

PALADIN AVIATION

FLAT RATE SUBLEASE

With

The US BORDER PATROL

TABLE OF CONTENTS

FLAT RATE SUBLEASE.....	4
SECTION 1: USES.....	4
1.1 PREMISES.....	4
1.2 USES.....	4
1.3 USE SUBJECT TO THE MASTER LEASE.....	5
1.4 USE OF HAZARDOUS SUBSTANCES.....	5
1.5 COMPETENT MANAGEMENT.....	6
1.6 RELATED ACTIONS.....	6
SECTION 2: TERM.....	6
2.1 COMMENCEMENT.....	6
2.2 EXTENSION OF LEASE TERM.....	6
2.3 HOLDOVER.....	7
2.4 RIGHT OF FIRST REFUSAL.....	8
2.4 QUIET POSSESSION.....	8
SECTION 3: RENT.....	9
3.1 TIME AND PLACE OF PAYMENT.....	9
3.2 RENT AMOUNT.....	9
3.3 CONSUMER PRICE INDEX.....	10
3.4 RENTAL ADJUSTMENT COMPUTATION.....	10
3.5 DELINQUENT RENT.....	11
SECTION 4: ASSIGNMENT.....	11
4.1 TIME IS OF THE ESSENCE, PROVISIONS BINDING ON SUCCESSORS.....	11
4.2 ASSIGNMENT AND SUBLETTING.....	11
SECTION 5: DEFAULT.....	12
5.1 FAILURE TO PERFORM COVENANTS.....	12
5.2 FAILURE TO PAY RENT.....	12
5.3 GENERAL PROVISIONS.....	12
SECTION 5: REMEDIES.....	12
5.1 TERMINATION OF AGREEMENT.....	13
5.2 CONTINUATION OF THE SUBLEASE.....	13
5.3 RIGHT OF RE-ENTRY.....	13
5.4 REMEDIAL ACTIONS WITHOUT TERMINATION OF SUBLEASE.....	13
5.5 RELETTING THE PREMISES.....	14
5.5 RIGHT TO CURE.....	14
5.6 NON-EXCLUSIVITY OF REMEDIES, NO WAIVER.....	14
SECTION 6: SUBORDINATION.....	15
6.1 SUBORDINATE TO MASTER LEASE.....	15
6.2 SUBORDINATE TO LIENS, MORTGAGES, SECURITY INTERESTS.....	15
6.3 SUBORDINATE TO BROWN FIELD QUITCLAIM DEED.....	15
6.4 SUBLEASE SUBORDINATE TO CITY OF SAN DIEGO-UNITED STATES AGREEMENTS.....	15
SECTION 7: INDEMNITY AND INSURANCE.....	16
7.1 INDEMNIFICATION, HOLD HARMLESS.....	16
7.2 INSURANCE.....	16
SECTION 8: IMPROVEMENTS, ALTERATIONS & UTILITIES.....	16

RAM
3/25/98

8.1 ACCEPTANCE OF PREMISES	16
8.1 ENTRY AND INSPECTION	17
8.2 UTILITIES	17
8.3 MAINTENANCE	17
8.4 IMPROVEMENTS & ALTERATIONS	17
8.5 LIENS	18
8.6 OWNERSHIP, REMOVAL, SURRENDER AND RESTORATION	18
8.7 SIGNS	19
SECTION 9: DESTRUCTION AND DAMAGE	19
9.2 WASTE, DESTRUCTION OR DAMAGE	19
9.3 CONDEMNATION	19
SECTION 10: AIRPORT PROVISIONS	19
10.1 SUBLESSEE USE TO CONFORM WITH LAW AND OTHER RULES	19
10.2 SUBLESSEE USE AND CONSTRUCTION TO CONFORM TO FEDERAL AVIATION REGULATIONS	20
10.3 SUBLESSEE'S NON-INTERFERENCE WITH AIRCRAFT	20
10.4 HEIGHT LIMITATION	20
10.5 WAR OR NATIONAL EMERGENCY	20
10.6 AIRPORT DEVELOPMENT	20
10.7 NON-EXCLUSIVE RIGHT	20
10.8 LANDING AREA MAINTENANCE	21
10.9 AIRCRAFT PARKING	21
10.10 NOISE ABATEMENT	21
SECTION 11: GENERAL PROVISIONS	21
11.1 NOTICES	21
11.2 NO RECORDING	22
11.3 WAIVERS	22
11.4 ATTORNEY FEES	22
11.5 COMPLIANCE WITH LAWS	22
11.6 COVENANTS AND CONDITIONS	22
11.7 TITLES	22
11.8 GENDER AND NUMBER	23
11.9 BINDING EFFECT	23
11.10 SEVERABILITY	23
11.11 ENTIRE AGREEMENT	23
11.12 GOVERNING LAW	23
SECTION 12: SPECIAL PROVISIONS	23
12.1 TAXES	23
12.2 ESTOPPEL CERTIFICATE	23
12.3 ASBESTOS DISCLOSURE (BUILDINGS BUILT PRIOR TO 1979)	24
12.4 SECURITY MEASURES	24
12.5 EASEMENTS	24
12.6 CORPORATE AUTHORITY	25
SECTION 13: SIGNATURE	26
13.1 SIGNATURE PAGE	26

RAM
3/25/96

PALADIN AVIATION FLAT RATE SUBLEASE

This sublease agreement is executed between PALADIN AVIATION, INC., hereafter called "SUBLESSOR," and the UNITED STATES BORDER PATROL, hereafter called "SUBLESSEE."

SECTION 1: USES

1.1 Premises.

SUBLESSOR hereby subleases to SUBLESSEE all of a certain real property located on the aviation ramp of Brown Field Airport in the City and County of San Diego, encompassing the an office building, aviation hangar, outside storage area, covered outside area and ramp area. This property is in the map shown as Exhibit "A" and particularly described by type of facility and square footage in Exhibit "B", both attached to this agreement and made part of this agreement by reference. Such real property is hereafter referred to as the "premises" or "leased premises."

In addition, SUBLESSEE shall have at its option the right of first refusal to sublease additional facilities should they become available including a 1,600 (Sixteen Hundred) square foot hangar, a 180 (One Hundred Eighty) square foot storage shed and 1,920 (Nineteen Hundred and Twenty) square foot secured outside storage area. The latter facilities are shown as "optional premises" in Exhibit "B" and referred similarly on the map shown in Exhibit "A." The initial base rents for these optional premises are enumerated in section 3.2 of this agreement

1.2 Uses.

It is expressly agreed that the premises are leased to the SUBLESSEE solely and exclusively for the operations, maintenance, administration and aviation-related requirements of the United States Border Patrol. These purposes include, but are not limited to, the repair and servicing of aircraft, parking aircraft by tiedown and in hangar, daylight and night flight operations to and from the premises, related fueling, general office work, parking of motor vehicles incident to operations and other ordinary and necessary aviation activities of the United States Border Patrol. All other uses, whether related or incidental, must be first approved in writing by SUBLESSOR and the City Manager of San Diego.

SUBLESSEE covenants and agrees to use the premises for the above-described purposes and diligently pursue the same throughout the term

RAM
3/25/98

of the lease. Failure to continuously use the premises for the purposes specified above, or use the premises for purposes not expressly authorized, shall be grounds for termination of this agreement by SUBLESSOR.

The use of the premises for any unauthorized purpose shall constitute substantial default and subject this lease to termination at the sole option of the SUBLESSOR.

1.3 Use Subject to the Master Lease

The uses specified in this agreement shall be subject to compliance with the master lease, and all succeeding amendments, originally created between Paladin Aviation and the City of San Diego on July 2, 1996 and first amended on June 9, 1997.

1.4 Use of Hazardous Substances

The term hazardous substance that used in this sublease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release either by itself or in combination with other materials expected to be on the premises: a) is either potentially injurious to the public health, safety or welfare, the environment or the premises; b) regulated or monitored by any governmental authority; and/or c) the basis for potential liability of SUBLESSOR to any governmental agency or third party under any applicable statute or common-law theory. Hazardous substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, by products or fractions thereof. Furthermore hazardous substances shall also mean those substances listed by the Environmental Protection Agency in regularly released reports and any other substances incorporated into the State of California's list of hazardous substances.

SUBLESSEE agrees that any and all handling, transportation, storage treatments, disposal, or use of hazardous substances by SUBLESSEE in or about the premises shall strictly comply of all applicable environmental laws. SUBLESSEE shall not install underground storage tanks or release hazardous substances in, on, or under or from premises.

SUBLESSOR and SUBLESSEE agree to promptly notify the other of any communication received from any governmental entity concerning hazardous substances or the violation of environmental laws that relate to the premises.

RAW
3/23/94

SUBLESSEE agrees to indemnify and defend the SUBLESSOR and the city of San Diego harmless from any liabilities, losses, claims, damages, penalties, fines, attorney fees, expert fees, court costs, remediation costs, investigation costs or other expenses resulting from or arising out of the use, storage, treatment, transportation, release, or disposal of hazardous substances on or about the premises by SUBLESSEE.

1.5 Competent Management

Throughout the term of this lease agreement, SUBLESSEE shall provide competent management of the leased premises to the satisfaction of the SUBLESSOR. For purposes of this paragraph, "competent management" shall mean demonstrated ability in management and operation of aircraft servicing and flight operations in a safe, fiscally responsible manner.

1.6 Related Actions.

By granting of this sublease, the SUBLESSOR is not obligating itself to any other governmental agent, board, commission, or agency with regard to any other discretionary action relating to development and operation of the premises. Discretionary action includes, but is not limited to rezoning, variances, environmental clearances or any other governmental agency approvals which may be required for the development and operation of the subleased premises.

