

MONTGOMERY-GIBBS EXECUTIVE AIRPORT

MONTH-TO-MONTH FLAT RATE HANGAR LEASE

Between

THE CITY OF SAN DIEGO

And

DANIELS AVIATION, INC.

CITY OF SAN DIEGO
MONTGOMERY-GIBBS EXECUTIVE AIRPORT
MONTH-TO-MONTH FLAT RATE HANGAR LEASE

THIS LEASE AGREEMENT ("Lease") is hereby executed between THE CITY OF SAN DIEGO, a California municipal corporation, hereinafter called "CITY," and DANIELS AVIATION, INC., hereinafter called "LESSEE", to be effective January 1, 2019 (the "Effective Date") when signed by the parties and approved by the San Diego City Attorney.

RECITALS

WHEREAS, general aviation has been an important aspect of the Montgomery-Gibbs Executive Airport ("Airport") since its inception; and

WHEREAS, CITY has certain hangars available for use by the owners and operators of general aviation Aircraft at the Airport.

WHEREAS, CITY desires to lease Aircraft hangars and tiedown spaces located on the area commonly known as Lot 8A at Montgomery-Gibbs Executive Airport, located at 8622 Gibbs Drive, San Diego, CA 92123.

NOW THEREFORE, for valuable consideration, the sufficiency of which is acknowledged, LESSEE agrees that LESSEE's use of the hangar is subject to the following terms and conditions, as well as all applicable provisions of the San Diego Municipal Code and state and federal laws, rules and regulations, all of which will be strictly enforced, and agrees to the following:

SECTION A. SUMMARY OF LESSEE INFORMATION AND PRE-EXECUTION WARNING

LESSEE's Name: Daniels Aviation, Inc.

Street Address: 2046 Crest Drive City: El Cajon State: CA Zip Code: 92021

Telephone Number(s): 858-531-6652 Email: tndaniels@yahoo.com

Execution of this Lease, and continued use of the Leased Premises (defined below), is contingent upon the LESSEE's continued ownership of the Aircraft listed below. Additionally, the below-listed Aircraft must be registered in LESSEE's name, or that of a Legal Entity for which LESSEE can provide proof of ownership, and said Aircraft must be home-based at the Airport, in the assigned hangar.

LESSEE's Aircraft: Travel Air 4000 & Mooney 20E

Type: Single Engine Land

Tail Number: N3242 & N63AB

This Lease is only applicable to the above-listed Aircraft. If LESSEE should acquire a new/different Aircraft, CITY must be given written notice of LESSEE's request to have this Lease amended so as to apply to the new/different Aircraft, and such written notice must be given to CITY within thirty (30) calendar days of the acquisition of said new/different Aircraft. Application of this Lease to said new/different Aircraft shall be subject to CITY's consent, which consent shall not be unreasonably withheld, and which, if granted, shall be set forth as a written amendment to this Lease.

SECTION B. DEFINITIONS

For purposes of this Lease, the following terms shall have the meanings set forth next to them, below:

(a) "Aircraft" means any device that is used or intended to be used for flight in the air.

(b) "Airport" means the entire area of the Montgomery-Gibbs Executive Airport owned and operated by the City of San Diego.

(c) "Amateur-built Aircraft" or "Kit-built Aircraft" means an Aircraft "the major portion of which has been fabricated and/or assembled by person(s) who undertook the construction project solely for their own education or recreation."

(d) "CITY Contact" shall mean the CITY's Airports Division or designee. For purposes of this Lease, the CITY Contact, and said CITY Contact's contact information, is:

Property Agent (858) 573-1448

If the above-designated CITY Contact is unavailable, the following person shall be

CITY's alternative CITY Contact:

Supervising Property Agent (858) 573-1426

(e) "Director" means the Deputy Director of the Airports Division of CITY and his/her authorized designee(s).

(f) "Field Area" means that area within the boundaries of the Airport not open to the general public, including, but not limited to, passenger ramp gates, Aircraft parking areas, Aircraft operating areas, storage areas, certain sidewalks and buildings, and any other area designated as being not open to the general public by the Director.

(g) "Landing Area" means any portion of the Airport which is used or intended to be used for the landing and takeoff of Aircraft.

(h) "Leased Hangar" shall mean the specific space used by LESSEE for its Aircraft, as set forth in section 1.1, below.

(i) "Motor Vehicle" means any self–propelled vehicle.

(j) "Operation(s) of Aircraft" includes taxiing, flying and sitting at the controls of an Aircraft while the engine is running or while the Aircraft is moving or being moved.

(k) "Public Area" means any areas of the Airport so designated by the Director with unobstructed access to the public. All Field Areas and Landing Areas, as defined herein, are not Public Areas.

SECTION 1: LEASED PREMISES AND USES

1.1 Premises.

CITY hereby leases to LESSEE and LESSEE leases from CITY the CITY-owned property identified as hangar No.5 (the "Premises" or "Leased Premises"), as further identified by the cross-hatching on **Exhibit A: Leased Premises** attached hereto and by this reference made part of this Lease. The Premises is approximately 810 sq. ft. and is located at 8620 Gibbs Drive, San Diego, CA 92123 within Lot 8A of the Airport.

1.2 Uses.

The Premises is leased to LESSEE **solely for the purposes of storage of active, operational, registered and flyable Aircraft and Amateur-built or Kit-built Aircraft, and/or the non-commercial construction of Amateur-built or Kit-built Aircraft, owned by LESSEE ("Allowed Uses")**, and for no other purpose whatsoever.

The use of the Premises for any unauthorized purpose, as well as not continually being in compliance with the pre-execution warning, shall constitute a substantial default of the Lease and shall subject this Lease to termination at the sole option of the Director.

LESSEE covenants and agrees to use the Premises for the above-specified purpose and to diligently pursue said purpose throughout the Term hereof.

