

BOARD OF REGENTS EXECUTIVE/PLANNING COMMITTEE
BOARD OF REGENTS BUILDING, COMMISSIONER'S OFFICE
CONFERENCE CALL **DIAL: 888-337-0215 ACCESS CODE: 2270877**
THURSDAY, JULY 31, 2014, 1:00-1:30 PM

Agenda

1. Southern Utah University – Aviation Program Lease Agreements

July 30, 2014

MEMORANDUM

TO: State Board of Regents Executive Committee

FROM: David L. Buhler

SUBJECT: Southern Utah University - Aviation Program Lease Agreements

Issue

Southern Utah University (SUU) has requested Regents authorization of the attached Lease and Safety and Related Services Agreement documents to enable them to continue their Associate of Applied Science in Aerospace/Aviation Technology-Professional Pilot Program.

Background

The SUU Associate of Applied Science in Aerospace/Aviation Technology-Professional Pilot Program was approved by the Regents at their May 17, 2013 meeting. It is a public/private partnership with SUU delivering the instructional aspects of the aviation program and ULA providing the actual flight training with all of its accompanying costs.

A significant number of the students in the program are veterans who have access to U.S. Department of Veterans Affairs (VA) financial assistance. Because of a recent reinterpretation of the VA rules relative to flight training by contract providers, the VA has suspended funding for military veterans enrolled in the program. As a result, SUU was notified that ULA cannot provide aviation training/certification to veterans with VA financial assistance until they have an established record of providing flight training in Cedar City for a period of two years.

One year of that period was provided during the past year. The proposal before the Board is to approve a one-year arrangement to satisfy the additional year. The arrangement has the following key elements:

- SUU will hire forty-one (41) ULA flight instructors as University employees to continue providing the flight training component of the program.
- SUU will lease aircraft, equipment, and hangers from ULA for use in flight instruction.
- SUU will contract maintenance services from ULA, including the cost of spare and replacement parts. All required fuel will be included in the cost per hour of the flight time component of the lease.
- Insurance coverage will remain the responsibility of ULA at current levels throughout the lease period. Restrictions requiring all flights to be within Utah state boundaries are included in the lease to ensure governmental immunity caps limiting liability to \$2.4 million. The ULA provided coverage will remain at five to ten times industry standards.
- Although it is very unlikely that SUU will suffer any monetary losses that occur as a result of the lease agreements, "no-loss" clauses have been included in the Lease and Safety and Related Services Agreement wherein ULA agrees to reimburse SUU in the event that such losses occur.

Significant additional detail about the proposal, including pro forma financial statements, is included in the attached letter from the University and in the Executive Summary and Memo of Understanding preceding the lease documents.

Commissioner's Recommendation

The Commissioner recommends approval of the proposed Lease and the Safety and Related Services Agreement, subject to verification by the Office of the Attorney General as to the form and substance of the agreement.

David L. Buhler
Commissioner of Higher Education

DLB/GLS/WRH
Attachments

TO: Commissioner David Buhler, Assoc. Commissioner Greg Stauffer, Utah Board of Regents Chair
Dan Cambell and Executive Committee members

DATE: July 28, 2014

RE: Lease agreement between SUU and Upper Limit Aviation

As you were made aware at the July Board of Regents meeting in Cedar City, SUU and its aviation partner, Upper Limit Aviation, Inc. (ULA), are having to revise their relationship due to reinterpretation of statutes by the U.S. Department of Veteran's Affairs (VA). Based on a very recent technical reading of VA rules relative to flight training by contract providers, SUU received notification that ULA cannot provide aviation training/certification until they have an established record of providing flight training in Cedar City for a period of two years.

In a genuine effort to maintain the program for current and future students, SUU is proposing to assume control of the aviation program flight instruction by hiring the ULA flight instructors as university employees and lease aircraft from ULA for the period of one year until such time as ULA meets the qualifications to once again provide flight instruction.

In recognition of the Board of Regents' role to approve significant lease agreements, we submit the attached lease agreement for your review and approval. Highlights of the lease agreement, which has been vetted by many parties at SUU, USHE, and various state agencies, are included below.

1. All students in SUU's Aviation program are degree-seeking students; primarily an Associates of Applied Science or a Bachelor of Integrated Studies with an emphasis in aviation.
2. Inasmuch as SUU's Aviation program continues to grow, it is beneficial to enter into this unique accommodation, which meets VA program approval as a state institution of higher education. Enrollments since opening the program in Cedar City are as follows.

Semester	Non-Resident Students	Resident Students	Total Students
Fall 2013	50	25	75
Spring 2014	79	34	113
Summer 2014	85	26	111
Fall 2014*	82	22	104

**Admitted but not yet enrolled students for Fall 2014 includes 51 additional non-resident and 14 resident students. 150 enrolled students are anticipated for Fall semester 2014.*

3. To accomplish the goal of continuing SUU's Aviation program the University will hire forty-one (41) ULA flight instructors as University employees to continue providing the flight training component of the University's aviation program. We anticipate 150 students in the aviation program this fall. The approximate increase to salaries, wages, and benefits per semester for these full and part-time flight instructors is approximately \$770,000. This is in addition to the three full-time administrative employees currently employed in the University's aviation program.

4. SUU will lease helicopters, equipment, and hangers from ULA. In addition, SUU will contract maintenance services from ULA to meet the needs of students each semester. This lease will also include the required fuel in a cost/hour of flight time. Lease costs per semester at approximately 150 students is \$7,570,000 depending on the mix of students and type of helicopters flown. (Reference to Appendix A, Equipment Lease Forecast and/or Appendix D, Aircraft Costs per Semester, per Student)
5. Insurance concerns have been addressed several ways. First, insurance coverage will remain the responsibility of ULA, at current levels, through the lease agreement. ULA insurance with coverage well above industry standards at \$5.0 million will remain in place. Second, SUU has included flight restrictions in the lease to within Utah state boundaries ensuring governmental immunity caps limiting liability to \$2.4 million.

W.R. Brown, ULA's insurance underwriter, has provided copies of their policies for SUU and State Risk Management review. SUU has been named as an additional insured on each policy and ULA agrees to indemnify, protect, and hold SUU harmless (see section 16 of the Lease). Certificates of insurance can be found in Annex 'C' of the Lease.

ULA will maintain insurance coverage limits that are five to ten times industry standards. Under the its current policy, ULA's comprehensive general liability is \$10.0 million single limit and \$20.0 million aggregate, as compared to industry standards of \$1.0 million single limit and \$2.0 million aggregate. ULA also maintains bodily injury limits, including death and property damage, of \$5 million single limit and \$10 million aggregate, as compared to industry standards of only \$1.0 million single limit and \$2.0 million aggregate for the same.

6. An additional safety and related systems agreement will be entered into with ULA providing program safety oversight for SUU through a Safety Director, Prism[®] Safety Management system, Dispatch, flight following, aircraft tracking systems, oversight and safety management of staff employed by SUU operating leased aircraft. ULA will further provide the electronic flight-scheduling program, tracking and billing management systems. Payment for this safety provision will be provided by SUU through a consulting fee determined at SUU's discretion at the end of each semester.
7. Although such a situation is very unlikely, ULA has agreed to reimburse SUU for any monetary losses that occur as a result of entering into the Lease agreement with ULA. No loss clauses have been included in both the Lease and the Safety and Related Services Agreement (see section 23 of the Lease and section 6 of the Safety and Related Services Agreement). Under the no loss clauses, ULA will reimburse SUU for monetary losses incurred pertaining to SUU's flight training programs, during the term of the Lease, as a direct or indirect result of SUU entering into the lease agreement with ULA. ULA will reimburse SUU for such losses within 30 days of notice of loss by SUU.
8. The term of this lease agreement is for one-year beginning August 12, 2014, and expiring August 11, 2015 at which point employees will revert back to ULA and the leasing of equipment will no longer be required by SUU.
9. SUU has reviewed ULA's annual audited financial statements and consider them a viable private partner for its aviation program.