SECTION 2: TERM

2.1 Commencement

The initial term of this lease shall be for three years commencing on the first day of the month following execution of this agreement by SUBLESSOR and SUBLESSEE. "Lease year" as used in this lease shall mean the 12-month period following commencement.

2.2 Extension of Lease Term

The SUBLESSEE shall have the option of potentially extending the term of this sublease for two consecutive one year periods beyond the expiration of the initial lease term on all of the terms and conditions of the initial lease except that before each of the one year extensions rent shall be increased to reflect increase in the cost of living relative to the leasehold.

To exercise the first option to extend the term of the lease one year beyond the initial lease term, SUBLESSEE must deliver written notice of such intent to SUBLESSOR no earlier than one year and no later than

RAM
3/25/98

six months before the expiration of the initial lease term. If SUBLESSEE validly exercises the first option to extend the term of the lease one year and remains in possession of the premises during that extended one year period, SUBLESSEE may exercise a second option to extend the term of the lease one additional year by delivering written notice of such intent to SUBLESSOR no later than six months prior to expiration of the first one year extension.

However if as of SUBLESSOR'S receipt of any notice to exercise an option to extend the lease by SUBLESSEE, SUBLESSEE is in default under this lease, or has committed or failed to perform acts that with the giving of notice or the lapse of time would constitute default under this lease ("Potential Default"), the option notice shall be totally ineffective. If after giving option notice, SUBLESSEE is in default under this lease, or a "Potential Default" has occurred, and that default or "Potential Default" remains uncured as of the expiration of either the initial term or first one year extension, the lease shall terminate, at SUBLESSOR'S option, at either the end of the initial term or the end of the first one year extension as the case may be.

2.3 Holdover

Any holding over by the SUBLESSEE after expiration or termination shall not be considered as a renewal or extension of this lease. The occupancy of the premises after the expiration or termination of this agreement constitutes a month to month tenancy. All other terms and conditions shall continue in full force and effect; provided, however, SUBLESSOR shall have the right to apply a reasonable increase in rent by adjusting rent to fair market value and to terminate the holdover tenancy at will.

The fair market value shall be determined by an appraisal made by a professional real-estate appraiser selected by mutual consent of the parties from the list of appraisers approved by the SUBLESSOR. In the event the parties cannot reach agreement upon selection of a mutually acceptable appraiser, the SUBLESSOR and the SUBLESSEE shall each select a professional independent real-estate appraiser, which shall select a third appraiser who will be employed to make the appraisal of fair market value of the premises and which value shall be utilized to determine the adjusted rent previously described herein.

In the event that the two selected appraisers fail to mutually select the third appraiser within thirty days, then the third appraiser will be appointed by the presiding judge of the Superior Court of the state of California, County of San Diego, acting in his or her official capacity, on proper application by either SUBLESSEE or SUBLESSOR and with notice

PAW
3/25/98

thereupon to the other party. In the event that the Superior Court Judge declines to make the appointment, the parties hereto agree that the third appraiser shall be promptly determine in accordance with the rules of the American Arbitration Association. Said third appraiser shall complete the assignment within sixty days of appointment. Each party shall pay the cost of the mutually selected or court appointed third appraiser. SUBLESSOR and SUBLESSEE agreed to accept and be bound by the valuation determined by the selected or appointed appraiser.

In establishing the fair market value of the premises, the appraiser shall consider the property as a fee simple absolute estate and as vacant and available for lease or sale for the authorized purposes of the sublease at the commencement of the period under review.

The data of value for the appraisal shall be the date of rental adjustment as herein above established. In the event the appraisal is not completed in time to permit the adjustment to be made upon the date specified, SUBLESSEE agrees to continue to pay rent in accordance with the then existing lease rates and the adjustment, when determined, will be retroactive to said the effective date of rental adjustment. Any deficiency shall be paid by SUBLESSEE to SUBLESSOR within thirty days after determination of the new rental rate shall be paid by SUBLESSEE to SUBLESSOR a 30 days after determination of the new rental rate. In no event shall be adjusted rent, as established by periodic appraisals as provided for herein, be less than the rent in existence immediately prior to the adjustment date.

2.4 Right of First Refusal

SUBLESSEE shall maintain the right of first refusal to renegotiate the terms of sublease following the end of the initial for three-year term and both one-year extensions (end of 5th year). SUBLESSEE may exercise its right by delivering written notice of its intent to SUBLESSOR no later than six months prior to the end of the fifth year of tenancy. In any renegotiated sublease, rent shall be adjusted to market value according to section 2.3 of this agreement. In no event will SUBLESSOR pay water utility beyond the fifth year of the sublease.

8.4 Quiet Possession

Provided SUBLESSEE pays the rent and performs all the covenants and agreements herein, SUBLESSEE shall at all times during the term peaceably and quietly have, hold and enjoy the premises. If SUBLESSOR for any reason cannot deliver possession of the premises to SUBLESSEE at the commencement of the term, or if during the lease term SUBLESSEE is temporarily dispossessed through action or claim of a title superior to SUBLESSOR's, then in either of such events this lease

RAM
3/25/98

shall not be voidable nor shall SUBLESSOR be liable to SUBLESSEE for any loss or resulting damage. Nonetheless, there shall be a determination stated in writing by SUBLESSOR of a proportionate reduction of the minimum or flat rate rent for the period or periods during which the SUBLESSEE is prevented from having quiet possession of all or a portion of the premises.

SECTION 3: RENT

3.1 Time and Place of Payment

Rent is due on or before the last day of the calendar month following the previous month that the rent is subject to application. Rent for any period during the term that is less than one (1) full calendar month shall be prorated based upon the actual number of days of said month.

SUBLESSEE shall make rent payments payable to Paladin Aviation, and either mail or deliver the same to Paladin Aviation, 7060 Curran St. (Brown Field), San Diego, CA 92173-1798.

SUBLESSOR may change the time and place of rent payment at any time upon thirty (30) days written notice to SUBLESSEE. Mailed rental payments shall be deemed paid upon the date such payment is postmarked by the postal authorities. If postmarks are illegible, the SUBLESSOR shall deem the payment paid upon actual receipt. SUBLESSEE assumes the risk of loss and responsibility for late payments or charges if payments are made by mail.

Acceptance of a rent payment which is less than the amount then due shall not be a waiver of SUBLESSOR'S rights to the balance of such rent, regardless of SUBLESSOR'S endorsement or notation on any check stating so.

3.2 Rent Amount

The initial rent is \$6,500 (Six Thousand Five Hundred U.S. Dollars) per month. The initial rent of "optional premises," as defined in section 1.1, will be as follows: 1) A Flat rate of \$500 (Five Hundred U.S. Dollars) per month.

Rent shall be adjusted for cost of living increase at the end of each calendar year of the initial term, and at the conclusion of the first one-year extension, if any, in the event of SUBLESSEE validly exercises a second one-year extension of lease term. These cost of living adjustments will apply the cost of living index described in section 3.3 below according to the computation formula described in section 3.4 below.

RM
3/25/98

3.3 Consumer Price Index

The index utilized to make adjustments in rent will be the Consumer Price Index for "All Urban Consumers" in Los Angeles/Long Beach/Anaheim, California. If this index is no longer published, the index for adjustment will be the U.S. Department of Labor's "Comprehensive Official Index" most comparable to the above referenced index. If a rental adjustment is calculated using an index with a different base year than 1982-84, which equaled a base figure of 100 on the CPI, the base figure used will be first converted under a formula supplied by the Bureau of Labor Statistics or its successor. If the Department of Labor indices are no longer published, then SUBLESSOR and SUBLESSEE agree to substitute another index generally recognized as authoritative.

3.4 Rental Adjustment Computation

The rent for each rental period following the adjustment, until the next adjustment, shall be determined prior to the date of the adjustment by multiplying the rent which is effective immediately prior to the date to the adjustment by the adjustment figure determined as follows:

The adjustment figure shall be established by dividing the "current index" by the "base figure," both as hereafter defined:

The "base figure" shall represent the denominator in a fraction that is the adjustment factor. For the first adjustment, this figure will be the three-month average of index figures published in the CPI referenced in section 3.3 including the fourth, fifth and sixth months prior to the effective date of this agreement. For example, if the sublease commenced in April, the CPI figures for the October (sixth month prior), November (fifth month prior) and December (fourth month prior) preceding April would be averaged to establish the base figure (see Example 1).

The "current index" shall represent the numerator in a fraction that that is the adjustment factor. This figure will be the three month average of index figures published in the CPI including the fourth, fifth and sixth months preceding the adjustment date (see Example 1).

The base figure for each successive adjustment shall be the "current index" of the immediately preceding adjustment period (see Example 2).

Example 1:	Current index	<u>121</u>
	Base Figure	110 = 1.10 (Adjustment figure)

RAW
3/25/98

Effective Rent $\times 1.10$ = Adjusted Rent

Example 2: Current index 138
 Base Figure 121 = 1.14 (Adjustment figure)

Effective Rent $\times 1.24$ = Adjusted Rent

The adjustment figure is then multiplied by the monthly rent from the previous adjustment period to achieve the new rent. Using the above examples, if the rent is now \$6,500 per month, after the first adjustment period it will be \$7,150 (\$6,500 $\times$ 1.1). In the second adjustment it will be \$7,410 (\$6,500 $\times$ 1.14).

