See AR 2005-143(S)

Submitted by: Assembly Members ~~Birch~~ and Shamberg
Prepared by: Anchorage Parks & Recreation Department
For reading: June 14, 2005

Anchorage, Alaska
AR 2005- 143

A RESOLUTION OF THE MUNICIPALITY OF ANCHORAGE APPROPRIATING ONE HUNDRED TWENTY THOUSAND DOLLARS ($120,000) FROM ANCHORAGE PARKS AND RECREATION SERVICE AREA FUND (161) BALANCE TO ANCHORAGE PARKS AND RECREATION DEPARTMENT FOR A LOAN TO YOUTH EXPLORING ADVENTURE, INC., FOR OPERATION OF HILLTOP SKI AREA AND AUTHORIZING AMENDMENTS TO THE HILLTOP SKI AREA LEASE AGREEMENT.

WHEREAS, Youth Exploring Adventure, Inc., (YEA) has operated Hilltop Ski Area for more than twenty years without financial assistance from the Municipality; and

WHEREAS, Hilltop Ski Area provides a wholesome activity for Anchorage's youth, with 25,000 to 50,000 skiers using the facility in any given year depending on snow conditions; and

WHEREAS, YEA requires financial assistance from the Municipality in order to operate due to a cash flow problem resulting from recent poor snow years and especially low attendance during this year's rainy spring break; and

WHEREAS, the Municipality desires to assist Hilltop Ski Area in serving the area's youth and also desires to develop the Hilltop Ski Area as a regional park district headquarters serving Southeast Anchorage, an area with few municipal park facilities, and to increase summer usage of the Hilltop Ski Area; now, therefore,

THE ANCHORAGE ASSEMBLY RESOLVES:

Section 1: The sum of One Hundred Twenty Thousand Dollars ($120,000) is appropriated from the Anchorage Parks and Recreation Service Area Fund (161) Balance to the Anchorage Parks and Recreation Department.

Section 2. The appropriation is for the purpose of providing a One Hundred Twenty Thousand Dollar ($120,000) loan to Youth Exploring Adventure, Inc. (YEA) at an annual interest rate of three (3%) percent. YEA shall repay a minimum of Fourteen Thousand Dollars ($14,000) of the loan principal and interest for each year that closes with a minimum positive cash flow of Fourteen Thousand Dollars ($14,000). YEA shall be

responsible for full repayment of the loan principal and interest before the expiration of the lease agreement for operation of the Hilltop Ski Area.

Section 3. This appropriation for a loan is provided upon the following conditions:

1. YEA accepts and signs the attached amendments to the lease agreement with the Municipality for the Hilltop Ski Area; and

2. Key Bank, holder of a security interest in YEA's lease, agrees to the amendments to the lease. The amendments allow the Anchorage Parks and Recreation Department to:

   a. Open a Southeast Anchorage Parks District Headquarters in the Hilltop ski chalet;
   b. Assume revenues and booking responsibility for all rentals of the chalet building;
   c. Pay up to $100,000/year for utility and building and grounds maintenance expenses; and
   d. Further utilize the Hilltop Ski Area as a year-round recreational destination with a focus on increasing summer usage of the area.

Section 4. This resolution is effective immediately upon passage and approval by the Assembly.

PASSED AND APPROVED by the Anchorage Assembly this _____ day of _____, 2005.

_____
Chair of the Assembly

ATTEST:

_____
Municipal Clerk

Departmental Appropriation:
Anchorage Parks and Recreation Department $120,000

MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

AM No. 406-2005

Meeting Date: June 14, 2005

From: **Assembly Members ~~Birch~~ and Shamberg**

Subject: **A RESOLUTION APPROPRIATING ONE HUNDRED TWENTY THOUSAND DOLLARS ($120,000.00) FROM ANCHORAGE PARKS AND RECREATION SERVICE AREA FUND (161) BALANCE TO ANCHORAGE PARKS AND RECREATION DEPARTMENT FOR A LOAN TO YOUTH EXPLORING ADVENTURE, INC. FOR OPERATION OF HILLTOP SKI AREA AND AUTHORIZING AMENDMENTS TO THE HILLTOP SKI AREA LEASE.**

Assembly approval is requested for a loan of $120,000, at an annual interest rate of three (3%) percent, to Youth Exploring Adventure, Inc., (YEA) for operation of Hilltop Ski Area. YEA has operated Hilltop Ski Area for more than twenty years without financial assistance from the Municipality. However, this year YEA has a cash flow problem resulting from recent poor snow years and especially low attendance during this year's rainy spring break.

