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AGREEMENTS

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DUPLICATE

THE CITY OF SAN DIEGO
AND
CROWNAIR HOLDINGS, INC.

Montgomery-Gibbs Executive Airport
Flat Rate Lease

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LEASE OUTLINE

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CITY OF SAN DIEGO
FLAT RATE LEASE

THIS LEASE AGREEMENT ("Lease") is hereby made and executed effective the ____ day of May 26, 2016 ("Effective Date") between THE CITY OF SAN DIEGO, a California municipal corporation, hereinafter called "City," and CROWNAIR HOLDINGS, INC., a California corporation, dba CrownAir Aviation (whose parent is MI Aviation Holdings, LLC) hereinafter called "Lessee", City and Lessee being herein sometimes referred to as a "Party" or "Parties," all with reference to the following:

RECITALS

A. WHEREAS, City and Lessee are parties to that certain Twenty-Year Flat Rate Lease with a commencement date of June 1, 1996 which has been filed with the office of the City Clerk of San Diego as Document No. 00-18298 ("1996 Lease").

B. WHEREAS, Lessee exercised its option for a ten-year extension of the 1996 Lease pursuant to Section 2.3 of the 1996 Lease; the Parties were unable to mutually agree on the terms and conditions of such ten-year extension.

C. WHEREAS, the 1996 Lease expires on May 31, 2016, and the Parties wish to enter into a new lease of the Premises, as defined in Section 1.1, to provide for the development of a new facility within the existing fixed-base operation ("FBO") on the Premises, according to the terms and conditions set forth hereinbelow.

SECTION 1. PREMISES AND USES

1.1 Premises. Effective as of the Commencement Date (as defined in Section 2.1), City hereby leases to Lessee and Lessee hereby leases from City all of that certain real property situated at Montgomery-Gibbs Executive Airport (the "Airport") in the City of San Diego, County of San Diego, State of California, consisting of approximately 16 acres of land more particularly depicted on **Exhibit "A"** as "Premises" and more particularly described in **Exhibit "A-1"** Legal Description (the "Premises"), and by this reference made part of this Lease. Lessee accepts all "approximations" set forth in this Lease as being accurate and agrees not to use any future recalculations (however determined) of the Premises to attempt to adjust or otherwise affect the rents or other obligations contained in this Lease.

At City's option, and upon thirty (30) days written notice to Lessee during the Term (as defined in Section 2.2) of City's exercise of such option, Lessee shall also lease from City and City shall lease to Lessee, a portion, or all, of that certain real property situated at the Airport, totaling approximately 3.79 acres, consisting of 1.52 acres ("Option Area 1") and 2.27 acres ("Option Area 2") as set forth on **Exhibit "A"** (collectively the "Option Premises"), which Option Premises, if any, taken together with the Premises shall be referred to herein as the "Premises". Only when City can offer the Option Premises for exclusive use to Lessee, City may exercise its option and require Lessee to lease: (1) Option Area 1 alone; or (2) Option Area 1 and Option Area 2 together; or (3) Option Area 2 alone, if City has previously leased Option Area 1 to Lessee. Lessee shall not be required, at Lessee's sole option, to lease Option Area 2

before Option Area 1 is/has been leased by Lessee. City agrees that during the Term, it shall not lease, or offer to lease, the Option Premises, or any part thereof, to any party other than Lessee.

City has made Lessee aware of City's plan to design a twenty foot (20') wide perimeter road parallel to the taxiway adjacent to the Premises which road is planned to run through a portion of the Option Premises and shall consist of approximately .16 acres of Option Area 1 ("Future Airport Road Area 1") and approximately .36 acres of Option Area 2 ("Future Airport Road Area 2"), as depicted on **Exhibit "A"** (collectively the "Future Airport Road"). Lessee agrees that City shall have the right, at any time during the Term, to take back any portion of the Future Airport Road property if leased by the Lessee, by City giving Lessee a thirty (30) day written notice. City shall not be required to pay Lessee to take back all or any portion of said Future Airport Road property; provided, however, that City shall reduce Lessee's Rent therefor (as defined in Section 3 below) in proportion to the amount of land taken back.

1.2 Uses. It is expressly agreed that the Premises are leased to Lessee solely and exclusively for the following allowed uses ("Allowed Uses"): aircraft engine and airframe repairs and maintenance; aircraft sales and rentals; aviation parts and accessories sales and rentals; flight instruction services; aircraft hangar and tie-down sales; rental and management of hangars; the operation of aircraft charter and associated flight services; food concessions for aviation customers; conducting commuter operations; sale of aviation fuel and oil and providing industry-recognized "into" plane services; all other uses associated with or incidental to general aviation operations, including operations of industry-recognized line service operations; special events ("Lessee Special Events") subject, in each instance, to prior written approval from the Airport Deputy Director for the specific Lessee Special Event, and to Lessee having secured all applicable local, state and federal approvals and permits (now existing or established in the future), including, but not limited to, a Special Event Permit from the City's Special Events Department, if applicable, and all required signoffs/permits from the City's Fire Department and/or other regulatory departments/agencies; and such other uses as may be first approved in writing by the City.

Any use of the Premises other than as permitted pursuant to this Section 1.2 shall constitute a default, and if such default is not cured by Lessee pursuant to Section 5.1 of this Lease, this Lease shall be subject to termination at the sole option of the City.

Lessee covenants and agrees to use the Premises continuously throughout the Term as permitted pursuant to this Section 1.2.

1.3 Duties and Prohibited Conduct. The Allowed Uses and the facilities and services provided for under this Lease are to serve the general public. Lessee shall operate and manage the services and facilities which it offers to the public in a competent and efficient manner at least comparable, in the opinion of the City, to other Airport operations of similar type. For the purposes of this subsection, "competent and efficient manner" shall mean demonstrated ability in the management and operation of a FBO aviation business and such other Allowed Uses conducted on the Premises from time to time during the Term (as defined in Section 2.1, below), consistent with industry standards and best management practices. Where Lessee is reasonably in doubt as to the propriety of any particular use, Lessee may request the written determination from the City that such use is or is not permitted, and Lessee will not be in breach or default

under this Lease if Lessee abides by such determination. Notwithstanding the foregoing, however, Lessee shall not use nor permit the use of the Premises for any use which Lessee does not have confirmation that said use is an Allowed Use; or to use the Premises, even for an Allowed Use, if that use will create waste or a nuisance. Lessee shall not use, or permit any person or persons to use, the Premises for the sale or display of any goods or services which, in the sole discretion of City, are inconsistent with the Allowed Uses of the Premises pursuant to this Lease. Lessee shall keep the Premises, and every part thereof, in a decent, safe and sanitary condition, free from any objectionable noises or odors, except as may be typically present for the Allowed Uses specified above, and shall comply with all local, State and Federal laws and regulations in all respects. Lessee shall deposit all trash and rubbish of Lessee and Lessee's employees, agents, sublessors, permittees, contractors and invitees ("Lessee's Parties"), only within receptacles provided by Lessee and located in the areas designated by City.

1.4 Compliance with Laws. Lessee, at Lessee's sole expense, shall procure, maintain and hold available for City's inspection any governmental license or permit required for the proper and lawful conduct of Lessee's business. Lessee shall not use the Premises for any use or purpose in violation of the laws of the United States of America, or the laws, ordinances, regulations and requirements of the State of California, the County of San Diego, of the City, or of other lawful authorities. Lessee shall, at Lessee's expense, comply promptly with all applicable statutes, laws, ordinances, rules, regulations, orders, covenants and restrictions of record, and requirements regulating the use of the Premises in effect during the Term. The final judgment of any court of competent jurisdiction, or the admission of Lessee or of any of Lessee's Parties in any action or proceeding against them or any of them, whether or not the City is a party to such action or proceeding, that Lessee, or any of such Lessee's Parties, has violated any such ordinance, law, statute, regulation, covenant, restriction or requirement pertaining to the use of the Premises, shall be conclusive as to that fact as between City and Lessee for purposes of this Lease.

Lessee's duty to comply with applicable laws and regulations shall include compliance with any and all zoning and land use regulations applicable to the Premises and Lessee's intended use thereof ("Land Use Regulations"). City's execution of this Lease shall in no way be deemed to constitute a determination by City that Lessee's intended use of the Premises complies with applicable Land Use Regulations, nor shall it imply any such conclusion by City, even if City is the agency which enacts or implements the Land Use Regulations applicable to the Premises.

1.5 Related Council Actions. The City's grant and execution of this Lease shall not be deemed to obligate either City or the City Council to authorize, agree with, or undertake any other governmental agency, board, or commission's discretionary action with regard to development and operation of the Premises. The term "discretionary action" includes but is not limited to re-zonings, variances, environmental clearances or any other governmental agency approvals which may be required for the development and operation of the Premises. Lessee shall be solely responsible for processing all land use, development, and construction approvals required for the use, occupancy and development pursuant to the General Development Plan, set forth in Section 10.1, below, of the Premises. This Lease shall not be interpreted by any decision-maker on any City-issued permit or approval to override or dictate the outcome of any findings required for any permit or development approval.

1.6 Quiet Possession. By paying the Rent and performing the covenants and agreements herein, Lessee shall at all times during the Term peaceably and quietly have, hold, and enjoy the Premises. If for any reason during the Term Lessee is permanently or temporarily dispossessed through action or claim of a title superior to City's, this Lease shall not be voidable, nor shall City be liable to Lessee for any loss or damage resulting therefrom, but City shall grant in writing a proportionate reduction of the Rent otherwise payable for the period or periods during which Lessee is prevented from enjoying quiet and peaceable possession of all or a portion of the Premises.

1.7 Easements and Reservations. City hereby reserves all right, title, and interest in any and all subsurface natural gas, oil, minerals, and water on or within the Premises, together with the right to store and recapture water from the soils beneath the surface of the Premises.

City reserves the right to grant and use easements or to establish and use rights-of-way over, under, along, and across the Premises for such utilities, thoroughfares, or access as it deems advisable for the public good. Provided however, no right reserved by City in this Section 1.7 shall be so exercised by City as to unreasonably interfere (i.e., Lessee is completely prevented from using the area affected) with Lessee's operations hereunder. City agrees that should the exercise of any of the rights reserved by City in this Section 1.7 unreasonably interfere with the use of any or all of the Premises by Lessee, the Rent shall be reduced as follows; for every full day of such unreasonable interference, City shall credit Lessee one (1) day of Rent in proportion to the area affected.

City has the right to enter the Premises for the purpose of making repairs to, or developing, municipal resources and services.

Any injury that may result from the percolation, storage and/or recapture of water from the soil beneath the surface of the Premises shall not be considered unreasonable interference, provided, however, that the City will reimburse Lessee for physical damages or operational damages, if any, to the improvements located on the Premises resulting from City exercising the rights reserved in this Section 1.7 provided Lessee took all reasonable measures to protect against such physical damages and operational damages. Such reimbursement may include a reduction in the rent proportionate to the amount of physical damage or operational damage as determined by City. City will pay the costs for maintenance and repair of all City installations made pursuant to these reserved rights.

1.8 Operation of Facilities. A regular schedule of days and hours of operation shall be established by Lessee to best serve the public, as set forth in The City of San Diego Airports Division Minimum Operating Standards on file with the Airports Division's Operations Office, as may be amended from time to time.

1.9 Rates and Charges. All charges for merchandise and services or facilities on the Premises shall be comparable to amounts charged by other vendors for similar services in San Diego County; provided, however, Lessee shall not be required to sell merchandise or provide services and facilities at a loss.

1.10 Political Activities. The Premises shall be used exclusively for the Allowed Uses. The Premises shall not be used for working or campaigning for the nomination or election of any

individual to any public office, be it partisan or nonpartisan; provided, however, that Lessee shall not be precluded from providing a forum for open public debate by candidates such as occurs at a "candidate forum" and similar events.

1.11 Parking. Lessee shall provide automobile parking for its employees, customers and sublessees within the Premises. Lessee shall not knowingly allow said parking on non-Premises Airport property without the prior written approval of City.

1.12 No Warranty. City does not warrant that the Premises are suitable for the purposes for which they are leased as stated herein.

SECTION 2. TERM

2.1 Term. The term of this Lease shall be forty (40) years ("Term") and shall commence on June 1, 2016 ("Commencement Date"). The Term, if not otherwise hereafter extended, amended, or earlier terminated, shall expire on May 31, 2056. "Lease Year" as used in this Lease shall mean the twelve (12) month period commencing on the first day of the calendar month following the Commencement Date and each succeeding 12 month period thereafter during the Term.

2.2 Holdover. Any holding over by Lessee after expiration of the Term shall not be considered a renewal or extension of this Lease. The occupancy of the Premises after the expiration of the Term constitutes a month-to-month tenancy, and all other terms and conditions of this Lease shall continue in full force and effect; provided, however, City shall have the right to bring the Rent (as defined in Section 3, below) to the then market value and to terminate the holdover tenancy at will.

2.3 Quitclaim and Surrender of Lessee's Interest. On execution of this Lease, Lessee shall deliver to City a quitclaim deed in recordable form quitclaiming all its rights in and to the Premises. City may record such deed only on the expiration of the Term or earlier termination of this Lease. In the event that City requires any subsequent quitclaim deed, Lessee or its successor in interest shall deliver the same within five (5) business days after receipt of written demand therefor.

At the expiration of the Term, Lessee shall surrender the Premises to City free and clear of all liens and encumbrances. In the event of termination of this Lease by City prior to the end of the Term, any liens and encumbrances then existing against the Premises must be approved in writing by the City in order to be allowed to remain against the Premises. If such liens and encumbrances are not approved to remain against the Premises, Lessee shall be solely responsible for ensuring that all such liens and encumbrances are removed from the Premises within a reasonable time period not to exceed six (6) months. Upon either the expiration or earlier termination of the Term, Lessee shall surrender the Premises in good order, in a safe, healthy, and sanitary condition and state of repair, ordinary wear and tear excepted.

SECTION 3. RENT

3.1 Time and Place of Payments. Rent is due monthly in advance on or before the first day of each calendar month. All Rent payments shall be made payable to "City Treasurer" and mailed to:

City of San Diego
P.O. Box 129030
San Diego, California 92112-9030

or hand-delivered to:

The Office of the City Treasurer
Civic Center Plaza
1200 Third Avenue, First Floor
San Diego, California 92101

City may change the place of payment at any time upon thirty (30) days written notice to Lessee. Mailed payments shall be deemed paid on the date the payment is postmarked by the postal authorities. If postmarks are illegible, the payment shall be deemed received only upon actual receipt by the City Treasurer. Lessee assumes all risk of loss and responsibility for late payment charges if payments are made by mail.

3.2 Rent Amount. The initial monthly rent ("Rent") for the Premises shall be Thirty One Thousand Six Hundred Dollars ($31,600), which is the product of $1,975.00 (the "Per Acre Amount") multiplied by the number of approximate acres in the Premises on the Effective Date. The Rent is subject to adjustment (pursuant to the CPI Index Adjustment Dates set forth in Section 3.2.1 below) based on the increases, if any, in the CPI (as defined in Section 3.2.1) or the market value of the Premises (established as described in Section 3.3), and/or the inclusion of the Option Premises as part of the Premises. In the event City decides to exercise its option to require Lessee to lease all or a portion of the Option Premises as set forth above in Section 1.1, the Rent shall be adjusted by the City by multiplying the new total approximate acreage by the then effective Per Acre Amount for the Premises. In the event City elects to take back all or any portion of the Option Premises, the Rent shall be reduced on a pro rata basis. All references to "acreage" are best-effort approximations and shall not be used to affect the rental structure or rental amounts set forth in this Lease or to be utilized in the future.

3.2.1 CPI Adjustments. On June 1st of the years 2021, 2031, 2041 and 2051 (the "CPI Adjustment Dates"), the Rent shall be adjusted upward, and only upward, if applicable, to reflect any increases in the Consumer Price Index (the "CPI ").

The index used will be the CPI for "All Urban Consumers" for Los Angeles, Riverside, Orange County (1982-84 = 100) of the U.S. Department of Labor, Bureau of Labor Statistics. If the CPI is no longer published, the index for adjustment will be the U.S. Department of the Labor's "Comprehensive Official Index" most comparable to the aforesaid index. In the event that such indices are no longer published, then another comparable index or source of such information generally recognized as

authoritative will be substituted in the City's discretion. Regardless of the index publication dates, the effective dates of Rent adjustments shall be as specified in this Section.

3.2.2 Index Adjustment Computation. The Rent for each monthly rental period following the CPI Adjustment Dates, until the next CPI Adjustment Date, shall be determined prior to the CPI Adjustment Date by multiplying the Rent which is effective immediately prior to said adjustment by the "adjustment figure" established as follows:

(a) The "adjustment figure" shall be established by dividing the "current index" by the "base figure," as defined herein.

(b) The "current index" shall be an average of CPI index figures for the months of January, February and March immediately preceding the adjustment date.

(c) The "base figure" for the first such adjustment shall be an average of the CPI index figures for the months of January, February and March, 2016.

(d) The "base figure" for each successive adjustment shall be an average of the CPI index figures for the months of January, February and March immediately preceding each of the CPI Adjustment Dates or each of the Market Value Adjustment Dates, as City may determine in accordance with Section 3.3 Market Value Adjustments.

3.3 Market Value Adjustments. In addition to CPI Index Adjustments, on June 1st of the years 2026, 2036, and 2046 (the "Market Value Adjustment Dates"), City shall adjust the Rent in accordance with a "Market Value Adjustment" (as defined and calculated as follows).

3.3.1 Commencing one hundred eighty (180) days prior to the applicable Market Value Adjustment Date, City and Lessee shall agree upon the Market Value Adjustment for the Premises. If the Parties are unable to agree upon the Market Value Adjustment within sixty (60) days after the applicable Market Value Adjustment Date, each Party shall designate, by written notice delivered to the other Party within thirty (30) days after expiration of said 60-day period, a real estate appraiser with at least five (5) years' full-time commercial appraisal experience and experience appraising aviation/aeronautical properties within the most recent year to appraise and determine the monthly Market Value Adjustment for the Premises for the next five-year period. If either Party fails to designate an appraiser, the one appraiser designated shall determine the Market Value Adjustment.

3.3.2 If two appraisers are designated, the two shall promptly meet in an attempt to determine the Market Value Adjustment. If the two appraisers are unable to agree within twenty (20) days after designation of the second appraiser, they shall appoint a third appraiser meeting the qualifications stated above within twenty (20) days after expiration of the twenty-day period provided to the two appraisers to determine the Market Value Adjustment. If the two appraisers are unable to agree on a third appraiser,

either of the Parties, by giving ten (10) days' written notice to the other Party, can apply to the then president of the San Diego Association of Realtors for the selection of a third appraiser. Each Party shall pay the fee of the appraiser it designates and one-half (1/2) of the cost of the third appraiser. Within twenty (20) days after the selection of the third appraiser, a majority of the appraisers shall determine the Market Value Adjustment. If a majority of the appraisers are unable to agree, then the average of the three appraisals shall be the Market Value Adjustment; provided, however, if the low appraisal is more than five percent (5%) lower and/or if the high appraisal is more than five percent (5%) higher than the middle appraisal, then the low appraisal and/or high appraisal shall be disregarded in averaging the appraisals.

3.3.3 In determining the Market Value Adjustment, the appraisers shall use the Rental Comparison Approach or similar methodology that compares similar airport land leases within 500 miles from the Premises to determine the monthly amount which the Premises could be expected to return to the City if offered for lease on the open market under normal circumstances. After the Market Value Adjustment has been determined, the appraisers shall immediately notify the Parties in writing.

Notwithstanding the foregoing, in no event shall the adjusted Rent, established by periodic appraisals as provided for herein, be less than the Rent in existence immediately prior to any Market Value Adjustment Date.

3.4 Lessee Special Events. Beginning on the first day of the eleventh (11th) Lease Year, Lessee shall pay City ten percent (10%) of all gross revenue Lessee receives, or is entitled to receive, from any Lessee Special Event approved by City, as set forth in paragraph 1.2 Uses. All sums owed to City under this provision shall be considered Additional Rent and shall be due and owing to City within thirty (30) days of receipt, or entitlement to receipt, of said sums.

3.5 City Improvement Value Reimbursement. As compensation for the City's deferral of the exercise of its reversionary interest in all the improvements existing on the Premises as of May 31, 2016, and as a material inducement to City to enter into this Lease, Lessee shall pay City the aggregate amount of Six Hundred Twenty Four Thousand Four Hundred Forty One Dollars ($624,441) ("City Improvement Value Reimbursement"), which shall be considered as additional Rent, as follows:

3.5.1 Within fifteen (15) days after the Commencement Date, Lessee shall pay City the sum of Thirty One Thousand Two Hundred Twenty Two Dollars and Five Cents ($31,222.05) in cash. Lessee shall pay the remaining balance of Five Hundred Ninety Three Thousand Two Hundred Eighteen Dollars and Ninety-Five Cents ($593,218.95) either by: (1) making one lump sum payment of such amount, in cash, by September 1, 2016; or (2) beginning on September 1, 2016 and on the first day of each month thereafter until paid in full, paying the remaining principal amount of the City Improvement Value Reimbursement, together with interest thereon at the rate of six percent (6%) per annum, in three hundred (300) equal monthly installments of Three Thousand Eight Hundred Twenty Two Dollars and Twelve Cents ($3,822.12).