3.5 Delinquent Rent

If SUBLESSEE fails to pay the rent when due, SUBLESSEE will pay in addition to the unpaid rents a delinquency penalty equaling five percent (5%) of such unpaid rent. If the rent remains unpaid at the end of fifteen (15) days past due, SUBLESSEE will pay an additional ten percent (10%) penalty (amounting to 15% total penalty), which is hereby mutually agreed by the parties to be appropriate to compensate SUBLESSOR for loss resulting from rent delinquency, including lost interest, legal costs and the cost of servicing the delinquent account.

SECTION 4: ASSIGNMENT

4.1 Time is of the Essence; Provisions Binding on Successors

Time is of the essence of all the terms, covenants, and conditions of this sublease, and all of the terms, covenants and conditions of this sublease shall apply to, benefit and bind the successors and assigns of the SUBLESSOR.

4.2 Assignment and Subletting

The terms and conditions of this lease were offered solely to the SUBLESSEE as an inducement to sublease the premises. SUBLESSOR would not necessarily sublease the premises to another tenant on such favorable terms and conditions, it being understood that the SUBLESSOR is specifically relying on the identity of the SUBLESSEE in agreeing to the terms and conditions in this sublease.

Therefore SUBLESSEE shall not voluntarily, involuntarily or by operation of law: 1) Sublet all or any part of the leased premises or allow it to be sublet, occupied or used by any person or entity other than the SUBLESSEE; 2) Assign SUBLESSEE'S interest in the sublease; or 3)

RAW
3/25/98

Mortgage or encumber the lease, or otherwise use the lease as a security device in any manner.

Any action taken, or proposed to be taken by SUBLESSEE pursuant to section 4.2 shall be collectively referred to as an "assignment." Any attempted assignment shall constitute an event of default and shall be voidable at the SUBLESSOR'S option. The acceptance of rent from any person other than the SUBLESSEE shall be deemed neither a waiver by the SUBLESSOR of any provision of this sublease, nor consent to any assignment.

SECTION 5: DEFAULT

5.1 Failure to Perform Covenants

The failure of SUBLESSEE to perform any of the covenants, conditions, or provisions of this sublease to be performed by SUBLESSEE, other than those requiring any payments to SUBLESSOR, where this failure continues for period of thirty (30) days to after written notice from SUBLESSOR to SUBLESSEE. However, if the nature of SUBLESSEE'S failure reasonably requires more than 30 days to cure, SUBLESSEE shall not be deemed to be in default in SUBLESSEE commences to cure within the 30 period thereafter diligently continues this cure to completion.

5.2 Failure to Pay Rent

SUBLESSEE's failure to make any payment required under the sublease when due is a condition of default.

5.3 General Provisions

The following are general provisions of default by SUBLESSEE: a) The vacation or abandonment of the premises by SUBLESSEE; b) the subletting or assignment of the premises under section 4.2; c) the failure to provide insurance on the premises as per section 7.2; d) failure to provide reasonable evidence of compliance with applicable requirements and any other documents or information the SUBLESSOR may reasonably require of the SUBLESSEE under the terms of the sublease.

SECTION 5: REMEDIES

Upon the occurrence of an event of default, SUBLESSOR, in addition to any other rights or remedies available to SUBLESSOR at law or in equity shall have the right to the following remedies.

RAM
3/25/98

5.1 Termination of Agreement

SUBLESSOR may terminate this lease and all rights of SUBLESSEE by giving SUBLESSEE written notice that this lease is terminated, in which case SUBLESSOR may recover from the SUBLESSEE the sum of: a) the worth at the time of award of any unpaid rent that had been earned at the time of termination; b) 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, as SUBLESSEE affirmatively proves could have been reasonably avoided; c) the worth at the time of award of the amount by which the unpaid rents for the balance of the term, after the time of award, exceeds the amount of rental loss, if any, as SUBLESSEE affirmatively proves could be reasonably avoided; c) any other amount necessary to compensate SUBLESSEE for all the detriment proximately caused by SUBLESSEE's failure to perform SUBLESSEE's obligations or that, in the ordinary course of things, would be likely to result; and d) all other amounts in addition to or in lieu of those previously stated as may be permitted time to time by California law.

As used in preceding paragraph of this section, the worth at the time of award is computed by allowing interest at the rate of ten (10) percent per annum.

5.2 Continuation of the Sublease

SUBLESSOR may continue this sublease, and from time to time, without terminating this sublease, either recover all rent and other amounts payable as they become due or relet the premises or any part of the premises on behalf of SUBLESSEE for any term, and any rent, and pursuant to any other provisions SUBLESSOR deems advisable, all with the right, and SUBLESSEE's cost, to make alterations and repairs to the premises.

5.3 Right of Re-entry

Upon the occurrence of an event of default, SUBLESSOR or shall have the right, with or without terminating this sublease, to re-enter the premises and remove all persons and property from the leased premises. SUBLESSOR may cause property so removed from the leased premises to be stored in a public warehouse or elsewhere at the expense and for the account of SUBLESSEE.

5.4 Remedial Actions without Termination of Sublease

None of the following remedial actions, singly or in combination, shall be construed as an election by SUBLESSOR or to terminate this sublease

RAM
3/23/98

unless SUBLESSOR has given SUBLESSEE written notice that this sublease is terminated, or unless the court of competent jurisdiction decrees termination of this sublease: a) any act by SUBLESSOR to maintain or preserve the premises; b) any efforts by SUBLESSOR or to relet the leased premises; c) any re-entry, repossession, or reletting of the premises by SUBLESSOR pursuant to this article. If SUBLESSOR takes any of the previous remedial actions without terminating in this sublease, SUBLESSOR or may nevertheless at any time after taking any remedial action terminate this sublease by written notice to SUBLESSEE.

5.5 Reletting the Premises

If SUBLESSOR relets the premises, SUBLESSOR shall applying the revenue as follows: a) first, to the payment of any indebtedness, other than rent due from SUBLESSEE to SUBLESSOR; b) second, to the payment of any cost of reletting, including without limitation finder's fee's and leasing commissions; c) third, to the payment of the cost of any maintenance and repairs to the premises; and d) fourth, to the payment of rent and other amounts due in unpaid. SUBLESSOR shall hold and apply from the residue, if any, to payment of future amounts payable as they become due. Should revenue from reletting during any month, after application pursuant to the foregoing provisions, be less than the sum of SUBLESSOR's expenditures for the leased premises during that month and the amounts due from tenant during that month, SUBLESSEE shall pay the deficiency to SUBLESSOR immediately upon demand.

5.5 Right to Cure

Upon the occurrence of an event of default, SUBLESSOR in addition to or in lieu of exercising other remedies, may, but without any obligation to do so, cure the breach underlying the event of default for the account and at the expense of the SUBLESSEE; provided that SUBLESSOR by prior notice shall first allow SUBLESSEE a reasonable opportunity to cure, except in cases of emergency, where SUBLESSOR may proceed without prior notice to tenant. SUBLESSEE shall, upon demand, immediately reimburse landlord for all costs including costs of settlement, defense, court costs, an attorney's fees, that landlord may incur in the course of any cure.

5.6 Non-exclusivity of Remedies, No Waiver

Except insofar as this is inconsistent with or contrary to any provisions of the sublease, no right or remedy conferred upon or reserved to either party is intended to be exclusive of any other rights or remedy given now or later or existing at law or in equity or by statute. Except to the extent that either party may have otherwise agreed in writing, no waiver by that

RAM
3/25/98

party of any violation or non-performance by the other party of any obligations, agreements, or covenants shall be deemed to be a waiver of any subsequent violation or non-performance of the same or any other covenants, agreements, or obligations, nor shall any new forbearance by either party to exercise a remedy for any violation or non-performance by the other party be deemed a waiver by that party of rights or remedies with respect to that violation or non-performance.

SECTION 6: SUBORDINATION

6.1 Subordinate to Master Lease.

This lease is expressly subordinate to the master lease SUBLESSOR, Paladin Aviation, formed with the City of San Diego on July 2, 1996 and later amended June 9, 1997, and all other subsequent amendments. The City of San Diego must approve of this sublease according to the terms of the master lease. Any term of this agreement which conflicts or is contrary to the terms of the master lease shall be deemed unenforceable, however all other terms shall remain in force with full legal effect.

6.2 Subordinate to Liens, Mortgages, Security Interests

This sublease, at SUBLESSOR's option, shall be subordinate to the lien of any first deed of trust or first mortgage subsequently placed upon the real property of which the premises are a part, and to any advances made on the security of the premises, and to all renewals, modifications, consolidations, replacements, and extensions. However, that as to the lien of any deed of trust or mortgage, SUBLESSEE's right to quiet possession of the premises shall not be disturbed if SUBLESSEE is not in default, unless this sublease and is otherwise terminated pursuant to its terms.

6.3 Subordinate to Brown Field Quitclaim Deed

SUBLESSEE agrees that this sublease agreement is subordinate to the provisions of the Brown Field Quitclaim Deed to the City of San Diego.

6.4 Sublease Subordinate to City of San Diego-United States Agreements

This sublease shall be subordinate to the terms of any existing or future agreements between the City of San Diego and the United States, and to any other United States legal requirement relative to the development, maintenance or operation of the airport.

RAM
3/25/98

SECTION 7: INDEMNITY AND INSURANCE

7.1 Indemnification, Hold Harmless

SUBLESSEE agrees to defend, indemnify, protect and hold the SUBLESSOR and, its agents, officers, and employees harmless against any and all claims asserted or liability established for damages or injuries to any person or property, and including injury to SUBLESSEE's, employees, invitee, guests or officers, which arise out of or are in any manner directly or indirectly connected with the maintenance, development or operation of the subleased premises, and all expenses of investigating and defending against same; provided, however that SUBLESSEE's duty to indemnify and hold harmless shall not include any claims or liability arising from the established active negligence, sole negligence, or sole willful misconduct of the SUBLESSOR, its agents, officers or employees.