The loan allows YEA to continue to operate. YEA is required to make payments on loan interest and principal only in good snow years, and must pay at least Fourteen Thousand Dollars ($14,000) per year towards repayment for each year closing with a positive cash flow of Fourteen Thousand Dollars ($14,000) or more. YEA shall fully repay the principal and interest on the loan before expiration of the Hilltop Ski Area lease agreement with the Municipality. The lease is scheduled to expire in 2020, but includes an option to renew for an additional ten years to the year 2030.

Assembly approval is also requested for amendments to the lease, as a condition of receiving the $120,000 loan. YEA is required to accept and sign the lease amendments as well as Key Bank, holder of a security interest in YEA's lease, before funds are released. Key amendments to the lease include:

1. Hilltop Ski Chalet becomes the Anchorage Parks and Recreation Department (the Department) Southeast Anchorage Parks District Office;

2. The Department is responsible for booking all rentals of the chalet for special events with revenues, from such bookings accruing to the Department;

3. YEA provides a minimum of 250 square feet of chalet space for offices for the Department and an additional 250 square feet of heated storage space for the Department;

4. The Department reimburses YEA for up to $100,000/year for expenses. Reimbursable expenses include water, sewer, electricity, natural gas, or refuse utility costs as well as building and grounds maintenance expenses;

5. Assumes the Department promotes greater public usage of the Hilltop Ski Area as a year-round recreational center and especially focuses on increasing summer use of the area;

6. YEA is responsible for operation of the alpine ski area and related winter activities; the Department is responsible for all other recreational uses of the Hilltop Ski Area;

7. YEA is required to maintain the ski hill, all facilities erected by YEA, all equipment installed by YEA, as well as the road and the parking lot;

8. YEA is required to receive prior approval from the Department before proceeding with any facility upgrades, renovations, or new construction at Hilltop Ski Area;

9. YEA is required to have its annual budget and operations plan approved by the Department; and

10. YEA is required to provide the Department with monthly and quarterly financial statements detailing revenues, expenditures, assets, and liabilities.

REVENUE AND EXPENDITURE INFORMATION:

Revenue	**Account Name**	**Amount**
161-0740	Fund Balance Available	120,000

Expenditure	**Account Name**	**Amount**
161-5602-3815	Contributions to Outside Organizations	120,000

APPROVAL OF THE RESOLUTION APPROPRIATING ONE HUNDRED TWENTY THOUSAND DOLLARS ($120,000) FROM ANCHORAGE PARKS AND RECREATION SERVICE AREA FUND (161) BALANCE TO ANCHORAGE PARKS AND RECREATION DEPARTMENT FOR A LOAN TO THE YOUTH EXPLORING ADVENTURE, INC., FOR OPERATION OF HILLTOP SKI AREA, AND AUTHORIZING THE ADMINISTRATION TO AMEND THE LEASE IS REQUESTED.

Prepared by: Assembly Members Birch and Shamberg

Fund Certification: Jeffrey E. Sinz, Chief Fiscal Officer
161-0740 Available
Fund Balance $120,000

AMENDMENT NO. 1
TO LEASE AGREEMENT BETWEEN
MUNICIPALITY OF ANCHORAGE
AND
YOUTH EXPLORING ADVENTURES, INC.

This Amendment No. 1 is made and entered into by and between the Municipality of Anchorage (hereinafter referred to as "Landlord") and Youth Exploring Adventures, Inc. (hereinafter referred to as "Tenant").