1.2.1 Further Conditions of Use – Violations of any one or more of the following conditions shall be cause for CITY to terminate this Lease:

a. The Premises may not be utilized in any manner which, in the opinion of the Director creates a nuisance.

b. LESSEE may not make any improvements, changes, or alterations to LESSEE's Premises without the written authorization of the Director.

c. The Premises are made available to the LESSEE solely for the purpose of storing of the LESSEE's Aircraft, and not for the operation of any commercial enterprise. The conduct of any commercial activity from the Premises, such as (but not limited to) Aircraft charter, rental, repair, or instructional service is prohibited.

d. LESSEE shall not install any utilities such as gas, electricity, water/sewer, telephone/telegraph, etc. without the prior written approval of the Director and without having first obtained all required permits and any other action/document, from the applicable CITY department(s) or outside agency(ies).

e. Routine Aircraft maintenance performed on the Leased Premises will be limited to "Non-commercial Maintenance" performed by the LESSEE of the Aircraft assigned to the Premises under this Lease as set forth in Federal

Aviation Administration Circular No. 43-12 and FAR Part 43, Appendix A, paragraph (c), City of San Diego Airports Division Operations Policies and Procedures, Article 11, Hangar Use and Occupancy. Any use, storage, or disposal of materials which would be considered hazardous to the environment must be used, stored, or disposed of in accordance with relevant State, County, and local regulations. Hangars are subject to unannounced inspections by County Health Services, the San Diego Fire Department, and/or Airport Operations officials to ensure that these requirements are met.

f. Fueling of <u>any type</u> of Aircraft while located in a hangar is prohibited. Fueling of any Aircraft at the Airport shall <u>only</u> be performed by a party qualified to fuel Aircraft at the Airport.

g. The temporary parking of Motor Vehicles will be permitted only within the confines of the Leased Premises; as used in this sentence, "temporary parking" shall mean the allowance of parking for pick-up/drop-offs and/or during the time LESSEE is tending to or flying his/her Aircraft. In addition and incidental to Aircraft Storage, other "Motor-Vehicles" may be stored in Premises, so long as the primary use of the Premises is for the storage of Aircraft. The Premises shall not be used solely for the purpose of storing Motor Vehicles. Short term parking is authorized while the LESSEE is personally using his/her Aircraft. Parking in Aircraft taxi lanes is prohibited. All operators of motor vehicles shall yield to all Operations of Aircraft.

h. LESSEE shall be solely responsible for properly securing his or her Aircraft in the Premises.

i. The non-commercial construction of Amateur-built or Kit-built Aircraft on the Premises shall show substantial and continual progress during said construction in order for LESSEE to be authorized to continue leasing the Premises. The progress of said construction shall be subject to the reasonable satisfaction of the Director. LESSEE shall be required to submit a ninety (90) day progress plan upon a written notice from CITY for the completion of any Aircraft construction that is not to the Director's reasonable satisfaction.

1.3 Related Council Actions.

By the granting of this Lease, neither CITY nor the Council of CITY is obligating itself to any other governmental agent, board, commission, or agency with regard to any other discretionary action relating to development or operation of the Premises. 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 Leased Premises.

1.4 Quiet Possession.

LESSEE, paying the rent and performing the covenants and agreements herein, shall at all times during the Term (defined below) peaceably and quietly have, hold, and enjoy the Premises. If CITY for any reason cannot deliver possession of the Premises to LESSEE at the commencement of the Term, or if during the Term, LESSEE is 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 there from, but there shall be determined and stated in writing by CITY a proportionate reduction of the Rent (defined below) for the period or periods during which LESSEE is prevented from having the quiet possession of all or a portion of the Premises caused solely by CITY.

1.5 Easements and Reservations.

a. CITY hereby reserves all rights, title, and interest in any and all subsurface natural gas, oil, minerals, and water on or within the Premises.

b. CITY reserves the right to grant and use easements or to establish and use rights-of-way over, under, along, and across the Leased Premises for utilities, thoroughfares, or access as it deems advisable for the public good.

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

However, CITY shall not unreasonably or substantially interfere with LESSEE's use of the Premises and will reimburse LESSEE for physical damages caused by CITY, if any, to LESSEE's personal property located on the Leased Premises, resulting from CITY exercising the rights reserved in this section. Such reimbursement may include a reduction in the Rent proportionate to the amount of physical damage, as determined by CITY. CITY will pay the costs of maintenance and repair of all CITY installations made pursuant to these reserved rights.

1.6 Political Activities.

The Leased Premises shall be used exclusively for the purpose specified in Section 1.2, Uses, hereof. 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, subject to LESSEE's compliance with all applicable laws.

SECTION 2: TERM

2.1 Commencement.

The term of this Lease shall be month-to-month, commencing on the Effective Date (Term). This Lease may be terminated by either party, without the necessity of cause, by one party serving the other party with a prior 30-day written notice, sent by U.S. First Class Mail.

SECTION 3: RENT & SECURITY DEPOSIT

3.1 Time and Place of Payment.

Rent is due monthly in advance on or before the first day of each calendar month. All monthly rents will be prorated during the first and final months of any rental period in order to achieve payment on the first day of each calendar month. Checks shall be made payable to the 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

The place and time of payment may be changed at any time by CITY upon thirty (30) days' written notice to LESSEE. Mailed rental payments shall be deemed paid upon the date such payment is postmarked by the postal authorities. If postmarks are illegible, the payment shall be deemed paid 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.

a. Rent Amount. The initial monthly flat-rate rent starting on the Effective Date of this Lease, is Four Hundred – Fifty and no/100 Dollars ($450.00) (Rent). Said Rent is subject to annual adjustments as described below.

Annual Adjustments. Each year, prior to the anniversary date, the monthly Rent shall be reviewed to determine if any increase is warranted.

3.3 Delinquent Rent.

If LESSEE fails to pay the Rent when due, LESSEE will pay, in addition to the unpaid rents, five percent (5%) of the delinquent rent. If the Rent is still unpaid at the end of fifteen (15) days, LESSEE shall pay an additional five percent (5%) [being a total of ten percent (10%)], which is hereby mutually agreed by the parties to be appropriate to compensate CITY for loss resulting from rental delinquency, including lost interest, opportunities, legal costs, and the cost of servicing the delinquent account. Notwithstanding the foregoing, in no event shall the charge for late payments of Rent be less than Twenty-five Dollars ($25).

In the event that the CITY audit, if applicable, discloses that the Rent for the audited period has been underpaid in excess of five percent (5%) of the total required Rent, then LESSEE shall pay CITY the cost of the audit plus ten percent (10%) per year on the amount by which said rent was underpaid, in addition to the unpaid rents as shown to be due CITY as compensation to CITY for administrative costs and loss of interest as previously described herein. LESSEE agrees to pay such amount and further agrees that the specific late charges represent a fair and reasonable estimate of the costs that CITY will incur from LESSEE'S late payment. Acceptance of late charges and any portion of the late payment by CITY shall in no event constitute a waiver of LESSEE default with respect to late payment, nor prevent CITY from exercising any of the other rights and remedies granted in this Lease.

3.4 Security Deposit.

A security deposit shall be paid to the CITY by LESSEE in the sum of Nine Hundred Dollars and no/100 Dollars ($900.00) before the Effective Date of this Lease. All or any portion of the principal sum of the security deposit shall be available unconditionally to CITY for correcting any default or breach of this Lease by LESSEE, 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, and all increases thereto, shall take one of the forms set out below:

a. Cash. Cash deposits shall be deposited with CITY, 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.

b. 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 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, LESSEE shall reimburse the deposit 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 applicable law following expiration or earlier termination of 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.

SECTION 4: ASSIGNMENT

4.1 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 guests of LESSEE, to use or occupy the Premises or any part thereof. This Lease shall not, nor shall any interest therein, be assigned as to the interest of LESSEE by operation of law.