10. The Lease and the Safety and Related Services Agreement have been reviewed by the Utah Attorney General's Office.
11. Included below are projected statements of revenue and expense using two difference scenarios. The first assumes a very conservative low estimate of enrollments assuming limiting enrollments to the cap of existing private-pay students under the 85% - 15% Rule of the Veterans Administration. This model caps SUU's Fall enrollment at 134 students. The model also assumes no additional private-pay growth during the year.

The other scenario assumes enrolling two additional private-pay students thus allowing SUU to add 14 VA students (already on a waiting list) increasing Fall enrollment to 150 students. Due to a number of private-pay applicants, this is a likely scenario. This model also assumes the ability to continue to increase enrollment each semester by 15 new students. SUU fills this model is conservative given the interest in the recently started fixed-wing program.

Neither model accounts for the discretionary Safety Consulting Fee. This fee will be paid to ULA under the terms of the Safety and Related Services Agreement at the end of each semester based on an agreed-upon percentage of net margin. This Consulting Fee will not exceed an amount that will generate a loss for SUU in any semester.

We appreciate your consideration of this proposal on such short notice. Unfortunately, the VA has established a very tight deadline to have an alternative arrangement in place or notice must be given to our Veteran students about the withdrawal of VA benefits as it relates to SUU's aviation program. We have completed multiple reviews of the lease, financial terms, and insurance coverage in an effort to ensure the University is adequately protected from a financial or liability loss. We believe the lease is sound and the financial arrangements will benefit both SUU and ULA. We respectfully ask for your review and support of this short-term arrangement.

We look forward to responding to any questions you may have.

Best regards,



Marvin L. Dodge
Vice President

Southern Utah University - Aviation Program
 Projected Financial Statements
 Fiscal Year 2015

Student Enrollment	134	134	134	
	Fall 2014	Spring 2015	Summer 2015	FY 2015 Total
Flight Lab Revenues	\$ 7,998,600	\$ 7,998,600	\$ 7,998,600	\$ 23,995,800
ULA Lease Expense	7,124,775	7,124,775	7,124,775	21,374,325
Gross Profit	873,825	873,825	873,825	2,621,475
Salaries, Wages, and Benefits	824,166	824,166	824,166	2,472,498
Safety Consulting Fee	-	-	-	-
Total Operating Expenses	824,166	824,166	824,166	2,472,498
Net Income	\$ 49,659	\$ 49,659	\$ 49,659	\$ 148,977

Assumptions: Current conservative projection given capacity and number of students on waiting list.
 No enrollment growth due to limitation imposed by the VA 85% - 15% Rule and no new private pay students.

Southern Utah University - Aviation Program
 Projected Financial Statements
 Fiscal Year 2015

Student Enrollment	150	165	180	
	Fall 2014	Spring 2015	Summer 2015	FY 2015 Total
Flight Lab Revenues	\$ 8,538,200	\$ 9,044,075	\$ 9,549,950	\$ 27,132,225
ULA Lease Expense	7,567,575	7,982,700	8,379,825	23,930,100
Gross Profit	970,625	1,061,375	1,170,125	3,202,125
Salaries, Wages, and Benefits	824,166	824,166	824,166	2,472,498
Safety Consulting Fee	-	-	-	-
Total Operating Expenses	824,166	824,166	824,166	2,472,498
Net Income	\$ 146,459	\$ 237,209	\$ 345,959	\$ 729,627

Assumptions: Current conservative project is 150 enrolled students for Fall 2014.
 Enrollment increases by 15 Students per Semester - due to 2 new private pay students and increased capacity due to the VA 85% - 15% Rule.

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EXECUTIVE SUMMARY

The founders of Southern Utah University (“**SUU**”) envisioned a dynamic learning and teaching community that engaged students in personalized, rigorous and experiential education. SUU believes in empowering its students to become productive citizens, socially responsible leaders, and lifelong learners. To achieve this vision, SUU has sought to create innovative models of program delivery. The public/private partnership SUU has developed with Upper Limit Aviation (“**ULA**”) provides an example of such a model, one that other higher education institutions around the nation have tried to emulate.

At the core of SUU’s instructional degree models are students who come from around the nation because of the value inherent in degree programs associated with pilot training. The focus of the program is obtaining a two- or a four-year degree with an emphasis in aviation. When it comes to programs that have a high cost of delivery, like aviation, the value—both real and perceived by the student—and the ability of program graduates to find rewarding and well-paying jobs upon completion of the program are key. Graduates of SUU’s degree programs that include a pilot training component are easily placed in well-paid and secure positions around the state and region. Indeed, there is every indication that employers are eager to hire graduates of the program and will continue to because of the growing pilot shortage. The University’s program delivers the best value to students by leveraging the resources of SUU and ULA.

Since 2012, ULA has matriculated 68 students in Utah, of those, 62 have been hired as pilots, while the other six have either chosen a different career path, or elected to remain in school. This is a 91% placement rate.

From its inception in August of 2013, SUU’s partnership with ULA has provided significant benefits to the broader community. Today, ULA not only employs over 70 staff members in Cedar City, but the vast majority of SUU/ULA students come from outside the State of Utah. The direct impact of the program on the local economy totals more than \$21 million annually. This fall alone, SUU received 116 new student applicants for the program, with 100 more applicants already signed up for spring 2015.

Over the past year, SUU received five additional program approvals from the U.S. Department of Veterans Affairs (the “**VA**”), along with successfully completing a VA compliance survey showing the program was in compliance with VA standards and regulations. However, in spite of this finding of compliance and its explicit approvals, the VA abruptly sent a letter to SUU withdrawing VA funding for the aviation programs based on its reinterpretation of a statute. The reinterpretation requires a third-party, like ULA, that is contracted to provide flight training be in operation for two-years in the geographic location where the flight

training is to take place prior to the program being approved. In the Spring of 2014, the VA was aware of the effect of the reinterpretation on the SUU programs, yet the State Approving Agency approved the program in any case. As such all parties have acted in good faith in establishing and growing the program.

In order to comply with the VA requirements, SUU is seeking approval to bring the flight training "in-house" for at least the current school year. At such time, ULA will meet the two-year rule in Cedar City. SUU and ULA can then return to the original contractual arrangement.

SUU and ULA have jointly created a revised model that fits within the VA guidelines and that protects SUU's financial interests and does not increase SUU's exposure to liabilities. Although, currently enrolled students have already begun to be negatively impacted by the behavior of the VA with regards to this issue, SUU believes that this revised model will provide the least disruption to the students and families who moved to the area to attend these degree programs at SUU. The proposed lease will provide continuity and stability for the aviation programs and comply with all relevant laws and regulations.

Memorandum of Understanding

Due to a reinterpretation of a regulation by the Department of Veterans Affairs (the "VA") in the administration of Southern Utah University's ("SUU") Aviation Programs, the VA has suspended funding for military veterans currently enrolled in Southern Utah University. Upper Limit Aviation ("ULA") and SUU have quickly identified a solution and are confident the program will be reinstated with little to no disruption in funding for veterans. Under the revised program, SUU will bring all flight training instruction in-house and continue to rely on ULA for aircraft, equipment, maintenance, safety and expertise. SUU and ULA expect this arrangement to last approximately one year, after which time the new statutory interpretation of the VA will be satisfied, and the parties can return to the original contractual arrangement.

The revised program details are as follows:

- A. With ULA's assistance, SUU will hire the requisite staff to teach the flight courses. SUU will be hiring many of ULA's current flight instructors.
- B. In order to provide flight training in-house, SUU will secure the necessary facilities and equipment through leasing agreements with ULA. To accomplish this change, SUU will enter into two contractual agreements. The first agreement will be an aircraft fleet lease between ULA and SUU, and the second agreement will be a Safety and Related Services Agreement between ULA and SUU.

The following is a detailed summary of the revised program.

1. Hiring of Flight Instructor Staff. SUU will hire up to 41 new employees, as needed to meet student demand. The additional staffing costs are expected to be approximately \$2.5 million on an annual basis. These costs will be offset by new revenue and profits related to flight instruction.