Whereas, Landlord and Tenant entered into a Lease Agreement (the "Lease") for professional services in managing and operating the Property, dated June 20, 2000; and,

Whereas, the responsibilities of administration of this Lease have transferred from the MOA Department of Cultural and Recreational Services to the Anchorage Parks and Recreation Department; and

Whereas, the Landlord desires to ensure the continued successful operation of Hilltop Alpine Ski Area for the youth of Anchorage and desires to provide additional recreational opportunities to the residents of Anchorage; and

Whereas, the parties have the authority to amend the Lease pursuant to Section 29 of the Lease and desire to do so;

NOW, THEREFORE in consideration of the mutual covenants and agreements contained in the Lease, the parties do hereby agree that the Lease shall be amended as follows:

1. Introduction and index of the lease agreement, Page 1, paragraph 1 is amended in its entirety to read as follows:

   THIS LEASE AGREEMENT ("Lease") is entered into this 20th day of June, 2000, by and between the Municipality of Anchorage (Landlord) and Youth Exploring Adventures, Inc., (Tenant). Landlord and Tenant agree as follows. This Lease consists of:

   A. 40 Sections.
   B. Appendix A, USKH Map of Property
   C. Appendix B, YEA, Inc. Corporate Resolution
   D. Appendix C, Anchorage Parks and Recreation Advisory Commission Conditions
   E. Appendix D, Management, Use, and Control of Property

2. Page 2, Section 1 – Definitions and Property Description. Paragraphs B and C are amended in their entirety to read as follows:

   B. "Department" means the Anchorage Parks and Recreation Department of Landlord.

   C. "Administrator" means the Director of the Anchorage Parks and Recreation Department, or designee.

3. Page 3, Section 2 – Intent. This Section is amended in its entirety to read as follows:

   A. The parties agree that Tenant may use, and will operate and manage the ski areas located on the Property in a manner consistent with accepted industry standards and practices.

   B. Tenant is experienced in the business of operating and managing skiing and related ski hill operations similar to those present or contemplated for the Property.

   C. Landlord agrees to permit and authorize Tenant to use the Property, and Tenant agrees to operate and manage skiing and related ski hill operations on the Property on the following terms and conditions.

4. Page 3, Section 4 – Termination of Lease. Paragraph B of this section is amended in its entirety to read as follows:

   B. *Landlord's Right to Cure. Tenant's Breach.* In the event of Tenant's breach of any covenant of this Lease, Landlord may at any time, upon thirty (30) days notice to Tenant, cure such breach for the account and at the expense of Tenant. If Landlord at any time by reason of such breach is compelled to pay or elects to pay any sum of money or to do any act that will require the payment of any sum of money, the sum or sums so paid by Landlord, together with interest thereon at the rate of seven and one-half percent (7.5%) per annum, may, at the sole discretion of Landlord, be added to any fees or sums otherwise payable by Tenant to Landlord, and shall be due from Tenant immediately.

5. Page 4, Section 6 – Rent. Paragraphs A and B of this section are amended in their entirety to read as follows:

A. *Percentage of Gross Revenues.* Rent for the Term of this Lease, including any optional or renewal term, shall be calculated initially at the rate of two percent (2%) of the total gross receipts generated by Tenant on the Property as defined herein, and paid quarterly to Landlord. The rental rate may be adjusted by Landlord every two years by no greater than ¼ of 1% (*e.g.*, from 2% to 2 ¼%, from 2 ¼% to 2 ½%, *etc.*) each adjustment. Tenant will be given a credit against rent equal to the actual costs of permanent capital improvements made upon the Property by Tenant after commencement of the Lease term, provided that Landlord has pre-approved the capital improvement. Tenant may carry forward such credits against future rent obligations, but will not, under any circumstances be entitled to any refund, rebate, reimbursement or other payment by Landlord based upon the value of improvements.

1. Permanent capital improvements constructed with federal assistance or with grant funds administered by the MOA may be eligible for a credit against rent only if approved by MOA.

2. Each funding and revenue source and each permanent capital improvement shall be identified as a line item in YEA's annual operating budget and be accepted by the MOA.

B. *Sources of Gross Revenues.* For purposes of determining quarterly rent, gross receipts shall include the aggregate total amount of sales made and services performed by Tenant, Tenant's consignees, agents, subcontractors, and subtenants on the Property whether such activities are for cash or on credit. Sales on credit are to be included in gross receipts at the time such are discharged by payment. Sales and services include, but are not limited to, lift tickets, including competition entry fees; rentals; sales of apparel or equipment related to winter ski hill activities; retail sales of food or beverages in the ski chalet during the winter skiing season; and sales from vending or coin-operated equipment. Amounts received as grants or donations by Tenant, and business trade outs, shall not be included in Tenant's gross revenues. Any sales tax collected on items producing receipts shall not be included in the gross receipt calculation.