3.5.2 Notwithstanding anything to the contrary contained herein, Lessee may prepay in full (but not in part), without premium or penalty, at any time the then

outstanding balance of the City Improvement Value Reimbursement and interest accrued thereon to the date of payment, and beginning with the calendar month next following such full prepayment, Lessee shall no longer be required to pay City Improvement Value Reimbursement to City.

3.6 Security Deposit. A security deposit shall be paid to the City by Lessee in the sum of Thirty One Thousand Five Hundred Eighty Dollars and Twenty-Five Cents ($31,580.25) (the "Security Deposit") before the Commencement Date of this Lease. All or any portion of the Security Deposit shall be available unconditionally to City for correcting any default or breach of this Lease by Lessee or Lessee's successors or assigns, or for payment of expenses incurred by City as a result of Lessee's failure to faithfully perform all terms, covenants, and conditions of this Lease.

The security deposit shall take one of the forms set out below:

3.6.1 Cash. All cash shall be deposited in a City fund, and City shall not be liable to Lessee for any interest thereon. Provided further, any interest earned by City from such deposit or redeposit shall be and remain the property of City.

3.6.2 Instrument(s) of Credit. An instrument(s) of credit from one or more financial institutions, subject to regulation and insurance by the state or federal government, shall pledge that the funds are on deposit and guaranteed for payment and agree that any or all funds shall be paid to City upon demand by City. The financial institution and the form of any instrument pledging the funds must be approved in advance by City.

Lessee will maintain the required Security Deposit throughout the Term. Failure to do so shall be considered a default and is grounds for immediate termination of this Lease.

In the event City utilizes all or any portion of the Security Deposit as a result of Lessee's default, Lessee shall redeposit the Security Deposit with the City within ten (10) days of notice from City to bring the Security Deposit up to the full specified amount.

The Security Deposit or any balance thereof will be returned to Lessee in compliance with California law following expiration or earlier termination of this Lease, provided Lessee has faithfully complied with all terms, covenants, and conditions hereof or has cured any default under this Lease.

The Security Deposit may be increased by City proportionate to any increased performance or rental liability of Lessee upon sixty (60) days prior written notice from City of such required increase.

3.7 City's Right to Inspect and Audit. Lessee shall keep all of its books of account, records and supporting documentation needed to confirm the accuracy of any payments made or due to the City stemming from or related directly or indirectly to this Lease including documentation related to the number of gallons of fuel purchased for the calculation of flowage fees throughout the Term plus five (5) years; provided, however, City shall have no right to inspect Lessee's books of account, records and supporting documentation with respect to other

aspects of Lessee's business not related directly or indirectly to this Lease. Lessee shall make the books, records and documentation required pursuant to the immediately preceding sentence available for inspection and audit by City in one location within the County of San Diego. Lessee shall maintain separate books and records related to Lessee's possession, use and/or occupancy of the Premises. Upon reasonable prior notice, City may inspect and audit the operation of Lessee's business in connection with its possession, use and/or occupancy of the Premises and all other business activities conducted on the Premises, and all financial transactions in connection with Lessee's possession, use and/or occupancy of the Premises as City may deem necessary, in its sole discretion, to protect City's rights under this Lease. If required by competent governmental authority, Lessee shall promptly deliver to City, at City's reasonable request and at Lessee's sole cost and expense, any and all data reasonably needed to fully comply with such authority's requirements related to Lessee's possession, use and/or occupancy of the Premises and all other business activities conducted on the Premises, and all financial transactions in connection with Lessee's possession, use and/or occupancy of the Premises. City's right to audit Lessee's books and records shall terminate for each Lease Year on the date five (5) years after the end of that Lease Year.

3.7.1 Audit Cost. The full cost of each City audit shall be borne by City, unless one or both of the following conditions exists, in which case Lessee shall reimburse City for all costs of the audit:

(a) If an audit reveals an underpayment of Rent of more than five percent (5%) per Lease Year, calculated as the difference between the Rent reported as payable by Lessee and the Rent payable as determined by the audit;

(b) If Lessee has failed to maintain true, accurate and complete books, records, accounts and supporting source documents as required by this Lease.

3.7.2 Rent Deficiency and Overpayment. Any deficiency in the payment of Rent and any other monies owing under this Lease, as determined by the audit shall be subject to all penalties and remedies provided to City under this Lease. City shall credit any overpayment determined by the audit, without interest, against future Rent payable under this Lease. If no future Rent is then due under this Lease, City shall refund to Lessee any overpayment determined by the audit, without interest, within sixty (60) days after City's certification of the audit.

3.8 Delinquent Rent. If Lessee fails to make any payment of Rent and any other monies owing under this Lease when due, Lessee shall pay to City, in addition to the unpaid amount, a late charge of five percent (5%) of the unpaid amount, which shall be deemed additional rent ("Additional Rent"). If any of such payment remains unpaid after fifteen (15) days of its due date, Lessee shall pay to City an additional five percent (5%) of the unpaid amount [being a total of ten percent (10%)], which shall be Additional Rent. Notwithstanding the foregoing, in no event shall the charge for late payment of Rent be less than Twenty-Five Dollars ($25). After thirty (30) days past due, unpaid amounts due City under this Lease may be referred to the San Diego City Treasurer for collection, and shall be subject to San Diego Municipal Code section 22.1707, as may be amended from time to time. Lessee shall pay to City

any collection-referral fee and all other fees and charges plus interest as may then be charged by the San Diego City Treasurer under authority of the San Diego Municipal Code. Acceptance of late charges and any portion of the late payment by City shall neither constitute a waiver of Lessee's breach or default with respect to the late payment nor prevent City from exercising any other rights and remedies available at law or in equity. As required by law, Lessee is hereby notified that a negative credit report may be submitted to a credit reporting agency if amounts due City are not paid when due.

3.9 Unauthorized Use Charge. Lessee shall pay to City one hundred percent (100%) of the net receipts from any use of the Premises that is not allowed by this Lease, regardless of any related penalties charged Lessee by competent governmental authorities. Such unauthorized use charge shall be payable to City within thirty (30) days after Lessee receives the gross receipts. No unauthorized use charges shall satisfy or be a credit against any other Rent obligation of Lessee's under this Lease. The unauthorized use charge shall otherwise be considered "Rent" under this Lease, and shall be subject to all costs and penalties for delinquent payments hereunder. The existence of such unauthorized use charge and City's acceptance thereof shall not constitute authorization for the use in question, and shall not waive any of City's rights under this Lease. If Lessee makes any use of the Premises that is not allowed by this Lease, such use shall constitute a default under this Lease.

SECTION 4. ASSIGNMENT AND SUBLEASING

4.1 Time is of Essence; Provisions Binding on Successors and Assigns. Time is of the essence of all of the terms, covenants, and conditions of this Lease, and, except as otherwise provided herein, all of the terms, covenants, and conditions of this Lease shall apply to, benefit, and bind the successors and assigns of the respective Parties, jointly and individually.

4.2 Assignment and Subletting. Lessee shall not assign this Lease or any interest therein, and shall not sublet the Premises or any part thereof, or any right or privilege appurtenant thereto, or suffer any other person, except employees, agents, and guests of Lessee, to use or occupy the Premises or any part thereof, without the prior written consent of the City in each instance, not to be unreasonably withheld, conditioned or delayed. A consent to assignment, subletting, occupation, or use by any person shall not be deemed to be a consent to any subsequent assignment, subletting, occupation, or use by another person. Any such assignment or subletting without such consent shall be void and shall, at the option of City, terminate this Lease. This Lease shall not, nor shall any interest therein, be assignable as to the interest of Lessee by operation of law, without the prior written consent of the City. "Assignment" for the purposes of this Lease shall include, without limitation, any transfer of any interest in this Lease by Lessee or by any partners, principals, or stockholders, as the case may be, from the original Lessee, its general partners or principals or controlling shareholders.

Approval of any assignment or sublease shall be conditioned upon the assignee or sublessee agreeing in writing that it will assume the rights and obligations thereby assigned or subleased and that it will keep and perform all covenants, conditions, and provisions of this Lease which are applicable to the rights acquired. The City shall require, as a condition to approval of any sublease of the majority portion of the leasehold, or any assignment, that Lessee pay additional consideration to City, as set forth in Section 4.3, Equity Sharing, hereof, payable

as of the effective date of such proposed sublease of the majority portion of the leasehold, or any assignment, and may further require that this Lease or the requested sublease otherwise be revised to comply with then current City lease requirements. Pursuant to City Charter Section 225, the City, must review and approve every person or entity which will have an interest in this Lease.

Prior to the Commencement Date of this Lease, Lessee shall provide City with all applicable information therefor, and pay all City fees, for all subleases for which Lessee seeks City's Consent. Any unconsented–to sublessees occupying space on the Premises after the Commencement Date shall subject Lessee to a default under this Lease and shall subject this Lease to termination.

4.3 Equity Sharing. Lessee agrees that as additional consideration for this Lease, and in addition to all other Rents payable to City, City shall be entitled to participate in any "equity" received by Lessee during the Term. For purposes of this paragraph, "equity" shall mean any amount paid to Lessee as consideration for an assignment of this Lease or Major Sublease of the Premises; provided, however, equity shall not include any base rents or additional rents payable to Lessee by its subtenants. "Major Sublease" shall mean any sublease or series of subleases entered into by Lessee that constitute a single related transaction which individually or cumulatively involves twenty-five (25%) percent or more of the total acreage of the Premises, except for Permitted Transactions, as defined in this Section 4.4. In addition, equity shall include any proceeds of a loan secured by Lessee's leasehold interest in the Premises which are not expended for permanent leasehold improvements. In the event of any action resulting in "equity" as described above, Lessee agrees that City shall be entitled to a payment equal to two percent (2%) of any such equity. For purposes of calculating such payment, equity shall be the total consideration resulting from the transaction including total cash payments and the market value of non-cash consideration, including, but not limited to, stocks, bonds, deferred payments, secured and unsecured notes and forbearances, regarding claims and judgments. Lessee also agrees that City shall be entitled to a payment equal to two percent (2%) of the value of all consideration payable on a lease or on the full sale price for any buildings, hangars or other structures, or any portion thereof on the Premises upon the Commencement Date of this Lease. City shall also be entitled to a payment equal to two percent (2%) of the value of all consideration payable on a lease or on the full sale price for any buildings, hangars or other structures, or any portion thereof built on the Premises pursuant to **Exhibit "B"** General Development Plan, but only after the initial sale or lease of any buildings, hangars or other structures, or any portion thereof built on the Premises pursuant to **Exhibit "B"** General Development Plan. Prior to City's consent to any assignment, Major Sublease or refinancing, Lessee shall deliver to City a written statement of all sums due and owing to City from Lessee pursuant to the provisions of this paragraph together with a written acknowledgment of accuracy of Lessee's written statement from the proposed assignee, sublessee or lender of the amount due City. The sum due City shall be payable in full to City concurrent with the closing of the transaction, whether it be an assignment, a sublease or a refinancing. In the case of a Major Sublease which provides for periodic payment of rent, City shall be entitled to ten percent (10%) of the difference between the Rent paid by Lessee to City and the rent paid by the sublessee to Lessee, which amounts shall be added to the Rent paid to City. Any assignment, subletting or refinancing in violation of the terms and conditions of this paragraph shall be void.

The provisions of this paragraph shall not apply to the following "Permitted Transactions":

(a) an assignment or transfer of a beneficial interest in Lessee's leasehold estate resulting from a devise, bequest, or intestate succession for the benefit of Lessee's principal owner or chief executive officer (if Lessee is other than an individual);

(b) such other assignment or transfer due to a reorganization or other activity of Lessee which the City reasonably determines that a substantial change has not occurred with respect to the direct or indirect legal and equitable ownership interests in Lessee, in the legal or fictitious name of the Lessee, as there is no material change in the equity, in beneficial use of or legal title to the leasehold as an asset or the income produced thereby.

4.4 Encumbrance. Subject to receipt of the City's prior written consent, which shall not be unreasonably withheld, Lessee may encumber its leasehold estate, and those permanent improvements that Lessee has constructed on the Premises during the Term of this Lease, by a deed of trust, mortgage, chattel mortgage, or other security instrument to secure the payment of a promissory note or notes of Lessee, upon the express condition that the proceeds of such loan or loans be devoted exclusively to the purpose of developing the Premises in accordance with **Exhibit "B"** General Development Plan. However, no more than ten percent (10%) of the loan proceeds may be disbursed for payment of incidental costs of construction, including but not limited to the following: off-site improvements for service of the Premises; on-site improvements; escrow charges; premiums for hazard insurance or other insurance or bonds required by City; title insurance premiums; reasonable loan costs such as discounts, interest, and commissions; and architectural, engineering, and attorneys' fees and other normal expenses incidental to such construction.

All encumbrances of the Premises or of any permanent improvements thereon must first be approved in writing by the City, and shall also be for the exclusive purpose of development of the Premises. In the event any such approved deed of trust or mortgage or other security agreement should at any time be in default and be foreclosed or transferred in lieu of foreclosure, City will accept the City-approved mortgagee or beneficiary thereof as its new tenant under this Lease with all the rights, privileges, and duties granted and imposed in this Lease.

Upon prior written approval by City, said mortgagee or beneficiary may assign this Lease to its nominee, if, in the opinion of City, the nominee is a reputable, qualified, and financially responsible person or entity. Any deed of trust, mortgage, or other security agreement shall be subject to all of the terms, covenants, and conditions of this Lease and shall not be deemed to amend or alter any of the terms, covenants, or conditions hereof.

4.5 Charter Section 225. Pursuant to City Charter Section 225, Lessee and each of its assignees and majority subtenants shall make a full and complete disclosure of the name and identity of all persons and/or entities directly or indirectly involved in this Lease and the precise nature of all interests of all such persons. Each and every person and/or entity proposed to have an interest in this Lease shall be subject to City's review and approval, in City's sole discretion.

SECTION 5. DEFAULT AND REMEDIES

5.1 Default. Lessee shall be in default of this Lease if any of the following occurs:

5.1.1 Lessee fails to make any payment required under this Lease when due;

5.1.2 Lessee breaches any of its obligations under this Lease, other than those requiring payment to City, and fails to cure the breach within thirty (30) days following written notice thereof from City, or if such breach is not curable within thirty (30) days, fails to commence to cure the breach within thirty (30) days and diligently pursue the cure to completion;

5.1.3 Lessee voluntarily files or involuntarily has filed against it any petition under any bankruptcy or insolvency act or law;

5.1.4 Lessee is adjudicated a bankrupt; or

5.1.5 Lessee makes a general assignment for the benefit of creditors.

5.2 Remedies. Upon Lessee's default, City may, at its option, give Lessee, or any person claiming rights through Lessee, (1) a written "Three Day Notice to Pay or Quit," for failure to make required payments, or (2) a "Notice of Termination" for defaults not requiring payment to City, in order that City may seek to terminate the Lease and all rights of Lessee, and all persons claiming rights through Lessee, to the Premises or to possession of the Premises. Upon termination, City may enter and take possession of the Premises, and may recover from Lessee the sum of:

5.2.1 the worth at the time of any unpaid rent that was due at the time of termination;

5.2.2 the worth at the time of award of the amount by which the unpaid rent that would have been earned after termination until the time of award exceeds the amount of rental loss, if any, that Lessee affirmatively proves could have been reasonably avoided;

5.2.3 the worth at the time of award of the amount by which the unpaid rent for the balance of the Term after the time of award exceeds the amount of rental loss, if any, that Lessee affirmatively proves could be reasonably avoided;

5.2.4 any other amount necessary to compensate City for all the detriment proximately caused by Lessee's breach and default, or that in the ordinary course of things, would be likely to result; and

5.2.5 all other amounts in addition to or in lieu of those previously stated as may be permitted from time to time by California law.

As used in clauses 5.2.1 and 5.2.2, above, the "worth at the time of award" is computed by allowing interest at the rate of ten percent (10%) per annum. As used in clause 5.2.3, above, the

"worth at the time of award" is computed by discounting that amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus two percent (2%). As used in this section, the term "rent" shall include Rent and any other amounts payable by Lessee under this Lease.

5.3 Default if Leasehold is Encumbered. If there is a City-approved encumbrance on Lessee's leasehold interest, City shall give the mortgagee or beneficiary written notice of Lessee's default under this Lease, and the same mortgagee or beneficiary shall have thirty (30) days from the notice to cure the default, or, if the default is not curable within thirty (30) days, to commence to cure the default and diligently pursue the cure to completion. City may extend the cure period if the mortgagee or beneficiary uses reasonable diligence to pursue a cure. If the mortgagee or beneficiary chooses to cure the default through litigation or foreclosure, then City may exercise any of the following options:

5.3.1 City may correct the default and charge the costs to the account of Lessee, which charge shall be due and payable on the date that the rent is next due after City's notice of such costs to Lessee, and mortgagee or beneficiary;

5.3.2 City may correct the default and pay the costs from the proceeds of any insurance fund held by City, City and Lessee, or by City and mortgagee or beneficiary, or City may use the funds of any faithful performance or cash bond on deposit with City, or City may call on the bonding agent to correct the default or to pay the costs of correction performed by or at the direction of City; and,

5.3.3 City may terminate this Lease as to the rights of Lessee by assuming or causing the assumption of liability for any trust deed or mortgage. Lessee shall assume and pay any and all penalties or bonuses required by the beneficiaries, trustees or mortgagees as a condition of early payoff of the related obligations by City. City may, as an alternative, substitute the terminated Lessee with a new lessee reasonably satisfactory to the mortgagee or beneficiary. Lessee shall pay to City all reasonable costs incurred by City in re-leasing to a new lessee.

If the default is non-curable by Lessee, then any lender holding a beneficial interest in the Premises, whose qualifications as an assignee have been approved by City, shall have the absolute right to substitute itself to the estate of Lessee hereunder and to commence performance of this Lease. If the mortgagee or beneficiary gives notice in writing of its election to substitute itself within the thirty (30) day period after receiving City's written notice of a default, and the default, if curable, is cured by the mortgagee or beneficiary, then this Lease will not terminate pursuant to the default. In that event, City consents to the substitution and authorizes the mortgagee or beneficiary to perform under this Lease with all the rights, privileges, and obligations of Lessee, subject to the curing of the default, if possible, by mortgagee or beneficiary. In that event, Lessee shall assign to mortgagee or beneficiary all of its interest in and to the leasehold estate under this Lease.

5.4 Abandonment by Lessee. If Lessee abandons the Premises, this Lease shall continue in effect as long as City does not terminate this Lease, and City may enforce all of its

rights and remedies under this Lease, including without limitation the right to recover rent as it becomes due, plus damages.

5.5 Waiver. Any waiver by City of a breach or default by Lessee shall not be a waiver of any other breach or default. No waiver shall be valid and binding unless in writing and executed by City. City's delay or failure to enforce a right or remedy shall not be a waiver of that or any other right or remedy under this Lease. The enforcement of a particular right or remedy for a breach or default shall not waive any other right or remedy for the same breach or default, or for any other or later breach or default. City's acceptance of any rents shall not be a waiver of any default preceding such payment. Lessee acknowledges that the Premises are a part of publicly-owned property held in trust for the benefit of the citizens of the City of San Diego, and that any failure by City to discover a breach or default, or take prompt action to require the cure of any breach or default, shall not result in an equitable estoppel, but City shall at all times, have the legal right to require the cure of any breach or default. City's acceptance of a partial payment of rent shall not constitute a waiver of the balance of the rent payment due.

SECTION 6. EMINENT DOMAIN

6.1 Eminent Domain. If all or part of the Premises is taken through condemnation proceedings or under threat of condemnation by any public authority with the power of eminent domain, the interests of City and Lessee (or beneficiary or mortgagee) will be as follows:

6.1.1 In the event the entire Premises are taken, this Lease shall terminate on the date of the transfer of title or possession to the condemning authority, whichever first occurs.

6.1.2 In the event of a partial taking, if, in the opinion of City, the remaining part of the Premises is unsuitable for the lease operation, this Lease shall terminate on the date of the transfer of title or possession to the condemning authority, whichever first occurs.

6.1.3 In the event of a partial taking, if, in the opinion of City, the remaining part of the Premises is suitable for continued lease operation, this Lease shall terminate in regard to the portion taken on the date of the transfer of title or possession to the condemning authority, whichever first occurs, but shall continue for the portion not taken. Rent shall be equitably reduced to reflect the portion of the Premises taken.

6.1.4 All monies awarded in any such taking shall belong to City, whether such taking results in diminution in value of the leasehold or the fee or both; provided, however, Lessee shall be entitled to any award attributable to the taking of, or damages to, Lessee's then remaining leasehold interest in installations or improvements owned by Lessee. City shall have no liability to Lessee for any award not provided by the condemning authority.

6.1.5 City has the right to transfer City's interests in the Premises in lieu of condemnation to any authority entitled to exercise the power of eminent domain.

6.1.6 The exercise of any City right under this Lease shall not be interpreted as an exercise of the power of eminent domain and shall not impose any liability upon City for inverse condemnation.