2. Equipment Lease with Upper Limit Aviation. ULA will supply the necessary services and equipment as follows:

- *Aircraft and Maintenance*
 - ULA owns and leases a fleet of aircraft that will be leased or subleased to SUU and made available according to SUU's enrollment needs.
 - All required maintenance will be included in the lease, including the cost of spare and replacement parts.
 - All required fuel will also be included in the cost/hour of the lease.
- *Facilities and Hangaring of Aircraft*
 - Also included as part of the leasing arrangement, SUU will lease ULA's hangar located at Cedar City Municipal Airport.

3. Insurance/Liability. SUU's liability under the proposed program will remain the same as its liability under the current contractual relationship with ULA for two reasons: (1) the current insurance policy under the existing ULA/SUU contractual relationship will remain in effect with SUU now being named insured, instead of just additionally insured; and (2) SUU is subject to statutory governmental immunity. In addition, ULA's insurance coverage amounts far exceed industry standards, thus further providing security and protection to SUU.

ULA's insurance underwriter, W.R. Brown, has reviewed the revised plan in detail. W.R. Brown has provided verification that the current insurance policy in place for the current program will remain effective and continue in force for the period of the revised program. In fact, the only change made to the insurance policy adds SUU as a named insured party, thus increasing SUU's insurance protection under the revised program.

SUU is subject to governmental immunity because it is a Utah State governmental entity. Utah Code 63G-7-604(1) states:

(1) (a) Except as provided in Subsection (2) and subject to Subsection (3), if a judgment for damages for personal injury against a governmental entity, or an employee whom a governmental entity has a duty to indemnify, exceeds \$703,000 for one person in any one occurrence, the court shall reduce the judgment to that amount.

(b) A court may not award judgment of more than the amount in effect under Subsection (1)(a) for injury or death to one person regardless of whether or not the function giving rise to the injury is characterized as governmental.

(c) Except as provided in Subsection (2) and subject to Subsection (3), if a judgment for property damage against a governmental entity, or an employee whom a governmental entity has a duty to indemnify, exceeds \$281,300 in any one occurrence, the court shall reduce the judgment to that amount, regardless of whether or not the function giving rise to the damage is characterized as governmental.

Accordingly, SUU's liability is capped at the statutory mandate of \$583,900 for one person and \$2,407,700 for two or more persons in any one occurrence for damages for personal injury. Thus, overall liability for SUU will not increase under the proposed program due to the statutory limitation of judgments against Utah government entities and employees. By implementing the revised program, SUU's liability will remain the same as under the current contractual relationship.

Lastly, ULA has insurance coverage that far exceeds industry standards. The following is a table showing the industry standards for flight training insurance coverage as compared with ULA/SUU's coverage under the current and revised programs. Notably, the coverage amounts for ULA/SUU are five to ten times the industry standards, which greatly mitigates SUU's exposure to liabilities. The ULA coverage amounts outlined below will be required to be maintained per the equipment lease to be entered into between ULA and SUU under the revised program.

	Industry Standards			ULA Coverages		
	Single Limit/ Each Occurrence	Aggregate Limit	Sublimit per Passenger	Single Limit/ Each Occurrence	Aggregate Limit	Sublimit per Passenger
Comprehensive General Liability	\$1,000,000	\$2,000,000		\$10,000,000	\$20,000,000	
inc Contractual Liability, Products, Completed Operations	\$1,000,000	\$2,000,000		\$10,000,000	\$10,000,000	
Automobile Liability	\$1,000,000	\$2,000,000		\$5,000,000		
Professional Liability	\$1,000,000	\$2,000,000		\$5,000,000	\$10,000,000	
Bodily Injury - inc Death & Property Damage	\$1,000,000	\$2,000,000		\$5,000,000	\$10,000,000	
Aircraft Liability	\$2,000,000		\$250,000	\$5,000,000		\$5,000,000
Additional Insurance Coverage: Student & Renter Each Person Limit				\$100,000		
Student & Renter Each Occurrence Limit				\$300,000		
Negligent Instruction				\$2,000,000		
Workers Compensation Catastrophic coverage				\$1,000,000		
*: Each occurrence combined single limit bodily injury and property damage including passenger aircraft legal liability for R22 and R44 aircraft and fixed wing aircraft.						
^: Each occurrence combined single limit bodily injury and property damage including passenger legal liability for turbine rotor wing aircraft for Charter Use, \$5 million Each occurrence combined single limit bodily injury and property damage including passenger legal liability for turbine rotor wing aircraft for Instruction and Rental Use.						

4. Safety and Related Services Agreement. The purpose of the Safety and Related Services Agreement is to provide program safety oversight for SUU. This agreement will be between SUU and ULA. ULA will provide the Safety Director, Prism® Safety Management system, Dispatch, flight following, aircraft tracking systems, oversight and safety management of SUU personnel operating leased aircraft. ULA will further provide the electronic flight-scheduling program, tracking and billing management systems.

All new hires in the aviation program will be vetted through the ULA safety oversight staff for proficiency and industry knowledge. ULA safety oversight staff will provide all SUU personnel with new hire orientation and recurrent and standardization training, as required. Finally, ULA safety oversight staff will attend all SUU weekly pilot meetings.

The Safety and Related Services Agreement Fee will be determined at SUU's discretion. Contract fees will be paid after the completion of each semester is completed.

5. Business Model. SUU currently has 104 students enrolled in flight training programs with a capacity to enroll approximately an additional 46 students—roughly 80% of who are military veterans using their benefits from the post-9/11 GI bill. Under the new program, pricing for flight labs will not materially change and will continue to be based on hours of flying per semester and type of aircraft, as outlined in Appendix A. Appendix A is a material part of the equipment lease between SUU and ULA and reflects current pricing between ULA and SUU under the current contractual arrangement. Lease rates may change as needed to adjust to unknown circumstances.

6. Variable Costs for Flying. SUU will incur a lease expense charged for various aircraft based on a per semester, per student basis (see Annex B of the lease agreement). As a result, SUU will not directly incur any of the costs associated with owning or operating the aircraft, as those costs are included in the leasing arrangement with Upper Limit Aviation.

Conclusion

SUU and ULA are confident these temporary changes to the aviation program, as proposed above, will result in minimal disruption to our veteran students and their funding status, while simultaneously laying the groundwork for continued over-all program expansion. We are excited to bring the flight-training program in-house, and we look forward to working with each and every one of you in achieving this goal.

Appendix A

Rotor Wing Labs		ULA Billing - Part 61		
	Number	R-22 P61	R-44 P61	Turbine P61
Solo Flight Lab	1145	\$15,840	\$27,675	NA
Private Flight Lab	1155	\$15,840	\$27,675	NA
Instrument Flight Lab	1315	NA	\$33,825	NA
Turbine Transition Flight Lab	2405	NA	NA	\$21,600
Comm X-Country Flight Lab	2205	\$19,360	\$33,825	\$99,000
Commercial Maneuvers Lab	2245	\$17,600	\$30,750	\$90,000
CFI Flight Lab	2305	\$7,040	\$12,300	NA
CFII Flight Lab	2355	NA	\$12,300	\$36,000
Fixed Wing Labs -		ULA Billing - Part 61		
	Number	152	172	ME
SEL Private Pilot Solo	1140	\$2,400	\$2,850	NA
SEL Private Pilot Certification	1150	\$3,200	\$3,800	NA
MEL Private Add-on	2220	NA	NA	\$4,830
SEL/MEL Instrument Certification	1300	\$3,600	\$4,275	\$10,350
SEL Comm. Maneuvers	2200	\$4,400	\$5,225	NA
SEL Comm. Pilot Certification	2240	\$4,800	\$5,700	NA
MEL Comm. Maneuvers	0	NA	NA	\$12,650
MEL Comm. Certification	2832	NA	NA	\$13,800
SEL Comm. Add-On	2491	\$1,840	\$2,185	NA
MEL Comm. Add-On	2891	NA	NA	\$5,290
SEL CFI Certification	2300	\$2,080	\$2,470	NA
MEL CFI Certification	2400	NA	NA	\$5,980
SEL/MEL CFII Certification	2350 or 2555	\$1,360	\$1,615	\$3,910

LEASE AGREEMENT

THIS LEASE (the "Lease") is entered into this ____ day of August, 2014, by and between Upper Limit Aviation, Inc., a Utah corporation having a principal address of 619 N. 2360 W., Salt Lake City, Utah 84116 (hereinafter referred to as "Lessor") and Southern Utah University, a state agency and institution of higher education of the State of Utah located at 351 W Center St, Cedar City, UT 84720 (hereinafter referred to as "Lessee").