7.2 Insurance

This
Paragraph
is deleted.
The Government
is self-insured

SUBLESSEE shall be insured by insurance carrier acceptable to the SUBLESSOR and the city of San Diego against loss from public liability arising from the use or condition of or operations conducted on the subleased premises. Minimum coverage shall be \$1,000,000 (One Million U.S. Dollars) combined single limit liability and property damage within occurrence claims form. A copy of the policy of insurance shall be filed with Paladin Aviation, Inc. and shall name SUBLESSOR Paladin Aviation, Inc. and the City of San Diego as additional insured, protect SUBLESSOR Paladin Aviation, Inc. and the City of San Diego against any legal costs in defending claims, and will not terminate without sixty days prior written notice to SUBLESSOR. All policies will be in effect before the first day of the sublease.

If SUBLESSEE fails or refuses to take out and maintain the required insurance, SUBLESSOR has the right to obtain insurance. SUBLESSEE shall reimburse SUBLESSOR for premiums paid with interest at the maximum allowable legal rate then in effect in California.

SECTION 8: IMPROVEMENTS, ALTERATIONS & UTILITIES

8.1 Acceptance of Premises

By signing the sublease, SUBLESSEE 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. SUBLESSEE agrees it is relying solely on such

YMB
3/25/98

RAM
3/25/98

independent investigation, tests, inspection and observations in making this sublease. SUBLESSEE further acknowledges that the premises are in the condition called for by the sublease, that SUBLESSOR has performed all work with respect to the premises, and that SUBLESSEE does not hold SUBLESSOR responsible for a defect in premises.

8.1 Entry and Inspection

SUBLESSOR reserves the right to enter said premises at reasonable times for the purpose of ascertaining the condition of premises or inspect operations in or about the building, without any abatement of rent.

8.2 Utilities

Except as hereinafter provided, SUBLESSEE agrees to order, obtain and pay for all of utilities necessary for operation of the premises.

SUBLESSOR shall provide water utilities for a reasonable level of water usage during the first five years this sublease remains in effect, or, until development of improvements commences immediately south of Curran St., which borders the premises, whichever occurs first.

8.3 Maintenance

SUBLESSEE agrees to assume full responsibility and costs for the operation and maintenance of the premises throughout the term. SUBLESSEE will perform all such repairs and replacements necessary to maintain and preserve premises in a decent, safe, healthy and sanitary condition satisfactory to SUBLESSOR and in compliance with all applicable laws.

SUBLESSEE shall provide containers on or immediately adjacent to the sublease to premises to receive trash refuse generated by the SUBLESSEE using the premises at SUBLESSEE sole costs. The container shall be covered and emptied regularly enough to prevent them from overflowing, or creating unhealthful, unsightly or unsanitary conditions.

SUBLESSEE shall take proper corrective action, to the satisfaction of SUBLESSOR, to prevent soil erosion as well as the infestation of noxious weeds and pests and throughout the entire premises.

8.4 Improvements & Alterations

No improvements, structures, or installation shall be constructed on the premises, and the premises may not be altered by SUBLESSEE without prior written approval by SUBLESSOR and the City Manager of San Diego. Such approval may not be unreasonably withheld. SUBLESSEE covenants that improvements and alterations, and their construction,

RAM
3/25/98

shall not frustrate or make commercially impracticable the business operations of the SUBLESSOR.

8.5 Liens

SUBLESSEE shall at all times save SUBLESSOR free and harmless and indemnify SUBLESSOR against all claims for labor or materials in connection with operations, improvements, alterations, or repairs on or to the premises and the costs of the defending against such claims, including reasonable attorneys fees. If improvements, alterations, or repairs are made to the premises by SUBLESSEE or any other party, besides SUBLESSOR, and a lien or notice of lien is filed SUBLESSEE shall take all actions necessary to record a valid release of lien.

8.6 Ownership, Removal, Surrender and Restoration

All alterations and utility installations made by the SUBLESSEE shall be the property of the SUBLESSEE, but considered part of the premises.

~~SUBLESSOR may at any time, during the term of this sublease, require the SUBLESSEE to remove all alterations and utility installations of the SUBLESSEE made during the term of this sublease.~~
Unless as otherwise instructed in the succeeding paragraph, all SUBLESSEE owned alterations and utility installations, shall at the expiration or termination of this sublease, become property of the SUBLESSOR and be surrendered with the premises by the SUBLESSEE.

SUBLESSOR may require that any or all of SUBLESSEE owned alterations or utility installations be removed by the expiration or termination of this sublease. SUBLESSOR must deliver to SUBLESSEE written notice not earlier than ninety (90) and not later than thirty (30) days prior to the end of the term of this sublease indicating such intent to effect such removal.

SUBLESSEE shall surrender the premises by the expiration date or any earlier termination date, with all of the improvements, parts, surfaces thereof broom clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice.

SUBLESSEE shall repair any damage occasioned by the installation, maintenance, or removal of trade fixtures, SUBLESSEE owned alterations and/or utility installations, furnishings, equipment, and the removal, replacement or remediation of any soil, material or groundwater contaminated by SUBLESSEE. Trade fixtures shall be deemed the property of the SUBLESSOR at sublease expiration or termination, unless previously removed by the SUBLESSEE. Failure by the

RAW
3-25-98
ZMP
3/25/98

RAW
3/25/98

SUBLESSEE to timely vacate the premises pursuant to this paragraph without the express written consent of the SUBLESSOR shall constitute a holdover under provisions of section 2.3 above.

8.7 Signs

SUBLESSEE shall comply with the approved signage program for Brown Field. SUBLESSEE agrees not to erect or display any banners, pennants, flags (except the American or California flag), posters, science, decorations, marquees, awning, or similar devices or advertising without the prior written consent of SUBLESSOR and the City of San Diego.

SECTION 9: Destruction and Damage

9.2 Waste, Destruction or Damage.

SUBLESSEE agrees not to commit or suffer to be committed in any waste or injury or any public or private nuisance, to keep the premises clean and clear of refuse or obstructions, and to dispose of all garbage, trash and rubbish any manner satisfactory to SUBLESSOR.

If the premises are damaged to an extent that cannot be lawfully repaired within one hundred and eighty (180) days after the date of damage, this sublease may be terminated by written notice of either party. If the premises can be repaired within the one hundred 180 day (180) period, or if this lease is not terminated in accordance with this provision, SUBLESSEE shall proceed with repairs as necessary to restore the premises to the condition which existed prior to said damage using the insurance proceeds set forth in section 7.2 of this agreement. SUBLESSEE shall have a reduction in rent proportionate to the extent damages and repairs interfere with the business of the SUBLESSEE.

9.3 Condemnation

If all or a portion of the premises are condemned or transferred in lieu of condemnation, SUBLESSOR and SUBLESSEE may, upon written notice given within sixty (60) days after the taking or transfer, terminate this sublease. SUBLESSEE shall not be entitled to share in any portion of the award. SUBLESSEE shall have the right to recover, from the condemning authority only, but not from the SUBLESSOR, any amounts necessary to reimburse SUBLESSEE for the cost of stock and fixtures.

SECTION 10: AIRPORT PROVISIONS

10.1 SUBLESSEE Use to Conform with Law and Other Rules

SUBLESSEE is granted the nonexclusive use of all public airport facilities including, but not limited to, taxiways, runways, aprons,

RAM
3/25/98

navigational aids and other facilities related to the normal function of any aircraft under SUBLESSEE's control. SUBLESSEE agrees that such use shall be in accord with existing or future laws of the United States of America, State of California and City of San Diego in regard to their aviation and air navigation authority.

10.2 SUBLESSEE Use and Construction to Conform to Federal Aviation Regulations

SUBLESSEE agrees to conform to all Federal Aviation Regulations in any operation or construction on the premises. SUBLESSEE 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.

10.3 SUBLESSEE's Non-interference with Aircraft

SUBLESSEE agrees not to use the premises in any manner or act in any manner that might interfere with any aircraft landing or taking off from Brown Field or otherwise create a hazard.

10.4 Height Limitation

SUBLESSEE agrees not to erect or permit any structure or tree on the premises to reach an elevation of more than fifty (50) feet above ground level.

10.5 War or National Emergency

In the event of war or national emergency, this sublease and all of its provision shall be subject to any United States Government right, existing now or in the future, affecting the control, operation, regulation, take over, or the exclusive or nonexclusive use of Brown Field Airport.

10.6 Airport Development

The City of San Diego has reserved, in the master lease with SUBLESSOR, the right to develop, change or improve the airport and its routes and landing areas as the City of San Diego sees fit, without interference or hindrance.

10.7 Non-exclusive Right

SUBLESSEE understands that nothing in this sublease shall be construed to grant 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).

RAM
3/25/98

10.8 Landing Area Maintenance

The City of San Diego has reserved, in the master lease with SUBLESSOR, the right, but not the obligation to maintain and repair the airport landing area and all other public facilities. The City of San Diego also has the right to direct and control all SUBLESSEE's activities affecting the maintenance and repair of these facilities.

10.9 Aircraft Parking

SUBLESSEE shall require that all aircraft parked under its control be parked on the leased premises, except as otherwise permitted by the City Manager of San Diego. At no time shall any aircraft, vehicle or other object, including refuse, under SUBLESSEE's control, be allowed to obstruct any designated taxways.

10.10 Noise Abatement

SUBLESSEE shall comply with all airport noise abatement rules and regulations as may be applicable to SUBLESSEE's use of Brown Field.