SECTION 7. INDEMNIFICATION AND INSURANCE

7.1 Indemnity. Lessee agrees to defend, indemnify, protect, and hold the City, its agents, officers, and employees harmless from and against any and all claims asserted or liability established for damages or injuries to any person or property, including injury to Lessee's employees, invitees, guests, agents, or officers, which arise out of or are in any manner directly or indirectly connected with the use, occupancy, management, development and/or operation of the Premises or the work and operations to be performed under this Lease, and all expenses of investigating and defending against same; provided, however, that Lessee's duty to indemnify and hold harmless City hereunder shall not include any claims or liability arising from the sole gross negligence or willful misconduct of the City, its agents, officers, or employees. City may, at its election, conduct the defense or participate in the defense of any claim related in any way to this indemnification. If City chooses at its own election to conduct its own defense, participate in its own defense, or obtain independent legal counsel in defense of any claim related to this indemnification, Lessee shall pay all of the costs related thereto, including without limitation reasonable attorney fees and costs.

7.2 Insurance.

7.2.1 Lessee shall deliver to City a current certificate of insurance and relevant endorsements for:

(a) Commercial General Liability Insurance, providing coverage for the damages due to bodily injury, including death, personal injury, and property damage with limits of at least Ten Million Dollars ($10,000,000) per occurrence, subject to an annual aggregate of at least Twenty Million Dollars ($20,000,000), products and completed operations and if applicable, use of unlicensed vehicles that in any way arise from the use of the Leased Premises and operations of activities of the entity. Non-licensed vehicles operated on the movement area will require coverage in an amount not less than Five Million Dollars ($5,000,000) combined single limit per occurrence for bodily injury, personal injury, and property damage.

(b) Fire, extended coverage, and vandalism insurance policy on all City owned insurable property on the Premises, in an amount to cover one hundred percent (100%) of the replacement. Any proceeds from a loss shall be payable jointly to City and Lessee. The proceeds shall be placed in a trust fund to be reinvested in rebuilding or repairing the damaged property. Lessee shall submit to the City recommendations and an accounting of funds used to restore the leasehold improvements. If there is a mortgage or trust deed on the leasehold in accordance with Section 4.5, Encumbrance, hereof, the proceeds may be paid to the approved mortgagee or beneficiary so long as adequate provision reasonably satisfactory to City has been made in each case for the use of all

proceeds for repair and restoration of damaged or destroyed improvements on the Premises.

(c) Automobile Liability Insurance, providing coverage for all bodily injury and property damage, with a limit of at least One Million Dollars ($1,000,000) per occurrence or Two Million Dollars ($2,000,000) per occurrence for automobiles operated on airside. Such insurance shall cover liability arising out of any vehicle (including owned, hired, and non-owned vehicles) operated on the Premises. Coverage shall be written on ISO form CA 00 01 12 90, or a substitute form providing equivalent liability coverage.

(d) Workers' Compensation Insurance, as required by the laws of the State of California for all of Lessee's employees who are subject to this Lease, with Employers' Liability coverage with a limit of at least One Million Dollars ($1,000,000).

(e) Hangar Keeper's Insurance, sufficient to cover replacement cost and aircraft hangared for others, but no less than Ten Million Dollars ($10,000,000).

(f) Aircraft Liability Insurance, General Aircraft Operation Liability, in an amount of not less than Ten Million Dollars $10,000,000 per occurrence.

(g) Environmental Liability Insurance, providing coverage for gradual, sudden and accidental discharge or spill of pollutants including first party clean up and remediation of the Premises; wrongful delivery or misdelivery of fuel; loading and unloading of fuel to and from the Aboveground Storage Tank (AST) or Mobile Storage Tank (MST).

7.2.2 Additional Insureds. Pursuant to a separate endorsement [CG2010 (11/85) or equivalent form], "The City of San Diego, its elected officials, officers, employees, representatives, and agents" shall be named as additional insureds in all policies.

7.2.3 Primary and Non-Contributory. Insurance policies shall be endorsed such that that the coverage is primary and non-contributory to any coverage carried or maintained by City. The policies shall be kept in force for the duration of the Term and any extended use. The certificate(s) of insurance shall be kept in force for the duration of the Term and any extended use.

7.2.4 Qualified Insurer(s). All insurance required by the terms of this Lease must be provided by insurers licensed to do business in the State of California which are rated at least "A-, VI" by the current AM Best Ratings Guide and which are acceptable to City. Non-admitted surplus lines insurers may be accepted provided they are included on the most recent list of California eligible surplus lines insurers (LESLI list) and otherwise meet City requirements.

7.2.5 Deductibles/Retentions. All deductibles and self-insured retentions on any insurance policy are the sole responsibility of Lessee and must be disclosed and acceptable to City at the time evidence of insurance is provided.

7.2.6 Continuity of Coverage. All policies shall be in effect on or before the first day of the Term, except "course of construction fire insurance" shall be in force on commencement of all authorized construction, and full applicable fire insurance coverage shall be effective upon completion of each insurable improvement. At least thirty (30) days prior to the expiration of each insurance policy, Lessee shall furnish a certificate(s) showing that a new or extended policy has been obtained which meets the requirements of this Lease.

7.2.7 Modification. To assure protection from and against the kind and extent of risk existing on the Premises, City, at its discretion, may require the revision of amounts and coverage at any time during the Term by giving Lessee thirty (30) days prior written notice. Lessee shall also obtain any additional insurance required by City for new improvements, changed circumstances, or City's reasonable re-evaluation of risk levels related to Lessee's use of the Premises.

7.2.8 Accident Reports. Lessee shall immediately report to City any accident causing property damage or injury to persons on the Premises. Such report shall contain the names and addresses of the involved parties, a statement of the circumstances, the date and hour of the accident, the names and addresses of any witnesses, and other pertinent information.

7.2.9 Causes of Loss - Special Form Property Insurance. Lessee shall obtain and maintain, at its sole cost, Causes of Loss - Special Form Property Insurance on all of Lessee's insurable property on the Premises, excepting wells, irrigation piping, and plant material, in an amount to cover one hundred percent (100%) of the replacement cost. Lessee shall deliver to City a certificate of such insurance.

SECTION 8. WASTE, DAMAGE OR DESTRUCTION

8.1 Waste, Damage or Destruction. Lessee agrees to give notice to City of any fire or other damage that may occur on the Premises within twenty-four (24) hours of the occurrence of such fire or damage. Lessee agrees not to commit or suffer to be committed any waste or injury or any public or private nuisance, to keep the Premises clean and clear of refuse and obstructions, and to dispose of all garbage, trash, and rubbish in a manner satisfactory to City. If the Premises shall be damaged by any cause which puts the Premises into a condition which is not decent, safe, healthy, and sanitary, Lessee agrees to make or cause to be made full repair of said damage and to restore the Premises to the condition which existed prior to said damage; or, at City's option, Lessee agrees to clear and remove from the Premises all debris resulting from said damage and rebuild the Premises in accordance with plans and specifications previously submitted to City and approved in writing in order to replace in kind and scope the operation which existed prior to such damage,

Unless an individual situation calls for the immediate repair and/or restoration of the Premises (to be determined by City in its sole discretion), Lessee agrees that preliminary

steps toward performing repairs, restoration, or replacement of the Premises shall be commenced by Lessee within thirty (30) days, and the required repairs, restoration, or replacement shall be completed within a reasonable time thereafter.

SECTION 9. IMPROVEMENTS, ALTERATIONS, MAINTENANCE AND REPAIRS

9.1 Acceptance of Premises. By signing this Lease, Lessee represents and warrants that it has independently inspected the Premises and made all tests, investigations, and observations necessary to satisfy itself of the condition of the Premises. Lessee agrees it is relying solely on such independent inspection, tests, investigations, and observations in making this Lease. Lessee further acknowledges that the Premises are in the condition called for by this Lease, that City has performed all work with respect to the Premises, and that Lessee does not hold City responsible for any defects whether apparent or latent, in the Premises, including the presence of any hazardous wastes.

9.2 Entry and Inspection. City reserves and shall always have the right, but not the obligation, to enter said Premises, for the purpose of viewing and ascertaining the condition of the same, to protect its interests in the Premises, to inspect the operations conducted thereon or to perform any work thereon (a) that may be necessary to comply with any laws, ordinances, rules or regulations of any public authority, (b) the City may deem necessary to prevent waste or deterioration in connection with the Premises if Lessee does not make, or cause to be made, such repairs or perform, or cause to be performed, such work promptly after receipt of written demand from City, and (c) the City may deem necessary in connection with the expansion, reduction, remodeling, protection or renovation of any City-constructed or owned facilities on or off of the Premises or at the Airport. No exercise by City of any rights herein reserved shall entitle Lessee to any compensation, damages or abatement of rent from City for any injury or inconvenience occasioned thereby. If such entry or inspection by City discloses that the Premises are not in a decent, safe, healthy, and sanitary condition, City shall have the right, after ten (10) days' written notice to Lessee, to have any necessary maintenance work done at the expense of Lessee, and Lessee hereby agrees to pay promptly any and all costs incurred by City in having such necessary maintenance work done, in order to keep said Premises in a decent, safe, healthy, and sanitary condition.

9.3 Maintenance. Lessee shall at all times from and after the Commencement Date, at its own cost and expense, repair, maintain in good and tenantable condition and replace, as necessary, the Premises and every part thereof, including, without limitation, the following, as applicable: all roofs; all heating, ventilation and air conditioning systems; all mechanical and electrical systems; all meters, pipes, conduits, equipment, components and facilities (whether or not within the Premises) that supply the Premises exclusively with utilities (except to the extent the appropriate utility company has assumed these duties); all fixtures and other equipment installed in the Premises; all exterior and interior glass installed in the Premises; all signs, locking and closing devices; all interior window sashes, casements and frames; doors and door frames; floor coverings; and all such items of repair, maintenance, alteration, improvement or reconstruction as may be required at any time or from time to time by a governmental agency having jurisdiction thereof, provided however, City shall be responsible for the maintenance of relocated Gate 7 pursuant to the General Development Plan described in Section 10.1 General

Development Plan below. Lessee's obligations hereunder shall apply regardless of whether the repairs, restorations and replacements are ordinary or extraordinary, foreseeable or unforeseeable, capital or noncapital, or the fault or not the fault of Lessee, its agents, employees, invitees, visitors, sublessees or contractors. All replacements made by Lessee in accordance with this Section shall be of like size, kind and quality to the items replaced and shall be subject to prior written approval by the City. Upon surrender of the Premises, Lessee shall deliver the Premises to City in good order, condition and state or repair, but shall not be responsible for damages resulting from ordinary wear and tear. Lessee shall be responsible for completing all work, at its sole cost and expense, or reimbursing City (including all costs and expenses, including attorney fees, incurred to ensure the completion of the work) for all work, necessary to bring the Premises back to good order, safe, healthy, and sanitary condition and state or repair (excepting ordinary wear and tear) upon the surrender of the Premises to City. Lessee shall provide for trash removal, at its expense, and shall maintain all trash receptacles and trash areas in a clean, orderly and first-class condition.

9.4 Lessee's Failure to Maintain. If Lessee refuses or neglects to repair, replace, or maintain the Premises, or any part thereof, in a manner reasonably satisfactory to City, City shall have the right, upon giving Lessee ten (10) days written notice of its election to do so, to make such repairs or replacements or to perform such maintenance on behalf of and for the account of Lessee. If City makes or causes any such maintenance, repairs or replacements to be made or performed, as provided for herein, Lessee shall pay the cost thereof to City, as additional Rent, promptly upon receipt of an invoice therefor.

9.5 Annual Leasehold Compliance Surveys. In addition to City's right to enter the Premises pursuant to Section 9.2 Entry and Inspection, above, Lessee acknowledges and accepts City's right and intent to conduct periodic, but not more frequently than annual (unless reasonable circumstances, to be determined by City in its sole discretion, determine the need for more than annual inspections), Leasehold Compliance Surveys ("Surveys"). The Surveys shall be scheduled at a mutually convenient time for City and Lessee, following written notice by City of its intent to conduct a Survey. The Survey will focus on, but not be limited to, the condition of all improvements on the Premises and proper maintenance thereof, building code compliance, compliance with all other laws, a verification of aircraft locations, and a verification of all subleases on the Premises. Lessee agrees to cooperate with City, or its authorized representative, during the Survey process and provide access to all areas on the Premises, both interior and exterior, including all aircraft storage hangers. In the event City, or its authorized agent, is not able to access all areas of the Premises during the time of the scheduled Survey, Lessee will reschedule a mutually convenient time for a follow up Survey to allow access to areas inaccessible during the initial Survey appointment, and Lessee agrees to compensate City for the personnel cost of the follow up Survey at the rate of $50 for each hour of such follow up Survey. Refusal by Lessee to provide access to all areas of the Premises, and/or unreasonably delaying access to all areas of the Premises, shall be considered material breaches of this Lease and grounds for termination.

9.6 Building Inspections. City may, at City's sole cost and expense, cause all buildings and structures on the Premises to be inspected not less than every ten (10) years during the Term, beginning on the tenth (10th) Lease Year. Inspections shall be conducted by a licensed California civil or structural engineer selected by City. As required by Section 9.3, Maintenance,

above, Lessee shall cause to be done such repair and maintenance work identified in the judgment of the inspector as being reasonably required, at Lessee's sole cost and expense. Any repair and maintenance work shall not be subject to rent credit to Lessee. Lessee shall submit copies of the inspection reports to the City not later than ten (10) calendar days after Lessee's receipt of same and shall seek City's prior written approval for all non-routine maintenance and/or capital repairs identified by the inspector(s).

9.7 Improvements. No improvements, structures, or installations shall be constructed on the Premises, and the Premises may not be altered by Lessee without the prior written approval of the City, which shall not be unreasonably withheld. Further, Lessee agrees that structural or architectural design alterations to approved improvements, structures or installations may not be made on the Premises without the prior written approval of the City and such approval shall not be unreasonably withheld. This provision shall not relieve Lessee of any obligation under this Lease to maintain the Premises in good order, safe, healthy, and sanitary condition and state or repair, including structural repair, restoration and replacement of damaged or worn improvements, or parts thereof, except as may be set forth in this Lease. City shall not be obligated by this Lease to make or assume any expense for any improvements or alterations.

9.8 Ownership of Improvements and Personal Property.

9.8.1 Any and all permanent improvements, in ground plant or tree material, in-ground irrigation and water wells, structures, and installations or additions to the Premises now existing or constructed on the Premises by Lessee shall at expiration or earlier termination of this Lease be deemed to be part of the Premises and shall become, at City's option, City's property free of all liens and claims, except as may otherwise be provided in this Lease.

9.8.2 If City elects not to assume ownership of all or any improvements, plant or tree material, in-ground irrigation and water wells, structures, and installations, City shall so notify Lessee a minimum of one (1) year prior to expiration of the Term (except in the case of an early termination due to default or other early termination event allowed pursuant to this Lease, in which case reasonable notice shall be given), and Lessee shall remove all such improvements, structures and installations as directed by City at Lessee's sole cost on or before lease expiration or earlier termination. If Lessee fails to remove any improvements, structures, and installations as directed, Lessee agrees to reimburse City for all costs and fees, including attorneys' fees, incurred by City involved with said removal and collecting reimbursement for said removal.

9.8.3 Lessee-owned machines, appliances, equipment, trade fixtures, and other items of personal property shall be removed by Lessee by the date of the expiration or earlier termination of this Lease. Any of said items which Lessee fails to remove will be removed and/or stored by City subject to California law, and Lessee agrees to reimburse City for all costs and fees, including attorneys' fees, incurred by City involved with said removal and/or storage and collecting reimbursement for said removal and/or storage.

9.8.4 If any removal of such personal property by Lessee results in damage to the remaining improvements on the Premises, Lessee agrees to reasonably repair all such

damage or Lessee agrees to reimburse City for all costs and fees, including attorneys' fees, incurred by City involved with said repairs and collecting reimbursement for said repairs.

9.8.5 Any necessary removal by either City or Lessee which takes place beyond the expiration or earlier termination hereof shall require Lessee to pay rent to City at the Rent rate in effect immediately prior to said expiration or earlier termination. Said Rent rate will double for each 30-day period, or part thereof, that Lessee remains working at the Premises beyond the first sixty (60) days from the expiration or earlier termination date.

9.8.6 Notwithstanding any of the foregoing, in the event Lessee desires to dispose of any of its personal property used in the operation of said Premises upon expiration or earlier termination of this Lease, then City shall have the first right to acquire or purchase said personal property.

9.9 Noxious Weeds, Pests, and Erosion. Lessee shall take all commercially reasonable corrective actions, to the satisfaction of City, to prevent the infestation of noxious weeds, pests, and erosion throughout the entire Premises.

SECTION 10. NEW DEVELOPMENT PLAN AND IMPROVEMENTS

10.1 General Development Plan. Notwithstanding anything to the contrary contained herein, Lessee shall make certain improvements to the Premises as set forth in **Exhibit "B"** General Development Plan and **Exhibit "B-1"** Master Leasehold Map attached hereto and made a part hereof. City and Lessee understand, acknowledge and agree that reasonable modifications of the General Development Plan may be necessary in connection with the processing of building permits and other approvals from the City of San Diego acting in its regulatory capacity. Lessee shall at all times conduct its construction operations so that such operations do not interfere with the normal operation and use of the Airport by City, with the operation and maintenance of the transient ramp, with the monitoring and sampling of groundwater, or other monitoring components, and the public and other persons and organizations entitled to use of the same. Lessee shall secure City's prior written approval to commence work on the improvements set forth in **Exhibit "B"** General Development Plan and depicted on **Exhibit "B-1"** Master Leasehold Map.

10.1.1 Permits and Approvals. Lessee shall, at its sole cost and expense, seek and obtain all necessary development permits and approvals, including environmental clearance for the General Development Plan, required for developing the Premises pursuant to the General Development Plan.

10.2 Liquidated Damages. The Parties agree that the damages to City resulting from Lessee's failure to complete the improvements identified in the General Development Plan by the scheduled completion dates would be extremely difficult to determine. Therefore, the Parties agree that if Lessee fails to complete the General Development Plan as required by this Lease by the scheduled completion dates, Lessee shall pay to City the amount of Two Hundred Dollars ($200.00) as liquidated damages, and not as a penalty, for each day after the applicable

scheduled completion date until completion of the improvement. Such liquidated damages shall be deemed additional rent due and payable upon City's demand therefor.

10.3 New Airport Operations Garage. Since Airport's existing operations garage is located on the area to be developed in Phase 1 by Lessee, Lessee shall demolish the existing operations garage and build City a new 60'W X 60'L metal building per the plans attached as **Exhibit "B-2"** New Airport Operations Garage Plans and Specifications, at a height not to be less than 15 feet ("New Airport Operations Garage"), which building shall be constructed at an alternative location to be mutually agreed to by both parties, or at the location currently identified therefor on **Exhibit "B-1"** Master Leasehold Map. **The demolition of the existing operations garage, and the construction of the New Airport Operations Garage, shall be subject to all applicable City of San Diego bidding requirements and applicable prevailing wage requirements, including, but not limited to, those requirements set forth in attached Exhibit "C" Prevailing Wage Requirements.** If there is any dispute concerning the ultimate location for the New Airport Operations Garage, City shall have the right to make the final determination concerning said location. The existing operations garage shall not be demolished until after a Certificate of Occupancy is obtained for the New Airport Operations Garage and delivered to the City. At a minimum, the New Airport Operations Garage shall be built to code, be built of the same quality and with the same materials Lessee proposes to use to build its buildings adjacent to the New Airport Operations Garage and shall include the following improvements, the design of which shall be subject to City's prior approval: one large insulated office space containing air conditioning and heating, a break area, an eye wash station, a bathroom to include a shower, sink, toilet, and an area suitable for the installation of multiple storage lockers (City will be responsible for the installation of any such storage lockers). Upon Lessee delivering a Certificate of Occupancy to City, the New Airports Operations Garage shall be solely owned and maintained by City.

10.4 Landscaping. As set forth in **Exhibit "B"** General Development Plan, Lessee shall be required to submit onsite landscaping plans for the following areas on the Premises: setback areas from abutting streets, airport boundaries, the area between the Premises boundary and the sidewalk or curb, automobile parking areas, trash collection areas, areas adjacent to buildings and hangars. A permanent sprinkler system or similar watering system or device, adequate to provide water necessary to properly maintain the particular plant materials used, shall be included within the landscaping plans. Said sprinkler or similar watering system or device shall be of the type to comply with all water conservation laws, rules, regulations and policies. Once constructed and thereafter, Lessee shall be responsible for maintaining all landscaping on the Premises, and for maintaining the landscaping watering systems on the Premises in good working order, by Lessee at Lessee's expense. Lessee also agrees to reimburse City for all costs associated with the landscaping to be installed between John J. Montgomery Road and the fence of the Premises once a landscaping plan for the common areas of the Airport have been developed and approved by City. Lessee also agrees to contribute (in an amount to be determined by City in the future) to a Common Area Maintenance fund when said fund is established by City ("Landscaping Improvements").