RECITALS

WHEREAS, Lessor is the lessee of a fleet of aircraft, of which the models and makes are outlined in Annex A, which is made an integral part of this lease, together with the avionics, appliances, instruments, appurtenances, accessories, furnishings, radar, radio equipment and other equipment and components incorporated in, attached to, installed therein or used in connection therewith, and all log books, manuals and other records related thereto (herein collectively referred to as the "Aircraft"); and

WHEREAS, Lessor is the owner of a hangar and office facilities located at 2402 Aviation Way, Cedar City, UT 84721, together with other equipment and components incorporated in, attached to, installed therein or used in connection therewith (herein collectively referred to as the "Hangar"); and

WHEREAS, Lessee desires to sublease the Aircraft and lease the Hangar from Lessor on a per Student, per Semester basis, and Lessor desires to sublease the Aircraft and lease the Hangar to Lessee under such terms and conditions as are mutually satisfactory to the parties.

NOW THEREFORE, the parties agree as follows:

1. LEASE. Lessor hereby subleases the Aircraft and leases the Hangar (inclusive of rights to use appurtenant vehicle parking, aircraft parking/tie-downs, taxiways, and Lessor's other rights to access Airport runways and facilities) to Lessee and Lessee hereby rents the Aircraft and Hangar at the per Student, per Semester rate determined by Annex B, which is made an integral part of this lease, during the term of this Lease, inclusive of any sales tax. Annex B may be modified and amended, as needed, upon the approval of both Lessor and Lessee. The per Student, per Semester rate includes all costs and expenses of operation and storage of the Aircraft, including but not limited to all Aircraft fluids and fuels, hangaring and hangaring services, Aircraft maintenance and insurance. The Lease does not include aircraft crew, including but not limited to aircraft crew or flight officers, with the required capabilities and licenses, that may operate the Aircraft for or in behalf of Lessee in any capacity.

For purposes of calculating the per Student, per Semester fee to be paid by Client to Service Provider, as described in the immediate paragraph, "Student" shall mean a student enrolled in any of Southern Utah University's flight training programs, and "Semester" shall mean the periods of instruction into which Southern Utah University's academic year is divided.

2. **PAYMENT.** Lessee shall, within fifteen (15) days of receiving payments from the Veteran's Administration (the "VA") for VA sponsored Students taking flight courses from Lessee, remit to Lessor the rent payments corresponding to such Students. Lessee shall also, within fifteen (15) days of receiving payments for non VA sponsored Students taking flight courses from Lessee, remit to Lessor the payments corresponding to such Students. Notwithstanding anything to the contrary contained in Section 14, below, Lessor shall be responsible to collect and remit applicable sales tax and use tax on the Aircraft to Lessor in accordance with Section 13 of this Lease.

Lessee may inspect the Aircraft at the Hangar any time during the term of this Lease. It is agreed that any repairs, manufacturer's required inspections, Mandatory Service Bulletins and Airworthiness Directives shall at the time of the inspection be determined and resolved to the satisfaction of the Lessee using Lessor's mechanic staff. A list of repair items will be given to Lessor at that time. Any repairs, inspections, Mandatory Service Bulletin and Airworthiness Directives noted at the time of the inspection are the responsibility of the Lessor who shall immediately upon completion pay for the cost of such items. Further detailed explanation of maintenance responsibilities is continued in Section 11 of this Lease.

3. **TERM.** The initial term of this Lease shall be for a period of one year commencing on August __, 2014, and expiring on August __, 2015, and continuing thereafter, month to month (the "Term"), until such time as the VA grants approval for ULA to provide contract services in Cedar City, as was originally contemplated by the parties. Either party may at any time terminate this Lease upon thirty (30) days written notice to the other party.

4. **HANGARING.** Lessor shall have the Aircraft hangared when not in use at the Hangar. Lessor is responsible for any and all costs and expenses related to hangaring the Aircraft.

5. **COMMERCIAL OPERATION RESTRICTION.** Neither Lessee nor Lessor will make the Aircraft available for hire within the meaning of the Federal Aviation Regulations until such time as Lessee has complied with all Federal Aviation Regulations allowing such commercial use.

6. **NO WARRANTIES.** LESSOR, NOT BEING THE MANUFACTURER, SELLER OR SUPPLIER OF THE AIRCRAFT, OR THE AGENT OF THE MANUFACTURER, SELLER OR SUPPLIER, MAKES NO WARRANTY, REPRESENTATION OR COVENANT, EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING BUT NOT LIMITED TO THE MERCHANTABILITY OF THE AIRCRAFT OR ITS FITNESS FOR ANY PARTICULAR PURPOSE, THE DESIGN OR CONDITION OF THE AIRCRAFT, THE QUALITY OR CAPACITY OF THE AIRCRAFT, THE WORKMANSHIP IN THE AIRCRAFT, COMPLIANCE OF THE AIRCRAFT WITH THE REQUIREMENT OF ANY LAW, RULE, SPECIFICATION OR CONTRACT PERTAINING THERETO, PATENT INFRINGEMENT, OR LATENT DEFECTS. Lessee accordingly agrees not to assert any claim whatsoever against Lessor based thereon. However, Lessor conveys and grants privity with such warranties as Lessor may have as Lessor, owner or

otherwise to the Aircraft, and if necessary, Lessor agrees to assert and prosecute such warranties on Lessee's behalf.

Lessee further agrees, regardless of cause, not to assert any claim whatsoever against Lessor for any direct, indirect, consequential, incidental or special damages or loss, of any classification, including, without limitation, any lost profits, unless such are the direct result of Lessor's actions or negligence.

7. **TITLE**. The registration of and title to the Aircraft shall be and remain in the name of the current owner of the Aircraft at all times during the term of this Lease or any extension and Lessee shall have no right, title or interest therein except as expressly set forth in this Lease. The Aircraft, at all times during the term of this Lease or any extension, shall bear United States registration markings.

8. **RESTRICTIONS ON USE**. Lessee may operate the Aircraft only for the purposes and within the geographical limits set forth in the insurance policy or policies obtained in compliance with this Lease. The Aircraft shall only be operated at any and all times within the State of Utah. The Aircraft shall be operated at all times in accordance with the flight manual and all manufacturers suggested operating procedures. Furthermore, Lessee shall not use the Aircraft in violation of any foreign, federal, state, territorial, or municipal law, rule, order or regulation and shall be solely responsible for any fines, penalties, or forfeitures occasioned by any violation by Lessee. If such fines or penalties are imposed on Lessor as a result of Lessee's use and paid by Lessor, Lessee shall reimburse Lessor for the amount thereof within thirty (30) days of receipt by Lessee of written demand from Lessor.

Lessee guarantees that the Aircraft shall be flown only by certificated and qualified pilots, or qualified Student pilot trainees under the control of such certified and qualified pilot instructors for use in training, including, but not limited to, solo flights, touch-and-go solo landing practice and cross-country private pilot certification flights. Lessor guarantees that the Aircraft shall be maintained only by certificated and qualified mechanics. In the event the insurance on the Aircraft would be invalidated because Lessee is unable to obtain certificated and qualified pilots, Lessee shall not operate the Aircraft until such time as certificated and qualified pilots are obtained and insurance on the Aircraft is made valid. In the event the insurance on the Aircraft would be invalidated because Lessor is unable to obtain certificated and qualified mechanics, Lessee shall not operate the Aircraft until such time as certificated and qualified mechanics are obtained and insurance on the Aircraft is made valid.