"Assignment" for the purposes of this clause shall include 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, to any other person or entity.

4.2 Encumbrance.

LESSEE may not encumber this Lease, its leasehold estate, and its improvements thereon by deed of trust, mortgage, chattel mortgage, or other security instrument to assure the payment of a promissory note or notes of LESSEE.

4.3 Defaults and Remedies.

a. Default. Each of the following shall constitute an event of default under this Lease:

1) LESSEE'S failure to make any payment required under this Lease when due, if the failure continues for five (5) calendar days past due following written notice of the failure by CITY; or

2) Other than the payment of Rent, LESSEE shall default in the performance of any covenant or condition required by this Lease to be performed by LESSEE and shall fail to cure said default within thirty (30) days following written notice thereof from CITY; or if any such default is not curable within thirty (30) days, and LESSEE shall fail to commence to cure the default(s) within said thirty-day period and diligently pursue such cure to completion; or

3) LESSEE shall voluntarily file or have involuntarily filed against it any petition under any bankruptcy or insolvency act or law; or

4) LESSEE shall be adjudicated a bankrupt; or

5) LESSEE shall make a general assignment for the benefit of creditors;

6) LESSEE uses the Premises for any unauthorized purpose.

7) LESSEE fails to show signs of measurable progress in the construction of their Amateur-built Aircraft or Kit-built Aircraft within thirty (30) days written notice from CITY.

b. 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 failures 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:

1) the worth at the time of award of any unpaid rent that was due at the time of termination;

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;

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;

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

6) upon termination of the Lease, LESSEE shall be obligated to pay fees computed at the then current daily rates for comparable transient spaces until LESSEE has removed all Aircraft, personal property, improvements and/or trash and debris from the assigned space(s) and Airport.

As used in clauses (1) and (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 (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.

c. Abandonment by LESSEE. Even though LESSEE has breached the Lease and abandoned the Premises, this Lease shall continue in effect for so long as CITY does not terminate this Lease, and CITY may enforce all its rights and remedies hereunder, including but not limited to the right to recover the Rent as it becomes due, plus damages.

d. Waiver. Any CITY waiver of a default is not a waiver of any other default. Any waiver of a default must be in writing and be executed by CITY in order to constitute a valid and binding waiver. CITY'S delay or failure to exercise a remedy or right is not a waiver of that or any other remedy or right under this Lease. The use of one remedy or right for any default does not waive the use of another remedy or right for the same default or for another or later default. CITY's acceptance of any rents is not a waiver of any default preceding the Rent payment. CITY and LESSEE specifically agree that the property constituting the Premises is CITY-owned and held in trust for the benefit of the citizens of the City of San Diego and that any failure by CITY to discover a default or take prompt action to require the cure of any default shall not result in an equitable estoppel, but CITY shall at all times, have the legal right to require the cure of any default when and as such defaults are discovered or when and as the City Council directs the Mayor to take action or require the cure of any default after such default is brought to the attention of the City Council by the Mayor or by any concerned citizen.

SECTION 5:

5.1 Eminent Domain.

If all or part of the Premises are 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 will be as follows:

a. 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.

b. 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.

c. 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. The minimum Rent shall be equitably reduced to reflect the portion of the Premises taken if the portion taken directly affects LESSEE's allowed operations, which determination shall be made by CITY in its reasonable discretion.

d. Award. 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 the Premises. CITY shall have no liability to LESSEE for any award not provided by the condemning authority.

e. Transfer. 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.

f. No Inverse Condemnation. 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 6: INSURANCE RISKS/SECURITY

6.1 Indemnity.

LESSEE shall defend, indemnify, protect, and hold the CITY, its elected officials, officers, representatives, agents, 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 invitees, guests, agents, contractors or officers, which arise out of or are in any manner directly or indirectly connected with this Lease, the development or operation of the leasehold or the work and operations to be performed under this Lease, and all expenses of investigating and defending against same including without limitation reasonable attorney fees and costs; provided, however, that LESSEE's duty to indemnify and hold harmless shall not include any claims or liability arising from the established sole negligence or willful misconduct of the CITY, its elected officials, officers, agents, 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 the 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 reasonable costs related thereto, including without limitation reasonable attorney fees and costs.

6.2 Insurance.

The Commencement Date shall be a date after which LESSEE has: (a) obtained, and provided to CITY, insurance certificates reflecting evidence of all insurance as set forth herein; however, CITY reserves the right to request, and LESSEE shall submit, copies of any policy upon reasonable request by CITY; (b) obtained CITY approval of each company or companies as required in Section 6.2.3 of the Lease; and (c) confirmed that all policies contain the specific provisions required in Section 6.2.4 of the Lease. LESSEE's liabilities, including but not limited to LESSEE's indemnity obligations, under the Lease, shall not be deemed limited in any way to the insurance coverage required herein. Except as provided for under California law, all policies of insurance required hereunder must provide that CITY is entitled to thirty (30) days prior written notice (10 days for cancellation due to non-payment of premium) of cancellation or non-renewal of the policy or policies. Maintenance of specified insurance coverage is a material element of the Lease and LESSEE's failure to maintain or renew coverage or to provide evidence of renewal during the term of the Lease may be treated as a material breach of contract by CITY.

Further, LESSEE shall not modify any policy or endorsement thereto which increases CITY's exposure to loss for the duration of the Lease.

6.2.1 Types of Insurance. At all times during the term of the Lease, the LESSEE shall maintain insurance coverage as follows:

6.2.1.1 Comprehensive General Liability. General Liability (GL) Insurance written on an ISO Occurrence form CG 00 01 07 98 or an equivalent form providing coverage at least as broad which shall cover liability arising from any and all personal injury or property damage in the amount of One Million Dollars ($1,000,000) per occurrence including One Hundred Thousand Dollars ($100,000) for bodily injury to any person. There shall be no endorsement or modification of the GL limiting the scope of coverage for either insured vs. insured claims or contractual liability. All defense costs shall be outside the limits of the policy.

6.2.1.2 Aircraft Liability Insurance. Combined Single Limit (CSL) Aircraft Liability Insurance, General Aircraft Operation Liability, in an amount not less than One Million Dollars ($1,000,000) combined, sub-limited to One Hundred Thousand Dollars ($100,000) for bodily injury to any passenger.

6.2.1.3 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 related to the Allowed Uses of the Premises under this Lease or the Premises in an amount to cover 100 percent (100%) of the replacement cost. LESSEE shall deliver a certificate of said insurance to CITY's Real Estate Assets Department.

6.2.2 Deductibles.

All deductibles on any policy shall be the responsibility of LESSEE and shall be disclosed to CITY at the time the evidence of insurance is provided.