10.5 Minimum Improvement Costs. Lessee agrees to spend a minimum of Three Million Seven Hundred Eighty Four Thousand Dollars ($3,784,000.00) on all the improvements described in Section 10.1 General Development Plan, Section 10.2 New Airport Operations

Garage and Section 10.3 Landscaping, as set forth in **Exhibit "B"** - General Development Plan and depicted on **Exhibit "B-1"** Master Leasehold Map.

10.6 City's Costs; Indemnity. In addition to all fees, costs, etc., required to be paid by Lessee for the processing of its construction plans through the City of San Diego's Development Services Department, or any other regulatory agency, Lessee shall reimburse City for all reasonable out-of-pocket costs and expenses (including, without limitation, any architect and/or engineer fees) incurred by City in approving or disapproving Lessee's plans for any improvements. Lessee shall be liable for and shall indemnify and defend City from any claim, demand, lien, loss, damage or expense, including reasonable attorneys' fees and costs, arising from Lessee's construction or installation of any improvements permitted under this Lease.

10.7 Onsite and Offsite Utilities. Lessee shall be responsible for the cost of all public utility upgrades or relocations required by City necessary for the Premises including, construction, completion or operation of Lessee's improvements. City shall assist in determining location of existing utilities by providing Lessee with any surveys on file with the City. Nothing set forth above in this Section 10.8 shall affect the provisions of Section 12.23 Water Quality – Best Management Practices below. All utilities will be installed underground upon prior written approval by City of the utility installation and location thereof.

SECTION 11. SECURITY OF PREMISES REQUIREMENTS

11.1 Security of Premises. Lessee shall be responsible for, and shall provide for, all the security of the Premises; City shall have no responsibility therefor. Lessee shall construct and maintain fences, gates, walls and/or barriers along the portions of the Premises that border a street or can be accessed by the general public in a manner designed to prevent all unauthorized access to the taxiways, runways, and Lessee's ramp and hangar areas; the designs therefor and materials used, are all subject to the prior written approval of City. Unless otherwise approved in writing by City, Lessee shall construct and maintain fences and/or walls no less than six feet in height along the boundaries of the Premises, in locations specified and approved by City. Such fences and/or walls shall be constructed of materials and in such a manner as to reasonably prevent access to the Premises. Ingress and egress through gates and access points in the fences or walls shall be controlled by Lessee at all times. Unless otherwise approved in writing by the City, such control must be by the use of automated gate controls utilizing keycard technology. All plans for security fencing and/or walls and access gates must be submitted to and approved by the City prior to construction. Lessee shall provide lighting adequate, in the judgment of the City, to prevent unobserved entry onto the Premises during the hours of darkness. All construction required by this Section shall be completed no later than the earlier of (i) completion of the Phase 3 Improvements, or (ii) twenty-four (24) months after the Commencement Date.

SECTION 12. GENERAL PROVISIONS

12.1 Notices.

12.1.1 Any notice required or permitted to be given hereunder shall be in writing and may be served personally or by United States mail, postage prepaid,

addressed to Lessee at the Premises or at such other address designated in writing by Lessee, including the address below, and to City as follows:

City:

City of San Diego
Attn: Real Estate Assets Director
1200 3rd Ave, Suite 1700
San Diego, CA 92101

Lessee:

CrownAir Holdings, Inc.
Attn: David S. Ryan, CEO and President
3753 John J. Montgomery Drive
San Diego, CA 92123

and to any City-approved mortgagee, trustee, or beneficiary, as applicable, at such appropriate address designated in writing by the respective party.

12.1.2 Any Party entitled or required to receive notice under this Lease may, by like notice, designate a different address to which notices shall be sent upon thirty (30) days prior written notice.

12.2 Compliance with Law. Lessee shall at all times in the construction, maintenance, occupancy, and operation of the Premises comply with all applicable laws, statutes, ordinances, and regulations of City, county, state, and federal governments at Lessee's sole cost and expense. In addition, Lessee shall comply with any and all notices issued by the City under the authority of any such law, statute, ordinance or regulation. Upon City's request, Lessee shall promptly deliver to City copies of all documentary evidence of such compliance received by or otherwise available to Lessee (e.g., validation of periodic inspections, permits or licenses if any).

12.3 City's Consent, Discretion. The approval or consent of City wherever required in this Lease shall mean the written approval or consent of the Mayor, or his or her designee, without need for further resolution by the City Council, unless otherwise specified. City's discretionary acts hereunder shall be made in the Mayor's discretion, unless otherwise expressly provided.

12.4 Construction Requirements. All improvements required to be made to the Premises by this Lease, or otherwise approved by City to be constructed by Lessee, shall be made under the supervision of a competent architect or licensed structural engineer and made in conformity with any present or future Airport Layout Plan ("ALP") and any development standards which are or may be adopted by City and the Federal Aviation Administration ("FAA"). Lessee shall provide a minimum of three (3) sets of working drawings or plans showing the planned improvements, for City's approval, prior to commencing any approved work. All work with respect to any improvements must be done in a good and workmanlike manner, commenced within ninety (90) days following receipt of approval therefore from the

City, and diligently prosecuted to completion to the end. Upon completion of such work, Lessee shall have recorded in the office of the San Diego County Recorder a Notice of Completion, in a form as required or permitted by law. Lessee shall deliver to City, within ten (10) days receipt of the same, a copy of the Notice of Occupancy and the building permit with respect thereto. Within sixty (60) days following completion of any improvement, Lessee shall provide the City with three (3) complete sets of "as-built" plans of such improvement. Any such improvements shall be constructed strictly in accordance with the laws and ordinances relating thereto.

12.5 Signs, Antennas and Lighting. Lessee shall not construct nor permit the erection or display of any antennas or signs, including banners, pennants, flags, posters, signs, decorations, marquees, awnings, or similar devices or advertising on the Premises without the prior written approval of the City, which approval shall be within the City's sole discretion. Lessee shall submit sketches of proposed antennas and signs to the City for approval showing size, materials, colors and location. Such antennas and signs must conform to all City requirements, as well as applicable standards, laws or ordinances of governmental agencies having jurisdiction over the Premises. All exterior lighting on the Premises must also conform to all City requirements, as well as all applicable standards, laws or ordinances of governmental agencies having jurisdiction over the Premises. Any such antenna, sign or lighting installed without the prior written consent of City shall be subject to removal without notice at any time, at Lessee's expense; Lessee agrees to reimburse City for all costs and fees, including attorney fees, incurred by City involved with said removal.

12.6 Liens. Lessee shall at all times save City free and harmless and indemnify City against all claims for labor or materials in connection with operations, construction, improvements, alterations, repairs or replacements on or to the Premises and the costs of defending against such claims, including reasonable attorney's fees.

If improvements, construction, alterations, repairs or replacements are made to the Premises by Lessee or by any party other than City, and a lien or notice of lien is filed, Lessee shall within five (5) days of such filing either:

(a) take all actions necessary to record a valid release of lien, or

(b) file with City a bond, cash, or other security acceptable to City sufficient to pay in full all claims of all persons seeking relief under the lien.

12.7 Taxes. Lessee agrees to pay, before delinquency, all taxes, assessments, and fees assessed or levied upon Lessee or the Premises, including the land, any buildings, structures, machines, equipment, appliances or other improvements or property of any nature whatsoever erected, installed or maintained by Lessee or levied by reason of the business or other Lessee activities related to the Premises, including any licenses or permits. Lessee recognizes and agrees that this Lease may create a possessory interest subject to property taxation, and that Lessee may be subject to the payment of taxes levied on such interest, and that Lessee shall pay all such possessory interest taxes. Lessee further agrees that payment for such taxes, fees and assessments will not reduce any rent due City.

12.8 Unavoidable Delay. If the performance of any act required of City or Lessee is prevented or delayed by reason of strikes, lockouts, or labor disputes; acts of God such as fires,

floods and epidemics; freight embargoes; or other causes beyond the reasonable control of the Party required to perform an act, said Party shall be excused from performing that act for the period equal to the period of the prevention or delay. Provided, however, this provision shall not apply to obligations to pay Rent as required pursuant to this Lease. In the event Lessee or City claims the existence of such a delay, the Party claiming the delay shall notify the other Party in writing of such fact within ten (10) days after the beginning of any such claimed delay and provide documentation sufficient to support said claim.

12.9 Construction Bond. If Lessee constructs improvements on the Premises, City may at any time require Lessee to deposit with City a faithful performance bond in the amount of one hundred percent (100%) of the estimated cost of the work to be performed. The bond may be in cash or may be a corporate surety bond or other security satisfactory to City. The bond shall insure that the work commenced by Lessee will be completed in accordance with the plans approved by City or, at the option of City that the uncompleted work will be removed and the Premises restored to a condition satisfactory to City. The bond or cash shall be held in trust by City for the purpose specified above, or at City's option may be placed in an escrow approved by City.

12.10 Nondiscrimination. This Lease is made and accepted upon and subject to the covenant and condition, which shall run with the land, that Lessee or any person claiming under or through Lessee shall not discriminate in any manner against any person or persons on account of race, color, religion, gender, gender expression, gender identity, sexual orientation, medical status, national origin, age, marital status, or physical disability in the use of the Premises, including but not limited to the providing of goods, services, facilities, privileges, advantages, and accommodations, and the obtaining and holding of employment.

12.11 Accessibility Assessment. In accordance with California Civil Code section 1938, City hereby states that the Premises has not been inspected by a Certified Access Specialist (CASp).

12.12 Compliance with City's Equal Opportunity Contracting Program.

12.12.1 Equal Opportunity Contracting. Lessee shall submit to City statistical information as requested in the City of San Diego Contract Activity Report indicating the amount of subcontracting provided by firms during the period covered by the report. This information should be accompanied by an invoice from each sub consultant/subcontractor/ vendor/ service provider listed in the report.

12.12.2 Equal Employment Opportunity. Lessee will comply with Title VII of the Civil Rights Act of 1964, as amended; Executive Orders 11246, 11375, and 12086; the California Fair Employment Practices Act; and any other applicable federal and state laws and regulations hereafter enacted. Lessee will not discriminate against any employee or applicant for employment based on race, religion, color, ancestry, age, gender, gender expression, gender identity, sexual orientation, disability, medical condition, or place of birth.

Upon request by the City, Lessee will submit a current Work Force Report and, if required, an Equal Employment Opportunity Plan which sets forth the actions that

Lessee will take to achieve the City's goal for the employment of African Americans, American Indians, Asians, Filipinos, Latinos, women, and people with disabilities.

Further, Lessee will cause the foregoing provisions to be inserted in all subcontracts for any work covered by this Lease so that such provisions will be binding upon each subcontractor.

12.12.3 Local Business and Employment. Lessee acknowledges that the City of San Diego seeks to promote employment and business opportunities for local residents and firms on all City contracts. Lessee will, to the extent legally possible, solicit applications for employment, and bids and proposals for subcontracts, for work associated with this Lease from local residents and firms as opportunities occur. Lessee agrees to hire qualified local residents and firms whenever feasible.

Lessee understands that failure to comply with the above requirements and/or submitting false information in response to these requirements may result in termination of this Lease and debarment from participating in City contracts for a period of not less than one (1) year.

12.13 Partial Invalidity. If any term, covenant, condition, or provision of this Lease is found invalid, void or unenforceable by a court of competent jurisdiction, the remaining provisions will remain in full force and effect.

12.14 Number and Gender. Words of any gender used in this Lease shall include any other gender, and words in the singular number shall include the plural, when the context requires.

12.15 Captions. All section headings and captions for various articles and paragraphs shall not be held to define, limit, augment or describe the scope, content or intent of any or all parts of this Lease. The numbers of the paragraphs and pages of this Lease may not be consecutive. Such lack of consecutive numbers is unintentional and shall have no effect on the enforceability of this Lease.

12.16 City Employee Participation Policy. It is the policy of City that all City contracts, agreements, or leases with consultants, vendors, or Lessee shall include a condition that the contract, agreement or lease may, at the sole option of City, be unilaterally and immediately terminated by City if the contractor or Lessee employs an individual who, within the twelve months immediately preceding such employment, did in his/her capacity as a City officer or employee participate in negotiations with or otherwise have an influence on the recommendation made to the City Council in connection with the selection of the contractor or Lessee. It is not the intent of this policy that these provisions apply to members of the City Council.

12.17 Drug-free Workplace. Lessee shall be required to abide by the omnibus drug legislation passed by Congress on November 18, 1988, by adopting and enforcing a policy to maintain a drug-free workplace by doing all of the following:

12.17.1 Publish a statement notifying employees that the unlawful manufacture, distribution, dispensation, possession or use of controlled substances are prohibited on

the Premises and specifying the actions that will be taken against employees for violations of the prohibition.

12.17.2 Establishing a drug-free awareness program to inform employees about all of the following:

(a) The dangers of drug abuse in the workplace.

(b) The Lessee's policy of maintaining a drug-free workplace.

(c) Any available drug counseling rehabilitation and employees assistance programs; and

(d) The penalties that may be imposed upon employees' for drug abuse.

12.17.3 Lessee shall include in each contract related to this Lease language obligating each sub-licensee, contractor or sublessee to comply with the provisions of this section to maintain a drug-free workplace. Lessee and each of its sub-licensees, contractors and sublessees shall be individually responsible for their own drug-free workplace programs.

12.18 Americans With Disabilities Act. Notwithstanding any other provision of this Lease to the contrary, Lessee shall be responsible for payment of all costs of complying with the requirements of the Americans with Disabilities Act of 1990 ("ADA") (42 USCS §§ 12101-12213), Title 24 of the California Code of Regulations ("Title 24") and California Civil Code § 54.1 as they may apply to the Premises. Lessee's obligations hereunder shall include, without limitation, all costs of bringing the Premises into compliance, and thereafter maintaining such compliance, with the requirements of Title III of the ADA ("Title III") (42 USCS §§ 12181 - 12189) applicable during the Term to public accommodations and commercial facilities, irrespective of whether or not the particular requirements of such compliance (i) are specifically required by Lessee's intended use of the Premises, or (ii) may also be required of County under Title II of the ADA ("Title II") (42 uses§§ 12131- 12165).

12.19 Disabled Access Compliance. Lessee shall, at its sole cost and expense and as applicable to the Premises and Lessee's possession, use and occupancy thereof, comply with the California Government Code, Sections 11135-11139.5; the Federal Rehabilitation Act of 1973, Section 504, Title V; the Americans with Disabilities Act of 1990 (ADA); and all other applicable laws, rules, regulations and directives of competent governmental authorities protecting the rights of people with disabilities. Lessee's compliance shall include but not necessarily be limited to the following:

(a) Lessee shall not discriminate against qualified persons with disabilities in any aspects of employment, including recruitment, hiring, promotions, conditions and privileges of employment, training, compensation, benefits, discipline, layoffs, and termination of employment.

(b) No qualified individual with a disability may be excluded on the basis of disability from participation in, or be denied the benefits of, services, programs, or activities of Lessee.

(c) Lessee shall post a statement addressing the requirements of the ADA in a prominent place at the work site.

(d) Where required by law, Lessee shall comply with City's disabled access requirements by bringing up to code and making accessible any areas of the Premises which deny access to disabled persons. All such improvements and alterations shall be at the sole cost of Lessee.

(e) Lessee shall include language in each sublease agreement which indicates the sublessee's agreement to abide by the foregoing provisions. Lessee and sublessee shall be individually responsible for their own ADA employment programs.

Lessee agrees to indemnify and hold City harmless from any and all claims and judgments made against City, and for all costs and damages, including reasonable attorney fees and costs, incurred by City has a result of Lessee failing to comply with all the requirements of this Section. Lessee further understands that failure to comply with the above requirements and/or submitting false information in response to these requirements shall constitute a default under this Lease.

12.20 Standard of Employees. Lessee and its employees shall at all times conduct themselves and the operations on the Premises in a commercially reasonable manner.

12.21 Relocation Payments. Lessee understands and agrees that it shall not be entitled to any relocation payment from City whatsoever upon termination of this Lease.

12.22 Supersedure. It is mutually agreed that as of the Commencement Date this Lease supersedes any previous lease(s) that City and Lessee were Parties to for the lease of the Premises, and that said former lease shall be of no effect between the Parties except as to any Rents and other monies that may have accrued and are still owing and as to all other rights, obligations remedies, etc., which were intended to survive the expiration or earlier termination of that lease (including, but not limited to, indemnifications, insurance coverage).

12.23 Water Quality –Best Management Practices. City and Lessee are committed to the implementation of controls ("best management practices" or "BMPs") to manage activities on the Premises in a manner which aids in the protection of the City's precious water resources. It is the Lessee's responsibility to identify and implement an effective combination of BMPs so as not to cause pollutant discharges to the storm drain system in violation of San Diego Storm Water Management and Discharge Control Ordinance (San Diego Municipal Code sections 43.0301 to 43.0312).

Therefore, Lessee shall, at a minimum, implement and comply, as applicable, with the Minimum Industrial and Commercial BMPs adopted under the San Diego Municipal Code section 43.0307(a).

It is ultimately Lessee's responsibility to prevent pollutant discharges to the storm drain system. Therefore, the Lessee will identify and implement any additional BMPs that may be required to avoid the discharge of pollutants to the storm drain system.

12.24 Reporting Requirements. Lessee agrees to provide to the City's Water Department reports about all activities conducted on the Premises. These reports will detail the usage of water, and all agricultural practices including but not limited to use of pesticides, herbicides, fertilizers, and soil amendments. The required reports are specified in the RMP. Failure to provide the information requested under this section shall constitute a default under the terms of this Lease.

12.25 Hold Harmless, Flood Damage and Other Acts of God. Lessee understands and agrees that the Premises is subject to flood damage and that other damages may result to the Premises from other circumstances, including weather conditions and such causes as fire and earthquakes and Lessee assumes all risk therefor. Lessee agrees that all damages resulting from flooding and other weather-related causes, whether directly or indirectly resulting therefrom, shall not result in any liability on the part of City, and Lessee specifically agrees to assume the defense of, indemnify, and hold City harmless from all such damages incurred by Lessee or anyone claiming through Lessee therefor. Lessee further specifically agrees that City shall have no obligation whatsoever to construct or maintain channels, or to construct, maintain, or operate reservoirs, or release water from reservoirs in such a way as to control, alleviate, or minimize potential damages to the Premises. Upon receiving prior written approval by City, Lessee shall be allowed to minimize potential flood damage through improved drainage and other flood control improvements installed and/or constructed on the Premises.

Were it not for Lessee's agreement to the requirements of this Section, City would not enter into this Lease.

12.26 Safety Management Systems Compliance. Although the use of Safety Management Systems (SMS) are not required by the FAA as of the commencement of this Lease, it is anticipated that during the Term that the FAA will mandate SMS compliance for general aviation airports, which would include the Airport. Because the use of SMS at airports can contribute to helping airports detect and correct safety problems before they result in aircraft accidents or incidents, and can contribute to efforts to adopt new measures therefor, Lessee agrees that Lessee will timely comply with, and respond to: (1) City's requirement that Lessee conduct regular (and other as-needed) SMS-related inspections of the Premises and that Lessee will compile and report said information in a form acceptable to the FAA and City; (2) all City requests for SMS-related data; (3) the City's right to conduct SMS-related inspections of the Premises; (4) all other SMS-related requests made by City in its effort to implement a system-wide SMS and maintain an SMS Manual for the City's airport system or a part thereof; and (5) all FAA-mandated information, data, etc.. Information that may need to be compiled includes hazard reporting and tracking, data collection, safety risk assessment processes, and gap analyses. All SMS-related information, reports and documents provided by Lessee shall be verified by Lessee to be accurate and shall be provided without cost to City.

SECTION 13. FAA REQUIREMENTS

Whether or not it is specifically stated within each of the following sections, Lessee shall be responsible for ensuring that Lessee, its officers, employees, contractors, agents, sublessees, and all others operating through Lessee, shall conform to the following covenants and reservations of rights.

13.1 Lessee's Use and Construction to Conform to Federal Aviation Regulations. Lessee agrees to conform to all applicable Federal Aviation Regulations in any operation or construction on the Premises and the Airport. Lessee agrees to comply with the notification and review requirements covered in Part 77 of the Federal Aviation Regulations (which may be amended or replaced by other regulations from time to time) before constructing any improvements or modifying or altering any structure on the Premises and the Airport.

13.2 Lessee's Noninterference with Aircraft. Lessee and Lessee's successors and assigns agree not to in any manner interfere with any aircraft landing or taking off from the Airport or otherwise create a hazard. If this covenant is breached in any way, City reserves the right to abate or eliminate the interference at the expense of Lessee and Lessee agrees to reimburse City for all costs and fees, including attorney's fees, incurred by City involved with said abatement or elimination.

13.3 Agreement Subordinate to City/United States Agreements. This Lease shall be subordinate to the terms of any existing or future agreements and/or deeds between City and the United States, and to all legal requirements of the United States relative to the development, operation or maintenance of the Airport, and City shall not be liable for any claims, losses, or damages, of any type, that Lessee, or anyone claiming through Lessee, may incur or suffer as a result of any such subordination.