SECTION 11: GENERAL PROVISIONS

11.1 Notices

Except as otherwise expressly provided by law, all notices or other communications required or permitted by the sublease or by a law to be served on or given to either party to this sublease by the other party shall be in writing and shall be deemed given when personally delivered to the party to whom they are directed, or in lieu of the personal service, upon deposit in United States mail, postage prepaid, addressed to SUBLESSOR at the following address:

Paladin Aviation, Inc.
7060 Curran St.
San Diego, CA 92173

Or to SUBLESSEE at

United States Border Patrol
INS-ACLENG
24,000 Avila Road
Laguna Niguel, CA 92677

Either party, SUBLESSOR or SUBLESSEE, may change the address of the purpose of this section by giving written notice of the change to the

RAM
3/25/98

other party either by personal delivery or by United States mail, certified or registered, return receipt requested, postage prepaid.

11.2 No Recording

Neither party shall, without the express written consent of the other, execute, acknowledge, or record a memorandum of this sublease.

11.3 Waivers

No waiver by a SUBLESSOR nor any provisions in this sublease shall be deemed a waiver of any other provision of this sublease, or a subsequent breach of this sublease by SUBLESSEE, or of any other provision. SUBLESSOR's consent or approval of any act by SUBLESSEE shall not waive the necessity for SUBLESSOR's consent to or approval of any subsequent act by SUBLESSEE. SUBLESSOR's acceptance of rent shall not be a waiver of any preceding breach of SUBLESSEE, other than SUBLESSEE's failure to pay rent that SUBLESSOR accepted, regardless of the SUBLESSOR's knowledge of the preceding breach at the time of acceptance of the rent.

11.4 Attorney Fees

If either party brings an action to enforce this lease, the prevailing party shall be entitled to the reasonable attorney fees as determined by the court. "Prevailing party" shall include without limitation: a) a party who dismisses an action for sums allegedly due; b) a party who receives performance from the other party for an alleged breach of covenant or who receives a desired remedy that is substantially equal to the relief sought in the action; or c) a party determined to be the prevailing party by a court of law.

11.5 Compliance with Laws

SUBLESSEE shall at all times in the construction, maintenance, occupancy and operation of the premises comply with all laws, statutes, ordinances and regulations of the City of San Diego, County of San Diego, State and Federal Governments, at SUBLESSEE's sole cost and expense.

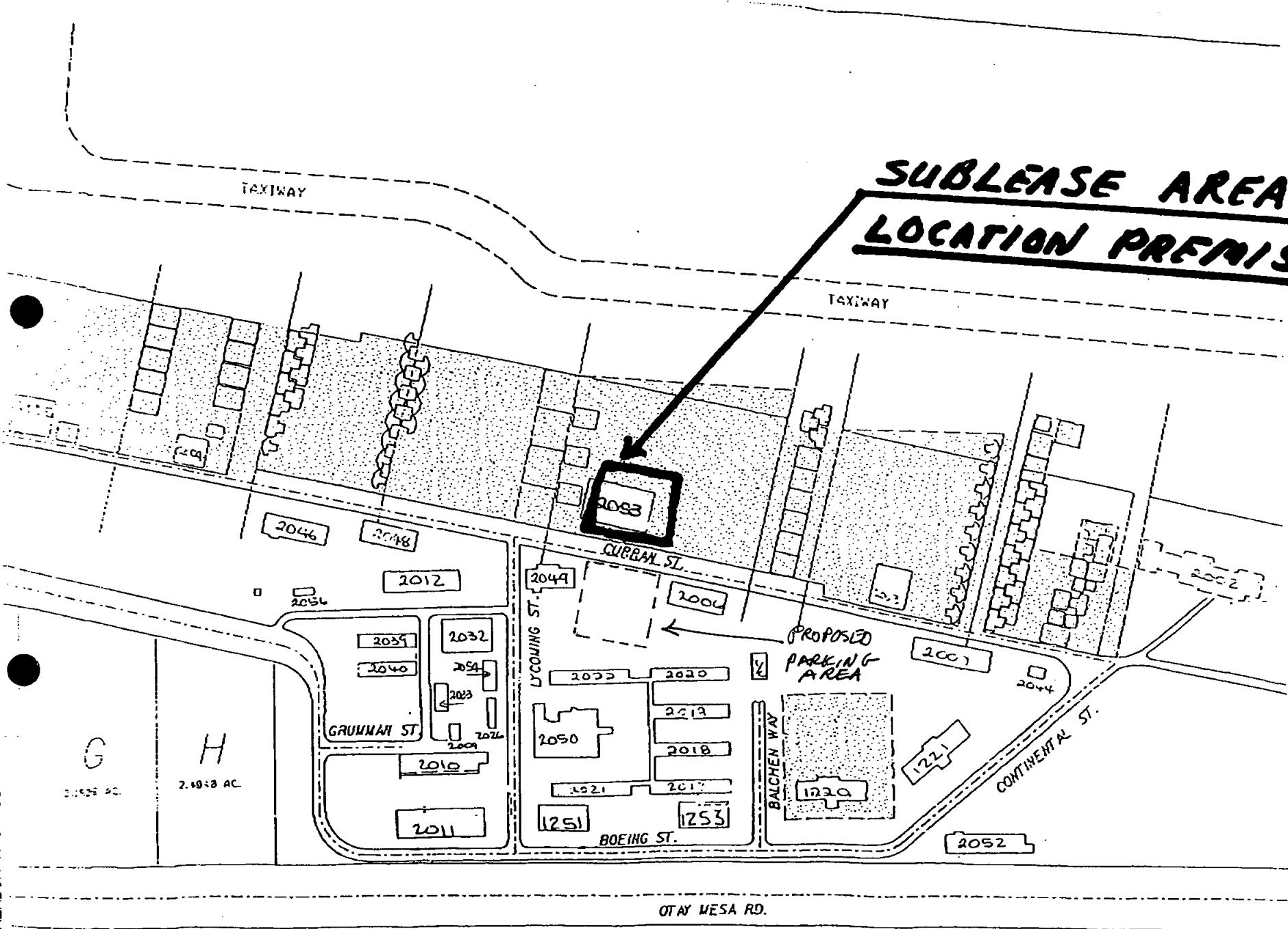
11.6 Covenants and Conditions

Each term performable by SUBLESSEE under this sublease shall be deemed both a covenant and a condition.

11.7 Titles

All titles or headings to paragraphs shall have no effect on interpretation of provisions.

RAM
3/25/98



SUBLEASE AREA
LOCATION PREMISES

EXHIBIT A

This page is attached to and
make a part of Lease WRD 98-1

11.8 Gender and Number

Words of any gender used in this lease shall include the other gender, and words in the singular number shall include the plural, when the tense requires.

11.9 Binding Effect

Subject to the provisions of section 4 of this agreement, this sublease shall be binding on and inure to the benefit of the parties and the successors of the SUBLESSOR.

11.10 Severability

If a court of competent jurisdiction finds any term, covenant, condition, or provision of this sublease invalid, void or unenforceable, the remaining provisions will remain in full force and effect.

11.11 Entire Agreement

This lease together with each attached exhibits, shall constitute the entire agreement of the parties, and may be modified only by a writing signed by the parties.

11.12 Governing Law

This sublease shall be governed by and construed in accordance with California Law, and where applicable, federal laws of the United States.

SECTION 12: SPECIAL PROVISIONS

12.1 Taxes

The SUBLESSOR shall pay the real property taxes associated with the premises.

12.2 Estoppel Certificate

At any time within ten (10) days request by SUBLESSOR, SUBLESSEE shall execute, acknowledge and deliver to SUBLESSOR, without charge, a written statement certifying that this lease is unmodified and in full force, or if there have been modifications, that it is in full force as modified. The statement shall also contain the commencement date of this sublease, the dates to which the rent and any other charges have been paid and any other information the SUBLESSOR reasonably requests.

FAW
3/25/98

SUBLESSEE acknowledges that any statement is intended to be delivered by SUBLESSOR to and relied upon prospective assignees of SUBLESSOR, mortgagees and deed of trust beneficiaries.

12.3 Asbestos Disclosure (Buildings built prior to 1979)

SUBLESSOR discloses to SUBLESSEE that portions of the structural component of the premises may contain asbestos. SUBLESSEE acknowledges having received notice from SUBLESSOR of the presence of such asbestos in accordance with California Health and Safety Code section 25915. SUBLESSEE shall disclose the existence of asbestos on the premises, as required by California Health and Safety Code section 25915. SUBLESSEE agrees to indemnify and hold SUBLESSOR and the City of San Diego harmless from any loss or claim, which may result from the existence of asbestos on the premises.

12.4 Security Measures

SUBLESSEE acknowledges the SUBLESSOR shall have no obligation to provide any guard service or other security measures to the premises. SUBLESSEE assumes all responsibility for the protection of SUBLESSEE, SUBLESSEE's agents, invitees and guests from acts of third parties.

12.5 Easements

SUBLESSOR reserves the right to grant easements, rights and dedications that the SUBLESSOR deems necessary or desirable, and to record parcel maps and restrictions, so long as these easements, rights, dedications, maps and restrictions do not unreasonably interfere with the SUBLESSEE's use of the premises. SUBLESSEE agrees to sign any of these documents immediately upon request by SUBLESSOR.

Pursuant to SUBLESSOR's master lease with the City of San Diego, the City of San Diego has reserved easements in the real property pertinent to the premises of this sublease. Specifically, the City of San Diego: a) has reserved all rights, title and interest in any and all subsurface natural gas, oil, minerals and water within the premises: b) has reserved the right to grant easements or to establish and use rights-of-way over, under, along and across the premises for utilities, thoroughfares, or access as it deems advisable for the public good: and c) has the right to enter the premises for the purpose of making repairs to or developing municipal resources and services.