6. Page 4, Section 6 – Rent. This section is amended by adding a new Paragraph F which shall read as follows:

F. *Loan to Tenant.* Landlord will loan Tenant one hundred twenty thousand dollars ($120,000) at a three percent (3%) per annum

interest rate, for calendar year 2005 operating expenses. The Tenant shall repay the loan, paying at least fourteen thousand ($14,000) by June 30th following each calendar year in which YEA operates Hilltop Ski Area with a positive cash flow of fourteen thousand dollars or more. Tenant must fully repay the loan's principal and accumulated interest before the lease expires.

7. Page 5, Section 8 – Property Improvements and Conditions Thereto. Paragraph Bo f this section is amended in its entirety to read as follows:

B. *Improvements.* After prior approval of Landlord and obtaining all approvals, licenses, and permits required by this Lease and by law for the improvements, Tenant shall undertake completion of the improvements specified in its management and operations plans. Failure to complete the improvements within five years after commencement of the improvements shall constitute a material breach of this Lease.

1. All capital improvements, trail construction and trail relocation shall be in accord with the concept and final conditions of development recommended by the Anchorage Parks and Recreation Advisory Commission (set forth in Appendix C. to this Lease) or the Commission's amendments to those conditions approved by the Mayor or his designee.

2. Physical development and capital improvements to the Property shall:

a. not be commenced until documentation confirming funding source and full funding is provided to the Landlord, and the project has been accepted and approved in writing by the Landlord;

b. conform to final Planning and Zoning Commission, Parks and Recreation Commission, and/or Urban Design Commission approved site plan conditions and requirements, including their conditions and restrictions on tree and natural vegetation clearing and removal and natural habitat; and

c. conform to applicable laws and regulations and have and conform to all permits, licenses and inspections required by law.

8. Page 5, Section 9 – Management of Property. This section is amended to read as follows:

A. *Mandatory Uses.* Subject to all terms and conditions set forth in Appendix D, attached hereto and incorporated by reference, Tenant shall manage the Property for the operation of a public ski area for the benefit of the general public.

B. *Permitted Uses.* Subject to the terms and conditions set forth in Appendix D, Tenant may make the Property available to conduct "winter" recreation activities compatible with park and recreational use and existing or permitted improvements, including but not limited to any or all of the following activities: alpine and/or cross-country skiing, snowboarding, ice skating, sale of food and beverages in ski chalet during winter recreation season, and clothing and winter equipment sales and rentals.

C. *Operations and Mitigation of Effects.* Tenant's operation of the Property's winter recreation facilities and trails and the mitigation of adverse effects on the surrounding area, including hours of operation, facility usage and rental, wildlife and snow-making, shall be in accord with operating procedures and polices approved by the Anchorage Parks and Recreation Department after review and recommendations by the Anchorage Parks and Recreation Advisory Commission.

9. Page 6, Section 10 – Non-Exclusive Use and Control of Property; Use by Others. Section 10 is hereby deleted in its entirety.

10. Page 7, Section 11 – Security of Property. This section is amended in its entirety to read as follows:

A. Landlord and Tenant shall cooperate to maintain security of the property.

B. Tenant shall review and update its operational plan annually, concurrent with preparation of Tenant's annual budget.

C. Tenant shall take all reasonable precautions to prevent unauthorized entry onto the Property including the placing of signs, fences or other devices intended to deter or restrict such entry; however, the construction of a perimeter fence shall not be necessary.

D. At a minimum, Tenant shall construct or install barriers, gates or other similar devices across roads, driveways, paths, or trails that are intended to prevent or deter unauthorized vehicular traffic from entering the Property.

E. Keys to locking gates, fences, and barriers shall be provided to Landlord by Tenant.

11. Page 7, Section 13 – Records Management. Paragraph E of this section is amended in its entirety to read as follows:

E. *Public Information.* Landlord reserves the right, in accordance with Anchorage Municipal Code 3.90 as amended, to publish or otherwise make known to the public the results of any audit, or financial information acquired and in its possession in conjunction with the Lease. Tenant acknowledges that all records and information in possession of Landlord may be made available for public inspection and copying, and that unless Tenant conspicuously marks any submittals to Landlord as "Confidential" and the same are in fact to be held confidential as a matter of law, the same may be made available to the public.