Lessor reserves the right to use the Aircraft during such times as the Aircraft is not scheduled for use by Lessee. Notwithstanding the foregoing, Lessor's use shall not conflict with Lessee's use under this Lease.

9. **INSURANCE**. At all times during the term of this Lease, Lessor shall cause to be carried and maintained in force, at Lessor's cost and expense, insurance in the amounts set forth below:

	Lease Coverages		
	Single Limit/ Each Occurrence	Aggregate Limit	Sublimit per Passenger
Comprehensive General Liability	\$10,000,000	\$20,000,000	
inc Contractual Liability, Products, Completed Operations	\$10,000,000	\$10,000,000	
Automobile Liability	\$5,000,000		
Professional Liability	\$5,000,000	\$10,000,000	
Bodily Injury - inc Death & Property Damage	\$5,000,000	\$10,000,000	
Aircraft Liability	\$5,000,000		\$5,000,000
Additional Insurance Coverage: Student & Renter Each Person Limit	\$100,000		
Student & Renter Each Occurrence Limit	\$300,000		
Negligent Instruction	\$2,000,000		
Workers Compensation Catastrophic coverage	\$1,000,000		

Lessor shall also bear the cost of paying any deductible amount on any policy of insurance in the event of a claim or loss.

All policies of insurance carried pursuant to this Lease shall (i) name Lessee as an additional insured (see Annex 'C' for Certificate of Insurance); (ii) contain a waiver by the underwriter thereof of any right of subrogation against Lessee; (iii) provide that with respect to the interests of Lessee, such policies of insurance shall not be invalidated by any action or inaction of Lessor or any other person and shall insure Lessee (subject to the limits of liability and war risk exclusion set forth in such policies) regardless of any breach or any violation of any warranty, declaration or condition contained in such policies by Lessor or any other person; (iv) provide that if the carrier(s) cancel the insurance for any reason whatsoever, or the same is allowed to lapse for non-payment of premium, or if there is any material change in policy terms and conditions, such a cancellation, lapse or change shall not be effective as to Lessee; and (v) be carried with carrier(s) acceptable to lessee. Each liability policy shall be primary without right of contribution from any other insurance which is carried by Lessee or Lessor and shall expressly provide that all of the provisions thereof, except the limits of liability, shall operate in the same manner as if there were a separate policy covering each insured.

Lessor shall submit this Lease for approval to the insurance carrier for each policy of insurance on the Aircraft. Lessor shall arrange for a Certificate of Insurance evidencing appropriate coverage as to the Aircraft and the satisfaction of the requirements set forth above to be given by its insurance carrier(s) to Lessee upon execution of this Lease and upon each renewal thereof. Failure of Lessee to request evidence of such insurance policies or renewals, or otherwise to verify the existence of such insurance, shall not constitute a waiver of the requirements hereof. Lessor shall have the right, on behalf of itself and Lessee, to make claim for, receive payment of, and execute and endorse all documents, checks or drafts received in payment for loss or damage under said insurance policies, and pay or otherwise negotiate the same in payment of documented or otherwise substantiated covered losses.

10. INSPECTION BY LESSOR. Lessee agrees to permit Lessor or any authorized agent to inspect the Aircraft at any reasonable time and agrees to promptly furnish any information with respect to the Aircraft and its use that Lessor may reasonably request.

11. ALTERATIONS. Lessee shall not have the right to alter, modify, or make additions or improvements to the Aircraft without the prior written permission of Lessor. All such alterations, modifications, additions, and improvements so made shall become the property of Lessor and shall be subject to all of the terms of this Lease. Lessee shall not make any alteration, modification, addition or improvement which interferes with the normal operation or maintenance of the Aircraft or creates a safety hazard.

12. MAINTENANCE AND REPAIRS. Lessor shall retain sole responsibility to maintain and repair the Aircraft during the term of this Lease so as to keep it in as good and safe repair, operating condition and working order as of the date of this Lease, ordinary wear and tear from use and ordinary deterioration excepted. Lessor shall promptly comply with all Airworthiness Directives, Mandatory Service Bulletins and manufacturer's required inspections. In the event any Aircraft is not capable of service for more than two-weeks, Lessor, shall provide similar or equivalent substitute Aircraft, or make other reasonable provisions in order that Lessee's Students will not be hampered in their pursuit of program timelines and objectives. Lessor shall pay all costs and expenses of replacement parts and accessories, including transportation charges thereon. Lessee shall maintain all log books and records pertaining to the Aircraft during the term of this Lease in accordance with the Federal Aviation Regulations. Such records shall be made available for examination by Lessor any reasonable time during the term of this Lease.

13. PAYMENT OF TAXES. Lessor shall remain solely responsible for, and shall timely pay, all assessments, license fees, taxes (including sales, use, excise, personal property, ad valorem, stamp, documentary and other taxes) and all other governmental charges, fees, fines or penalties whatsoever on or relating to the Aircraft, or the use, registration, lease, shipment, transportation, delivery or operation thereof and on or relating to this Lease. Lessor shall also be responsible for any landing fees, fuel taxes, and any other taxes and/or fees which may be assessed against a specific flight by Lessee.

14. FUEL. Lessor is responsible for, and shall timely pay, all costs and expenses during the Term for all fluids and fuels associated with and related to the operation and use of the Aircraft by Lessee under this Lease.

15. LESSOR'S PERFORMANCE OF LESSEE'S OBLIGATIONS. If Lessee shall fail to duly and promptly perform any of its obligations under this Lease with respect to the Aircraft, Lessor may, at its option, perform any act or make any payment which Lessor deems necessary for the maintenance and preservation of the Aircraft and Lessor's title thereto, including but not limited to payments for satisfaction of liens, repairs, taxes, levies and insurance.

16. INDEMNIFICATION. Lessor assumes liability for, and hereby agrees to indemnify, protect and keep harmless, Lessee, its successors and assigns and their respective

agents, employees, officers, directors, Boards of Trustees and Regents, and the State of Utah by any other reference or affiliation, from and against any and all liabilities, obligations, losses, damages, injuries, claims, demands, penalties, actions, costs and expenses (including reasonable attorneys' fees), of whatsoever kind and nature, arising out of the use, operation, or leasing of the Aircraft, or any failure on the part of Lessor to perform or comply with any conditions of this Lease. The indemnities and assumption of liabilities and obligations herein provided for shall continue in full force and effect notwithstanding the expiration or termination of the term of the Lease.

17. NO OFFSET. Lessor hereby waives any and all existing and future claims and offsets against any amounts or obligations due or to become due hereunder and agrees to pay such amounts and perform such obligations regardless of any defense, offset or claim which may be asserted by Lessee or in its behalf.

18. ACCIDENT AND CLAIM. Lessee shall immediately notify Lessor of any accident involving the Aircraft, which notification shall specify the time, place, and nature of the accident or damage, the names and addresses of parties involved, persons injured, witnesses, and owners of any damaged property, and such other information as may be known. Lessee shall promptly provide Lessor copies of all correspondence, papers, notices, and documents whatsoever received by Lessee in connection with any claim or demand involving or relating to the Aircraft or its operation, and shall aid Lessor in any investigation and in the recovery of damages from third persons liable therefor.

19. EVENTS OF DEFAULT OF LESSOR. Lessor shall be in default under this Lease upon the happening of any of the following events or conditions ("Lessor Event of Default"), unless such Lessor Event of Default shall have been specifically waived by Lessee in writing (a) default by Lessor in the performance of any obligation, covenant or liability contained in this Lease or any other agreement or document with Lessee, and the continuance of such default for ten (10) days after written notice thereof by Lessee to Lessor; or (b) any warranty, representation or statements made or furnished to Lessee by or on behalf of Lessor proves to have been false in any material respect when made or furnished; or (c) dissolution, termination of existence, discontinuance of Lessor's business, insolvency, business failure, failure to pay debts as they mature, or appointment of a receiver of any part of the property of, or assignment for the benefit of creditors by Lessor, or the commencement of any proceedings under any bankruptcy, reorganization or arrangement laws by or against Lessor or if Lessor ceases operating as a going concern; or (d) the ownership of Lessor changes, by operation of law or otherwise.