Furthermore, the City of San Diego has also reserved in the master lease a right of flight for the passage of aircraft in the airspace above the premises, for the benefit and use of the public. This right includes the

PAW
3/25/98

right to make noise inherent in the operation of existing or future aircraft that operate in any way on or near Brown Field.

12.6 Corporate Authority

Each individual executing this sublease warrants and represents that he or she is duly authorized to execute and deliver this sublease on behalf of the corporation in accordance with the by-laws of the corporation, and that this sublease is binding on the corporation in accordance with its terms. Each person executing this lease on behalf of a corporation covenants and warrants that the party for whom the person is executing this sublease is a duly authorized and existing corporation, that is qualified to do business in California, and the corporation has full right and authority to enter into this lease.

RAM
3/25/98

SECTION 13: SIGNATURE

13.1 Signature Page

IN WITNESS WHEREOF, this sublease agreement is executed by
SUBLESSEE, The United States Border Patrol, acting through its
authorized agents and by SUBLESSOR, Paladin Aviation, Inc., acting
through its authorized officers.

Date: 3/25/98

PALADIN AVIATION, INC.

By: [Signature] DRI.

By: [Signature] DRI.

Date: 3/25/98

IMMIGRATION & NATURALIZATION SERVICE

By: [Signature]

By: Contracting Officer

(OFFICIAL STAMP)

EXHIBIT "B"**SUBLEASE PREMISES**

Location: Paladin Aviation, Inc. Lease Area, San Diego Brown Field (SDM), County of San Diego, State of California

1. Office Building
First floor office area; 2,068 square feet
(includes bathroom)
Second floor office area; 2,000 square feet
(includes bathroom)
2. Aviation Hangar
90 feet by 80 feet; 7,200 square feet
(clear door appx. 57 feet (w) by 18 feet (h), lights, overhead hoist)
3. Covered Outside Area
2,296 square feet
(Concrete, drain, overhead hoist, lights)
4. Ramp Area (exclusive use)
15,697 square feet
(Concrete, security fence, automatic gate, 60 foot wide taxiway access to runway)

OPTIONAL PREMISES

1. Aviation Hangar
40 feet by 40 feet; 1,600 square feet
(clear door apppx. 38 feet (w) by 12 feet (h), lights, overhead rail)
2. Secured Outside Storage Area
1,920 square feet
(concrete, solid fence and lockable gate)
3. Storage Shed
12 feet by fifteen feet; 180 square feet
(includes walk-in door and end opening door)

RAW
3/25/98
This page is attached to
and made a part of
Lease No. WRO 98

GENERAL CLAUSES (Simplified Leases)
(Acquisition of Leasehold Interests in Real Property for Leases Up to \$100,000 Annual Rent)

1. The Government reserves the right, at any time after the lease is signed and during the term of the lease, to inspect the leased premises and all other areas of the building to which access is necessary to ensure a safe and healthy work environment for the Government tenants and the Lessor's performance under this lease.
2. If the building is partially or totally destroyed or damaged by fire or other casualty so that the leased space is untenable as determined by the Government, the Government may terminate the lease upon 15 calendar days written notice to the Lessor and no further rental will be due.
3. The Lessor shall maintain the demised premises, including the building, building systems, and all equipment, fixtures, and appurtenances furnished by the Lessor under this lease, in good repair and tenable condition. Upon request of the Contracting Officer, the Lessor shall provide written documentation that building systems have been maintained, tested, and are operational.
4. In the event the Lessor fails to perform any service, to provide any item, or meet any requirement of this lease, the Government may perform the service, provide the item, or meet the requirement, either directly or through a contract. The Government may deduct any costs incurred for the service or item, including administrative costs, from the rental payments.

5. **52.252-2 CLAUSES INCORPORATED BY REFERENCE (VARIATION) (JUN 1988)**

This contract incorporates one or more clauses by reference, with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available or the full text may be found on the Internet at <http://www.gsa.gov/pbs/pa/standcda/standcda.htm>.

6. The following clauses are incorporated by reference:

GSAR 552-203-5	COVENANT AGAINST CONTINGENT FEES (FEB 1990)
FAR 52-203-0	REQUIREMENT FOR CERTIFICATE OF PROCUREMENT INTEGRITY - MODIFICATION (NOV 1990) (Applicable to leases over \$100,000.)
GSAR 552-203-73	PRICE ADJUSTMENT FOR ILLEGAL OR IMPROPER ACTIVITY (SEP 1990) (Applicable to leases over \$100,000.)
FAR 52.209-6	PROTECTING THE GOVERNMENT'S INTEREST WHEN SUBCONTRACTING WITH CONTRACTORS DEBARRED, SUSPENDED, OR PROPOSED FOR DEBARMENT (AUG 1995) (Applicable to leases over \$25,000.)
FAR 52.219-9	SMALL, SMALL DISADVANTAGED AND WOMEN-OWNED SMALL BUSINESS SUBCONTRACTING PLAN (OCT 1995) (Applicable to leases over \$500,000.)
FAR 52.219-16	LIQUIDATED DAMAGES - SMALL BUSINESS SUBCONTRACTING PLAN (OCT 1995) (Applicable to leases over \$500,000.)
FAR 52.222-24	PRAEWARD EQUAL OPPORTUNITY COMPLIANCE REVIEW (APR 1984) (Applicable to leases over \$1 million.)
FAR 52.222-26	EQUAL OPPORTUNITY (APR 1984) (Applicable to leases over \$10,000.)
FAR 52.222-36	AFFIRMATIVE ACTION FOR SPECIAL DISABLED AND VIETNAM ERA VETERANS (APR 1984) (Applicable to leases over \$10,000.)

INITIALS:

LESSOR

GOVERNMENT

FAR 52.222-36 AFFIRMATIVE ACTION FOR HANDICAPPED WORKERS (APR 1984)
(Applicable to leases over \$2,500.)

FAR 52.222-37 EMPLOYMENT REPORTS ON SPECIAL DISABLED VETERANS AND
VETERANS OF THE VIETNAM ERA (JAN 1988) (Applicable to leases over
\$10,000.)

FAR 52.232-23 ASSIGNMENT OF CLAIMS (JAN 1986)

GSAR 552.232-71 PROMPT PAYMENT (APR 1989)

FAR 52.233-1 DISPUTES (OCT 1995)

THE FOLLOWING APPLY WHEN COST OR PRICING DATA IS SUBMITTED:

FAR 52.215-22 PRICE REDUCTION FOR DEFECTIVE COST OR PRICING DATA
(JAN 1991) (Applicable when cost or pricing data is required for work or
services exceeding \$500,000.)

FAR 52.215-24 SUBCONTRACTOR COST OR PRICING DATA (OCT 1995) (Applicable
when the clause 52.215-22 is applicable.)

The information collection requirements contained in this solicitation/contract, that are not required by regulation, have been approved by the Office of Management and Budget pursuant to the Paperwork Reduction Act and assigned the OMB Control No. 3080-0163.

INITIALS:

LESSOR

&

GOVERNMENT

GSA FORM 3517A PAGE 2 (REV 10/93)

REPRESENTATIONS AND CERTIFICATIONS
(Acquisition of Leasehold Interests in Real Property)

Solicitation Number

WFO 98-11

Dated

March 25, 1998

Complete appropriate boxes, sign the form, and attach to offer.

The Offeror makes the following Representations and Certifications. NOTE: The "Offeror," as used on this form, is the owner of the property offered, not an individual or agent representing the owner.

1. 52.210-1 - SMALL BUSINESS PROGRAM REPRESENTATIONS (OCT 1995) (VARIATION)

- (a) (1) The standard industrial classification (SIC) code for this acquisition is 6515.
- (2) The small business size standard applicable to this acquisition is average annual gross revenues of \$15 million or less for the preceding three fiscal years.
- (b) *Representations.*
- (1) The Offeror represents and certifies as part of its offer that it ☒ is, ☐ is not a small business concern.
- (2) (Complete only if offeror represented itself as a small business concern in block (b)(1) of this section.) The Offeror represents as part of its offer that it ☐ is, ☒ is not a small disadvantaged business concern.
- (3) (Complete only if offeror represented itself as a small business concern in block (b)(1) of this section.) The Offeror represents as part of its offer that it ☒ is, ☐ is not a women-owned small business concern.
- (c) *Definitions. Small business concern, as used in this provision, means a concern, including its affiliates, that is independently owned and operated, not dominant in the field of operation in which it is bidding on Government contracts, and qualified as a small business under the criteria in 13 CFR Part 121 and the size standard in paragraph (a) of this provision.*

Small disadvantaged business concern, as used in this provision, means a small business concern that (1) is at least 51 percent unconditionally owned by one or more individuals who are both socially and economically disadvantaged, or a publicly owned business having at least 51 percent of its stock unconditionally owned by an economically disadvantaged individual, and (2) has its management and daily business controlled by one or more such individuals. This term also means a small business concern that is at least 51 percent unconditionally owned by an economically disadvantaged Indian tribe or Native Hawaiian Organization, or a publicly owned business having at least 51 percent of its stock unconditionally owned by one or more of these entities, which has its management and daily business controlled by members of an economically disadvantaged Indian tribe or Native Hawaiian Organization, and which meets the requirements of 13 CFR Part 124.

Women-owned small business concern, as used in this provision, means a small business concern--

- (1) Which is at least 51 percent owned by one or more women or, in the case of any publicly owned business, at least 51 percent of the stock of which is owned by one or more women; and
- (2) Whose management and daily business operations are controlled by one or more women.