6.2.3 Acceptability of Insurers.

6.2.3.1 All insurance required by the Lease shall only be carried by insurance companies with a rating of at least "A-, VI" by A.M. Best Company, that are authorized by the California Insurance Commissioner to do business in the State of California, and that have been approved by CITY.

6.2.3.2 CITY will accept insurance provided by non-admitted, "surplus lines" carriers only if the carrier is authorized to do business in the State of California and is included on the List of Eligible Surplus Lines Insurers (LESLI list). All policies of insurance carried by non-admitted carriers are subject to all of the requirements for policies of insurance provided by admitted carriers described herein.

6.2.4 Required Endorsements. The following endorsements to the policies of insurance are required to be provided to CITY before any operations are initiated under the Lease.

6.2.4.1 Comprehensive General Liability Insurance Endorsements

ADDITIONAL INSURED. To the fullest extent allowed by law including but not limited to California Insurance Code Section 11580.04, the policy or policies must be endorsed to include as an Additional Insured CITY of San Diego and its respective elected officials, officers, employees, agents and representatives with respect to liability arising out of (a) ongoing operations performed by you or on your behalf, (b) your products, (c) your work, including but not limited to your completed operations performed by you or on your behalf, or (d) premises owned, leased, controlled or used by you.

PRIMARY AND NON-CONTRIBUTORY COVERAGE. The policy or policies must be endorsed to provide that the insurance afforded by the Comprehensive General Liability policy or policies is primary to any insurance or self-insurance of CITY of San Diego and its elected officials, officers, employees, agents and representatives as respects operations of the Named Insured. Any insurance maintained by CITY of San Diego and its elected officials, officers, employees, agents and representatives shall be in excess of LESSEE's insurance and shall not contribute to it.

6.2.5 Reservation of Rights. CITY reserves the right, from time to time, to review LESSEE's insurance coverage, limits, deductibles and self-insured retentions to determine if they are acceptable to CITY.

6.2.6 Additional Insurance. LESSEE may obtain additional insurance not required by the Lease.

6.2.7 Excess Insurance. All policies providing excess coverage to CITY shall follow the form of the primary policy or policies including but not limited to all endorsements.

6.2.8 Accident Reports. LESSEE shall immediately report to CITY any accident causing property damage or injury to persons on the Premises or otherwise related to the Allowed Uses. 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.

6.3 Waste, Damage, or Destruction.

LESSEE agrees to give notice to CITY of any fire or other damage that may occur on the Leased Premises within forty eight (48) hours 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 Leased 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 Leased 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, using for either purpose the insurance proceeds as set forth in Section 6.2, Insurance, hereof.

LESSEE agrees that preliminary steps toward performing repairs, restoration, or replacement of the Premises shall be commenced by LESSEE within thirty (30) days of the occurrence of the damage, and the required repairs, restoration, or replacement shall be completed no later than ninety (90) days. CITY may, in its sole discretion, determine an equitable deduction in the monthly rent requirement for such period or periods that said Premises are untenantable by reason of such damage if such damage is not directly or indirectly caused by LESSEE or LESSEE's operations on the Premises.

SECTION 7: ACCEPTANCE, ENTRY, IMPROVEMENTS, HAZARDOUS SUBSTANCES & OTHER SPECIAL PROVISIONS

7.1 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 acknowledges that the Premises are in good order and condition and shall take possession of the Premises "as is." CITY has not made and makes no representation or warranty as to the condition or suitability of the Premises for LESSEE's intended use, and assumes no obligation to alter or improve the Premises. LESSEE has relied solely on its own independent investigations of the condition and suitability of the Premises, and is satisfied with the condition thereof. LESSEE further acknowledges that the Premises are in the condition called for by this Lease and that LESSEE shall not hold CITY responsible for any defects, whether apparent or latent, in the Premises, including the presence of any Hazardous Substances as defined this Lease. LESSEE acknowledges and agrees that unless set forth in this Lease, CITY has no obligation to improve, modify, repair, replace, alter or otherwise develop the Premises at any time either prior to, on, or after the Effective Date.

7.2 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, or to protect its interests in the Premises, or to inspect the operations conducted thereon. In the event that such entry or inspection by CITY discloses that said 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. Further, if at any time CITY determines that said Premises are not in a decent, safe, healthy, and sanitary condition, CITY may at its sole option, without additional notice, require LESSEE to file with CITY a faithful performance bond to assure prompt correction of any condition which is not decent, safe, healthy, and sanitary. Said bond shall be in an amount adequate in the opinion

of CITY to correct the said unsatisfactory condition. LESSEE shall pay the cost of said bond. The rights reserved in this section shall not create any obligations on CITY or increase obligations elsewhere in this Lease imposed on CITY.

7.3 Maintenance.

CITY agrees to assume full responsibility and cost for the operation and maintenance of the Premises throughout the Term. CITY will make all repairs and replacements necessary to maintain and preserve the Premises in a decent, safe, healthy, and sanitary condition satisfactory to CITY and in compliance with all applicable laws.

7.4 Improvements/Alterations.

No improvements, structures, or installations shall be constructed on the Premises, and the Premises may not be altered by LESSEE without prior written approval by the CITY. Further, LESSEE agrees that major structural or architectural design alterations to approved improvements, structures, or installations may not be made on the Premises without prior written approval by the CITY, and that such approval shall not be unreasonably withheld. This provision shall not relieve LESSEE of any obligation under this Lease to maintain the Premises in a decent, safe, healthy, and sanitary condition, including structural repair, restoration and/or replacement of damaged or worn improvements. CITY shall not be obligated by this Lease to make or assume any expense for any improvements or alterations.

7.5 Utilities.

CITY agrees to pay for all electrical utilities and service charges in connection with the development and operation of the Leased Premises.

7.6 Liens.

LESSEE shall at all times hold CITY free and harmless and indemnify CITY against all claims for labor or materials in connection with improvements, alterations or repairs on or to the Premises and the costs of defending against such claims, including reasonable attorney's fees.

If improvements, 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.

7.7 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 Leased 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.

7.8 Signs.

LESSEE agrees not to erect or display any banners, pennants, flags, posters, signs, decorations, marquees, awnings or similar devices or advertising. If any such unauthorized item is found on the Premises, LESSEE agrees to remove the item at its expense within 24 hours' notice thereof by CITY or CITY may thereupon remove the item at LESSEE's cost.