20. REMEDIES OF LESSEE. Upon the occurrence of any Lessor Event of Default and at any time thereafter, Lessee may, without any further notice, exercise one or more of the following remedies as Lessee in its sole discretion shall elect (a) terminate the Lease and all of Lessee's rights hereunder as to the Aircraft and Hangar; or (b) proceed by appropriate court action or actions to enforce performance by Lessor of its obligations to Lessee or to recover damages for the breach of such obligations.

No right or remedy herein conferred upon or reserved to Lessee is exclusive of any right or remedy herein or at law or in equity or otherwise provided or permitted, but each shall be cumulative of every other right or remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise, and may be enforced concurrently therewith or from time to time.

21. EVENTS OF DEFAULT OF LESSEE. Lessee shall be in default under this Lease upon the happening of any of the following events or conditions ("Lessee Event of Default"), unless such Lessee Event of Default shall have been specifically waived by Lessor in writing (a) default by Lessee in the performance of any obligation, covenant or liability contained in this Lease or any other agreement or document with Lessor, and the continuance of such default for ten (10) days after written notice thereof by Lessor to Lessee; or (b) any warranty, representation or statements made or furnished to Lessor by or on behalf of Lessee proves to have been false in any material respect when made or furnished; or (c) if the Lessee fails to pay any monies due to the Lessor pursuant to this Lease (45) days after receiving written notice from the Lessor that such payment is overdue.

22. REMEDIES OF LESSOR. Upon the occurrence of any Lessee Event of Default and at any time thereafter, Lessee may, without any further notice, exercise one or more of the following remedies as Lessee in its sole discretion shall elect (a) terminate the Lease and all of Lessee's rights hereunder as to the Aircraft and Hangar; or (b) proceed by appropriate court action or actions to enforce performance by Lessor of its obligations to Lessee or to recover damages for the breach of such obligations.

No right or remedy herein conferred upon or reserved to Lessor is exclusive of any right or remedy herein or at law or in equity or otherwise provided or permitted, but each shall be cumulative of every other right or remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise, and may be enforced concurrently therewith or from time to time.

23. REIMBURSEMENT OF MONETARY LOSSES. In the event that Lessee incurs monetary losses of any kind pertaining to Southern Utah University's flight training programs for any or all Semesters during the Term of this Agreement as a direct or indirect result of entering into the Agreement with Lessor, Lessor must reimburse Lessee for the full amount of such losses. Lessor must remit such losses within thirty (30) days of receiving notice of such losses by Lessee.

24. FURTHER ASSURANCES. Lessor shall execute or obtain and deliver to Lessee, upon Lessee's reasonable request, such instruments, financing statements and assurances, as Lessee deems advisable for the confirmation, protection or perfection of this Lease, Lessee's rights hereunder. Lessor also represents that there is no pending, threatened, or foreseeable insolvency or bankruptcy proceeding of any kind affecting Lessor. No representation, warranty or statement of Lessee made herein or any information or documents furnished to Lessee by Lessor or its agents as part of this transaction is materially false or misleading or omits or will omit to state any material fact necessary to make each representation or warranty or statement accurate and not misleading in any material respect.

25. **REPRESENTATIONS OF LESSEE.** Lessee has, or will have obtained such prior approvals as it deems necessary prior to execution hereof, and will thereupon have full power and authority to enter into this Lease and perform its obligations hereunder. This Lease and all documents executed by Lessee in connection herewith constitute legally valid and binding obligations of Lessee, enforceable according to their terms. There is no pending or threatened insolvency or bankruptcy proceeding of any kind affecting Lessee. No representation, warranty or statement of Lessee made herein or any information or documents furnished to Lessor by Lessee or its agents as part of this transaction is materially false or misleading or omits or will omit to state any material fact necessary to make each representation or warranty or statement accurate and not misleading in any material respect.

26. **COSTS.** Lessor shall pay Lessee all costs and expenses, including reasonable attorneys' fees, incurred by Lessee in enforcing any of the terms, conditions or provisions of this Lease.

27. **SEVERABILITY.** Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability, without invalidating the remaining provisions hereof. To the extent permitted by applicable law, Lessee hereby waives any provision of law which prohibits or renders unenforceable any provision hereof in any respect.

28. **AMENDMENTS AND NO WAIVERS.** This Lease constitutes the entire understanding between the parties with respect to the subject matter of this Lease and any change or modification must be in writing and signed by both parties. No waiver of or delay or omission in the exercise of any right or remedy herein provided or otherwise available to Lessor shall impair, affect or be construed as a waiver of its rights thereafter to exercise the same. Any single or partial exercise by Lessor of any right hereunder shall not preclude any other or further exercise of any right hereunder. The titles of the sections of this Lease are for convenience only and shall not define or limit any of the terms or provisions hereof. Time is of the essence of this Lease in each of its provisions.

29. **ASSIGNMENT.** Neither party may, without prior written consent of the other, by operation of law or otherwise (a) assign, transfer, pledge, hypothecate or otherwise dispose of this Lease or any interest therein; or (b) sublet or lend the Aircraft or permit the Aircraft to be used by anyone other than Lessee or Lessee's employees.

30. **GOVERNING LAW.** This Lease is entered into under, and is to be construed in accordance with, the laws of the State of Utah.

31. **NOTICES.** All communications, notices, consents and waivers provided for herein or given in connection herewith shall be given in writing and shall be deemed to be effective (i) upon personal delivery at the following addresses:

LESSEE:

Southern Utah University
351 W Center St
Cedar City, UT 84720

LESSOR:

Upper Limit Aviation, Inc.
619 N 2360 W
Salt Lake City, UT 84116

or such other address as either party may provide the other in writing from time to time ("Notice Address"); (ii) on the next business day following deposit of such notice (accompanied by the appropriate delivery fee) with Federal Express or any other national overnight delivery service, addressed to the other party at the Notice Address; or (iii) two (2) business days following deposit of such notice in the United States mail, sent by certified mail, postage prepaid, addressed to the other party at the Notice Address.

32. INUREMENT. Subject to the restrictions against assignment contained herein, this Lease inures to the benefit of, and is binding upon, the assigns, successors in interest, personal representatives, estates, heirs and legatees of the parties.

33. TRUTH IN LEASING STATEMENT. Except as provided in paragraph (b) of this section, the parties to a lease or contract of conditional sale involving a U.S.-registered large civil aircraft and entered into after January 2, 1973, shall execute a written lease or contract and include therein a written truth-in-leasing clause as a concluding paragraph in large print, immediately preceding the space for the signature of the parties, which contains the following with respect to each such aircraft:

(1) Identification of the Federal Aviation Regulations under which the aircraft has been maintained and inspected during the 12 months preceding the execution of the lease or contract of conditional sale, and certification by the parties thereto regarding the aircraft's status of compliance with applicable maintenance and inspection requirements in this part for the operation to be conducted under the lease or contract of conditional sale.

(2) The name and address (printed or typed) and the signature of the person responsible for operational control of the aircraft under the lease or contract of conditional sale, and certification that each person understands that person's responsibilities for compliance with applicable Federal Aviation Regulations.

(3) A statement that an explanation of factors bearing on operational control and pertinent Federal Aviation Regulations can be obtained from the nearest FAA Flight Standards district office.

(b) The requirements of paragraph (a) of this section do not apply—

(1) To a lease or contract of conditional sale when—

(i) The party to whom the aircraft is furnished is a foreign air carrier or certificate holder under part 121, 125, 135, or 141 of this chapter, or

(ii) The party furnishing the aircraft is a foreign air carrier or a person operating under part 121, 125, and 141 of this chapter, or a person operating under part 135 of this chapter having authority to engage in on-demand operations with large aircraft.

(2) To a contract of conditional sale, when the aircraft involved has not been registered anywhere prior to the execution of the contract, except as a new aircraft under a dealer's aircraft registration certificate issued in accordance with §47.61 of this chapter.