(d) *Notice.*

- (1) If this solicitation is for supplies and has been set aside, in whole or in part, for small business concerns, then the clause in this solicitation providing notice of the set-aside contains restrictions on the source of the end items to be furnished.
- (2) Under 18 U.S.C. 645(d), any person who misrepresents a firm's status as a small or small disadvantaged business concern in order to obtain a contract to be awarded under the preference programs established pursuant to sections 8(a), 8(d), 9, or 16 of the Small Business Act or any other provision of Federal law that specifically references section 8(d) for a definition of program eligibility, shall--
- (i) Be punished by imposition of fine, imprisonment, or both;
- (ii) Be subject to administrative remedies, including suspension and debarment; and
- (iii) Be ineligible for participation in programs conducted under the authority of the Act.

2. 52.204-5 - WOMEN-OWNED BUSINESS (OCT 1995)

- (a) *Representation.* The Offeror represents that it ☒ is, ☐ is not a women-owned business concern.
- (b) *Definition.* "Women-owned business concern," as used in this provision, means a concern which is at least 51 percent owned by one or more, or in the case of any publicly owned business, at least 51 percent of the stock of which is owned by one or more women, and whose management and daily business operations are controlled by one or more women.

INITIALS:

[Signature]
LESSOR

[Signature]
GOVERNMENT

3/25/98

3. 52.222-22 - PREVIOUS CONTRACTS AND COMPLIANCE REPORTS (APR 1984)

The Offeror represents that --

- (a) It ☒ has, ☐ has not participated in a previous contract or subcontract subject either to the Equal Opportunity clause in this solicitation, the clause originally contained in Section 310 of Executive Order No. 10825, or the clause contained in Section 201 of Executive Order No. 11114;
- (b) It ☒ has, ☐ has not filed all required compliance reports; and
- (c) Representations indicating submission of required compliance reports, signed by proposed subcontractors, will be obtained before subcontract awards. (Approved by OMB under Control Number 1215-0072.)

4. 52.222-25 - AFFIRMATIVE ACTION COMPLIANCE (APR 1984)

The Offeror represents that --

- (a) It ☐ has developed and has on file, ☒ has not developed and does not have on file, at each establishment affirmative action programs required by the rules and regulations of the Secretary of Labor (41 CFR 60-1 and 60-2), or
- (b) It ☒ has not previously had contracts subject to the written affirmative action programs requirement of the rules and regulations of the Secretary of Labor. (Approved by OMB under Control Number 1215-0072.)

5. 52.222-21 - CERTIFICATION OF NONSEGREGATED FACILITIES (APR 1984)

- (a) "Segregated facilities," as used in this provision, means any waiting rooms, work areas, rest rooms and wash rooms, restaurants and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees, that are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin because of habit, local custom, or otherwise.
- (b) By the submission of this offer, the Offeror certifies that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained. The Offeror agrees that a breach of this certification is a violation of the Equal Opportunity clause in the contract.
- (c) The Offeror further agrees that (except where it has obtained identical certifications from proposed subcontractors for specific time periods) it will--
 - (1) Obtain identical certifications from proposed subcontractors before the award of subcontracts under which subcontractor will be subject to the Equal Opportunity clause;
 - (2) Retain the certifications in the files; and
 - (3) Forward the following notice to the proposed subcontractors (except if the proposed subcontractors have submitted identical certifications for specific time periods).

NOTICE TO PROSPECTIVE SUBCONTRACTORS OF REQUIREMENT FOR CERTIFICATIONS OF NONSEGREGATED FACILITIES.

Certification of Nonsegregated Facilities must be submitted before the award of a subcontract under which the subcontractor will be subject to the Equal Opportunity clause. The certification may be submitted either for each subcontract or for all subcontracts during a period (i.e., quarterly, semiannually, or annually).

NOTE: The penalty for making false statements in offers is prescribed in 18 U.S.C. 1001. (Approved by OMB under Control Number 1215-0072.)

6. 552.203-4 - CONTINGENT FEE REPRESENTATION AND AGREEMENT (MAY 1985)

(Applies to leases which exceed \$100,000 average net annual rental, including option periods.)

- (a) Representation. The Offeror represents that, except for full-time bona fide employees working solely for the Offeror or bona fide established real estate agents or brokers maintained by the Offeror for the purpose of securing business, the Offeror --

[Note: The Offeror must check the appropriate boxes. For interpretation of the term "bona fide employee or agency," see paragraph (b) of the Covenant Against Contingent Fee clause.]

- (1) ☐ Has, ☒ has not, employed or retained any company or persons to solicit or obtain this lease; and
- (2) ☐ Has, ☒ has not, paid or agreed to pay to any person or company employed or retained to solicit or obtain this contract any commission, percentage, brokerage, or other fee contingent upon or resulting from the award of this contract.

INITIALS:

LESSOR

&

GOVERNMENT

- (b) Agreement. The Offeror agrees to provide information relating to the above Representation as requested by the Contracting Officer and, when subparagraph (a)(1) or (a)(2) is answered affirmatively, to promptly submit to the Contracting Officer -

- (1) A completed Standard Form 119, Statement of Contingent or Other Fees, (SF 119); or
- (2) A signed statement indicating that the SF 119 was previously submitted to the same contracting office, including the date and applicable solicitation or contract number, and representing that the prior SF 119 applies to this offer or quotation.

7. 52.203-02 - CERTIFICATE OF INDEPENDENT PRICE DETERMINATION (APR 1985)

(Applies to leases which exceed \$100,000 average net annual rental, including option periods.)

- (a) The Offeror certifies that--

- (1) The prices in this offer have been arrived at independently, without, for the purpose of restricting competition, any consultation, communication, or agreement with any other Offeror or competitor relating to (i) those prices, (ii) the intention to submit an offer, or (iii) the methods or factors used to calculate the prices offered;
- (2) The prices in this offer have not been and will not be knowingly disclosed by the Offeror, directly or indirectly, to any other Offeror or competitor before bid opening (in the case of a sealed bid solicitation) or contract award (in the case of a negotiated solicitation) unless otherwise required by law; and
- (3) No attempt has been made or will be made by the Offeror to induce any other concern to submit or not to submit an offer for the purpose of restricting competition.

- (b) Each signature on the offer is considered to be a certification by the signatory that the signatory--

- (1) Is the person in the Offeror's organization responsible for determining the prices being offered in this bid or proposal, and that the signatory has not participated and will not participate in any action contrary to subparagraphs (a)(1) through (a)(3) above; or
- (2) (i) Has been authorized, in writing, to act as agent for the following principals in certifying that those principals have not participated, and will not participate in any action contrary to subparagraphs (a)(1) through (a)(3) above: DAVID MICHAEL BIEBER, PRESIDENT [insert full name of person(s) in the Offeror's organization responsible for determining the prices offered in this bid or proposal, and the title of his or her position in the Offeror's organization];
(ii) As an authorized agent, does certify that the principals named in subdivision (b)(2)(i) above have not participated, and will not participate, in any action contrary to subparagraphs (a)(1) through (a)(3) above; and
(iii) As an agent, has not personally participated, and will not participate, in action contrary to subparagraphs (a)(1) through (a)(3) above.

- (c) If the Offeror deletes or modifies subparagraph (a)(2) above, the Offeror must furnish with its offer a signed statement setting forth in detail the circumstances of the disclosure.

8. 52.203-11 - CERTIFICATION AND DISCLOSURE REGARDING PAYMENTS TO INFLUENCE CERTAIN FEDERAL TRANSACTIONS (APR 1981) (DEVIATION)

(Applies to leases which exceed \$100,000.)

- (a) The definitions and prohibitions contained in the clause, at FAR 52.203-12, Limitation on Payments to Influence Certain Federal Transactions, are hereby incorporated by reference in paragraph (b) of this certification.

- (b) The offeror, by signing its offer, hereby certifies to the best of his or her knowledge and belief that on or after December 23, 1983,--

- (1) No Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress on his or her behalf in connection with the awarding of a contract resulting from this solicitation.
- (2) If any funds other than Federal appropriated funds (including profit or fee received under a covered Federal transaction) have been paid, or will be paid, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress on his or her behalf in connection with this solicitation, the offeror shall complete and submit, with its offer, OMB standard form LLL, Disclosure of Lobbying Activities, to the Contracting Officer, and
- (3) He or she will include the language of this certification in all subcontract awards of any tier and require that all recipients of subcontract awards in excess of \$100,000 shall certify and disclose accordingly.

- (c) Submission of this certification and disclosure is a prerequisite for making or entering into this contract imposed by section 1352, title 31, United States Code. Any person who makes an expenditure prohibited under this provision or who fails to file or amend the disclosure form to be filed or amended by this provision, shall be subject to a civil penalty of not less than \$10,000, and not more than \$100,000, for each such failure.

9. 52.209-5 - CERTIFICATION REGARDING DEBARMENT, SUSPENSION, PROPOSED DEBARMENT, AND OTHER RESPONSIBILITY MATTERS (MAR 1986)

(Applies to leases which exceed \$100,000 average net annual rental, including option periods.)

- (a) (1) The Offeror certifies, to the best of its knowledge and belief, that--

INITIALS: LCMB & RAM 3/25/98
LESSOR GOVERNMENT

- (1) The Offeror and/or any of its Principals--
- (A) Are ☐ are not ☒ presently debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any Federal agency;
 - (B) Have ☐ have not ☒, within a three-year period preceding this offer, been convicted of or had civil judgment rendered against them for: commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State, or local) contract, subcontract, violation of Federal or State antitrust statutes relating to the submission of offers; or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, tax evasion, or receiving stolen property; and
 - (C) Are ☐ are not ☒ presently indicted for, or otherwise criminally or civilly charged by a governmental entity with, commission of any of the offenses enumerated in subdivision (a)(1)(i)(B) of this provision.
- (ii) The Offeror has ☐ has not ☒, within a three-year period preceding this offer, had one or more contracts terminated for default by any Federal agency.
- (2) "Principals," for the purposes of this certification, means officers; directors; owners; partners; and, persons having primary management or supervisory responsibilities within a business entity (e.g., general manager, plant manager, head of a subsidiary, division, or business segment, and similar positions).