7.9 Ownership of Improvements and Personal Property.

a. Any and all improvements, trade fixtures, structures, and installations or additions to the Premises now existing or constructed on the Premises by LESSEE are CITY's property free of all liens and claims, except as otherwise provided in this Lease.

b. If CITY elects not to assume ownership of all or any improvements, trade fixtures, and installations, CITY shall so notify LESSEE thirty (30) days prior to Lease termination or expiration, and LESSEE shall remove all such improvements, 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 by CITY, LESSEE agrees to pay CITY the full cost of any removal.

c. LESSEE-owned machines, appliances, equipment (other than 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 said items which LESSEE fails to remove will be considered abandoned and, subject to applicable law, become CITY'S property free of all claims and liens, or CITY may, at its option, remove said items at LESSEE's expense.

d. If any removal of such personal property by LESSEE results in damage to the remaining improvements on the Premises, LESSEE agrees to repair all such damage.

e. Any necessary removal by either CITY or LESSEE which takes place beyond said expiration or termination hereof shall require LESSEE to pay rent to CITY at the rate in effect immediately prior to said expiration or termination.

f. 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 termination of this Lease, then CITY shall have the first right to acquire or purchase said personal property.

7.10 Unavoidable Delay.

If the performance of any act required of CITY or LESSEE is directly prevented or delayed by reason of strikes, lockouts, labor disputes, acts of God, fire, floods, 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.

7.11 Hazardous Substance.

LESSEE shall not allow the illegal installation, storage, utilization, generation, sale or release of any Hazardous Substance or otherwise regulated substances in, on, under or from the Premises. LESSEE and LESSEE's agents and contractors shall not install, store, utilize, generate or sell any Hazardous Substance on the Premises without CITY's prior written consent. LESSEE shall, prior to initiating any operations that involve Hazardous Substances, obtain all required permits from

applicable regulatory agencies, including without limitation the San Diego County Department of Environmental Health, local fire agencies, the San Diego County Department of Weights and Measures, the San Diego County Air Pollution Control District, and the San Diego Regional Water Quality Control Board. Installing, utilizing, storing, or any other presence of a Hazardous Substance includes boxes, bags, bottles, drums, cylinders, above or below ground tanks, equipment with tanks, or any other type of container, equipment or device which holds or incorporates a Hazardous Substance or hazardous waste.

a. Release. For purposes of this Lease, a "release" shall include without limitation any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or otherwise disposing of a Hazardous Substance.

b. Hazardous Substance. For purposes of this Lease, "Hazardous Substance" shall mean any substance listed by the Environmental Protection Agency or the State of California as a hazardous substance, and all types of petroleum-related substances and their chemical constituents.

c. Remediation. If LESSEE's occupancy, use, development, maintenance or restoration of the Premises results in a release of a Hazardous Substance, LESSEE shall pay all costs of remediation and removal to the CITY's satisfaction for unrestricted reuse of the Premises, and in accordance with all applicable laws, rules, regulations and directives of competent governmental authorities.

d. Removal. If LESSEE or LESSEE's contractor or agent has received approval and permits to store, utilize, generate or install, or otherwise bring Hazardous Substances to the Premises, LESSEE and/or LESSEE's contractor or agent shall remove all Hazardous Substances in any type of container, equipment or device from the Premises immediately upon or prior to the expiration or earlier termination of this Lease. CITY reserves the right to conduct inspections of the Premises and/or request documentation demonstrating the legal removal and/or disposal of the hazardous materials, wastes or other containers, equipment or devices from the Premises. LESSEE shall be responsible for any and all costs incurred by CITY to remove any container, equipment or device requiring disposal or removal as required by this provision.

e. Indemnity. LESSEE shall protect, defend, indemnify and hold CITY harmless from any and all claims, costs and expenses related to environmental liabilities resulting from LESSEE's occupancy, use, development, maintenance or restoration of the Premises, including without limitation: (i) costs of environmental assessments; (ii) costs of regulatory remediation oversight; (iii) costs of remediation and removal; (iv) any necessary CITY response costs; (v) all fines, penalties or fees assessed by any regulatory agency; (vi) damages for injury to natural resources, LESSEE's officers, employees, invitees, guests, agents or contractors, or the public; and (vii) all costs of any health assessments or health effect studies.

f. Notice of Release. If LESSEE knows or has reasonable cause to believe that a Hazardous Substance has been released on, from or beneath the Premises, LESSEE shall immediately notify CITY and any appropriate regulatory or reporting agency pursuant to California Code of Regulations Title 19 and any other applicable laws or regulations. LESSEE shall deliver a written report thereof to CITY within three (3) days after receipt of the knowledge or cause for belief and submit any required written reports to regulatory or reporting agencies as required by regulation or law. If LESSEE knows or has reasonable cause to believe that such substance is an imminent release or is an imminent substantial danger to public health and safety, LESSEE shall take all actions necessary to alleviate the danger. LESSEE shall immediately notify CITY in writing of any violation, notice to comply, or notice of violation received or the initiation of environmental actions or private suits related to the Premises.

g. Environmental Assessment. Upon reasonable cause to believe that LESSEE's occupancy, use, maintenance or restoration of the Premises ("LESSEE's Operations"), resulted in any Hazardous Substance being released on, from or beneath the Premises, CITY shall notify LESSEE of such belief and allow LESSEE up to fifteen (15) days after such notice to commence the performance of an environmental assessment under regulatory oversight of the suspect area by a professional environmental consultant registered with the State of California as a Professional Engineer, Certified Engineering Geologist or Registered Civil Engineer. If LESSEE fails to cause such an environmental assessment to be commenced with the noticed time period, CITY may cause the assessment to be performed. The environmental assessment shall be obtained at LESSEE's sole cost and expense, and shall establish what, if any, Hazardous Substances have more

likely than not been caused by LESSEE's Operations on, in, from or under the Premises, and in what quantities. If any such Hazardous Substances exist in quantities greater than allowed by city, county, state or federal laws, statutes, ordinances or regulations, or require future restricted re-use of the Premises, then the environmental assessment shall include a discussion of such substances with recommendations for remediation and removal necessary to effect unrestricted re-use and in compliance with those laws or statutes, and estimates of the cost of such remediation or removal. LESSEE shall cause, or if LESSEE fails to do so within a reasonable period of time, as determined by CITY in its sole discretion, CITY may cause, the remediation and/or removal recommended in the environmental assessment such that unrestricted re-use of the Premises and compliance with environmental law and regulations are achieved, and LESSEE shall pay all costs and expenses therefore.

7.12 Asbestos Disclosure.

CITY discloses to LESSEE that portions of the structural components of the Premises may contain asbestos. LESSEE acknowledges having received notice from CITY of the presence of such asbestos in accordance with Health and Safety Code Section 25915. LESSEE shall disclose the existence of asbestos on the Leased Premises, as required by Health and Safety Code Section 25915. LESSEE agrees to indemnify and hold CITY harmless from any loss or claim which may result from the existence of asbestos on the Leased Premises.