12. Page 8, Section 14 – Budget, Plans and Reporting Requirements. This section is amended in its entirety to read as follows:

A. Tenant shall provide an updated management and operations plan for the ski hill and related winter recreation activities and a proposed budget annually on or before September 30th for Landlord's approval. The business plan of Tenant for the operation and development of the Hilltop Ski Area shall be subject to inspection and approval by the Anchorage Parks and Recreation Department after review and recommendations by the Anchorage Parks and Recreation Advisory Commission. Upon such approval, which shall not be unreasonably withheld, Tenant shall manage and operate the area pursuant to such plans. At any time that Tenant desires to amend such plans or significantly alter its management or operations, a revised management plan or operations plan shall be submitted to Landlord for approval prior to implementation.

B. Tenant shall provide monthly and quarterly financial statements detailing not only revenues but also expenditures, assets, and liabilities. Monthly reports shall be due by the 15th day of the

subsequent month and quarterly reports shall be due 30 days after the close of the quarter.

C. *Scheduling*. The parties agree that Tenant may pre-schedule events and offer reservations to select groups for winter recreational activities with the approval of the Landlord's parks and recreation district manager.

D. *Fees and Charges*. Fees and charges for winter recreation related products and services shall be established by Tenant, a copy of which shall be provided to, and approved in writing by, the Administrator.

13. Page 9, Section 17 – Notices. This section is amended in its entirety to read as follows:

A. All notices to be given hereunder shall be in writing and shall be deemed given when personally delivered, sent via facsimile (Fax) or when deposited in the United States Postal Service mail, postage prepaid, certified receipt requested or registered and addressed as follows:

LANDLORD
Municipality of Anchorage
Anchorage Parks &
Recreation Department
Attn: Director
Post Office Box 196650
Anchorage, AK 99519
FAX: 278-6595

TENANT
Youth Exploring Adventures, Inc.
d/b/a Hilltop Ski Area

7015 Abbott Road
Anchorage, AK 99516
FAX: 346-3391

AND

Municipality of Anchorage
Attn: Municipal Manager
Post Office Box 196650
Anchorage, AK 99519
FAX: 343-4110

14. Page 9, Section 18 – Assignment. This section is amended in its entirety to read as follows:

A. *Assignment.* Tenant shall not assign this Lease or any interest herein, or permit any concession or third party to conduct any portion of Tenant's required operational obligations of the Property, without the prior written consent of the Landlord, which consent may be withheld in the sole and unfettered discretion of Landlord, for any cause or for no cause. Any assignment without Landlord's prior written consent shall be void able by Landlord and shall, at the option of Landlord, be deemed a breach of this Lease allowing for immediate termination of the Lease. No consent to any such assignment shall constitute a waiver or discharge of the provisions of this paragraph except as to the specific instance covered thereby.

B. *Security Assignment.* Subject to the prior written consent of the Landlord, which consent shall not be unreasonably withheld, Tenant shall have the right to assign this Lease for security purposes to a lender or lender's trustee to finance required and optional improvements, thereby enabling the lender or assignee for security purposes to acquire or assume the Lease and enabling the lender to assign the Lease after so acquiring it, under the same terms and conditions as this Lease provides, subject to Landlord's prior written consent, which consent shall not be unreasonably withheld, and to applicable requirements of the Anchorage Municipal Code as amended, if any. Notice of any such assignment for security purposes shall be delivered in writing to Landlord, along with a copy of any notes, UCC filings or any other document pertaining to such assignment within five (5) days of the effective date of such assignment. In addition, any such assignment for security purposes shall require the assignee thereof to notify Landlord herein upon the occurrence of a breach of default by Tenant of the terms of the assignee's security instrument, and further require notice of default to be given to Landlord at the same time notice is given to Tenant and prior to the assignee taking management of the Property or offering the interest for sale based upon any such breach or default. To be valid, all assignment instruments, including the Consent to Assignment of Lease for Security Purposes, must be approved by Landlord and the assignment must give Landlord the right to cure on the same terms as given to Tenant.