13.4 Height Limitation. The Lessee and the Lessee's successors and assigns agree not to erect or permit any structure unless it complies with all height limitations and other requirements of the FAA and the applicable Airport Land Use Compatibility Plan (also known as the "ALUCP"). If this covenant is breached in any way, City reserves the right to remove the structure or object at the expense of the Lessee, and Lessee agrees to reimburse City for all costs and fees, including attorney's fees, incurred by City involved with said removal.

13.5 War or National Emergency. In the event of war or national emergency, this Lease and all of its provisions shall be subject to any United States Government right, existing now or in the future, affecting the control, operation, regulation, take over, or exclusive or nonexclusive use of the Airport. During any war or national emergency, City shall have the right to lease, or allow the use of, any part of the Airport, including its landing areas, to the United States Government. In this event, any provisions of this Lease which are inconsistent with the provisions of the lease to the Government shall be suspended. City shall not be liable for any claims, losses, or damages, of any type, that Lessee, or anyone claiming through Lessee, may incur or suffer as a result of this action. However, nothing in this Lease shall prevent the Lessee from pursuing any rights it may have for reimbursement from the United States Government.

13.6 Airport Development. City reserves the right to further develop, change or improve the Airport, including its routes and landing areas, as City sees fit, without the Lessee's

interference or hindrance and regardless of Lessee's views and desires. City shall have the right to perform any and all such actions referred to in this Section 14.22 – including the right to shut down parts or all of the Airport – at no liability to City, regardless of any damages or losses Lessee, or anyone claiming through Lessee, may suffer from said actions.

13.7 Nonexclusive Right. The Lessee understands and agrees that nothing in this Lease shall be construed to grant or authorize an exclusive right within the meaning of Section 308 of the Federal Aviation Act of 1958 (Title 49, Section 1349 of the United States Code).

13.8 Landing Area Maintenance. City reserves the right, but not the obligation, to maintain and repair the Airport landing areas and all other public facilities. City also has the right to direct and control all of Lessee's activities affecting the maintenance and repair of the Airport landing areas and all other public facilities.

13.9 FAA Nondiscrimination Covenant. Lessee, on behalf of itself and its representatives, successors, sublessees and assigns, as part of the consideration for this Lease, agrees to the following covenants ("Nondiscrimination Covenants"):

13.9.1 No person shall be denied benefits, participation or subjected to discrimination in the use of facilities on the Premises based on race, color, sex or national origin.

13.9.2 No person shall be denied benefits, excluded from participation in or subject to discrimination in the construction of any improvements or the furnishing of any services on the Premises, based on race, color, sex or national origin.

13.9.3 Lessee shall conduct all activities contemplated by this Lease in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations (CFR), Department of Transportation, Subtitle A, Office of the Secretary, Part 21, "Nondiscrimination in Federally Assisted Programs of the Department of Transportation Effectuation of Title VI of the Civil Rights Act of 1964," as now exists or may be amended in the future.

In the event of the breach of any of the above FAA Nondiscrimination Covenants, City shall have the right to terminate this Lease and to reenter and repossess said Premises and facilities thereon, and hold the same as if said Lease had never been made or issued. Notwithstanding the foregoing, the City's rights to reenter and repossess do not become effective until the procedures of 49 CFR Part 21 are followed and completed including expiration of appeal rights.

13.10 Equal Opportunity. Lessee and its successors and assigns agree to undertake an equal opportunity program as required by Title 14, Code of Federal Regulations, Part 152, Subpart E, to insure that no person shall be excluded from any employment program or opportunity, nor be denied any service described, based on race, creed, color, national origin or sex.

13.11 City to Mitigate Impacts of Subordination. If subordination agreements between City and United States of America result in Lessee's inability to conduct activities contemplated by this Lease on the Premises or if Lessee's activities are materially affected during a period of

subordination: (1) City agrees to make a reasonable time extension or adjustment, if determined to be appropriate by City in its sole discretion; or (2) upon written request from the Lessee, City will terminate this Lease. Lessee agrees that the only remedy available from City for any damages claimed during this subordination period will be limited to the remedies set forth in this Section.

13.12 Employee Conduct. Lessee shall be responsible for the conduct of all employees, contractors, agents, invitees, and guests on the Premises and Airport if any such employee, contractor, agent, invitee or guest is on the Premises or other Airport property during any period of employment, or in connection with the construction and development of any improvements, or otherwise on the Premises or other Airport property in connection with Lessee's operation and management of the Premises.

13.13 Minority Business Policy. Lessee agrees that it and its contractors will ensure that minority business enterprises have the maximum opportunity to compete for and perform contracts and subcontracts. Lessee and Lessee's contractors agree not to discriminate on the basis of race, color, national origin or sex in the award and performance of any Federal Department of Transportation-assisted contracts.

13.14 Right of Flight. There is hereby reserved to City, its successors and assigns, for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the surface of the Premises herein leased. This public right of flight shall include the right to cause in said airspace any noise inherent in the operation of any aircraft used for navigation or flight through the said airspace or land at, taking off from or operation on the Airport.

13.15 No Interference with Aircraft. Lessee, by entering into this Lease, agrees for itself, its successors and assigns that it will not make use of the Premises in any manner which might interfere with the landing and taking off of aircraft from the Airport or otherwise constitute a hazard. In the event the aforesaid covenant is breached, City reserves the right to enter upon the Premises and cause the abatement of such interference and/or hazard at the expense of Lessee and Lessee agrees to reimburse City for all costs and fees, including attorney's fees, incurred by City involved with said abatement.

13.16 Provisions to be Included in All Pertinent Documents. Lessee agrees that it shall insert all of the FAA Requirements provisions set forth in this Section 10 in all subleases, contracts or agreements by which Lessee grants a right or privilege to any person, firm or corporation to render accommodations and/or services to the public on the Premises.

This Lease contains the entire understanding of the Parties. Lessee, by signing this Lease, agrees that there is no other written or oral understanding between the Parties with respect to the leasing of the Premises other than as set forth in this Lease. Each Party has relied on its own examination of the Premises, advice from its own attorneys, and the warranties (if any), representations (if any), and covenants set forth in this Lease. The failure or refusal of any Party to read the Lease, inspect the Premises, and obtain legal or other advice relevant to this transaction constitutes a waiver of any objection, contention, or claim that might have been based on these actions. No modification, amendment, or alteration of this Lease will be valid unless it is in writing and signed by all Parties.

IN WITNESS WHEREOF, this Lease is executed by City, acting by and through its Mayor or his designee, and by Lessee, acting by and through its lawfully authorized officer(s).

THE CITY OF SAN DIEGO, a California municipal corporation

Date: 5/24/16

By: _____
Name: Cybele Thompson
Title: Director, Real Estate Assets

CROWNAIR HOLDINGS, INC., a California corporation

Date: 04.11.16

By: _____
Name: David S. Ryan
Title: CEO / President

ENVIRONMENTAL ANALYSIS SECTION ENVIRONMENTAL CLEARANCE:

This activity is:
Not a project pursuant to CEQA Guidelines Section 15060(c)(3) because it would not result in a direct, or reasonably foreseeable indirect physical change on the environment. Pursuant to CEQA Guidelines Section 15004, and the provisions of the lease, the Lessee is required to obtain all required permits and approvals, including environmental clearance for the General Development Plan per Exhibit B.

Date: 5/24/16

By: _____
Name: Kerry Santoro
Title: Deputy Director, LDR / DSD

Approved as to form this 26th *day of* May, *2016.*

JAN I. GOLDSMITH, City Attorney

By: _____
Name: Hilda R. Mendoza
Title: Deputy City Attorney

EXHIBITS

Exhibit "A" – Premises

Exhibit "A-1" - Legal Description

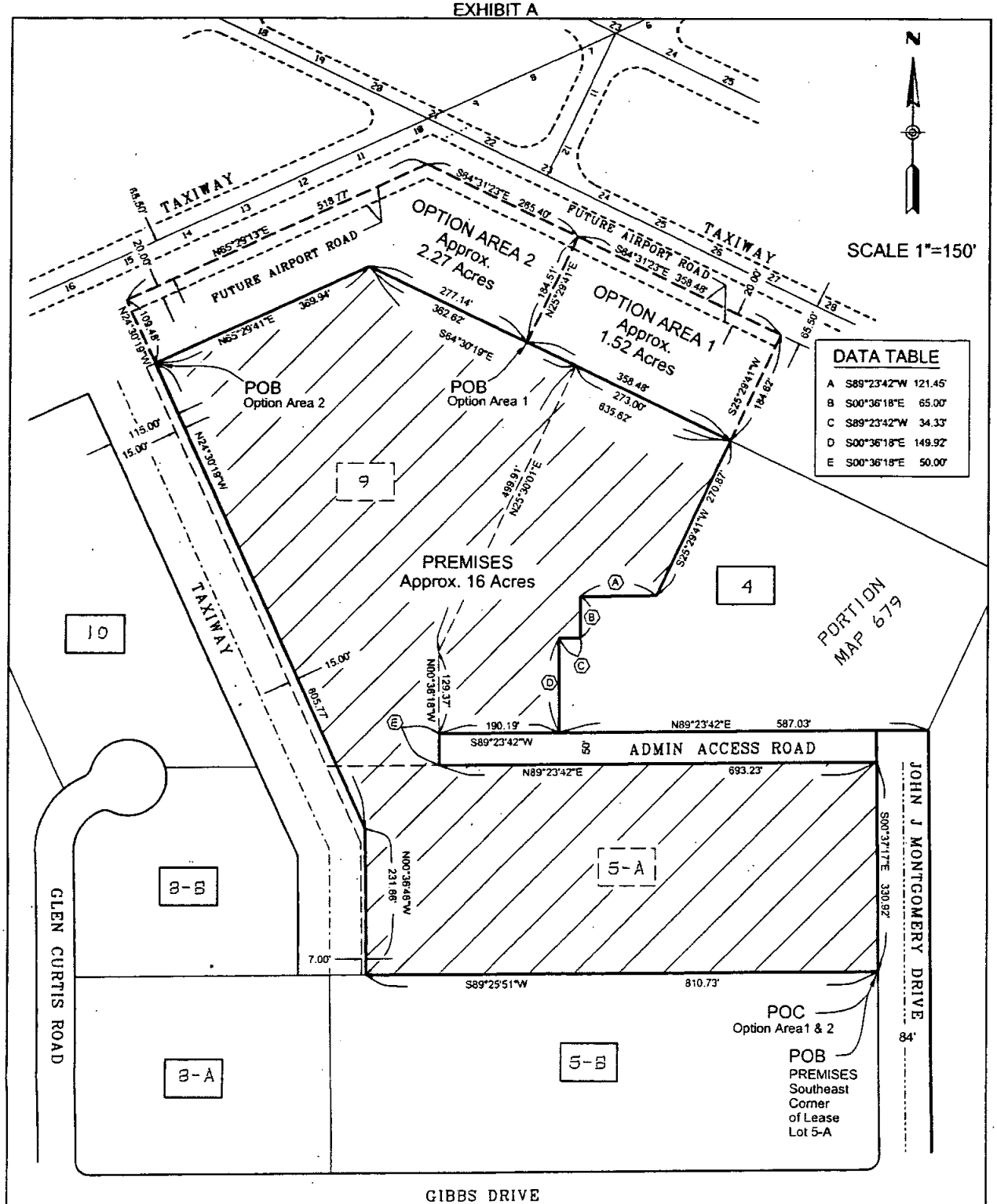
Exhibit "B" - General Development Plan

Exhibit "B-1" - Master Leasehold Map

Exhibit "B-2" - New Airport Operations Garage Plan and Specifications

Exhibit "C" - Prevailing Wage Requirements

EXHIBIT A



LEGEND

POC	Point of Commencement
POB	Point of Beginning
X-X	Montgomery Field Lease Lots per City Drawing No. 13246-2-D

LEASE AREAS:

- Premises = Approx. 16 Acres
- Option Area 1 = Approx. 1.52 Acres
- Future Airport Road Area 1 = Approx. 0.16 Acre
- Option Area 2 = Approx. 2.27 Acres
- Future Airport Road Area 2 = Approx. 0.36 Acre

PREPARED BY:

THE CITY OF SAN DIEGO ENGINEERING DEPARTMENT FIELD DIVISION - SURVEY SECTION, UNDER THE DIRECTION OF RICHARD T. McCORMICK, LS 7450, SENIOR LAND SURVEYOR

RICHARD T. McCORMICK P.L.S. 7450 DATE

PROFESSIONAL LAND SURVEYOR RICHARD T. McCORMICK NO. 7450 STATE OF CALIFORNIA

Air 88, Inc. Leasehold

Montgomery–Gibbs Executive Airport

11/2015

EXHIBIT "A-1"

CROWNAIR HOLDINGS, INC "PREMISES" – MONTGOMERY-GIBBS EXECUTIVE AIRPORT

APN: 760-222-00

That portion of Lease Lots 4, 5A, and 9 of Montgomery-Gibbs Executive Airport in the City of San Diego, County of San Diego, State of California, according to City of San Diego Drawing thereof No. 13246-2-D as approved by the Federal Aviation Administration (FAA) and filed with the San Diego City Clerk on December 22, 1978 as Document No. 765235, being more particularly described as follows:

Beginning at the southeast corner of said Lease Lot 5-A of said Montgomery-Gibbs Executive Airport, said corner also being on the west line of John J. Montgomery Drive as shown on said Drawing No. 13246-2-D; Thence leaving the said west line of John J. Montgomery Drive and continuing along the south line of said Lease Lot 5-A South 89°25'51" West 810.73 feet; Thence leaving the south line of said Lease Lot 5-A North 00°36'46" West 231.66 feet; Thence North 24°30'19" West 805.77 feet to a point on the northerly line of said Lease Lot 9; Thence along the said northerly line of Lease Lot 9 North 65°29'41" East 369.94 feet; Thence South 64°30'19" East 362.62 feet to the northwesterly corner of Lease Lot 4; Thence continuing along the northerly line of said Lease Lot 4 South 64°30'19" East 273.00 feet; Thence leaving the said northerly line of Lease Lot 4 South 25°29'41" West 270.87 feet; Thence South 89°23'42" West 121.45 feet; Thence South 00°36'18" East 65.00 feet; Thence South 89°23'42" West 34.33 feet; Thence South 00°36'18" East 149.92 feet to a point on the north line of the Administration Access Road as shown on said Drawing No. 13246-2-D; Thence along said north line of the Administration Access Road South 89°23'42" West 190.19 feet; Thence South 00°36'18" East 50.00 feet to a point on the south line of the said Administration Access Road, said point also being a point on the north line of said Lease Lot 5-A; Thence along the said south line of the Administration Access Road North 89°23'42" East 693.23 feet to the northeast corner of said Lease Lot 5-A, said point also being on the said west line of John J. Montgomery Drive; Thence along the said west line of John J. Montgomery Drive South 00°37'17" East 330.92 feet to the **Point of Beginning**.

Above described parcel of land contains approximately 16.00 Acres

Richard T. McCormick 4-08-2016

Richard T. McCormick LS 7450 Date
Senior Land Surveyor, Field Engineering
My Registration Expires 12-31-2016

PROFESSIONAL LAND SURVEYOR
RICHARD T. McCORMICK
NO. 7450
STATE OF CALIFORNIA

File: CrownAirHoldingsIncPremisesLease.doc
IO21003181–November 2015

EXHIBIT "A-1"

CROWNAIR HOLDINGS, INC – MONTGOMERY-GIBBS EXECUTIVE AIRPORT
OPTION AREA 1

APN: 760-222-00

That portion of Lease Lots 4, 5A, and 9 of Montgomery-Gibbs Executive Airport in the City of San Diego, County of San Diego, State of California, according to City of San Diego Drawing thereof No. 13246-2-D as approved by the Federal Aviation Administration (FAA) and filed with the San Diego City Clerk on December 22, 1978 as Document No. 765235, being more particularly described as follows:

Commencing at the southeast corner of Lease Lot 5-A as shown on said Drawing No. 13246-2-D, said corner also being on the west line of John J. Montgomery Drive as shown on said Drawing No. 13246-2-D, Thence leaving the said west line of John J. Montgomery Drive and along the south line of said Lease Lot 5-A South 89°25'51" West 810.73 feet; Thence leaving the said south line of Lease Lot 5-A North 00°36'46" West 231.66 feet; Thence North 24°30'19" West 805.77 feet to a point on the northerly line of Lease Lot 9 as shown on said Drawing No. 13246-2-D; Thence along the said northerly line of Lease Lot 9 North 65°29'41" East 369.94 feet; Thence South 64°30'19" East 277.14 feet to the **Point of Beginning**; Thence leaving the said northerly line of Lease Lot 9 North 25°29'41" East 184.51 feet; Thence South 64°31'23" East 358.48 feet; Thence South 25°29'41" West 184.62 feet to a point on the north line of Lease Lot 4 as shown on said Drawing No. 13246-2-D; Thence along the said north line of Lease Lot 4 North 64°30'19" West 358.48 feet to the **Point of Beginning**.

Reserving the northerly 20.00 feet of above described Lease Area for a Future Airport Road.

Above described parcel of land contains approximately 1.52 Acres

Richard T. McCormick 4-08-2016

Richard T. McCormick LS 7450 Date
Senior Land Surveyor, Field Engineering
My Registration Expires 12-31-2016

PROFESSIONAL LAND SURVEYOR
RICHARD T. McCORMICK
NO. 7450
STATE OF CALIFORNIA

File: OptionArea1.doc
IO21003181–November 2015

EXHIBIT "A-1"

CROWNAIR HOLDINGS, INC – MONTGOMERY-GIBBS EXECUTIVE AIRPORT
OPTION AREA 2

APN: 760-222-00

That portion of Lease Lots 4, 5A, and 9 of Montgomery-Gibbs Executive Airport in the City of San Diego, County of San Diego, State of California, according to City of San Diego Drawing thereof No. 13246-2-D as approved by the Federal Aviation Administration (FAA) and filed with the San Diego City Clerk on December 22, 1978 as Document No. 765235, being more particularly described as follows:

Commencing at the southeast corner of Lease Lot 5-A as shown on said Drawing No. 13246-2-D, said corner also being on the west line of John J. Montgomery Drive as shown on said Drawing No. 13246-2-D, Thence leaving the said west line of John J. Montgomery Drive and along the south line of said Lease Lot 5-A South 89°25'51" West 810.73 feet; Thence leaving the south line of said Lease Lot 5-A North 00°36'46" West 231.66 feet; Thence North 24°30'19" West 805.77 feet to a point on the northerly line of Lease Lot 9 as shown on said Drawing No. 13246-2-D, said point being the **Point of Beginning**; Thence leaving the said northerly line of Lease Lot 9 North 24°30'19" West 109.48 feet; Thence North 65°29'13" East 518.77 feet; Thence South 64°31'23" East 265.40 feet; Thence South 25°29'41" West 184.51 feet to a point on the said northerly line of Lease Lot 9; Thence along the said northerly line of Lease Lot 9 North 64°30'19" West 277.14 feet; Thence South 65°29'41" West 369.94 feet to the **Point of Beginning**.

Reserving the northerly 20.00 feet of above described Lease Area for a Future Airport Road.