7.13 Disabled Access Compliance.

LESSEE shall, as applicable to the Leased Premises and LESSEE's possession, use and occupancy thereof, comply with Title 24 of the California Code of Regulations (i.e., the "California Building Code"); the Americans with Disabilities Act of 1990 (ADA); and all other applicable local, state and federal laws and regulations enacted, or hereafter enacted, protecting the rights of people with disabilities. Where required by law, any improvements made to the Leased Premises by LESSEE shall comply with municipal disabled access requirements by bringing up to code and making accessible any areas of the Leased Premises which deny access to disabled persons. All improvements and alterations shall be at the sole cost of LESSEE.

LESSEE 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.

7.14 Relocation Payments.

LESSEE understands and agrees that it shall not be entitled to any relocation payment whatsoever upon termination of this Lease.

7.15 Lease Subject to FAA Regulations.

LESSEE acknowledges and agrees, in addition to the foregoing terms and conditions of this Lease, that LESSEE shall strictly adhere to, and at all times be subject to, the FAA Regulations set forth in the attached **EXHIBIT B**, which by this reference are made a part of this Lease. Failure to strictly adhere to the FAA Regulations shall subject this Lease to immediate termination with no liability to CITY.

SECTION 8: AIRCRAFT REMOVAL

8.1 Aircraft Removal.

Upon expiration or earlier termination of this Lease, LESSEE shall be required to remove all Aircraft stored on the Leased Premises on or before said expiration or termination date. If any Aircraft is left on the Leased Premises after the expiration or earlier termination of this Lease, LESSEE agrees that CITY is authorized to remove and/or dispose of the Aircraft according to law and as determined by CITY staff. LESSEE further agrees that all costs incurred by CITY to remove and store LESSEE's Aircraft in a public or private warehouse, or to remove and store LESSEE's Aircraft on another portion of the Airport (to be determined by the Director at his sole discretion), shall be at LESSEE's sole cost and expense, and all costs and expenses shall be reimbursed to CITY within ten (10) days' receipt of a CITY invoice therefor.

SECTION 9. LIENS & LOCK DOWN OF AIRCRAFT

9.1 LESSEE hereby acknowledges and agrees that: (1) CITY may seek to impose a lien upon the LESSEE's Aircraft, and other personal property placed on the Leased Premises for the repayment of all delinquent rent, fees, storage, and other charges; (2) CITY may remove said Aircraft and/or other personal property from the Leased Premises and relocate all such personal property to another location with the intent

of ensuring its continued availability for lien purposes and/or take all other available legal actions to ensure reimbursement of all sums owed to CITY pursuant to the terms of this Lease.

LESSEE further covenants and agrees to hold CITY harmless for CITY's actions in or concerning the removal, lock-down, and/or storage of any Aircraft and all personal property moved in accordance with this Section.

LESSEE further acknowledges and agrees that CITY, or its agents, are legally authorized to, and may, dispose of any Aircraft and other personal property left on the Leased Premises when acting in accordance with California Civil Code, Sections 1980, *et seq*., and 1951.3 *et seq*..

SECTION 10: SAFETY MANAGEMENT SYSTEMS

10.1 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 of this Lease 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 Leased 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 Leased 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 11: GENERAL PROVISIONS

11.1 Notices and Consent.

a. 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 address designated in writing by LESSEE; and to CITY as follows:

CITY:

Airports Deputy Director
Montgomery-Gibbs Executive Airport
3750 John J Montgomery Dr. MS 14
San Diego, CA 92123

LESSEE:

Daniels Aviation, Inc.
2046 Crest Drive
El Cajon, CA 92021

b. Any party entitled or required to receive notice under this Lease may designate a different address to which notices shall be sent, by giving the other party a prior thirty (30) day notice thereof.

c. Whenever in this Lease the approval or consent of a party is required, such approval or consent shall be in advance, in writing, and shall be executed by a person having the express authority to grant such approval or consent. All written notices given in conjunction with this Lease shall be effective when personally delivered or after three (3) working days upon deposit in the U. S. Mail, certified or registered, postage prepaid, to the address of record set forth in this Lease, or to such other address as either party shall designate in writing.

11.2 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 CITY or other appropriate authority, under the authority of any such law, statute, ordinance, or regulation.

11.3 CITY Approval.

The approval or consent of CITY, wherever required in this Lease, shall mean the written approval or consent of the Mayor, or his designee, unless otherwise specified, without need for further resolution by the City Council.

11.4 Nondiscrimination.

LESSEE agrees not to 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 LESSEE's use of the Premises. including but not limited to the providing of goods, services, facilities, privileges, advantages, and accommodations.

11.5 Accessibility Assessment.

In accordance with California Civil Code section 1938, CITY hereby states that the Premises have not been inspected by a Certified Access Specialist (CASp). Further pursuant to California Civil Code section 1938(e), CITY is required to state: "A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises."

11.6 Storm Water Pollution Prevention Program:

PERMITTEE shall comply with the CITY's Storm Water Management and Discharge Control provisions codified in Division 3 of Chapter 4 of the San Diego Municipal Code, as may be amended, and any and all applicable Minimum Best Management Practice requirements, as defined in the City's Jurisdictional Runoff

Management Plan, in performing or delivering services at City owned, leased, or managed property, or in performance of services and activities on behalf of CITY regardless of location.

PERMITTEE shall comply with the CITY's Jurisdictional Runoff Management Plan encompassing Citywide programs and activities designed to prevent and reduce storm water pollution within CITY boundaries as adopted by the CITY's City Council on July 1, 2015, via Resolution No. 309791, as may be amended.

PERMITTEE shall comply with each CITY facility or work site's Storm Water Pollution Prevention Plan, as applicable, and institute all controls needed while completing the services to minimize any negative impact to the storm water collection system and environment.

11.7 Survival.

Any obligation which accrues under this Lease prior to its expiration or termination shall survive such expiration or termination.

11.8 Joint and Several Liability.

If LESSEE is comprised of more than one person or legal entity, such persons and entities, and each of them, shall be jointly and severally liable for the performance of each and every obligation of LESSEE under this Lease.

11.9 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.

11.10 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 tense requires.

11.11 Captions.

The 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 not intentional and shall have no effect on the enforceability of this Lease.

11.12 CITY Employee Participation Policy.

It is the policy of CITY that all CITY contracts, agreements, or leases with consultants, vendors, or LESSEE's 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.

11.13 Entire Understanding.

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 Leased Premises. Each party has relied on its own examination of the Premises, advice from its own attorneys, and the warranties, representations, and covenants of the Lease itself. Each of the parties in this Lease agrees that no other party, agent, or attorney of any other party has made any promise, representation or warranty whatsoever which is not contained in this Lease. The failure or refusal of any party to read the Lease or other documents, 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 agreement is executed by CITY, acting by and through its Mayor, and by LESSEE, acting through its legally authorized representative.

THE CITY OF SAN DIEGO, a California municipal corporation

Date 12/3/18

By _____
Cybele L. Thompson
Director, Real Estate Assets Department

Daniels Aviation, Inc.

