.

Type (check one):

- Contract
- Change Order/Modification (How many change orders are connected to this contract? _____)
ORIGINAL CONTRACT NO: _____ **for this change order**
- Amendment (How many amendments are connected to this contract? _____)
ORIGINAL CONTRACT NO: _____ **for this amendment**
- IGA
- General Services
- Professional Services
- Lease/Property Acquisition
- Development Agreement
- License Agreement
- ~~Other please specify: Assignment of Lease 2007-014~~ Construction Easement

IDENTIFYING INFORMATION: (Please fill in each field)

Requesting Dept., Contact Name, Ext. #:
Airport - MC Tennant, ext 1152
Contractor or Vendor Name, Address, Tel. No.:
NEW:
Desert Aviation, L.L.C.
PO Box 3878
Kingman, AZ 86402
markpeterson@tacos.com 928/681-3344
Project Name

Brief Summary of the Services to be provided:
Assignment of Land lease of airport property
Terms:
Start: _____ Expire: _____
Contract Amount: \$ _____
Does contract require Council approval? Yes XX No
Scheduled Council Date: _____
Does document need to be recorded Yes XX No

Ord/Res No: _____ if applicable

ADDITIONAL COMMENTS/INSTRUCTIONS? **This is an assignment of Lease 2007-014**

INSURANCE & BONDS

None Required - Requested see attached

Insurance Certificate:	<input type="checkbox"/> Attached	_____ Initial	Date: _____	Exp. Date _____
Bid Bond:	<input type="checkbox"/> Attached	_____ Initial	Date: _____	
Performance Bond:	<input type="checkbox"/> Attached	_____ Initial	Date: _____	
Payment Bond:	<input type="checkbox"/> Attached	_____ Initial	Date: _____	

FINAL REVIEW AND APPROVAL: Please initial

Legal: _____ Date: _____ Contracts/Procured Services

Risk Mgmt: _____ Date: _____ Contracts and Certificates

City Manager: _____ Date: _____ when required

CONTRACT TRACKING SHEET



CONTRACT NO:2007-014 AS1

For Contract Review –

1st Step: City Clerk will assign a contract number (if Council action is required, get number first and include in Council Agenda Memo)

2nd Step: Route Contract and applicable documents through Legal Department

*** Certificate of Liability/Insurance MUST be attached. Please include the expiration date.

City Clerk's Office Use

Retention Date: _____ **Council approved on:** ___/___/___

Tennant, Mary Catherine

From: Tennant, Mary Catherine
Sent: Tuesday, June 30, 2015 2:48 PM
To: 'Joni Blyth'
Cc: Cox, John; kleinebldg@aol.com
Subject: RE: [BlythTeam] Sale of Neil Kleine R.L.T. hangar at Prescott Municipal Airport

Please remind the purchaser to provide the insurance required per Article VIII, prior to occupancy of the Premises. Please ensure the named insured is:

City of Prescott, 201 South Cortez, Prescott, AZ 86303 with a copy provided to the Airport Administration Office 6546 Crystal Lane, Prescott, AZ 86301. Please include the City Contract number 2007-014 on the certificate as reference.

Thank you!

Mary Catherine Tennant
Airport Management Analyst
Prescott Municipal Airport
928/777-1152

Please note for your information and planning purposes, my last day with the City of Prescott will be Tuesday, July 21, 2015. My personal email is mctennant@earthlink.net

-----Original Message-----

From: Tennant, Mary Catherine
Sent: Tuesday, June 30, 2015 2:31 PM
To: 'Joni Blyth'
Cc: Cox, John; kleinebldg@aol.com
Subject: RE: [BlythTeam] Sale of Neil Kleine R.L.T. hangar at Prescott Municipal Airport

Please find attached the City's consent to the sale of the hangar and lease assignment.
Thank you!

Mary Catherine Tennant
Airport Management Analyst
Prescott Municipal Airport
928/777-1152

Please note for your information and planning purposes, my last day with the City of Prescott will be Tuesday, July 21, 2015. My personal email is mctennant@earthlink.net

-----Original Message-----

From: Joni Blyth [<mailto:Joni.Blyth@YavapaiTitle.com>]
Sent: Monday, June 29, 2015 9:20 AM
To: Tennant, Mary Catherine
Cc: Cox, John
Subject: RE: [BlythTeam] Sale of Neil Kleine R.L.T. hangar at Prescott Municipal Airport

No Problem. Attached is a copy of the sales agreement as instructed.

If you need anything at all, please don't hesitate to let us know.

Joni K. Blyth

Sr. Escrow Officer / Branch Manager / The Lakes Branch Yavapai Title Agency, Inc. - Lakes Branch
3216 Lakeside Village Drive
Prescott, AZ 86301

Phone: (928) 771-7555

Fax: (888) 909-0864

Email: Joni.Blyth@YavapaiTitle.com OR BlythTeam@YavapaiTitle.com

Be sure to check out our website at www.yavapaititle.com

-----Original Message-----

From: Tennant, Mary Catherine [<mailto:mc.tennant@prescott-az.gov>]

Sent: Monday, June 29, 2015 8:49 AM

To: Joni Blyth

Cc: Cox, John

Subject: RE: [BlythTeam] Sale of Neil Kleine R.L.T. hangar at Prescott Municipal Airport

Hi Joni,

Thank you for this. However we do need a copy of the sales agreement before we can proceed.

Thank you,

MC

Mary Catherine Tennant
Airport Management Analyst
Prescott Municipal Airport
928/777-1152

Please note for your information and planning purposes, my last day with the City of Prescott will be Tuesday, July 21, 2015. My personal email is mctennant@earthlink.net

-----Original Message-----

From: Joni Blyth [<mailto:Joni.Blyth@YavapaiTitle.com>]

Sent: Saturday, June 27, 2015 12:46 PM

To: Tennant, Mary Catherine

Cc: Cox, John

Subject: RE: [BlythTeam] Sale of Neil Kleine R.L.T. hangar at Prescott Municipal Airport

Dear Mary Catherine,

Attached are the completed documents for submittal for City approval.

If you need anything at all, please don't hesitate to let us know.

Joni K. Blyth

Sr. Escrow Officer / Branch Manager / The Lakes Branch Yavapai Title Agency, Inc. - Lakes Branch
3216 Lakeside Village Drive
Prescott, AZ 86301

Phone: (928) 771-7555

Fax: (888) 909-0864

Email: Joni.Blyth@YavapaiTitle.com OR BlythTeam@YavapaiTitle.com

Be sure to check out our website at www.yavapaititle.com

-----Original Message-----

From: BlythTeam@yavapaititle.com [<mailto:BlythTeam@yavapaititle.com>] On Behalf Of Tennant,Mary Catherine

Sent: Monday, May 11, 2015 4:44 PM

To: Joni Blyth

Cc: Cox,John

Subject: [BlythTeam] Sale of Neil Kleine R.L.T. hangar at Prescott Municipal Airport

Hello Neil Kleine and Joni Blyth,

Please find attached the paperwork needed for the City to approve the sale of the hangar and assignment of the Ground Lease. If you have any questions or need any additional information, please do not hesitate to contact me.

Thank you!

Mary Catherine Tennant

Airport Management Analyst

[<cid:image001.png@01D08C08.7AA6C080>]<http://www.prescott-az.gov/>

Prescott Municipal Airport

<http://www.prcairport.com/>

6546 Crystal Lane | Prescott, AZ 86301

Ph: 928-777-1152 | Fax: 928-771-5861

mc.tennant@prescott-az.gov<<mailto:mc.tennant@prescott-az.gov>>