Above described parcel of land contains approximately 2.27 Acres

Richard T. McCormick 4-08-2016

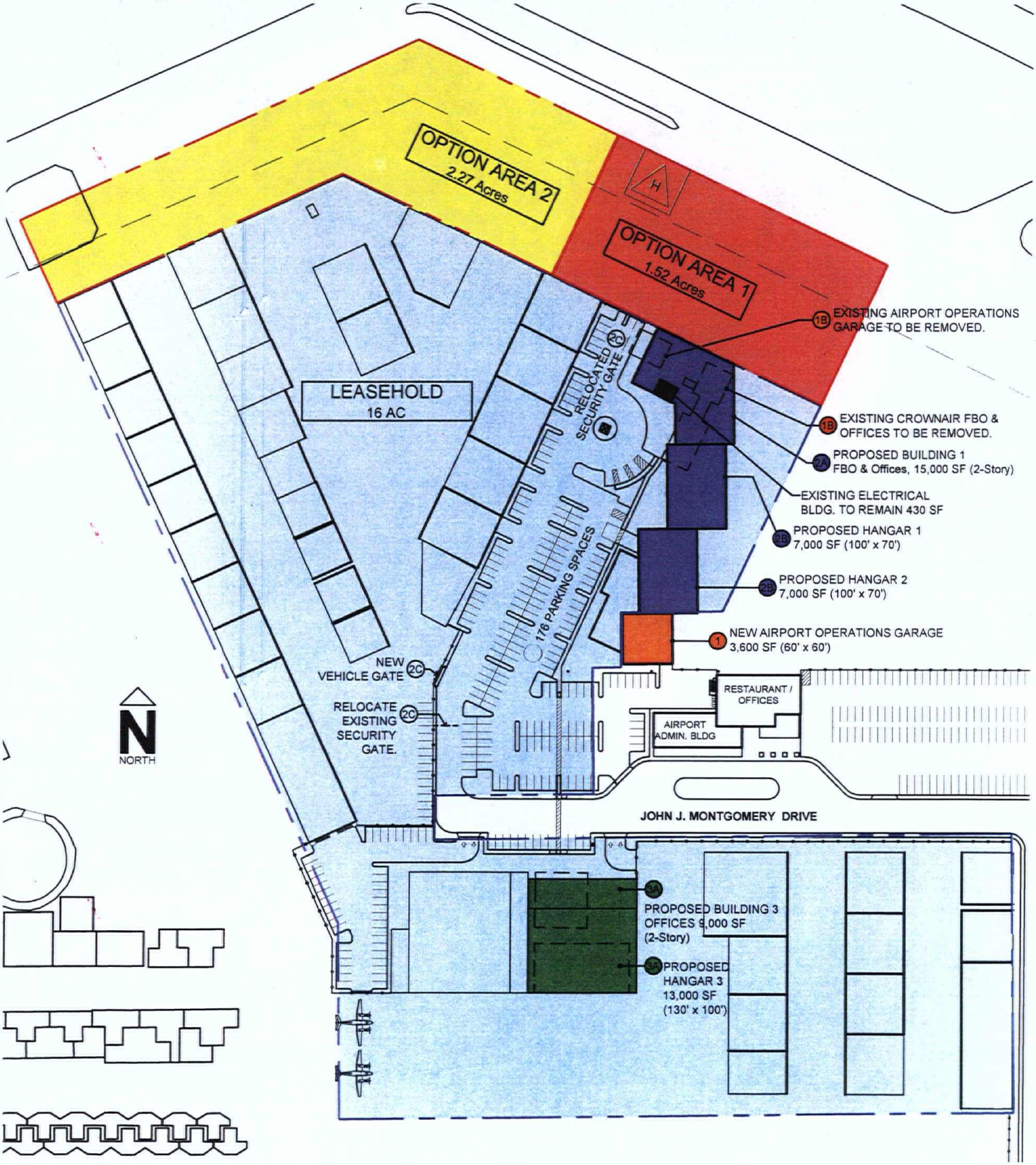
Richard T. McCormick LS 7450 Date
Senior Land Surveyor, Field Engineering
My Registration Expires 12-31-2016

PROFESSIONAL LAND SURVEYOR
RICHARD T. McCORMICK
NO. 7450
STATE OF CALIFORNIA

File: OptionArea2.doc
IO21003181–November 2015

Exhibit B
General Development Plan

Phase 1: To be completed no later than June 1, 2018		Commencement Date	Estimated Minimum Capital Spend
1A:	Place temporary FBO building	June 1, 2016	
1B:	Design and submit plans for New Airport Operations Garage	June 1, 2016	
1B:	Construct new Airport Operations Garage • Metal storage building construction	December 1, 2016	$ 173,864
1C:	Demolition of Existing Buildings including existing operations garage	January 1, 2017	
Phase 2: To be completed no later than June 1, 2019			
2A:	Design and submit plans for FBO and metal hangar	December 1, 2017	
2A:	Design and submit Landscaping Plans	December 1, 2017	
2A:	Sitework to begin	January 1, 2018	
2A:	Construct FBO with adjacent offices • Approximately 15,000 sq ft, 2 story FBO and offices • Class B office construction	February 1, 2018	$1,337,418
2B:	Construct Metal Hangar • Approximately 7,000 sq ft (100' x 70') • Consistent with Marshall & Swift Class S storage (328) hangar with an Average to Good Type classification	February 1, 2018	$ 334,354
2C:	Conclusion of Site work • Parking Lot Construction • New vehicle gate for existing lease area • Relocate Existing Gate 7 to end of drive area • Landscaping along parking lot, FBO building and John J. Montgomery Drive.	May 1, 2019	$ 422,624
Phase 3: To be completed by June 1, 2041			
3A:	Design and submit plans for Hangar / Office	June 1, 2039	
3A:	Construct Hangar / Office building to include: • Approximately 9,000 sq ft of 2 story Class B offices • Approximately 13,000 sq ft Metal Hangar (130' x 100') Consistent with Marshall & Swift • Class S maintenance (329) hangar with an Average to Good Type classification	June 1, 2040	$1,515,740
Total:			$3,784,000



LEASEHOLD MAP: EXHIBIT B-1

Scale: 1" = 80'

LEGEND

LINE OF LEASEHOLD

LINE OF OPTIONAL LEASE AREAS

PROPOSED LEASE AREAS:

N	LEASEHOLD	696,432 SF SF	(16 Acres)
2	OPTION AREA 1	66,162 SF	(1.52 Acres)
3	**OPTION AREA 2**	98,702 SF	(2.27 Acres)

PHASE 1 - To be completed no later than June 1, 2018

- Construct new Airport Operations Garage Metal storage building construction 60' x 60' (3,600 SF)

PHASE 2 - To be completed no later than June 1, 2019

2A Complete FBO w/ Adjacent Offices
15,000 SF, 2-Story FBO and offices
Class B Office Construction

2B 7,000 SF Metal Hangar (100' x 70')
Consistent w/ Marshall & Swift
Class S Storage (328) Hangar w/ an Average to Good classification

2C Sitework to include:
Parking Lot Construction
New Vehicle Gate for existing lease area
Relocate Existing Gate 7 to end of drive area
Landscaping along parking lot and FBO Building.

PHASE 3 - To be completed by June 1, 2041
for 5-Year extension option.

3A Construct Hangar / Office Building to include:
9,000 SF 2-Story Class B Offices
13,000 SF Metal Hangar (130' x 100')
Consistent with Marshall & Swift
Class S Maintenance (329) Hangar with an Average to Good classification

OPTION AREA 1 - 66,162 SF (1.52 Acres)

OPTION AREA 2 - 98,702 SF (2.27 Acres)

LEASEHOLD MAP: EXHIBIT B-1

EXHIBIT B-2

EMPIRE STEEL BUILDINGS

5230 Carroll Canyon Rd # 300 San Diego, CA. 92121 BM

Toll Free Phone 800-905-3443 Fax 858-362-0457

PURCHASE ORDER Invoice No. 41116

MAILING ADDRESS		DELIVERY ADDRESS	
BUYER	Ray Richmond	SHIP TO:	BUILDING CONSULTANT - BILLY MARKS
COMPANY		ATTENTION	Ray Richmond
ADDRESS	TBD	ADDRESS	TBD
CITY, STATE, ZIP	San Diego CA 92123	CITY, STATE, ZIP	San Diego CA 92123
PHONE	858-277-1453	COUNTY	San Diego
EMAIL	rayr@crownairaviation.com	APPROXIMATE DELIVERY	TBD

BUILDING SPECIFICATIONS

WIDTH	**60**	LENGTH	**60**	HEIGHT	**14**
ROOF SNOW	**0 PSF**	LIVE LOAD	20 PSF	WIND LOAD	**110 MPH**
CODE	**CBC 2013**	COLLATERAL LOAD	**1**	EXPOSURE	C
SEISMIC	SS105.51S140.18	ROOF SLOPE	**1:12**	FRAME TYPE	Gable Symmetrical
SIDE BAY SPACING	3@20	ROOF PANEL	26GA Galvalume	WALL PANEL	26G PBR 200 Color
END BAY SPACING	3@20			TRIM COLOR	Sig 200 Color

ACCESSORIES	QUANTITY	DESCRIPTION
BUILDING	**INCL**	**60x60x14 Red Iron "I" Beam Construction - 3600 Sq Ft Clear Span**
DOORS	3	3070 Steel Walk Door w/ Heavy Duty Mortise Security Lockset - **Insulated Wind Rated**
DOORS	3	14x12 DBCI Model 5000 Heavy Duty Commercial Roll Up Door - **Wind Rated**
DOORS		
VENTS	3	9"x10' Ridge Vents located at the Ridge each Bay - Galvalume
FRAMED OPENINGS	2	4030 Framed Openings with Full Cover Trim for Windows by Others Sill Height 7'
FRAMED OPENINGS	3	14x12 Framed Openings with Full Cover Trim located to customer specs
STRUCTURAL	INCL	Portal Frame needed Front sidewall to eliminate Rod Bracing for Clearspan
OPEN WALLS		
INSULATION		
SKYLIGHTS		☐ Roof ☐ Wall
EAVE TRIM	INCL	☐ Simple X Gutters & Downspouts
BASE OPTION	INCL	☒ Formed base ☐ Base Channel
OTHER	Additional Included: Long Life Fasteners, Full Eave and Sill Closures, Deluxe Base Trim.	
OTHER	AND 3 sets of California calculations. Empire standard specifications apply.	

NOTES: ***30% deposit required prior to production of building*** **3sets engineered stamped building plans included**

Customer must authorize building fabrication after reviewing building plans. Price includes freight. Erection by others.....

Please carefully check and verify this purchase order for completeness and accuracy. Buyer is responsible to verify local building loads, codes, and any CA Title 24 requirements. The prices, specifications, terms, and conditions as stated on the face of this contract are hereby authorizing Empire Steel Buildings, Inc. To do the work specified. Deposit is non-refundable. Balance of payment will be C.O.D by cashier's check. Any applicable sales or use tax required by your state will be added prior to delivery. Price is subject to change until building is released to fabrication by purchaser., Once fabricated, if building delivery is delayed by purchaser, storage fees will apply and material price can change. Purchaser hereby waives any and all claims for consequential damages arising out of this contract. Purchaser, to the fullest extent permitted by California law, agrees to defend and indemnify Empire Steel Buildings for any and all claims or actions, whatsoever, arising out of or relating to the goods described herein, except for claims and/or actions arising out of Empire Steel Buildings' sole negligence or willful misconduct. Empire Steel Buildings' total liability on any claims arising out of this contract purchase price of the goods described herein. Any disputes between or among the parties hereto shall be decided by arbitration held in accordance to Article III,Title IX of the California Code of Civil Procedure, commencing with section 1280. The prevailing party shall be entitled to recover reasonable attorneys' fees and costs. This agreement shall be governed under the laws of the State of California and jurisdiction shall lie in San Diego county, California.

WE PROPOSE TO FURNISH MATERIALS COMPLETE IN ACCORDANCE WITH THE ABOVE SPECIFICATIONS FOR THE SUM OF:

Contract accepted by purchaser:

X _____ _____

Purchaser (Date)

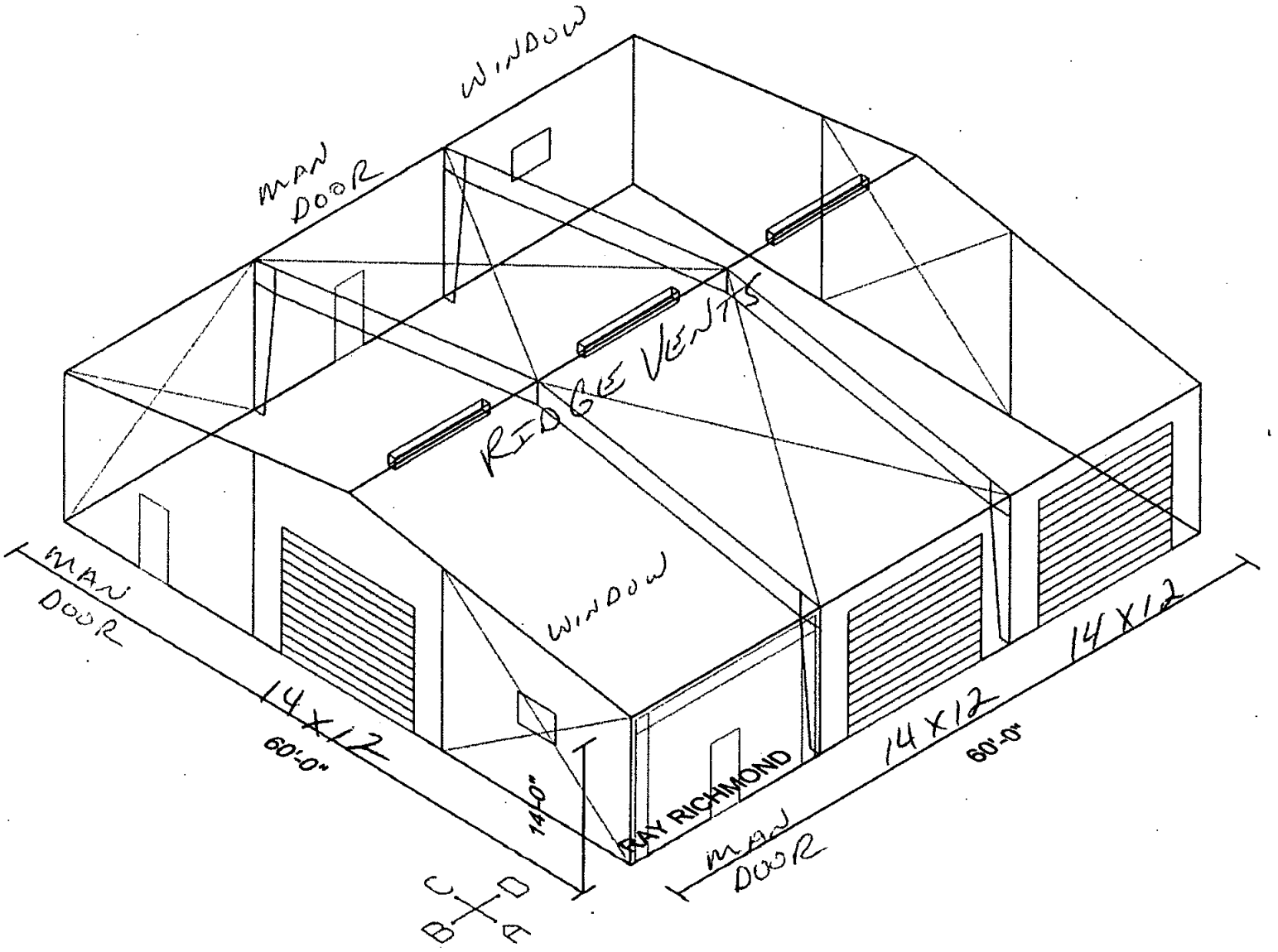
Contract accepted and entered:

X _____ _____

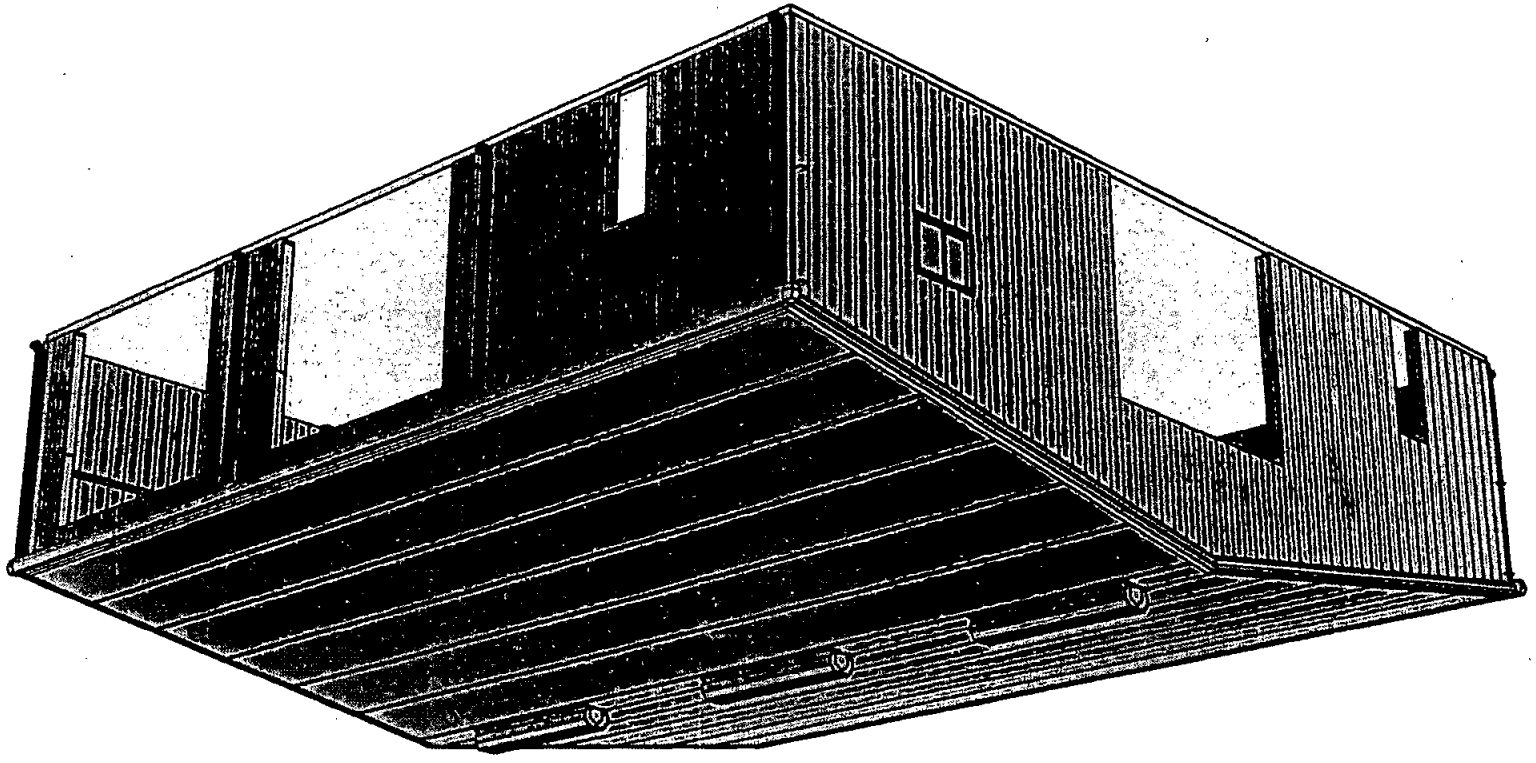
Empire Steel Buildings, Inc. (Date)

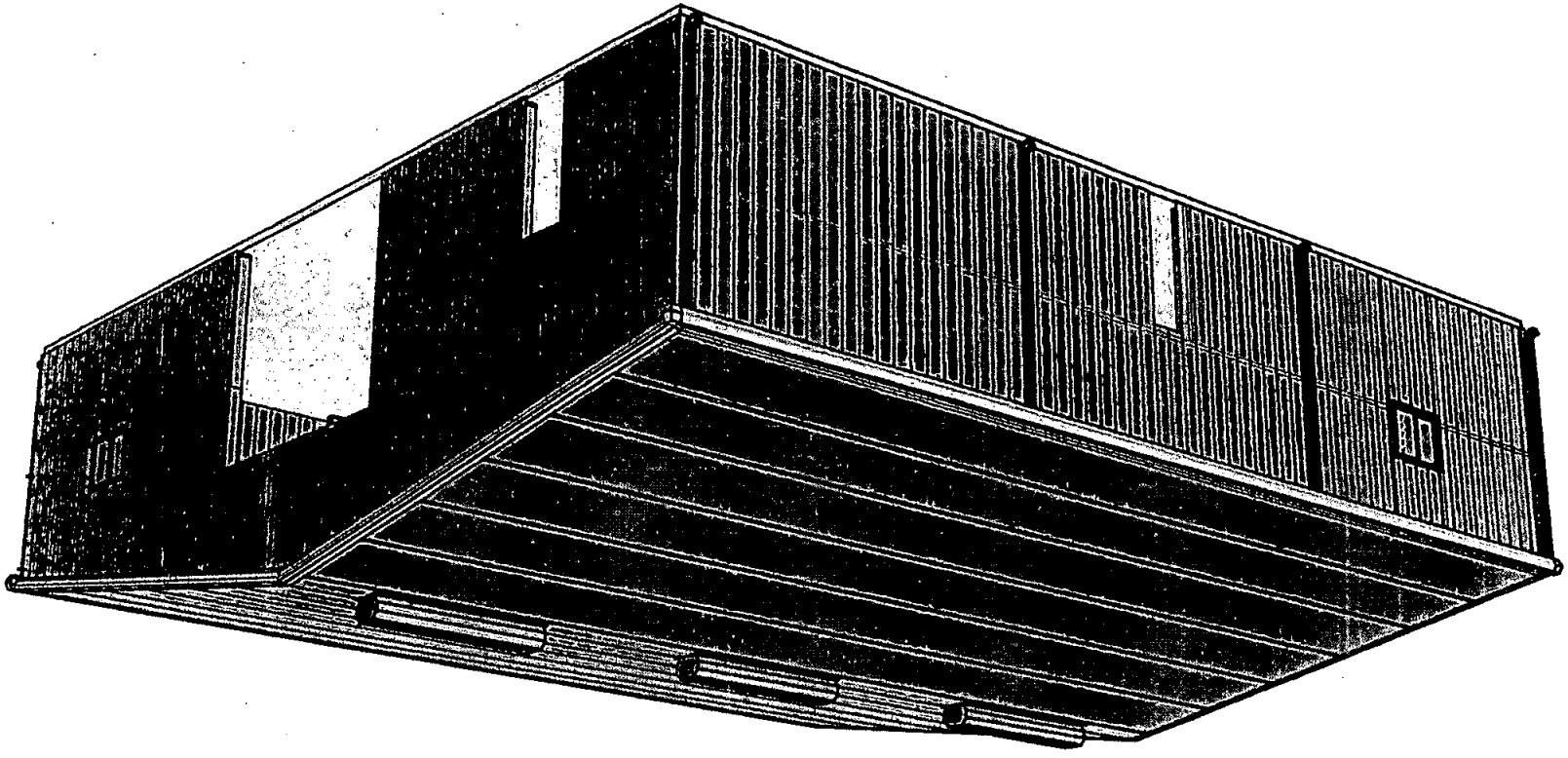
BUILDING	$28,034.00
ROLL UP DOORS	**INCLUDED**
INSULATION	NONE
TOTAL CONTRACT PRICE	$28,034.00
ENGINEERING DEPOSIT	*$6,000.00*
BALANCE AT DELIVERY	$22,034.00