Date 11/27/18

By _____
Travis N. Daniels, President

Environmental Analysis Section Environmental Clearance:

This activity is categorically exempt from CEQA pursuant to CEQA Guidelines Section 15301 (Existing Facilities).

Date: 11/29/18

By: _____
Alyssa Muto
Deputy Director, Planning Department

Approved as to form this 13th day

of December, 2018.

MARA W. ELLIOTT, City Attorney

By _____

Name: David Powell

Title: Deputy City Attorney

Leased Premises

Exhibit A

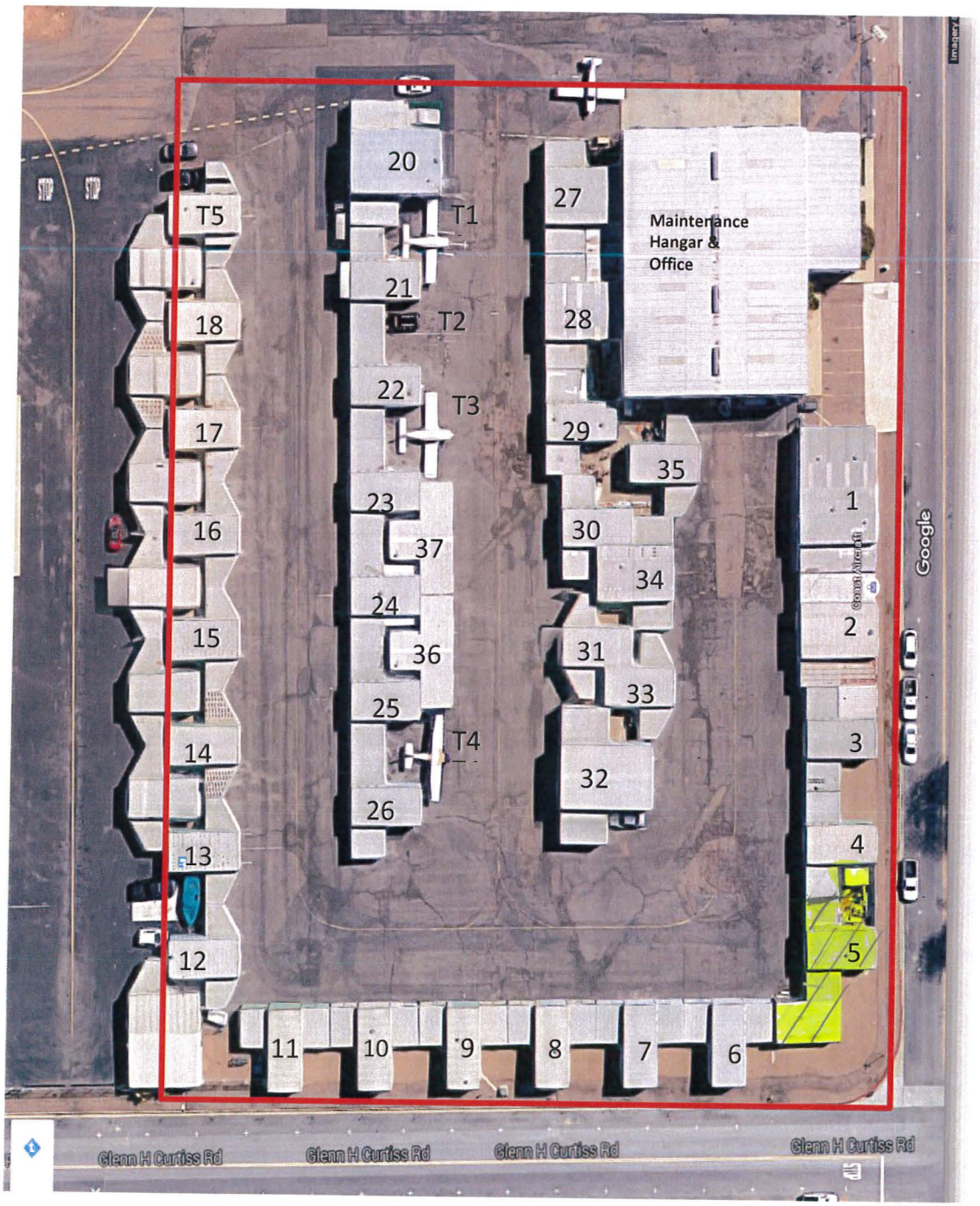


EXHIBIT B

FAA Requirements and Reservations of Rights

LESSEE and its officers, employees, contractors, agents, and all others operating through LESSEE shall conform to the following FAA covenants and reservations of rights as applicable.

B-1. LESSEE's Use to Conform with Law and Other Rules.

LESSEE is granted the nonexclusive use of all public Airport facilities including, but not limited to, taxiways, runways, aprons, navigational aids and other facilities related to the normal function of any Aircraft under LESSEE's control. LESSEE agrees that such use shall be in accord with existing or future laws, rules and regulations of the United States of America, the State of California and CITY in regard to their aviation and air navigation authority.

B-2. LESSEE's Use and Construction to Conform with Federal Aviation Regulations.

LESSEE agrees to conform to all applicable Federal Aviation Regulations in any operation or construction on the Site 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 Leased Premises and the Airport.

B-3. LESSEE's Noninterference with Aircraft.

LESSEE and LESSEE's successors and assigns, agree not to use the Leased in any manner which might 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 the LESSEE.

B-4. Agreement Subordinate to CITY/United States Agreements.

This Lease shall be subordinate to the terms of any existing or future agreements between CITY and the United States, or to any United States legal requirement

relative to the development, operation or maintenance of the Airport. LESSEE acknowledges and agrees that should any existing or future agreement between CITY and the United States, or any United States legal requirement, cause this Lease to terminate or otherwise be affected, LESSEE shall have no right to seek damages of any type therefor from CITY.

B-5. Height Limitation.

LESSEE and the LESSEE's successors and assigns agree not to erect or lease any structure unless it complies with all FAA and Airport Land Use Compatibility Plan ("ALUCP") height limitations. If this covenant is breached in any way, CITY reserves the right to remove the structure or object at the expense of the LESSEE.

B-6. Right of Flight Easement.

CITY and its successors and assigns reserve a right of flight for the passage of Aircraft in the air space above the Leased Premises , for the benefit and use of the public. This right includes the right to make noise inherent in the operation of existing or future Aircraft that operate in any way on or near the Airport.

B-7. 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 loss or damages alleged by the Lease 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.

B-8. Airport Development.

CITY reserves the right to further develop, change or improve the Airport, terminal, offices, including its routes and landing areas, as CITY sees fit, without 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 –

including the right to shut down parts or all of the Airport – at no liability to the CITY, regardless of any damages or losses LESSEE may suffer from said actions.

B-9. Nonexclusive Right.

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).

B-10. Landing Area Maintenance.