C. *Survival of Tenant Liability.* Any assignment of this Lease or any interest under it shall not relieve the Tenant from its obligations under this Lease, and the Municipality may seek recovery or damages for any breach against the Tenant without seeking such

recovery directly against the assignee or other parties who might also be liable.

15. Page 11, Section 23 – Liens on Buildings and Improvements. This section is amended in its entirety to read as follows:

All buildings and improvements (exclusive of trade fixtures), constructed or placed upon the Property by Tenant are the property of the Landlord and must be kept free and clear of all liens, claims, encumbrances or liability for labor or material, subject to any authorized lien for security purposes as set forth in Section 18 of the lease agreement, as amended.

16. Page 11, Section 25 – Promotion and Signs. Paragraphs A and B are amended in their entirety to read as follows:

A. *Promotion.* Tenant shall promote, advertise and otherwise offer to the public the privileges of the area's winter alpine skiing facilities. Any such promotion or advertising shall comply with applicable law and indicate that the area is a municipal facility open to the public. The Landlord shall promote and advertise the Property as the Southeast Anchorage Parks District Office and activities and events, other than winter alpine skiing, to maximize use of the Property for the benefit of the public.

B. *Signs.* Tenant will not erect any signs on the Property intended for viewing by persons outside the Property, except not more than two (2) signs informing the public of the direction to the entrance a sign at the entrance. Tenant may also install signs on the Property intended to prevent trespassing and vandalism, and to guide or regulate activities on the Property. Any signs erected by Tenant shall comply at all times with any law in effect that regulates signs, advertisements, or their content, including the Anchorage Municipal Code, and shall be pre-approved by Landlord in writing.

17. Appendix D – Management, Use, and Control of Property. The parties hereby agree to incorporate into the lease agreement a new Appendix D. The new Appendix D is attached hereto and incorporated by reference.

18. The parties agree that all other portions of the original Lease Agreement, dated May 1, 2001, together with amendments, shall remain in full force and effect in accordance with its terms.

IN WITNESS THEREOF, the parties have executed this Amendment No. 1 on the date and at the place shown below.

LANDLORD
MUNICIPALITY OF ANCHORAGE

By:_____
Denis C. LeBlanc
Municipal Manager

TENANT
YOUTH EXPLORING ADVENTURES, INC.
d/b/a Hilltop Ski Area

By:_____
Steve Remme
Chief Executive Officer

Recommendation for approval:
Office of Economic & Community Development

By:_____
Mary Jane Michael
Executive Director

APPENDIX D
Management, Use, and Control of Property

1. *Non-exclusive Use/Control.* This Lease creates in Tenant a non-exclusive interest in the Property. Tenant agrees that Landlord may, at its sole discretion, choose to allow other organizations access to the park for purposes benefiting Landlord. Tenant acknowledges that the Property is a part of the Far North Bicentennial Park, and as such is intended by Landlord to provide various recreational opportunities to the public. Such activities may include, but are not limited to, equestrian, hiking, biking, and cross-country skiing. Tenant recognizes that adjacent recreational activities may at times result in some intrusion upon the Property, but the parties agree that the public shall have the right to use the Property for purposes and time periods as permitted by the Landlord's unfettered discretion.

2. *Public Access.* The Property shall remain open to the public and Tenant's use of the Property shall be non-exclusive, it being the intent of the parties that others (including, but not limited to, vendors or concessionaires authorized by Landlord) be permitted to access and use the Property in a manner permitted by Landlord and not inconsistent with Tenant's use under this Lease. Trails, lodge/chalet, parking, and recreational facilities of the Hilltop Ski Area shall be open to the public in accordance with the parks and recreation facility policies of the Anchorage Parks and Recreation Department, after review and recommendations by the Anchorage Parks and Recreation Advisory Commission. Tenant and Landlord shall make the property available to community groups.

3. *Reservation of Access.* Landlord retains the right to full and complete access to the Property, as well as full and complete use of the Property for operation of a Southeast Anchorage Parks District Office, for recreational activities and special events, and for the construction, repair, or maintenance of the utilities or facilities. Landlord retains the right to designate or grant rights-of-way or utility easements across the Property without compensation, provided that Tenant shall be compensated for the taking or destruction of any improvements installed by Tenant at its expense during the term of this Lease, and provided further that Tenant at its option may terminate the Lease.