Applicable taxes will be added to C.O.D. amount


WINDOW
MAN DOOR
RIDGE VENTS
WINDOW
MAN DOOR
14 X 12
60'-0"
14'-0"
RAY RICHMOND
14 X 12
60'-0"
MAN DOOR
C
D
B
A

Not To Scale

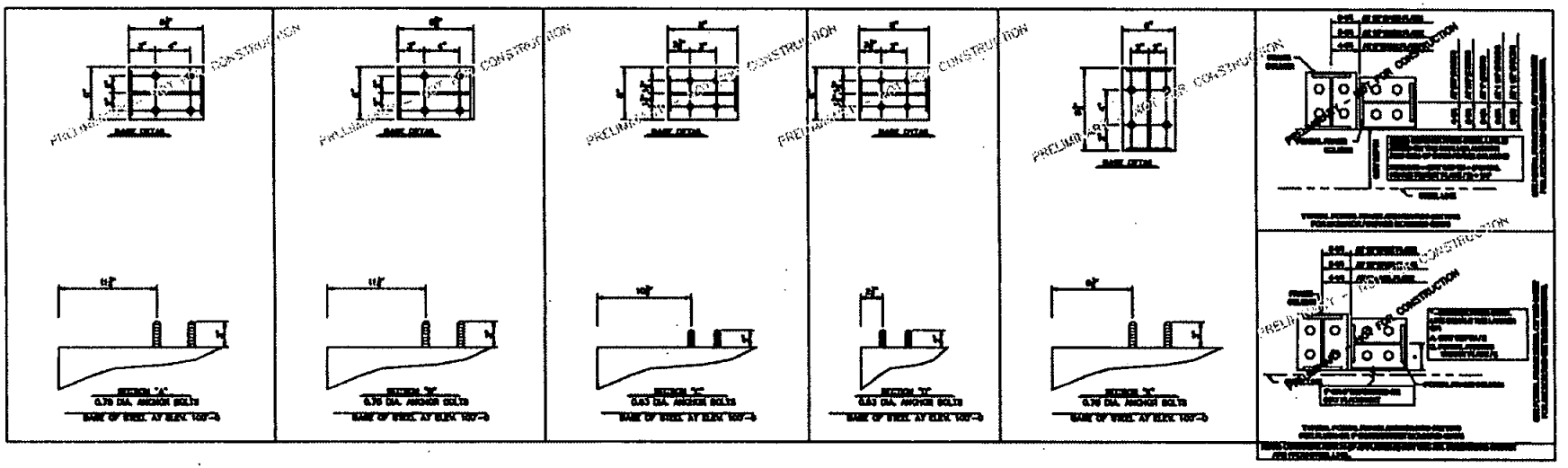




Created : Mon Apr 11 14:26:46 2016, Bystem Optima 5.10.1

NOT FOR CONSTRUCTION

BLD'G "A"



Customer:

Contact: Eric Hahn
County:

Building: 1 Empty Steel Building

Drawing Status: ☐ Preliminary ☐ For Approval ☐ For Construction ☐ For Construction Approval

Scale: NOT TO SCALE

VERSION	PAPER SIZE
	22x34

ESTIMATOR	DATE
SM	4/11/016

CSI FORMAT: RICHMOND

MEMBER

MBMA

The engineer whose seal appears hereon is an employee for the manufacturer for the materials described hereon. Seal and certification is limited to the products designed and manufactured by manufacturer only. The undersigned engineer is not the overall engineer of record for the project.

This drawing is not for construction. This drawing is intended to depict general building information and is solely for sales presentation purposes. For clarity of presentation, items depicted may be different from actual design and final drawings. In the event of conflict between this drawing and the purchase order, the purchase order shall prevail

ANCHOR ROD SECTION DETAILS - (A) RAY RICHMOND

DESIGNS SHOWN ARE BASED ON THE BASIC BUILDING ITSELF, THEY DO NOT INCLUDE LOADS FROM ANY BUILDING OPTIONS OR ANY OTHER MATERIAL.

FOUNDATION MUST BE SQUARE AND LEVEL. ALL ANCHOR RODS MUST BE TRUE IN SIZE, LOCATION, AND PROJECTION. ANCHOR ROD PROJECTIONS MUST BE MELD TO KEEP THREADS CLEAR OF FINISHED CONCRETE.

ENGINEERING CERTIFICATION OF MATERIALS SUPPLIED BY MANUFACTURER WILL BE PROVIDED BY SEAL AND SIGNATURE OF LICENSED ENGINEER ON FINAL ERECTION DRAWINGS.

THIS DRAWING IS FOR ANCHOR ROD PLACEMENT ONLY AND IS NOT A SUBSTITUTE FOR FOUNDATION DESIGN

CONTACT SALES ENGINEER FOR REVIEW BEFORE USING THIS INFORMATION FOR CONSTRUCTION

MANUFACTURER RESERVES THE RIGHT TO CHANGE THE FINAL DESIGN IF DESIGN INFORMATION OR CLEARANCES, BASE PLATE/ANCHOR ROD DESIGNS IS TO BE USED FOR CONSTRUCTION MANUFACTURER MUST BE NOTIFIED PRIOR TO ACCEPTANCE OF ORDER.

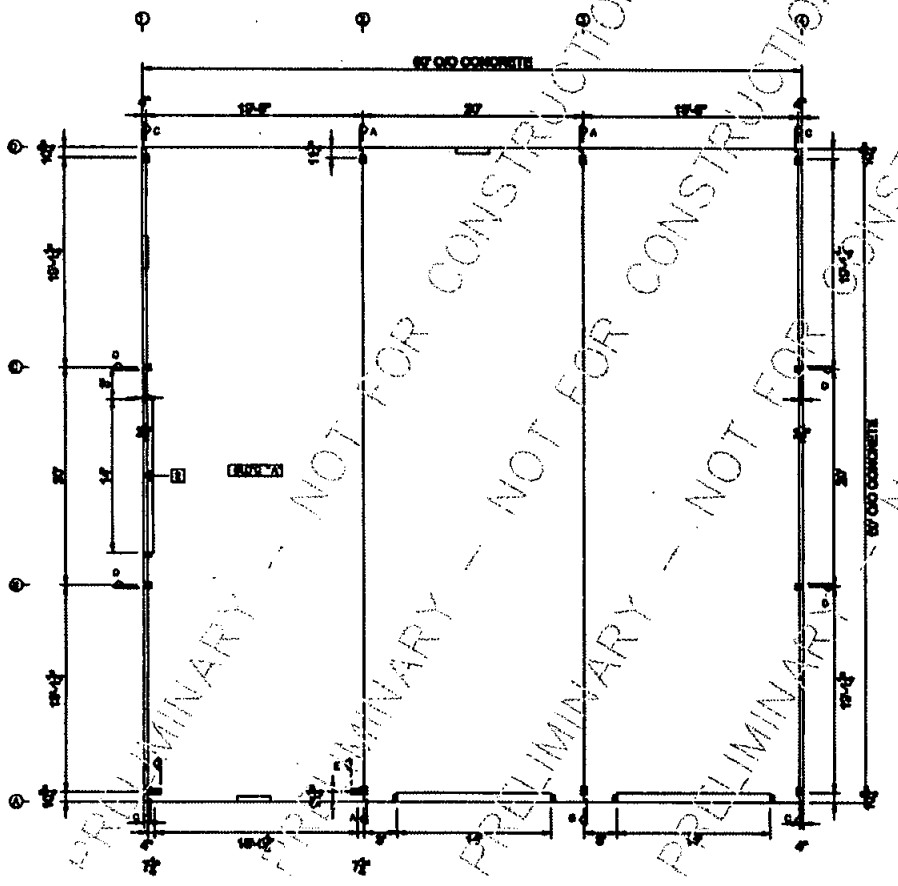
ATW - ATWATER, CA

IT IS THE BUILDERS RESPONSIBILITY TO COMMUNICATE TO MANUFACTURER THE NEED TO HOLD TO ANY PRELIMINARY DESIGN INFORMATION PROVIDED BY MANUFACTURER MANUFACTURER WILL NOT BE LIABLE FOR ANY CHANGES IN FINAL DESIGN IF THE BUILDER DOES NOT COMMUNICATE TO MANUFACTURER

Created : Mon Apr 11 14:26:36 2016, System Optima 8.10.1

NOT FOR CONSTRUCTION

ACCESSORY SCHEDULE		
Mark	Description	Qty.
1	3070 Knock Down 3070	3
2	14'-0" X 12'-0" FRAMED OPENING	1



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ANCHOR ROD PLAN - (A) RAY RICHMOND

DESIGNS SHOWN ARE BASED ON THE BASIC BUILDING ITSELF, THEY DO NOT INCLUDE LOADS FROM ANY BUILDING OPTIONS OR ANY OTHER MATERIAL.

FOUNDATION MUST BE SQUARE AND LEVEL. ALL ANCHOR RODS MUST BE TRUE IN SIZE, LOCATION, AND PROJECTION. ANCHOR ROD PROJECTIONS MUST BE HELD TO KEEP THREADS CLEAR OF FINISHED CONCRETE.

ENGINEERING CERTIFICATION OF MATERIALS SUPPLIED BY MANUFACTURER WILL BE PROVIDED BY SEAL AND SIGNATURE OF LICENSED ENGINEER ON FINAL ERECTION DRAWINGS.

THIS DRAWING IS FOR ANCHOR ROD PLACEMENT ONLY AND IS NOT A SUBSTITUTE FOR FOUNDATION DESIGN.

CONTACT SALES ENGINEER FOR REVIEW BEFORE USING THIS INFORMATION FOR CONSTRUCTION

MANUFACTURER RESERVES THE RIGHT TO CHANGE THE FINAL DESIGN IF DESIGN INFORMATION OR CLEARANCES, BASE PLATE/ANCHOR ROD DESIGN IS TO BE USED FOR CONSTRUCTION MANUFACTURER MUST BE NOTIFIED PRIOR TO ACCEPTANCE OF ORDER.

ATW - ATWATER, CA

IT IS THE BUILDERS RESPONSIBILITY TO COMMUNICATE TO MANUFACTURER THE NEED TO HOLD TO ANY PRELIMINARY DESIGN INFORMATION PROVIDED BY MANUFACTURER MANUFACTURER WILL NOT BE LIABLE FOR ANY CHANGES IN FINAL DESIGN IF THE BUILDER DOES NOT COMMUNICATE TO MANUFACTURER

Customer:

Builder: Empire Steel Buildings

CONTACT: Billy Nunes
COUNTY:

Drawing Status: ☐ Bidding ☐ For Approval ☐ For Construction Permit ☐ For Construction Installation

Scale: NOT TO SCALE

VERSION	PAPER SIZE
Optima 8.10.1	22x34
ESTIMATOR	DATE
BM	4/11/2016

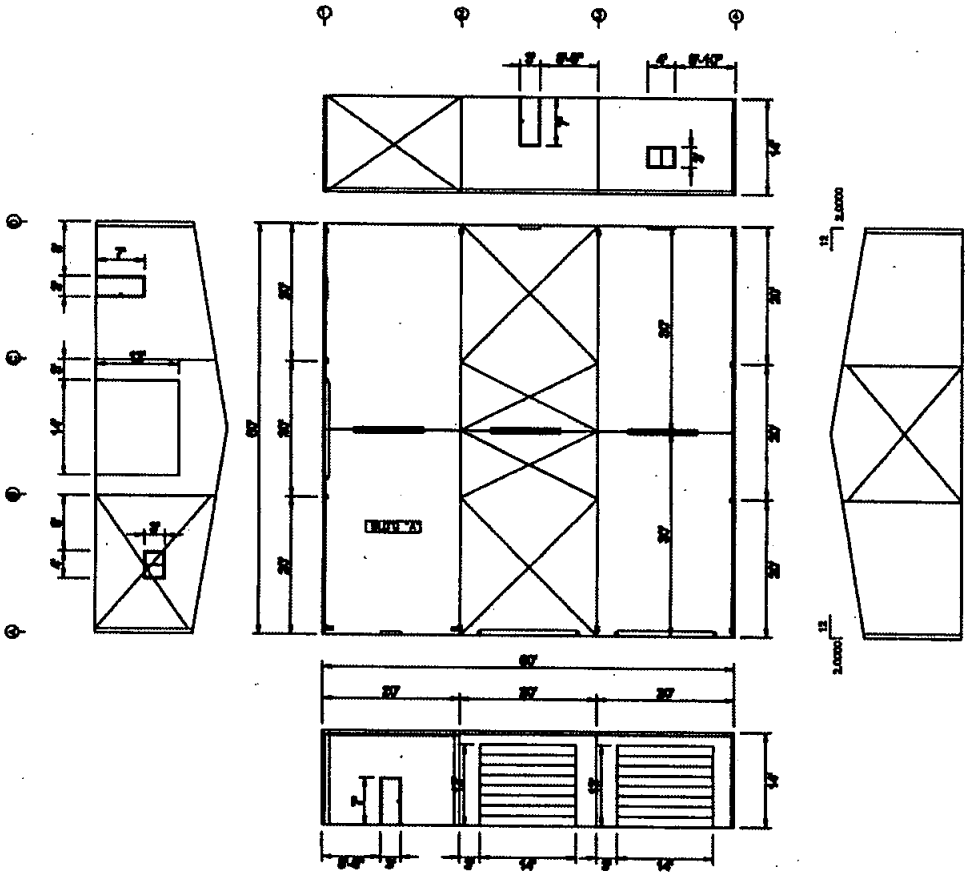
SOFTWARE: RICHMOND

DESIGNER: MBMA

The engineer whose seal appears below is an employee of the manufacturer for the materials described herein. Sold seal or certification is limited to the products designed and manufactured by manufacturer only. The undersigned engineer is not the overall engineer of record for this project.

Created : Mon Apr 11 11:26:29 2016, Systems Optimo 6.10.1

NOT FOR CONSTRUCTION



2D BUILDING SKETCH - (A) RAY RICHMOND

This drawing is not for construction. The drawing is intended to depict general building information and is solely for sales presentation purposes. For clarity of presentation, items depicted may be different from actual design and final drawings. In the event of conflict between this drawing and the purchase order, the purchase order shall prevail

ENGINEERING CERTIFICATION OF MATERIALS SUPPLIED BY MANUFACTURER WILL BE PROVIDED BY SEAL AND SIGNATURE OF LICENSED ENGINEER ON FINAL DECTION DRAWINGS.

ATW - ATWATER, CA

Customer:

CONTACT: Billy Mills
COUNTY:

Building: Empire Steel Buildings

Drawing Status: ☐ Quotations ☐ For Approval ☐ For Construction Permit ☐ For Regular Installation

Scale: NOT TO SCALE

VERSION	PAPER SIZE
Optimo 6.10.1	22x34
ESTIMATOR	DATE
SM	4/11/016

JOB NAME: RICHMOND

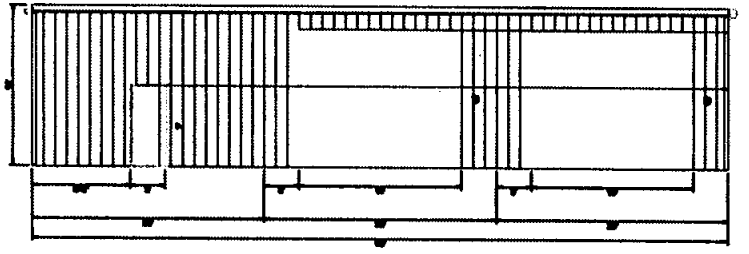
DESIGN: MBMR

The engineer whose seal appears hereon is an employee for the manufacturer to the extension described herein. Seal use or modification is limited to the products designed and manufactured by manufacturer only. The undersigned engineer is not the overall engineer of record for this project.

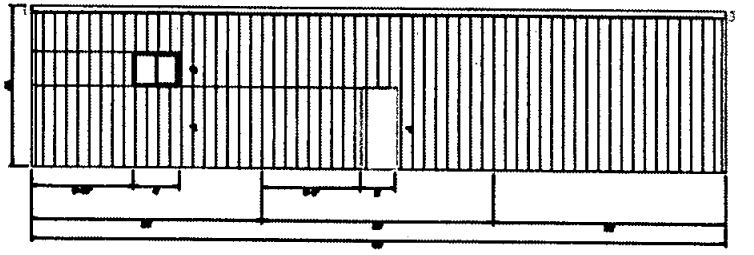
Created : Mon Apr 11 14:28:22 2016, System Optima 8.10.1

NOT FOR CONSTRUCTION

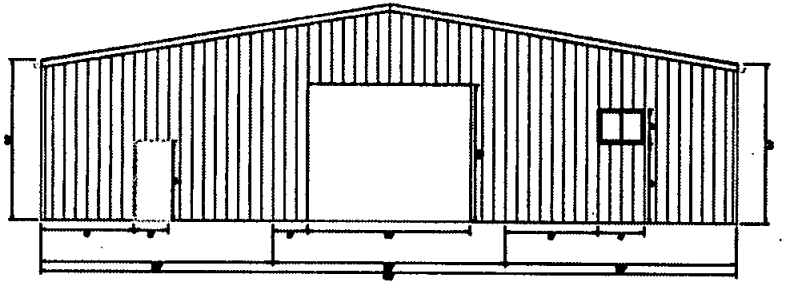
Front Wall



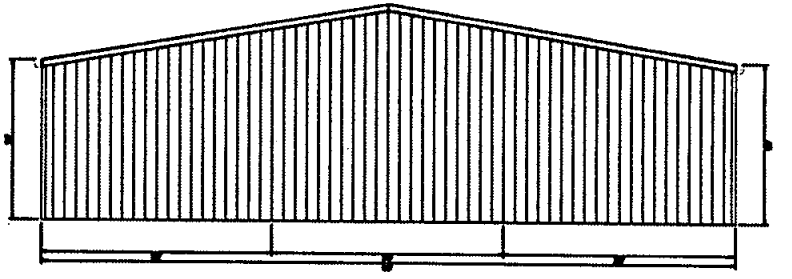
Back Wall



Left Wall



Right Wall



This drawing is not for construction. This drawing is intended to depict general building information and is solely for sales presentation purposes. For clarity of presentation, items depicted may be different from actual design and final drawings. In the event of conflict between this drawing and the purchase order, the purchase order shall prevail.

ARCHITECTURAL - (A) RAY RICHMOND

Customer:

CONTACT: Billy Mills
COUNTY:

Dealer: Empire Steel Buildings

Drawing Status: Preliminary / Site Approval / Pre-Construction Permit / Pre-Permit Architectural

Scale: NOT TO SCALE

VERSION	PAPER SIZE
Optima 8.10.1	22x34
ESTIMATOR	DATE
BM	4/11/016

JOB NAME: RICHMOND

DESIGN:

MBMA

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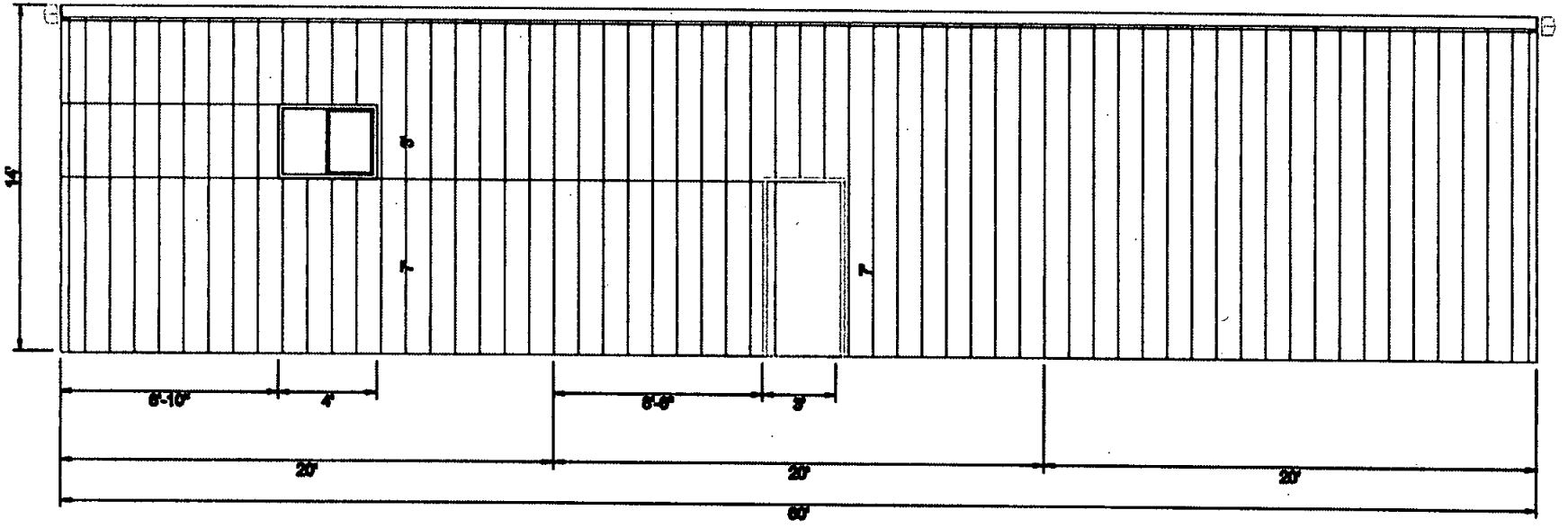
NOT FOR CONSTRUCTION



This drawing is not for construction. This drawing is intended to depict general building information and is solely for sales presentation purposes. For clarity of presentation, items depicted may be different from actual design and final drawings. In the event of conflict between the drawing and the purchase order, the purchase order shall prevail.