CITY reserves the right, but not the obligation, to maintain and repair the Airport landing area and all other public facilities with no liability to CITY. CITY also has the right to direct and control all LESSEE activities affecting the maintenance and repair of the Airport landing areas and all other public facilities.

B-11. FAA Nondiscrimination Covenant.

a. LESSEE agrees and LESSEE's representatives, successors, and assigns agree, as part of the consideration for this Lease, that:

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

(2) No person shall be denied benefits, excluded from participation in or subject to discrimination in the construction of any improvements nor the furnishing of any services on the Leased Premises , based on race, color, sex or national origin.

(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.

b. If any of the provisions are breached, CITY may terminate this Lease and reenter and repossess the Leased Premises as if this Lease had never been

made. This provision is not effective until the procedures of 49 CFR Part 21 are allowed and completed, including expiration of appeal rights.

c. LESSEE agrees to furnish accommodations and services on a fair and equal basis to all users and will charge fair, reasonable and equal prices for each item or service. LESSEE is allowed to make reasonable and nondiscriminatory discounts, rebates or similar price reductions to volume purchasers. If LESSEE does not comply with this provision, CITY has the right to terminate this Lease, without liability, and either CITY or the United States may judicially enforce this entire covenant.

d. LESSEE agrees to include this entire covenant in any sublease or other agreement by which LESSEE grants any right or privilege to any firm, corporation or person providing services or accommodations to the public on the Leased Premises .

B-12. Equal Opportunity.

The LESSEE, the LESSEE's 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.

B-13. CITY to Mitigate Impacts of Subordination.

If subordination agreements between CITY and United States of America result in LESSEE's inability to operate as a business on the Leased Premises , or if the operations permitted under this Lease are materially affected during a period of subordination, CITY agrees to make a reasonable adjustment to the terms and conditions of the Lease, as determined by CITY, in its sole discretion. LESSEE agrees that any damages claimed during this subordination period will be limited to the relief granted by CITY, if any, and that CITY will incur no liability for any losses suffered by LESSEE.

B-14. CITY to Mitigate Impacts of Subordination by Termination or Extension.

If subordination agreements between CITY and the United States of America result in LESSEE's inability to operate as authorized on the Leased Premises , or if LESSEE's operations authorized under this Lease are materially affected during a period of subordination, CITY, upon written request from LESSEE, will

terminate this Lease or extend the term of this Lease for the period of time that LESSEE's operation is affected, and no rent shall accrue during any period of non-operation.

B-15. Hangar Keeper's Insurance.

If so instructed by CITY, LESSEE agrees to maintain Hangar Keeper's Insurance sufficient to cover any Aircraft hangared for others. Failure to provide or maintain Hangar Keeper's Insurance is subject to the same requirements, restrictions and penalties, as detailed under the insurance provision of this Permit.

B-16. Licenses and Certifications.

LESSEE agrees that it will not maintain any activities such as a flight school, air charter, air taxi or grounds school, without the required FAA certifications and licenses. Failure to comply with this provision constitutes a default and CITY then has the right to terminate this Lease without liability.

B-17. Employee Conduct.

LESSEE shall be responsible for the conduct of all employees, contractors, agents, invitees, and guests on the Leased Premises and Airport, if that employee, contractor, agent, invitee or guest is on Airport property during any period of employment or in connection with LESSEE's operations or activities on the Airport.

B-18. Aircraft Parking.

LESSEE shall require that all Aircraft under its control be parked within the boundaries of the Leased Premises . At no time shall any Aircraft, vehicle or other object, including refuse, under LESSEE's control, be allowed to parked within the Runway Protection Zone (RPZ) or obstruct any designated taxiways.

B-19. 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. The LESSEE and the 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.

B-20. Provisions to be Included in All Pertinent Documents.

LESSEE agrees that it shall insert all of the FAA Requirements provisions set forth in this Exhibit B in all 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 Leased Premises .

Date of Notice: May 24, 2018

NOTICE OF RIGHT TO APPEAL ENVIRONMENTAL DETERMINATION

PLANNING DEPARTMENT

PROJECT NAME/NUMBER: Month-to-Month Hangar Lease for Lot 8A at Montgomery-Gibbs Executive Airport

COMMUNITY PLAN AREA: Kearny Mesa

COUNCIL DISTRICT: District 6

LOCATION: Montgomery-Gibbs Executive Airport within Lot 8A at 8620 Gibbs Drive, San Diego, CA 92123

PROJECT DESCRIPTION: Month-to-Month Flat Rate Hangar Lease Agreement for thirty-six (36) T-Hangars and five (5) tiedown ground spaces located on Lot 8A at Montgomery-Gibbs Executive Airport. The premises are leased to Lessee(s) solely for aircraft storage and not for the operation of any commercial enterprise. Routine aircraft maintenance performed on the premises will be limited to "Non-commercial Maintenance." Fueling of any type of aircraft while located in a hangar is prohibited.

ENTITY CONSIDERING PROJECT APPROVAL: City of San Diego

ENVIRONMENTAL DETERMINATION: This activity is categorically exempt from CEQA pursuant to CEQA Guidelines Section 15301 (Existing Facilities).

ENTITY MAKING ENVIRONMENTAL DETERMINATION: City of San Diego Mayor-Appointed Designee.

STATEMENT SUPPORTING REASON FOR ENVIRONMENTAL DETERMINATION:
The City of San Diego conducted an environmental review that determined the project would not have the potential for causing a significant effect on the environment pursuant to State CEQA Guidelines Section 15301 (Existing Facilities) which consists of the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures or facilities involving negligible or no expansion of use; and where the exceptions listed in CEQA Section 15300.2 would not apply in that no cumulative impacts were identified; no significant effects on the environment were identified; the project is not adjacent to a scenic highway; no historical resources would be affected by the action; and the project was not identified on a list of hazardous waste sites pursuant to Section 65962.5 of the Government Code.

CITY CONTACT:	Debbie Shauger, Property Agent Real Estate Assets Department – Airports Division
MAILING ADDRESS:	3750 John J. Montgomery Drive, San Diego, CA 92123, MS14
PHONE NUMBER:	(858) 573-1448

On May 24, 2018, the City of San Diego made the above-referenced environmental determination pursuant to the California Environmental Quality Act (CEQA). This determination is appealable to the City Council. If you have any questions about this determination, contact the City Contact listed above.

Applications to appeal CEQA determination to the City Council must be filed in the office of the City Clerk within 10 business days from the date of the posting of this Notice (**June 8, 2018**). The appeal application can be obtained from the City Clerk, 202 'C' Street, Second Floor, San Diego, CA 92101.

This information will be made available in alternative formats upon request.

POSTED IN THE OFFICE OF DSD

POSTED: 5/24/2018

REMOVED: 6/13/2018

POSTED: E. Pascual