    A. Landlord, its authorized representatives, agents and employees shall have the right to be present upon the Property at all times time for:

        (1) Operation of a Southeast Anchorage Parks District Office;

        (2) Recreational activities, programs, and special events;

        (3) Inspection of the Property, facilities, and equipment;

        (4) Observation of Tenant's operations;

        (5) Cleaning, repair, maintenance, alteration, construction or improvement of the Property as Landlord may deem necessary;

(6) Showing the Property to prospective contractors, or lenders;

(7) Abating any nuisance, health or hazardous condition on the Property; and

(8) Preserving and protecting the Property.

B. The right of access reserved herein does not impose, nor does Landlord assume by reason thereof, any responsibility for the care, maintenance or supervision of Tenant's property and equipment associated with the operation of an alpine ski area and related winter recreation activities. Tenant shall not be entitled to any abatement or reduction in rent by reason of Landlord's access or presence on the Property.

4. *Services and Responsibilities of the Tenant:*

A. Tenant shall be responsible for operating an alpine ski area and for related winter recreation activities.

B. Tenant shall be responsible for operating and maintaining:

(1) all facilities erected by Tenant;

(2) the alpine ski area;

(3) all Tenant-installed equipment; and

(4) the road and parking lot.

C. Tenant shall allow Landlord to jointly use all public spaces in the ski chalet building, including space for a public counter in ski chalet's main room to serve as the Landlord's Southeast Anchorage Parks District Office's public service counter. Tenant shall also provide Landlord with at least 250 square feet of office space in the ski chalet building and another 250 square feet of heated storage space located on the Property.

5. *Services and Responsibilities of the Landlord*

A. Landlord shall be responsible for scheduling all use of the ski chalet building for special events and other activities not related to Tenant's use of the chalet building for winter recreation activities during the ski season. Landlord may schedule use of the chalet for special events during the winter ski season for time periods when the chalet and the public ski hill are closed to the public such as in the evening hours. Landlord will also be responsible for scheduling use of the chalet building and the rest of the Property for recreational uses, special events, and other purposes when the winter ski season is closed.

B. All revenues for events and activities scheduled by Landlord under paragraph A of this section shall be retained by the Landlord. Tenant's revenues shall be limited to revenues accruing from Tenant's winter recreation activities as defined in gross revenues under Section 6 (B) of the Lease Agreement.

C. Landlord shall reimburse Tenant for water, electric, gas, sewer, and refuse utilities provided to the Property and for grounds and building maintenance expenditures, provided that invoices and any other requested documentation for the expenditures are provided by Tenant to the Landlord. Landlord will reimburse Tenant for documented expenditures up to a maximum amount of one hundred thousand dollars ($100,000) per year, beginning in 2006. Landlord will reimburse Tenant at the end of each calendar quarter until the maximum reimbursement amount of $100,000 is reached.

D. Landlord may construct or make any improvements to the Property, provided that the changes do not reasonably impede Tenant's operation of the alpine ski area.

6. *Joint Responsibilities*

Landlord and Tenant shall:

A. Conduct joint promotion and marketing activities for the area, promoting the area as a four-season recreational area;

B. Cooperate to promote the development of programs and services to benefit all Anchorage residents and to maximize public use of the area;

C. Coordinate use of the chalet. Landlord shall be responsible for scheduling special events and programs at the chalet. Landlord shall require all requests for chalet rentals to be made in writing as least five (5) business days prior to the scheduled date of the proposed rental. Tenant shall direct requests for rentals of the chalet to Landlord's Southeast Anchorage parks district manager. Landlord shall waive chalet rental fees for YEA's winter programs and board meetings provided that YEA provides its own staffing for such rentals.

D. Designate primary contact persons. Landlord and tenant shall each designate a primary contact person who will be responsible for coordination and communication under this agreement.

E. Work to resolve conflicts. In the event of a dispute between Landlord and Tenant, Landlord and Tenant's designated contact persons shall first endeavor to resolve the dispute. If the contact persons are unable to resolve the dispute, then Landlord and Tenant's designated contact persons shall present the dispute to Anchorage Parks and Recreation Department's Recreation Superintendent for the area. If the Recreation Superintendent is unable to resolve the dispute, then the Superintendent shall ask the Director of the Anchorage Parks and Recreation Department to resolve the dispute.