BACK ARCHITECTURAL - (A) RAY RICHMOND

Customer

Building Status: Proposed Building

CONTACT: Ray Hicks
COUNTY:

Per Application Sketch

Per Permit Application

Per Approved

Drawn: NOT TO SCALE

VERSION: Systems 5.10.1

HARDWARE: 2300A

ESTIMATOR: SH

DATE: 4/11/2010

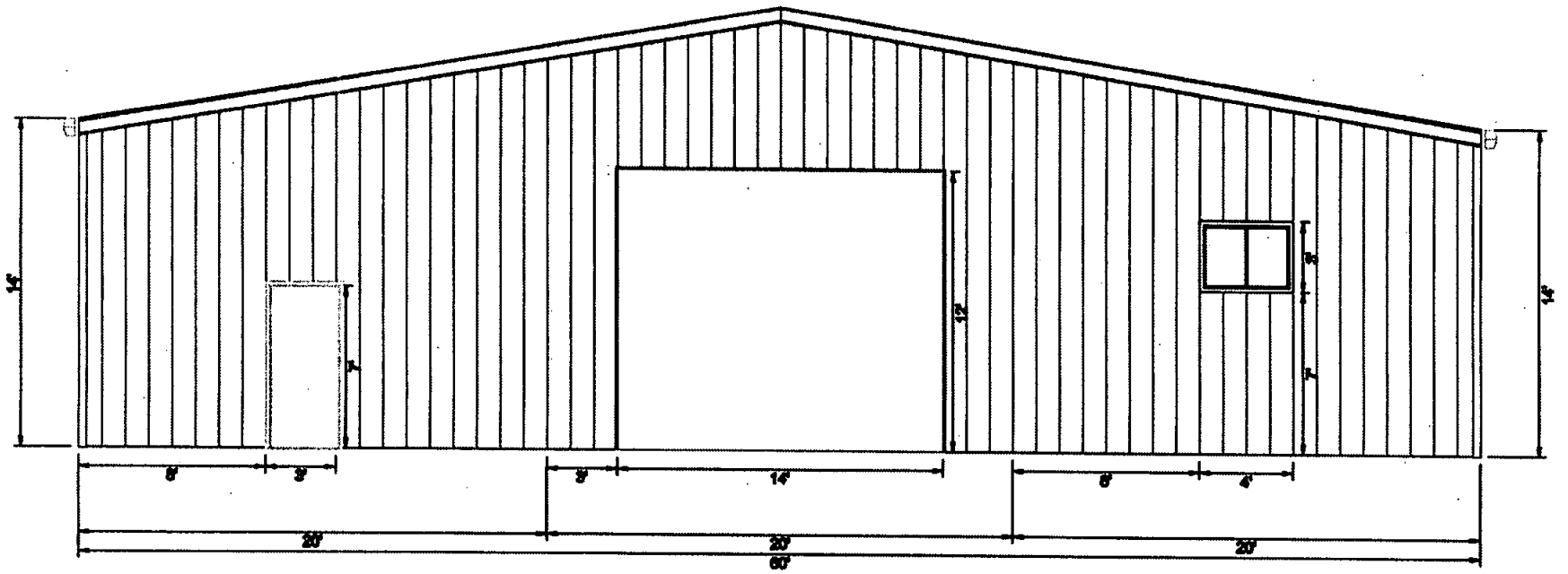
CUSTOMER: RICHMOND

DESIGNER: MBMR

The engineer whose seal appears herein is an employee of the manufacturer for the materials described herein. Said seal of certification is limited to the products designed and manufactured by manufacturer only. The undersigned engineer is not the overall engineer of record for the project.

Created : Mon Apr 11 14:28:08 2016, Systems Options 5.10.1

NOT FOR CONSTRUCTION



This drawing is not for construction. This drawing is intended to depict general building information and is solely for sales presentation purposes. For clarity of presentation, items depicted may be different from actual design and final drawings. In the event of conflict between this drawing and the purchase order, the purchase order shall prevail.

LEFT ARCHITECTURAL - (A) RAY RICHMOND

Customer:

Builder: Empire Steel Buildings

CONTACT: Billy Hicks
COUNTY:

Drawing Status: ☐ Preliminary ☐ For Approval ☐ For Construction Permit ☐ For Permit Amendments

Scale: NOT TO SCALE

VERSION	PAPER SIZE
Options 5.10.1	22x34
ESTIMATOR	DATE
BM	4/11/2016

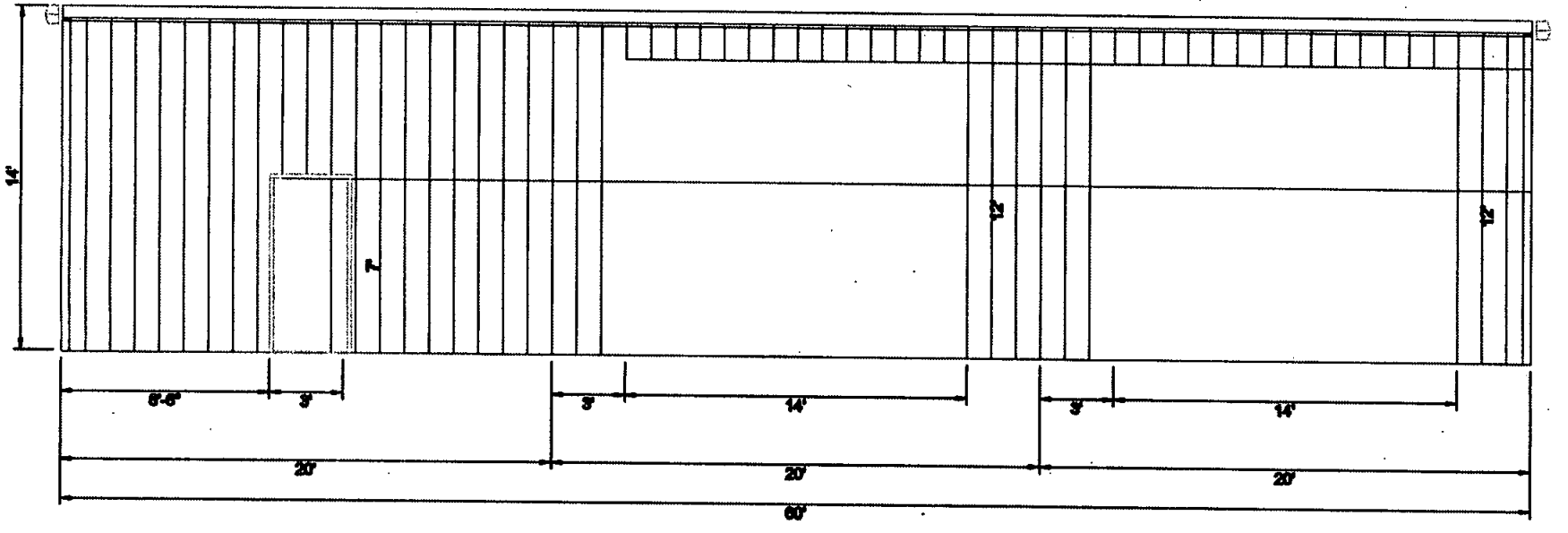
JOB NAME: RICHMOND

MEMBER: MBMA

The engineer whose seal appears herein is an employee for the manufacturer for the materials described herein. Seal and certification is limited to the products designed and manufactured by manufacturer only. The undersigned engineer is not the overall engineer of record for this project.

Created : Mon Apr 11 14:36:03 2016, System Options 6.10.1

NOT FOR CONSTRUCTION



This drawing is not for construction. This drawing is intended to depict general building information and is solely for sales presentation purposes. For clarity of presentation, items depicted may be different from actual design and final drawings. In the event of conflict between this drawing and the purchase order, the purchase order shall prevail.

FRONT ARCHITECTURAL - (A) RAY RICHMOND

Subject: Engine Shed Buildings

CONTACT: Billy Mann
COUNTY:

Comments:

Drawing Status: ☐ For Estimating ☐ For Approval ☐ For Construction Permit ☐ For Review / Installation

Scale: NOT TO SCALE

VERSION	PAPER SIZE
Options 6.10.1	22x34
ESTIMATOR	DATE
BM	4/11/016

JOB NAME: RICHMOND

DESIGN: MBMA

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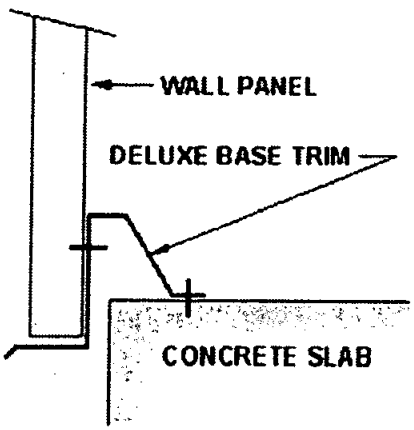
EMPIRE
STEEL BUILDINGS
800-905-3443 www.empirebuilt.com

DELUXE BASE TRIM

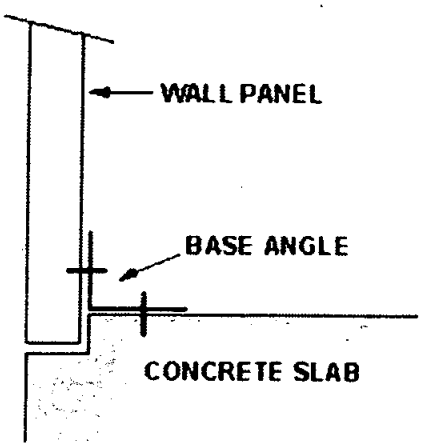


Deluxe Base Trim

Deluxe Base Trim is preferred by most builders for its simplicity. This one piece base option does not require a notched concrete slab.

Deluxe Base Trim is ONLY available in **Burnished Slate**.

This is what the competition uses



Standard Base Angle

The Standard Base Angle option requires a notched concrete slab, and is included as a standard option in the base building price.

EXHIBIT C
PREVAILING WAGE REQUIREMENTS

By signing this Lease, LESSEE certifies that it is aware of the wage provisions described herein and shall comply with such provisions before commencing any work on the Premises.

A. PREVAILING WAGES. Pursuant to San Diego Municipal Code section 22.3019, construction, alteration, demolition, repair and maintenance work performed under this Lease is subject to State prevailing wage laws. For construction work performed under this Lease cumulatively exceeding $25,000 and for alteration, demolition, repair and maintenance work performed under this Lease cumulatively exceeding $15,000, LESSEE and its subcontractors shall comply with State prevailing wage laws including, but not limited to, the requirements listed below.

1. Compliance with Prevailing Wage Requirements. Pursuant to sections 1720 through 1861 of the California Labor Code, LESSEE and its contractors and subcontractors shall ensure that all workers who perform work under this Lease are paid not less than the prevailing rate of per diem wages as determined by the Director of the California Department of Industrial Relations (DIR). This includes work performed during the design and preconstruction phases of construction including, but not limited to, inspection and land surveying work.

1.1. Copies of such prevailing rate of per diem wages are on file at the City of San Diego (City) and are available for inspection to any interested party on request. Copies of the prevailing rate of per diem wages also may be found at http://www.dir.ca.gov/OPRL/DPreWageDetermination.htm. LESSEE and its contractors and subcontractors shall post a copy of the prevailing rate of per diem wages determination at each job site and shall make them available to any interested party upon request.

1.2. The wage rates determined by the DIR refer to expiration dates. If the published wage rate does not refer to a predetermined wage rate to be paid after the expiration date, then the published rate of wage shall be in effect for the life of this Lease. If the published wage rate refers to a predetermined wage rate to become effective upon expiration of the published wage rate and the predetermined wage rate is on file with the DIR, such predetermined wage rate shall become effective on the date following the expiration date and shall apply to this Lease in the same manner as if it had been published in said publication. If the predetermined wage rate refers to one or more additional expiration dates with additional predetermined wage rates, which expiration dates occur during the life of this Lease, each successive predetermined wage rate shall apply to this Lease on the date following the expiration date of the previous wage rate. If the last of such predetermined wage rates expires during the life of this Lease, such wage rate shall apply to the balance of the Lease.

2. Penalties for Violations. LESSEE and its contractors and subcontractors shall comply with California Labor Code section 1775 in the event a worker is paid less than the prevailing wage rate for the work or craft in which the worker is employed.

3. Payroll Records. LESSEE and its contractors and subcontractors shall comply with California Labor Code section 1776, which generally requires keeping accurate payroll records, verifying and certifying payroll records, and making them available for inspection. LESSEE shall require its contractors and subcontractors to also comply with section 1776. LESSEE and its subcontractors shall submit weekly certified payroll records online via the City's web-based Labor Compliance Program. LESSEE is responsible for ensuring its contractors and subcontractors submit certified payroll records to the City.

3.1 In addition to submitting weekly certified payroll role records to the City, for contracts entered into on or after April 1, 2015, contractors and their subcontractors shall also furnish the records specified in Labor Code section 1776 directly to the Labor Commissioner in the manner required in Labor Code section 1771.4.

4. Apprentices. LESSEE and its subcontractors shall comply with California Labor Code sections 1777.5, 1777.6 and 1777.7 concerning the employment and wages of apprentices. LESSEE shall be held responsible for the compliance of their contractors and subcontractors with sections 1777.5, 1777.6 and 1777.7.

5. Working Hours. LESSEE and its contractors and subcontractors shall comply with California Labor Code sections 1810 through 1815, including but not limited to: (i) restrict working hours on public works contracts to eight hours a day and forty hours a week, unless all hours worked in excess of 8 hours per day are compensated at not less than 1½ times the basic rate of pay; and (ii) specify penalties to be imposed on design professionals and subcontractors of $25 per worker per day for each day the worker works more than 8 hours per day and 40 hours per week in violation of California Labor Code sections1810 through 1815.

6. Required Provisions for Subcontracts. LESSEE shall include at a minimum a copy of the following provisions in any contract they enter into with a contractor and subcontractor: California Labor Code sections 1771, 177.1, 1775, 1776, 1777.5, 1810, 1813, 1815, 1860 and 1861.

7. Labor Code Section 1861 Certification. LESSEE in accordance with California Labor Code section 3700 is required to secure the payment of compensation of its employees and by signing this Lease, LESSEE certifies that "I am aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this Lease."

8. Labor Compliance Program. The City has its own Labor Compliance Program authorized in August 2011 by the DIR. The City will withhold contract payments when

payroll records are delinquent or deemed inadequate by the City or other governmental entity, or it has been established after an investigation by the City or other governmental entity that underpayment(s) have occurred. For questions or assistance, please contact the City of San Diego's Equal Opportunity Contracting Department at 619-236-6000.

9. Contractor and Subcontractor Registration Requirements. This project is subject to compliance monitoring and enforcement by the DIR. As of March 1, 2015, no contractor or subcontractor may be listed on a bid or proposal for a public works project unless registered with the DIR pursuant to Labor Code section 1725.5. As of April 1, 2015, a contractor or subcontractor shall not be qualified to bid on, be listed in a bid or proposal, or enter into any contract for public work, unless currently registered and qualified to perform public work pursuant to Labor Code section 1725.5. By submitting a bid or proposal to the City, LESSEE is certifying that he or she has verified that all subcontractors used on this public works project are registered with the DIR in compliance with Labor Code sections 1771.1 and 1725.5, and LESSEE shall provide proof of subcontractor registration to the City upon request.

9.1 A contractor's inadvertent error in listing a subcontractor who is not registered pursuant to Labor Code section 1725.5 in a response to a solicitation shall not be grounds for filing a bid protest or grounds for considering the bid non-responsive provided that any of the following apply: (1) the subcontractor is registered prior to bid opening; (2) within twenty-four hours after the bid opening, the subcontractor is registered and has paid the penalty registration fee specified in Labor Code section 1725.5; or (3) the subcontractor is replaced by another registered contractor pursuant to Public Contract Code section 4107.

Item-112 5/12/2016

(R-2016-629)

RESOLUTION NUMBER R- 310431

DATE OF FINAL PASSAGE MAY 23 2016

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN DIEGO AUTHORIZING THE FLAT-RATE LEASE TO CROWNAIR HOLDINGS, INC. AT MONTGOMERY-GIBBS EXECUTIVE AIRPORT.

WHEREAS, in 1996, the City entered into a twenty-year flat rate lease (1996 Lease) with Crownair Holdings, Inc., a California corporation, dba Crownair Aviation (whose parent is MI Aviation Holdings, LLC) (Crownair) as a full-service fixed base operator (FBO). CrownAir has been an anchor tenant at Montgomery-Gibbs Executive Airport since 1951; and

WHEREAS, Crownair exercised its option for a ten-year extension of the 1996 Lease, but the parties were unable to mutually agree on the terms and conditions for such ten-year extension; and

WHEREAS, the 1996 Lease expires on May 31, 2016; and

WHEREAS, Crownair requested a new lease to provide for the development of a new facility within the existing FBO; and

WHEREAS, as compensation for the City's deferral of the exercise of its reversionary interest in all the improvements existing on the premises as of May 31, 2016, Crownair shall pay City the amount of $624,441; and

WHEREAS, as appraised by an independent fee appraiser, the market value of the real estate is $6,762,155; NOW, THEREFORE,

BE IT RESOLVED, by the City Council of the City of San Diego, that the Mayor, or his designee, is authorized and directed to execute that certain City of San Diego Flat Rate Lease

(Lease) with Crownair Holdings, Inc., a California corporation, dba CrownAir Aviation (whose parent is MI Aviation Holdings, LLC), on file in the Office of the City Clerk as Document No. RR-310431, for certain real property at Montgomery-Gibbs Executive Airport, under the terms and conditions set forth in the Lease.

BE IT FURTHER RESOLVED, the Chief Financial Officer is authorized to deposit rent revenue, including the amount of $624,441 for the deferral of the City's exercise of its reversionary interest in the improvements, into Fund 700033.

APPROVED: JAN I. GOLDSMITH, City Attorney

By Hilda R. Mendoza
Hilda R. Mendoza
Deputy City Attorney

HRM:meb:
May 2, 2016
Or.Dept:READ
Doc. No.: 1277837

I certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of MAY 17 2016.

ELIZABETH S. MALAND
City Clerk

By Stacy Reed
Deputy City Clerk

Approved: 5/20/16
(date)

KEVIN L. FAULCONER, Mayor

Vetoed: _____
(date)

KEVIN L. FAULCONER, Mayor

Passed by the Council of The City of San Diego on MAY 17 2016, by the following vote:

Councilmembers	Yeas	Nays	Not Present	Recused
Sherri Lightner	☑	☐	☐	☐
Lorie Zapf	☑	☐	☐	☐
Todd Gloria	☑	☐	☐	☐
Myrtle Cole	☑	☐	☐	☐
Mark Kersey	☑	☐	☐	☐
Chris Cate	☑	☐	☐	☐
Scott Sherman	☑	☐	☐	☐
David Alvarez	☑	☐	☐	☐
Marti Emerald	☐	☐	☑	☐

Date of final passage MAY 23 2016.

(Please note: When a resolution is approved by the Mayor, the date of final passage is the date the approved resolution was returned to the Office of the City Clerk.)

AUTHENTICATED BY:

KEVIN L. FAULCONER
Mayor of The City of San Diego, California.

ELIZABETH S. MALAND
City Clerk of The City of San Diego, California.

(Seal)

By _____, Deputy

Office of the City Clerk, San Diego, California

Resolution Number R- 310431

Passed by the Council of The City of San Diego on May 17, 2016, by the following vote:

YEAS:	**LIGHTNER, ZAPF, GLORIA, COLE, KERSEY, CATE, SHERMAN, ALVAREZ.**
NAYS:	**NONE.**
NOT PRESENT:	**EMERALD.**
RECUSED:	**NONE.**

AUTHENTICATED BY:

KEVIN L. FAULCONER

Mayor of The City of San Diego, California

ELIZABETH S. MALAND

City Clerk of The City of San Diego, California

(Seal)

By: **Jeannette I. Santos**, Deputy

I HEREBY CERTIFY that the above and foregoing is a full, true and correct copy of RESOLUTION NO. **R-310431**, approved on **May 20, 2016**. The date of final passage is **May 23, 2016**.

ELIZABETH S. MALAND

City Clerk of The City of San Diego, California

(Seal)

By: _____, Deputy