(c) No person may operate a large civil aircraft of U.S. registry that is subject to a lease or contract of conditional sale to which paragraph (a) of this section applies, unless—

(1) The lessee or conditional buyer, or the registered owner if the lessee is not a citizen of the United States, has mailed a copy of the lease or contract that complies with the requirements of paragraph (a) of this section, within 24 hours of its execution, to the Aircraft Registration Branch, Attn: Technical Section, P.O. Box 25724, Oklahoma City, OK 73125;

(2) A copy of the lease or contract that complies with the requirements of paragraph (a) of this section is carried in the aircraft. The copy of the lease or contract shall be made available for review upon request by the Administrator, and

(3) The lessee or conditional buyer, or the registered owner if the lessee is not a citizen of the United States, has notified by telephone or in person the FAA Flight Standards district office nearest the airport where the flight will originate. Unless otherwise authorized by that office, the notification shall be given at least 48 hours before takeoff in the case of the first flight of that aircraft under that lease or contract and inform the FAA of—

(i) The location of the airport of departure;

(ii) The departure time; and

(iii) The registration number of the aircraft involved.

(d) The copy of the lease or contract furnished to the FAA under paragraph (c) of this section is commercial or financial information obtained from a person. It is, therefore, privileged and confidential and will not be made available by the FAA for public inspection or copying under 5 U.S.C. 552(b)(4) unless recorded with the FAA under part 49 of this chapter.

(e) For the purpose of this section, a lease means any agreement by a person to furnish an aircraft to another person for compensation or hire, whether with or without flight crewmembers, other than an agreement for the sale of an aircraft and a contract of conditional sale under section 101 of the Federal Aviation Act of 1958. The person furnishing the aircraft is referred to as the lessor, and the person to whom it is furnished the lessee.

IN WITNESS WHEREOF, the parties have executed this Lease.

LESSOR:

Upper Limit Aviation, Inc., a Utah
corporation

By: _____
Sean E. Reid, President

LESSEE:

Southern Utah University

By: _____
Scott L. Wyatt, President

LIST OF ANNEXES

Annex A: Makes and Models of Leased Aircraft

Aircraft * effective July 15, 2014	Make	Model	Horsepower
	Robinson	R-22 Beta II	180
	Robinson	R-22 Beta II Mariner	180
	Robinson	R-44 Raven II	245
	Bell 206	B3 JetRanger	420
	Bell 206	L1 LongRanger	650
	Bell 206	L4 LongRanger	650
	Eurocopter	AS350BA	847
	Eurocopter	AS350FX2	732
	FlyIt Simulator	N/A	N/A
	Cessna	172	160
	Cessna	152	118
	Tecnam	P2006T	98 per side
	Beechcraft	55 Baron	260 per side
	Beechcraft	55 Baron	310 per side
Cub Crafters	Top Cub	180	

Annex B: Aircraft Costs Per Semester, Per Student

Rotor Wing Labs	ULA Billing - Part 61			
	Number	R-22 P61	R-44 P61	Turbine P61
Solo Flight Lab	1145	\$15,840	\$27,675	NA
Private Flight Lab	1155	\$15,840	\$27,675	NA
Instrument Flight Lab	1315	NA	\$33,825	NA
Turbine Transition Flight Lab	2405	NA	NA	\$21,600
Comm X-Country Flight Lab	2205	\$19,360	\$33,825	\$99,000
Commercial Maneuvers Lab	2245	\$17,600	\$30,750	\$90,000
CFI Flight Lab	2305	\$7,040	\$12,300	NA
CFII Flight Lab	2355	NA	\$12,300	\$36,000

Fixed Wing Labs -	ULA Billing - Part 61			
	Number	152	172	ME
SEL Private Pilot Solo	1140	\$2,400	\$2,850	NA
SEL Private Pilot Certification	1150	\$3,200	\$3,800	NA
MEL Private Add-on	2220	NA	NA	\$4,830
SEL/MEL Instrument Certification	1300	\$3,600	\$4,275	\$10,350
SEL Comm. Maneuvers	2200	\$4,400	\$5,225	NA
SEL Comm. Pilot Certification	2240	\$4,800	\$5,700	NA
MEL Comm. Maneuvers	0	NA	NA	\$12,650
MEL Comm. Certification	2832	NA	NA	\$13,800
SEL Comm. Add-On	2491	\$1,840	\$2,185	NA
MEL Comm. Add-On	2891	NA	NA	\$5,290
SEL CFI Certification	2300	\$2,080	\$2,470	NA
MEL CFI Certification	2400	NA	NA	\$5,980
SEL/MEL CFII Certification	2350 or 2555	\$1,360	\$1,615	\$3,910

SAFETY AND RELATED SERVICES AGREEMENT

THIS AGREEMENT (the "Agreement") is entered into this ____ day of August, 2014, by and between Upper Limit Aviation, Inc., a Utah corporation having a principal address of 619 N. 2360 W., Salt Lake City, Utah 84116 (hereinafter referred to as "Service Provider") and Southern Utah University, a state agency and institution of higher education of the State of Utah located at 351 W Center St, Cedar City, UT 84720 (hereinafter referred to as the "Client").

RECITALS

WHEREAS, Client wishes to have Service Provider perform the services hereinafter referred to, and

WHEREAS, Service Provider is willing to perform these services

NOW THEREFORE, the parties agree as follows:

1. SERVICES. Service Provider shall perform the services specified in Annex A, "Scope of Services," which is made an integral part of this Agreement ("the Services"). The Services provided do not include flight training or flight instruction in any and all forms or capacities to Students enrolled in Southern Utah University's aviation programs.

For purposes of this Agreement, "Student" shall mean a Student enrolled in any of Southern Utah University's flight training programs, and "Semester" shall mean the periods of instruction of which Southern Utah University's academic year is divided.

2. PAYMENT. Client shall pay a services consulting fee to Service Provider for any and all Services rendered pursuant to this Agreement. The amount of the services consulting fee shall be determined at the sole discretion of Client.

If a services consulting fee is to be paid by Client to Service Provider, Client shall, within fifteen (15) days of the last official day of classes for each corresponding Semester at Southern Utah University, remit to Service Provider the services consulting fee determined by Client.

3. TERM. The initial term of this Agreement shall be for a period of one (1) year commencing on August __, 2014, and expiring on August __, 2015, and continuing thereafter, month to month (the "Term"). Either party may at any time terminate this Lease upon thirty (30) days written notice to the other party"), until such time as the VA grants approval for ULA to provide contract services in Cedar City, as was originally contemplated by the parties.

4. REIMBURSEMENT OF MONETARY LOSSES. In the event that Client incurs monetary losses of any kind pertaining to Southern Utah University's flight training programs for any or all Semesters during the Term of this Agreement, as a direct or indirect result of entering into the Agreement with Service Provider, Service Provider must reimburse Client for the full amount of such losses. Service Provider must remit such losses within thirty (30) days of receiving notice of such losses by Client.

5. PERFORMANCE STANDARD. Service Provider undertakes to perform the Services with the highest standards of professional and ethical competence and integrity, and comply with all applicable laws, regulations and industry standards.

6. INSURANCE. Service Provider will be responsible for securing and maintaining any appropriate insurance coverage as required by applicable laws, regulations and industry standards.

7. TERMINATION BY CLIENT. Client may terminate this Agreement if Service Provider is unable to perform a material portion of the Services for a period of not less than thirty (30) days and:

- (a) if Service Providers do not remedy a failure in the performance of their obligations under the Agreement within thirty (30) days after being notified or within any further period as Client may have subsequently approved in writing,
- (b) if Service Provider become insolvent or bankrupt;
- (c) if, as the result of Force Majeure, Service Provider is unable to perform a material portion of the Services for a period of not less than sixty (60) days, or
- (e) if Client, in its sole discretion, decides to terminate this Agreement.

8. TERMINATION BY SERVICE PROVIDER. Service Provider may terminate this Agreement, by not less than thirty (30) days' written notice to Client, such notice to be given after the occurrence of any of the events specified in paragraphs (a) and (b) of this section:

- (a) if Client fails to pay any monies due to Service Provider pursuant to this Agreement and not subject to dispute within forty-five (45) days after receiving written notice from Service Provider that such payment is overdue; or
- (b) if, as the result of Force Majeure, Service Provider is unable to perform a material portion of the Services for a period of not less than sixty (60) days.