THIS CERTIFICATION CONCERNS A MATTER WITHIN THE JURISDICTION OF AN AGENCY OF THE UNITED STATES AND THE MAKING OF A FALSE, FICTITIOUS, OR FRAUDULENT CERTIFICATION MAY RENDER THE MAKER SUBJECT TO PROSECUTION UNDER SECTION 1001, TITLE 18, UNITED STATES CODE.

- (b) The Offeror shall provide immediate written notice to the Contracting Officer if, at any time prior to contract award, the Offeror learns that its certification was erroneous when submitted or has become erroneous by reason of changed circumstances.
- (c) A certification that any of the items in paragraph (a) of this provision exists will not necessarily result in withholding of an award under this solicitation. However, the certification will be considered in connection with a determination of the Offeror's responsibility. Failure of the Offeror to furnish a certification or provide such additional information as requested by the Contracting Officer may render the Offeror nonresponsible.
- (d) Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render, in good faith, the certification required by paragraph (a) of this provision. The knowledge and information of an Offeror is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.
- (e) The certification in paragraph (a) of this provision is a material representation of fact upon which reliance was placed when making award. If it is later determined that the Offeror knowingly rendered an erroneous certification, in addition to other remedies available to the Government, the Contracting Officer may terminate the contract resulting from this solicitation for default.

10. ASBESTOS REPRESENTATION (APR 1996)

The Offeror represents and certifies as part of its offer that the space offered for lease, common building areas, ventilation systems and zones serving the space offered, and the area above suspended ceilings and engineering space in the same ventilation zones as the space offered --

- (a) ☐ Does, ☒ does not include asbestos-containing materials (ACM). ACM as used in this provision is defined as any materials with a concentration of greater than 1 percent by dry weight of asbestos.
- (b) If any of the above areas include ACM, please indicate whether the materials are
 - (1) friable ☐ Yes ☐ No
 - (2) non-friable, in good condition, and located in a place where they are not likely to be disturbed during the term of any ensuing lease contract ☐ Yes ☐ No
 - (3) in a solid matrix, already in place, and in good condition ☐ Yes ☐ No

11. CERTIFICATION FOR PAST OR PRESENT HAZARDOUS WASTE OPERATIONS (NOV 1987)

To the best of his or her knowledge, the Offeror represents and certifies, as part of the offer that the site upon which space is offered for lease to the Government --

- (a) ☐ Was, ☐ was not a site used for any of the operations listed in item b below.
- (b) Was a site used for any or all of the following operations:

- (1) generation of hazardous waste ☐ Yes ☒ No
- (2) treatment, temporary/permanent storage, or disposal of solid or hazardous waste ☐ Yes ☒ No
- (3) storage of hazardous substances or petroleum products ☐ Yes ☒ No
- (4) used/waste oil storage or reclamation units ☐ Yes ☒ No
- (5) laboratory or rifle range ☐ Yes ☒ No
- (6) chemical manufacturing/storage ☐ Yes ☒ No
- (7) military or intelligence weapons or ammunition training or testing ☐ Yes ☒ No

INITIALS:

YOMB & RAM 3/25/98
LESSOR GOVERNMENT

(B) ordnance and/or weapons production, storage, or handling

[] Yes ☒ No

- (c) If any of the above operations ever occurred at the site, the Offeror certifies that appropriate cleanup or other action was, [] was not performed in accordance with the local, state and Federal laws.

12. 52-223-5 - CERTIFICATION REGARDING A DRUG-FREE WORKPLACE (JUL 1990)

(Applies to leases which exceed \$100,000 average net annual rental, including option periods.)

- (a) Definitions. As used in this provision, "Controlled substance" means a controlled substance in schedules I through V of section 202 of the Controlled Substances Act (21 U.S.C. 812) and as further defined in regulation at 21 CFR 1308.11-1308.15.

"Conviction" means a finding of guilt (including a plea of nolo contendere) or imposition of sentence, or both, by any judicial body charged with the responsibility to determine violations of the Federal or State criminal drug statutes.

"Criminal drug statutes" means a Federal or non-Federal criminal statute involving the manufacture, distribution, dispensing, possession or use of any controlled substance.

"Drug-free workplace" means the site(s) for the performance of work done by the Contractor in connection with a specific contract at which employees of the Contractor are prohibited from engaging in the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance.

"Employee" means an employee of a Contractor directly engaged in the performance of work under a Government contract. Directly engaged is defined to include all direct cost employees and any other Contractor employee who has other than a minimal impact or involvement in contract performance.

"Individual" means an Offeror/contractor that has no more than one employee including the Offeror/contractor.

- (b) By submission of its offer, the Offeror, if other than an individual, who is making an offer that equals or exceeds \$25,000, certifies and agrees that, with respect to all employees of the Offeror to be employed under a contract resulting from this solicitation, that, no later than 30 calendar days after contract award (unless a longer period is agreed to in writing), for contracts of 30 calendar days or more performance duration, or as soon as possible, for contracts of less than 30 calendar days performance duration, but in any case, by a date prior to when performance is expected to be completed, it will -
- (1) Publish a statement notifying its employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the contractor's workplace and specifying the actions that will be taken against employees for violations of such prohibition;
 - (2) Establish an ongoing drug-free awareness program to inform such employees about -
 - (i) The dangers of drug abuse in the workplace;
 - (ii) The contractor's policy of maintaining drug-free workplace;
 - (iii) Any available drug counseling, rehabilitation, and employee assistance programs; and
 - (iv) The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace.
 - (3) Provide all employees engaged in performance of the contract with a copy of a statement required by subparagraph (b)(1) of this clause;
 - (4) Notify such employees in writing in the statement required by subparagraph (b)(1) of this provision that, as a condition of continued employment on the contract resulting from this solicitation, the employee will -
 - (i) Abide by the terms of the statement; and
 - (ii) Notify the employer in writing of the employee's conviction under a criminal drug statute for a violation occurring in the workplace no later than 5 calendar days after such conviction;
 - (5) Notify the contracting officer in writing within 10 calendar days after receiving notice under subdivision (b)(4)(ii) of this provision, from an employee or otherwise receiving actual notice of such conviction. The notice shall include the position and title of the employee; and
 - (6) Within 30 calendar days after receiving notice under subdivision (b)(4)(ii) of this provision of a conviction, take one of the following actions with respect to any employee who is convicted of a drug abuse violation occurring in the workplace:
 - (i) Taking appropriate personnel action against such employee, up to and including termination; or
 - (ii) Require such employee to satisfactorily participate in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health law enforcement, or other appropriate agency.
 - (7) Make a good faith effort to maintain a drug-free workplace through implementation of subparagraph (b)(1) through (b)(6) of the clause.
- (c) By submission of its offer, the Offeror, if an individual who is making an offer of any dollar value, certifies and agrees that the Offeror will not engage in the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance in the performance of this contract resulting from this solicitation.
- (d) Failure of the Offeror to provide the certification required by paragraph (b) or (c) of this provision, renders the Offeror unqualified and ineligible for award. (See FAR 9.104-1(g) and 19.802-1(a)(2)(i).)
- (e) In addition to other remedies available to the Government, the certification in paragraphs (b) or (c) of this provision concerns a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious, or fraudulent certification may render the maker subject to prosecution under Title 18, United States Code, Section 1001.

INITIALS:

LESSOR

GOVERNMENT

13. 52.204-3 - TAXPAYER IDENTIFICATION (SEP 1989) (VARIATION)

(a) The Offeror is required to submit taxpayer identification information in order to comply with reporting requirement U.S.C. 6041, 6041A, and 6050M and implementing regulations issued by the Internal Revenue Service (IRS). or refusal by the Offeror to furnish the information may result in a 20 percent reduction of payments otherwise under the contract. Taxpayer information on the payee, if different from the offeror, is also required; however, it may be provided at the time of award.

(b) Offeror's Taxpayer Identification Number (TIN).

[] TIN: 33-0023172 [] TIN has been applied for. [] TIN is not required.

(c) Corporate Status.

☒ Corporation; [] Not a corporate entity; [] Sole proprietorship [] Partnership

(d) Common Parent.

"Common parent," as used in this solicitation provision, means that corporate entity that owns or controls an affiliated group of corporations that files its Federal income tax returns on a consolidated basis, and of which the Offeror is a member.

☒ Offeror is not owned or controlled by a common parent.

[] Name and TIN of common parent: Name _____ TIN _____

(e) Payee's Taxpayer Identification Number.

[] TIN: _____ [] TIN has been applied for. [] TIN is not required.

14. OFFEROR'S DUNS NUMBER (APR 1995)

Enter number, if known: 11358 7740

OFFEROR OR
AUTHORIZED
REPRESENTATIVE

Name and Address (Including ZIP Code)
PRELUDIN AVIATION INC.

7000 Curran St. - Brown Field
San Diego, Ca. 92173-1714
Ph. (619) 661-1125 Fax (619) 661-1067

[Signature]
Signature

Telephone Number

3/25/98
Date

INITIALS:

ZOMB

&

RAM 3/25/98

LESSOR

GOVERNMENT