9. PAYMENT UPON TERMINATION. Upon termination of this Agreement pursuant to sections 8 or 9 of this Agreement, Client shall make payments to Service Provider pursuant to sections 2, 3 and 4 of this Agreement for Services satisfactorily performed prior to the effective date of termination.

10. REPRESENTATIONS OF CLIENT. Client has, or will have obtained such prior approvals as it deems necessary prior to execution hereof, and will thereupon have full power and authority to enter into this Agreement and perform its obligations hereunder. This Agreement and all documents executed by Client in connection herewith constitute legally valid and binding obligations of Client, enforceable according to their terms. No representation, warranty or statement of Client made herein or any information or documents furnished to Service Provider by Client or its agents as part of this transaction is materially false or

misleading or omits or will omit to state any material fact necessary to make each representation or warranty or statement accurate and not misleading in any material respect.

11. COSTS. Service Provider shall pay Client all costs and expenses, including reasonable attorneys' fees, incurred by Client in enforcing any of the terms, conditions or provisions of this Agreement.

12. SEVERABILITY. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability, without invalidating the remaining provisions hereof. To the extent permitted by applicable law, Client hereby waives any provision of law which prohibits or renders unenforceable any provision hereof in any respect.

13. AMENDMENTS AND NO WAIVERS. This Agreement constitutes the entire understanding between the parties with respect to the subject matter of this Agreement and any change or modification must be in writing and signed by both parties. No waiver of or delay or omission in the exercise of any right or remedy herein provided or otherwise available to Service Provider shall impair, affect or be construed as a waiver of its rights thereafter to exercise the same. Any single or partial exercise by Service Provider of any right hereunder shall not preclude any other or further exercise of any right hereunder. The titles of the sections of this Agreement are for convenience only and shall not define or limit any of the terms or provisions hereof. Time is of the essence of this Agreement in each of its provisions.

14. ASSIGNMENT. Neither party may, without prior written consent of the other, by operation of law or otherwise (a) assign, transfer, pledge, hypothecate or otherwise dispose of this Agreement or any interest therein.

15. GOVERNING LAW. This Agreement is entered into under, and is to be construed in accordance with, the laws of the State of Utah.

16. NOTICES. All communications, notices, consents and waivers provided for herein or given in connection herewith shall be given in writing and shall be deemed to be effective (i) upon personal delivery at the following addresses:

CLIENT:

Southern Utah University
351 W Center St
Cedar City, UT 84720

SERVICE PROVIDER:

Upper Limit Aviation, Inc.
619 N 2360 W
Salt Lake City, UT 84116

or such other address as either party may provide the other in writing from time to time ("Notice Address"); (ii) on the next business day following deposit of such notice (accompanied by the appropriate delivery fee) with Federal Express or any other national overnight delivery service, addressed to the other party at the Notice Address; or (iii) two (2) business days following

deposit of such notice in the United States mail, sent by certified mail, postage prepaid, addressed to the other party at the Notice Address.

17. INUREMENT. Subject to the restrictions against assignment contained herein, this Agreement inures to the benefit of, and is binding upon, the assigns, successors in interest, personal representatives, estates, heirs and legatees of the parties.

IN WITNESS WHEREOF, the parties have executed this Agreement.

SERVICE PROVIDER:

Upper Limit Aviation, Inc., a Utah corporation

By: _____
Lois J. Reid, Chief Executive Officer

CLIENT:

Southern Utah University

By: _____
Scott L. Wyatt, President

Annex A: Scope of Services

The following is a list of services to be provided by Upper Limit Aviation (“ULA”) to Southern Utah University (“SUU”).

1) Dispatch / Flight Following/ Aircraft tracking systems includes the following:

- Weather
- Ramp operations
- Fire
- Dispatch
- Airworthiness
- Aircraft Protection
- Fuel Requirements
- General Flight rules

ULA is one of the few schools in the nation to utilize a sophisticated, developed aircraft dispatch system. A Dispatcher oversees the daily flight operations of the company, coordinating with flight instructors and the Director of Maintenance. For each flight, instructors inform the Dispatcher of the aircraft registration number, fuel load, and intended flight path. After spool up, the Dispatcher sets a timer for estimated flight length. Many of the aircraft are equipped with trackers, so the Dispatcher can follow the aircraft online at SkyTrac AFF.

In addition to flight tracking, the purpose of the Dispatcher position is to serve as an additional layer in supporting airworthiness assurance. The Dispatcher position and the associated procedures are designed to reduce the communication gap between the pilots and the Maintenance Department. This minimizes the opportunity for un-airworthy aircraft to be released for flight.

2) Flight lab scheduling and financial software program

This software system enables school administration to accurately enroll and close out completed courses in accordance with college, FAA, and VA requirements. The system further enables staff to complete standard tasks such as scheduling of flights, maintenance, and tracking. This system records and documents all flight activity. This data is an integrated financial system ensuring accurate recording and reporting in real-time.

3) Safety Director

Oversees safety operations including supervising safety managers at locations

- Investigate, analyze, and identify trends of aeronautical occurrences and hazard reports. Recommend appropriate prevention actions and strategies to management.
- Review all hazards; receive all safety forms - feedback or reports and evaluate with management. Makes recommendations to correct/prevent identified safety issues. Implementation corrective or preventative action as needed or required.
- Updates Safety Manuals, Safety Management System, Emergency Response Manual, Facility Emergency Plan, Standard Operating Procedures (SOP's)

4) Safety Management System (“SMS”)

The principal purpose of the SMS is to identify risk and systematically manage it. The SMS enables ULA to be proactive and predictive, seeking out problems before they become accident causal factors. ULA strives for continual improvement by constantly identifying and managing risk and measuring performance.

The Safety Management System utilized by ULA is comprised of four main elements:

- Safety Policy and Objective
- Safety Risk Management
- Safety Assurance
- Safety Promotion

5) All Related Staff Safety Services to maintain and support a safety culture

- Recurrent, standardization and proficiency training
- SMS training
- Safety meetings and training
- Professional Development related to Safety
- Risk Management
- Conduct "SMS Induction" for new flight instructors/employees.
- Conduct safety meetings to staff and managers
- Conduct or distribute the internal evaluation audit (IEP). Review IEP audits for any corrective action or possible trends developing. If required complete the risk analysis on findings and concerns to find / address the root cause. Advise company personnel on implementing the corrective action. Issue a follow up date for any item or event that needs corrective action.
- Assist Operations and Maintenance in fostering a good safety culture and practices.
- Ensure and assist in training to all company personnel regarding Upper Limit's safety culture.

Economic Impact Study by ULA

Summary	Investment
Direct Investment in Cedar City by ULA	\$6,976,871
Committed Capital to Cedar City	\$7,582,900
Indirect Spending by Staff and Students in Cedar City	\$6,210,000
Total	\$20,769,771

ULA Direct Spending in Cedar City	Dollars
Fuel (since 2011)	\$913,420
Wages for Staff (last twelve months)	\$2,037,400
Reimbursement	\$76,051
Real Estate	\$1,100,000
Future Development	\$2,800,000
Local Marketing (UT Summer Games)	\$50,000
Total	\$6,976,871

Committed Capital Equipment	Dollars
Aircraft	\$7,178,000
Lease Payments	\$104,900
Other Equipment	\$300,000
Total	\$7,582,900

People who otherwise would not live in Cedar City	# of people	Annual Spending in Cedar
ULA Current Students	130	\$2,691,000
ULA Waiting List of Students	100	\$2,070,000
ULA Staff	70	\$1,449,000
Total	300	\$6,210,000

Personal Spending Estimates	Monthly	Annually
Housing	\$1,000	\$12,000
Food	\$500	\$6,000
Transportation	\$125	\$1,500
Utilities	\$100	\$1,200
Total	\$1,725	\$20,700